



Adaro Energy 2010

ANNUAL REPORT

www.adaro.com
IDX : ADRO



**Exceptional
Community Relations**
by President Director
Garibaldi Thohir at Coaltrans
Asia 2010

History of Adaro
Developing the Impossible

ENVIROCOAL 4000
The New Coal from Adaro

APRIL 2011
Third Edition

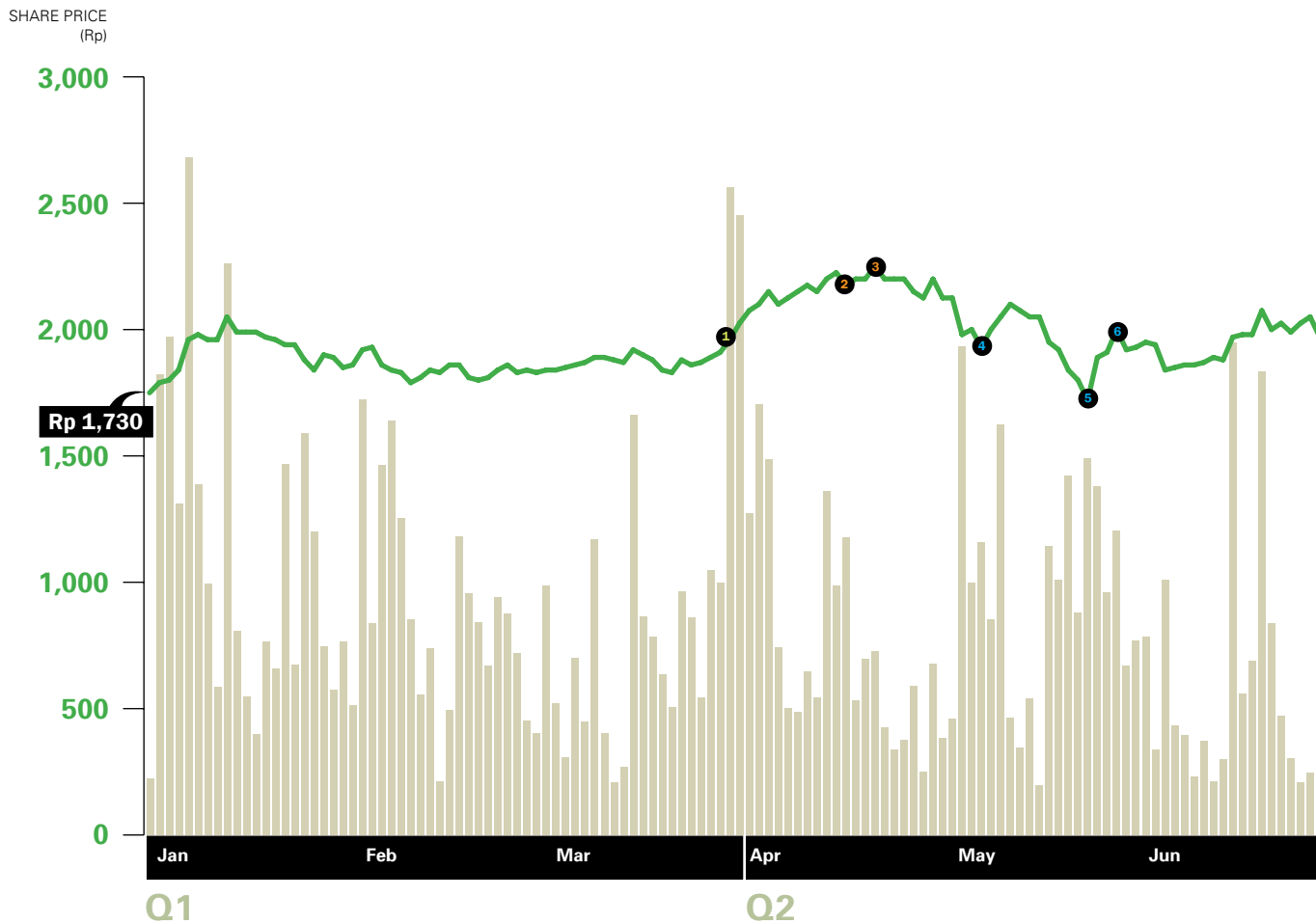
**Review of Coal
Operations**
by Jamie Frankcombe
Chief Operating Officer
Adaro Indonesia

Financial Review
by David Tendian
Director of Finance
Adaro Energy

**Growing and
Expanding**
by Alastair Grant
Director of Business Development
Adaro Energy

CREATING SUSTAINABLE
VALUE
FROM INDONESIAN COAL

2010 Important Dates and Share Price Information



1 31 March 2010



BHP Billiton announced it had entered into binding agreements to create a new joint venture for its Indonesian Coal Project (ICP) with PT Alam Tri Abadi, a wholly owned subsidiary of Adaro Energy.

2 23 April 2010



Adaro held its Annual General Meeting of Shareholder (AGMS) and Extraordinary General Meeting of Shareholders (EGMS) and distributed its final dividend payment constituting 21.25% of 2009 net income, or amounting to Rp543.76 billion.

3 5 May 2010



Adaro Energy received the "Top Performing Listed Companies 2010" award during the Investor Awards 2010 event held by Investor Magazine.

4 11 May 2010



Adaro delivered its first shipment of E 4000 (Wara) to China.

5 27 May 2010

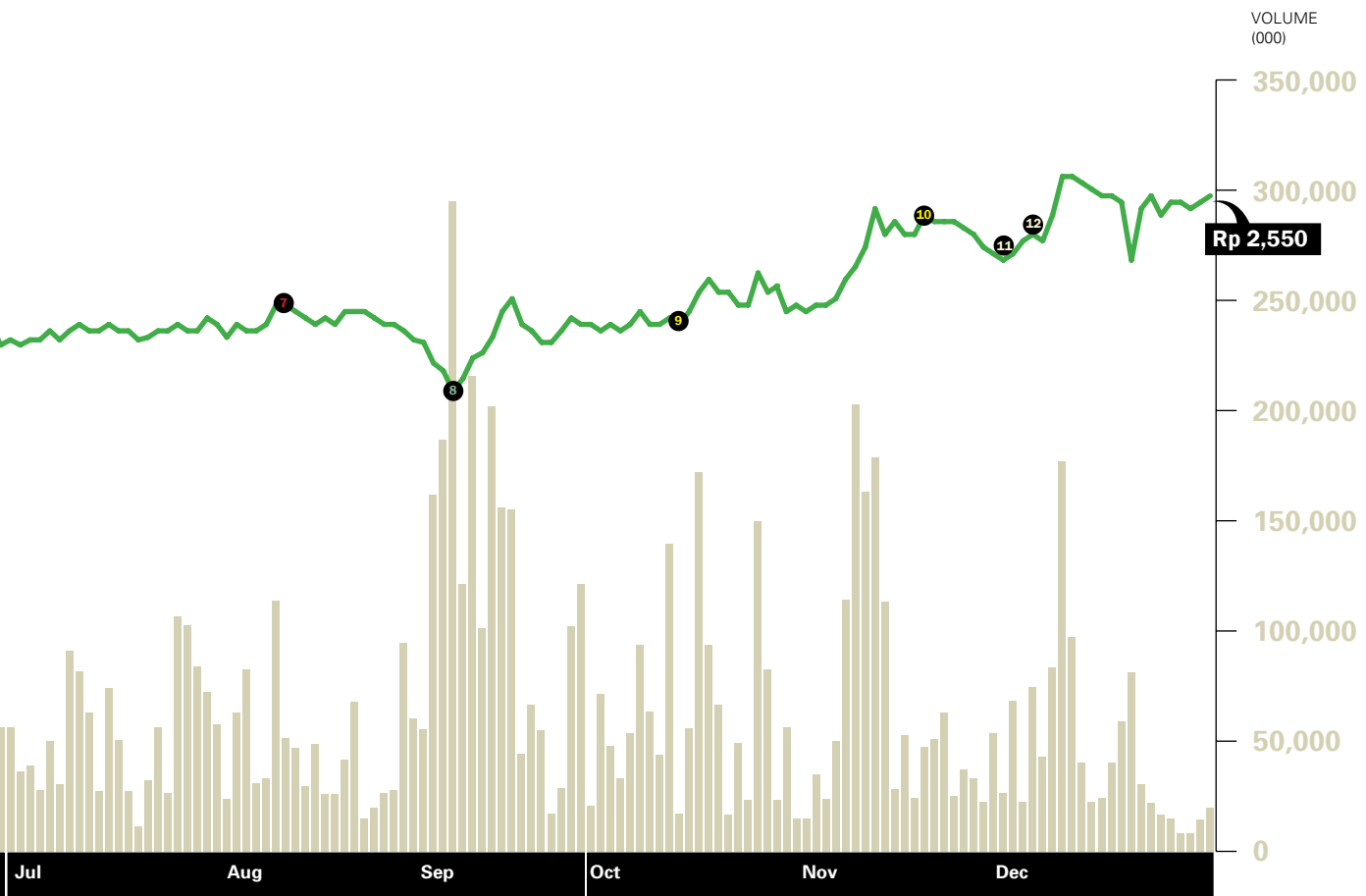


Adaro Energy and BHP Billiton finalized joint venture arrangements for the Indonesian Coal Project (ICP).

6 27 August 2010



Shell, in cooperation with IBT officially opened the Pulau Laut Fuel Terminal in South Kalimantan.



Q3 Q4

7 31 August 2010



Adaro Indonesia was awarded the “International Coal Producer of the Year” from the McCloskey Group, during the Indian Coal Markets Conference and Awards Dinner.

8 13 October 2010



Adaro Indonesia received the Primaniyarta 2010 award for the best performing exporter from the Ministry of Trade. The award was presented by Vice President Republik Indonesia, Boediono.

9 2 November 2010



Platts ranked Adaro Energy as the third fastest growing company in Asia based on the three-year compound revenue growth.

10 18 November 2010



Adaro signed innovative barging contracts to improve efficiency and lower costs.

11 26 November 2010



Adaro Indonesia received the PROPER Green award for third consecutive time from the Ministry of Environment RI, presented by Vice President RI, Boediono.

12 10 December 2010



Adaro Energy announced it plans to pay an interim dividend of 9.85 rupiah per share on December 10th.

Green energy is the heart of everything that we do. Adaro is the world's leading supplier of the cleanest coal energy in the world Envirocoal. Suitable for recycling, our special coal has ultra-low sulphur, ash and nitrogen content.

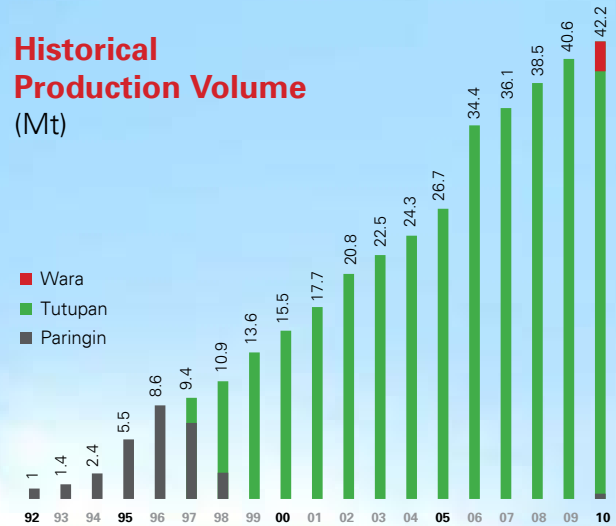
When Adaro began mining operations in South Kalimantan in 1992, we made the commitment to integrate with the community and create a sustainable community program. This has become the template for all of Adaro Energy's operating subsidiaries. The primary aim of the program is to manage the social, economic and environmental impact of our operations to ensure positive benefits to the surrounding communities. Our business development, education, religious and social welfare programs are reviewed annually, with the goal of making them self-sustaining. Land affected by mining is reclaimed as soon as possible and made available to the local community. The reclamation includes planting of commercial crops, creating fish farms and developing recreational areas. Reclamation is also used as an opportunity for agricultural training.

In Million USD	2010	2009	2008	2007
Sales*	2,718	2,591	1,869	1,269
Profit before tax*	556	825	302	104
Shareholder Equity**	2,066	1,856	1,279	228
Production (million tonnes)	42.2	40.6	38.5	36.1

* translated using the average exchange rate during the respective year
 ** translated during the exchange rate at the end of the respective year

Adaro received the 2009 and 2010 PROPER Green award from Indonesia's Ministry of the Environment for environmental rehabilitation and social programs excellence, the first and the only coal company ever to receive the award. PROPER is an internationally recognized environmental social rating program. Working with the community, we are creating value for the future.

Historical Production Volume (Mt)



PT Adaro Energy Tbk
 Menara Karya Lantai 23
 Jl. H.R. Rasuna Said Blok X - 5
 Kav 1-2 Jakarta 12950
 Indonesia

FINANCIAL HIGHLIGHTS

IN MILLION RUPIAH UNLESS STATED OTHERWISE.
ALL DATA NOMINATION IN ENGLISH
PER 31 DECEMBER 2010

2010		2010		2010		2010		2010	
NET SALES		TOTAL ASSETS		TOTAL EBITDA		TOTAL LIABILITIES		TOTAL EQUITY	
24,689,333		40,600,921		8,033,953		21,970,369		18,576,441	
2009	26,938,020	2009	42,360,347	2009	11,016,576	2009	24,848,413	2009	17,444,891
2008	18,092,502	2008	33,720,170	2008	4,454,673	2008	19,692,546	2008	14,009,245
2007	11,592,640	2007	14,688,683	2007	2,423,080	2007	11,979,726	2007	2,150,554
2006	9,748,068	2006	13,343,393	2006	2,036,075	2006	13,106,173	2006	(34,297)

	2006	2007	2008	2009	2010
Interest Bearing Debt	9,630,649	7,426,288	11,038,941	15,750,729	14,315,870
Total Investments	-	1,734,330	1,096,081	-	-
Cost of Revenue	7,783,563	9,089,223	13,149,270	15,900,123	16,957,291
Gross Profit	1,964,505	2,503,417	4,943,232	11,037,897	7,732,042
Operating Income	1,745,272	2,252,519	4,211,858	9,928,447	6,774,278
Net Income	(63,954)	88,534	887,198	4,367,252	2,207,313
Weighted average of ordinary shares outstanding (in thousand unit)	1,436,280	1,436,280	25,469,531	31,985,962	31,985,962
EPS (Rp/shares)	(45)	62	35	137	69
Capex	897,197	914,312	2,186,227	1,463,264	2,635,353
Free cash flow	1,800,799	583,476	1,673,755	7,871,328	803,764

2010	RATIOS (%)	2010	RATIOS (%)	2010	RATIOS (%)	2010	RATIOS (%)	2010	RATIOS (%)	2010	RATIOS (%)
GROSS MARGIN		OPERATING MARGIN		NET MARGIN		RETURN ON ASSETS		RETURN ON EQUITY		RETURN ON INVESTED CAPITAL	
31.3		27.4		8.9		5.4		11.9		9.6	
2009	41.0	2009	36.9	2009	16.2	2009	10.3	2009	25.0	2009	18.5
2008	27.3	2008	23.3	2008	4.9	2008	2.6	2008	6.3	2008	6.3
2007	21.6	2007	19.4	2007	0.8	2007	0.6	2007	4.1	2007	0.7
2006	20.2	2006	17.9	2006	-0.7	2006	-0.5	2006	n/a	2006	-0.5

2010	RATIOS	2010	RATIOS	2010	RATIOS	2010	RATIOS	2010	000 TONNES	2010	000 TONNES
QUICK RATIO		TOTAL DEBT TO ASSETS		NET DEBT TO EQUITY		NET DEBT TO EBITDA		CONSOLIDATED SALES VOLUME		PRODUCTION VOLUME	
1.4x		0.4x		0.5x		1.1x		43,839		42,199	
2009	1.8x	2009	0.4x	2009	0.3x	2009	0.4x	2009	41,424	2009	40,590
2008	0.9x	2008	0.3x	2008	0.5x	2008	1.7x	2008	41,098	2008	38,524
2007	0.9x	2007	0.5x	2007	2.3x	2007	2.0x	2007	37,550	2007	36,078
2006	0.5x	2006	0.7x	2006	n/a	2006	4.3x	2006	34,720	2006	34,285

- Despite poor weather, Adaro delivered second best year of profits.
- Despite difficult conditions, Adaro delivered one of the best operating margins in the business.
- Financial structure remained strong, with the balance sheet ready to fund growth.

The Vision

To be a leading Indonesian Mining and Energy Group



adaro

www.adaro.com

The Mission

We are in the business of Mining and Energy to:

- Satisfy our Customers' need
- Develop our People
- Partner with our Suppliers
- Support the Community and the National Development
- Promote a Safe and Sustainable Environment
- Maximize Shareholders' value



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A snapshot of **ADARO ENERGY**



Production/Sales

42.2 million tonnes production in 2010 (40.6 million tonnes in 2009)
5 Years CAGR of 10%

Resources – JORC Compliant

4.4 billion tonnes

Envirocoal

Sub-bituminous, moderate CV, ultra-low sulphur, ash and NoX emissions



Operations

The largest single site coal mine in the southern hemisphere, vertically integrated from pit to port

Location

Tabalong and Balangan districts, South Kalimantan

License of Adaro Indonesia

First Generation CCA valid until 2022



Customers

Substantially all blue-chip power utilities

Pricing

Annual price negotiation and index-linked

Cost

Low to middle production costs compared to peers



Pit to Port Subsidiaries

(contract mining, 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 to Adaro and the mining industry

Growth Strategy

Increase resources, annual organic growth, marketing focus on Asia and further integrate and improve operations

Corporate Structure

PT Adaro Energy Tbk

Listed on IDX in July 2008

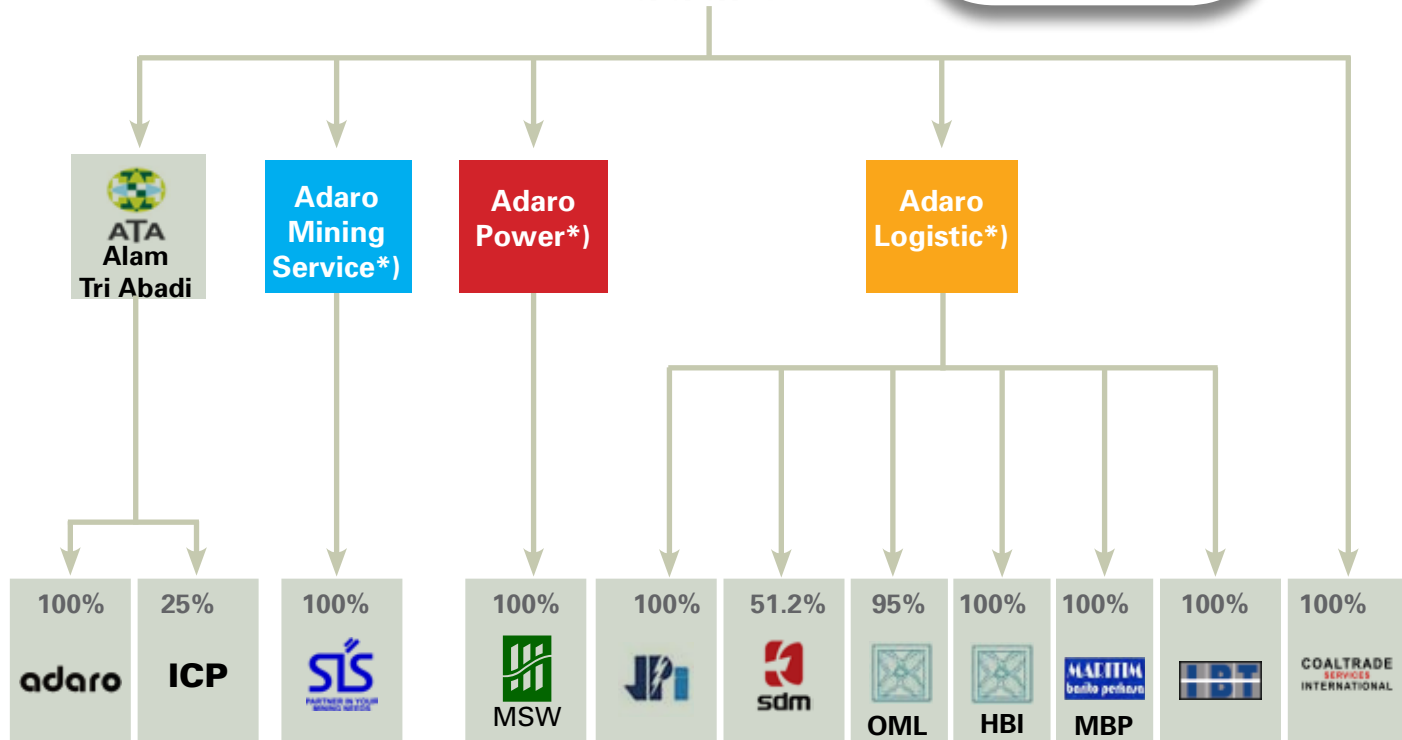
Adaro Energy 2010:
Revenue:
Rp 24,689 billion

EBITDA:
Rp 8,034 billion

Adaro Indonesia 2010:
Revenue:
Rp 21,913 billion

EBITDA:
Rp 6,668 billion

*) Adaro's new strategic business units



Mining Licence Holder Thermal Coal	Mining Licence Holder Coking Coal	Mining and Hauling Contractor	Mine Mouth Power Plant	Conveyor System	Dredging Barito River Mouth	Barging and Ship Loading	Coal Storage, Blending, Loading Terminal and Fuel Facility	Coal Export Marketing and Trading
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Vertically Integrated from Pit to Port

“Each subsidiary is positioned to be an independent and competitive profit centre enabling the Group to have a reliable and efficient coal supply chain.”

Why Adaro?

16 Reasons

THERE ARE AT LEAST
SIXTEEN REASONS
WHY YOU SHOULD
CONSIDER INVESTING
IN ADARO

1
Exposure
 to Expanding Emerging Market Asia and Strong Thermal Coal Industry

2
The Best EBITDA Margin
 in Indonesian Thermal Coal

3
Substantial Total Shareholder Returns

4
 One of the Best
Track Records of Annual Organic Growth

5
 Our Exciting
Strategy to Create Value

6
Large Reserves of ENVIROCOAL

7
Acquisitions to Increase Reserves
 of Indonesian Coal

8
Bigger and Better

9
Exceptional Access to Capital

10
 Constantly Improving an Efficient
Vertically Integrated Coal Supply Chain

11
Proven Experts
 in Marketing Subbituminous Indonesian Coal

12
Our Supportive and Long-term Shareholders

13
Our Skilled and Professional Management

14
Our People and How We are Structured

15
A Unique and Proven Approach to CSR

16
 An Exemplary Record
of Safety, Health and Environment



Why Adaro?

For further information see section **Corporate Overview** on page 62

EXPOSURE

to Expanding Emerging Market Asia and Strong Thermal Coal Industry



Energy as a sector is likely to play a dominant role in the coming decades.

Fossil fuels (coal, gas and oil) will continue to dominate as the prime sources of energy in the foreseeable future.

While conventional sources of energy like oil and gas slowly deplete, coal provides the longest supply source.

Coal still holds the cost advantage to oil, gas and nuclear – the other three major sources of energy fuels.

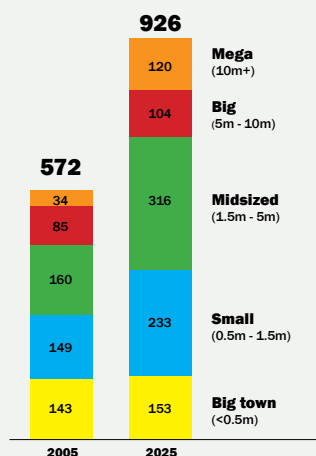
Indonesia as the largest exporter of thermal coal, has strong geographical advantage to cater to Asian customers, principally being China, India, S Korea, Japan and the domestic market.

The dis-investment of the mining industry in the 90s has put pressure on the supply side; the industry was caught by surprise with the surging demand from China/India and rest of the non-OECD countries.

Strong arguments can be made for the continuing resiliency of the economic growth story of emerging market Asia, and the huge power need that this growth will require. Our view is that much of this increased demand for power will come from thermal coal, and more specifically, due to scarcity, from subbituminous thermal coal. Adaro is well positioned as an expert of inland low rank Indonesian coal. Indonesia has immense geological potential and has geographical advantages in terms of closer proximity to the major markets of India, China and the rest of emerging market Asia.

CHINA'S URBAN POPULATION TO REACH ONE BILLION

China's urban population by city size (Millions of people)



Source: McKenzie Global Institute, "Preparing for China's Urban Billion", March 2009

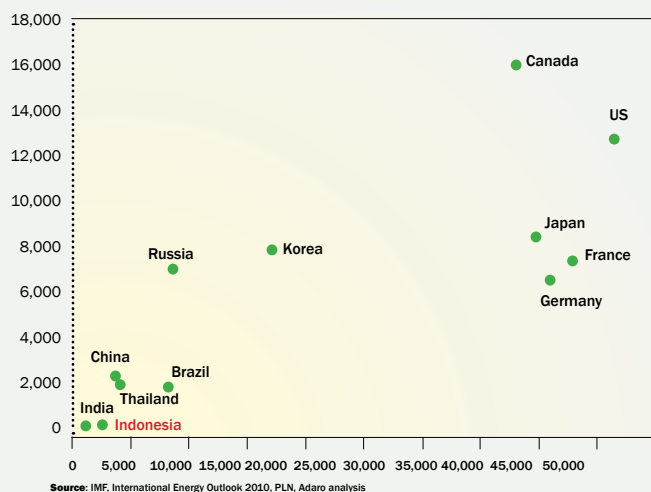
China's expected urbanisation in 2025

221	Chinese cities will have over one million people living in them – Europe has 35 today
5 billion	square metres of road will be paved
170	mass transit systems could be built
40 billion	square metres of floor space will be built – In five million buildings
50,000	of these buildings could be skyscrapers – the equivalent to constructing up to ten New York cities
5	– the number of times which GDP will have multiplied by 2025



ELECTRICITY DEMAND - INDIA, INDONESIA STILL HAVE LONG WAY TO CATCH UP.....

Electricity Consumption vs GDP/Capita



Source: IMF, International Energy Outlook 2010, PLN, Adaro analysis

While China's demand for energy has surged in the past decade significantly with migration of substantial population to middle and higher middle income group, its electricity consumption, for example, is still far below countries like South Korea, Russia and Europe;

India and Indonesia, with substantial population, have electricity consumption less than a quarter of China's;

Electricity consumption in developing economies of Asia will further surge with increases in middle and high income population in the coming decades.



1.3 billion people still lack access to electricity in 2030
compared with 1.5 billion people today.

Source: International Energy Agency, "World Energy Outlook 2009", 10 November 2009.


Why Adaro?

For further information see section **Financial Review** on page 104

2 The Best EBITDA Margin in Indonesian Thermal Coal

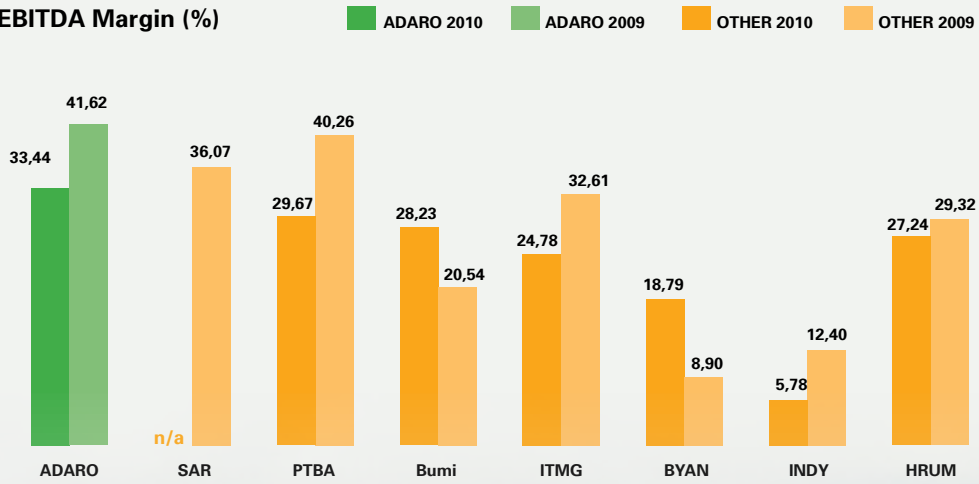
Despite having a moderate heat value coal, in 2010 for the second year in a row, we maintained the best EBITDA margin in Indonesian thermal coal at 33% due to good cost control (cash cost only increased 17%) despite higher input costs throughout the industry. Mining is by open pit, truck and shovel methods. Conditions are good with a number of thick seams, up to 50 meters thick, with relatively low overburden, which provides for lower costs.

While it is easy to dwell on the unprecedented and unusually wet weather in 2010, we had our second best year ever in terms of revenues and profits.



The New Wara Mine
Initial commercial production started in the first quarter of 2010
Adaro delivered its first shipment to China in May 2010

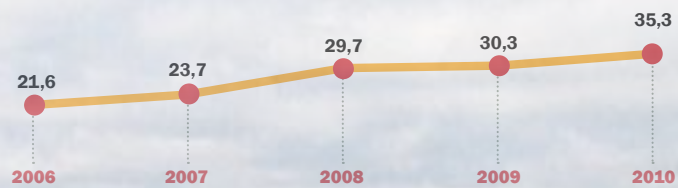
EBITDA Margin (%)



Source: Bloomberg

Adaro Cash Cost 2006-2010 (US\$/T)

Low Cost Producer



Why Adaro?

For further information see section **Shareholders Information** on page 122

Substantial Total Shareholder Returns

Our overriding goal is to create maximum shareholder value. We do this by creating sustainable value from Indonesian coal. We can gauge how well we have done by looking at total shareholder returns, which combines stock price appreciation and dividends. As you can see, since 2009, we have delivered some of the best shareholder returns in Indonesia and we intend to continue creating long term shareholder value by leveraging our competitive advantages to developing long term low cost assets in Indonesian coal.

While our main use of cash will be to invest and grow, when possible we also return cash to our valued shareholders. At the end of 2010 we paid an interim dividend of Rp315.06 billion, and we plan to pay final dividend of Rp655.71 billion (subject to AGM approval). Therefore our dividend payout ratio from the net income of 2010 would be 43.98%.

Total Shareholders Return (%)

Fiscal Year	%
2009	258
2010	49
2009 - 2010	431

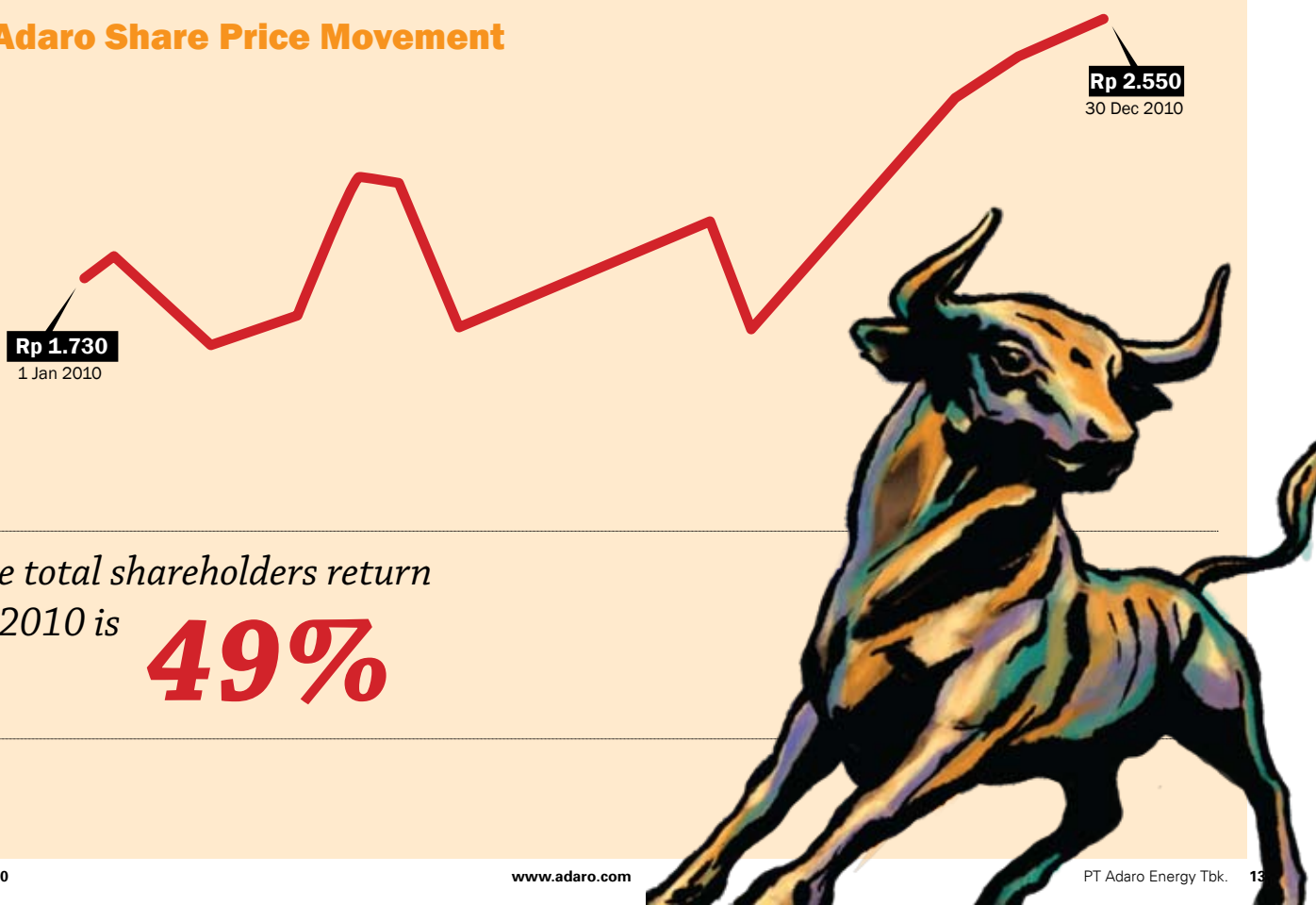
$$\text{Total shareholders return \%} = \frac{\text{stock price end of period} - \text{stock price start of period} + \text{dividends paid}}{\text{stock price start of period}}$$



Return of Adaro and Other Indices in 2010

Securities	%
Adaro	45.71
JCI Index (Jakarta Composite Index)	43.80
JAKMINE Index (Jakarta Mining Index)	45.12
INDU Index (Dow Jones Industry Average)	9.31
SPX Index (S&P 500)	11.02
BPRMING Index (Bloomberg AP Mining Index)	12.92
JCGMGCM Index (HSBC Global Mining Index Coal Mines)	22.56

Adaro Share Price Movement



The total shareholders return
in 2010 is

49%

Why Adaro?

For further information see section **Review of Coal Operation** on page 80

4 One of the Best Track Records of Annual Organic Growth

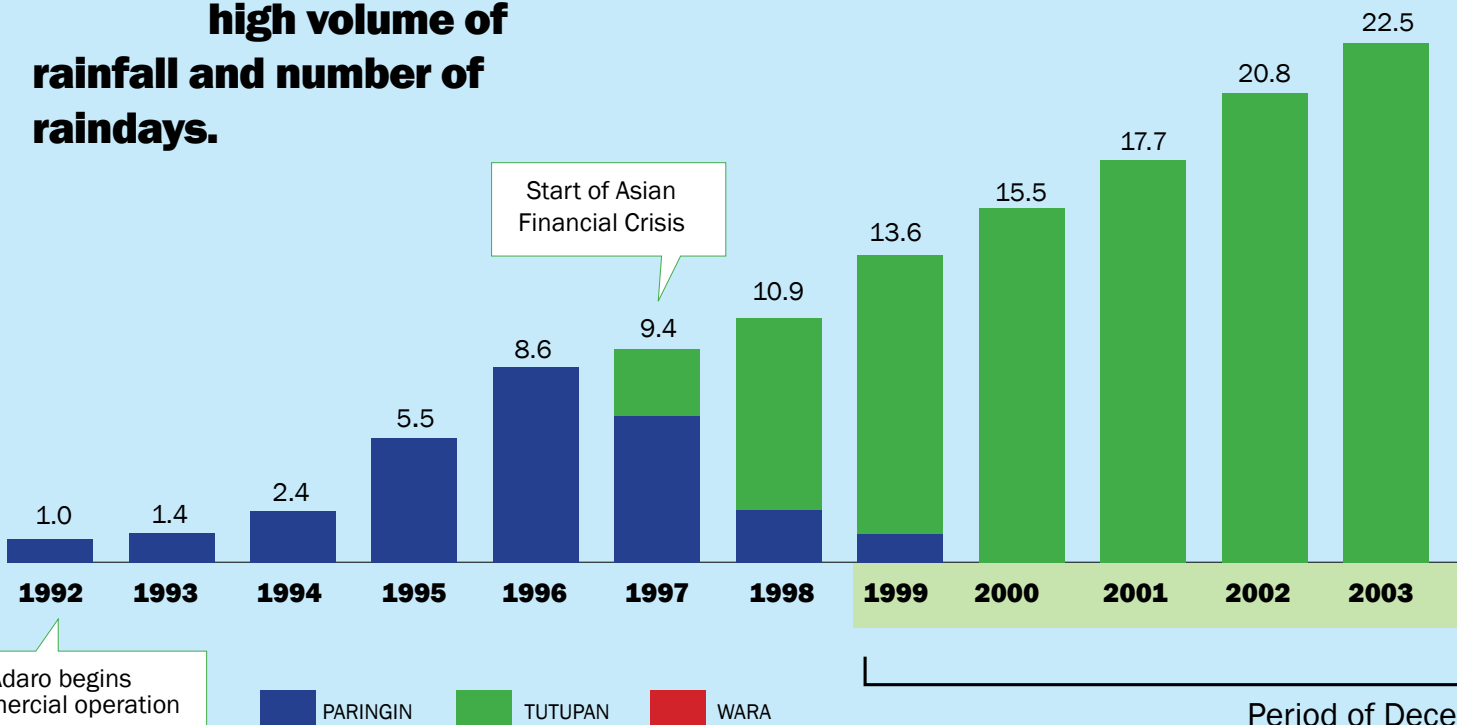
4% Production increase in 2010...



We have a long term strategic vision to maintain our production track record of growth and improve reliability of supply through long term relationships with customers and contractors. We are continually focused on corporate social responsibility, corporate governance and compliance with the law



...despite the record-setting high volume of rainfall and number of raindays.

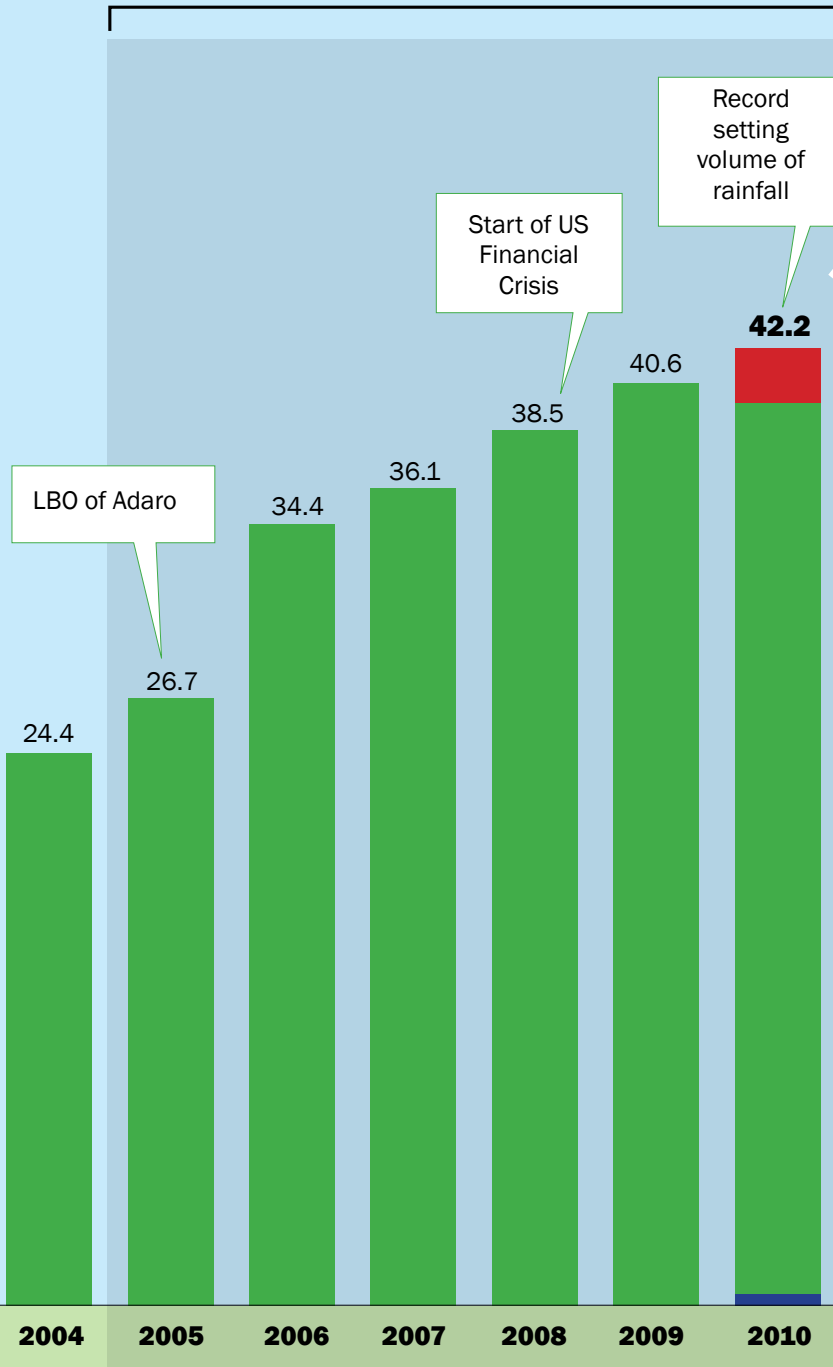


80MT

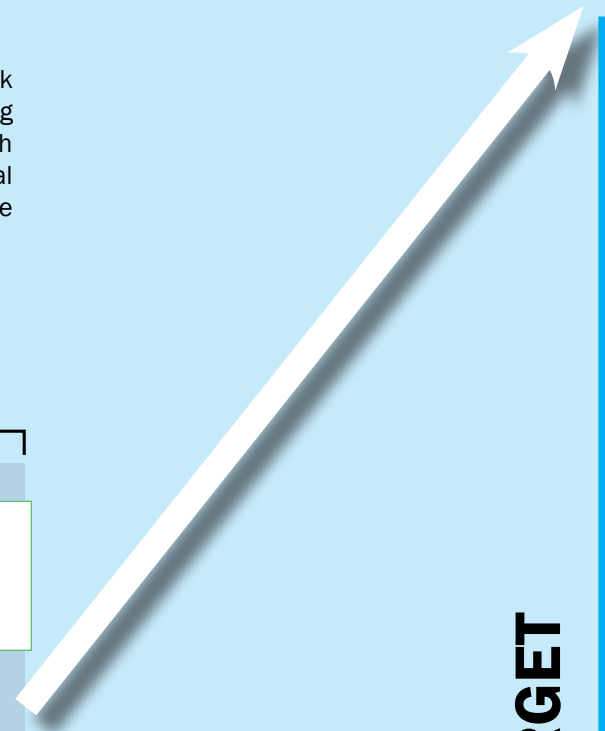
One of our main goals is annual organic growth. Since operations began back in 1992, we have increased production every year without fail from our single concession in South Kalimantan.

In 2010, we kept the track record going by delivering another year of organic growth by increasing production of coal and overburden, despite the unprecedented wet weather.

2005 - 2010 CAGR: 10%



MEDIUM TERM TARGET



Centralization/Regional Autonomy

For further information see section **Growing and Expanding** on page 117

Why Adaro?

5



Our Exciting Strategy to Create Value

As we know, in business, it is not that problems occur, it is how a company deals with problems that determines sustainable value creation. The business environment and competitive landscape is constantly evolving, if a company is not able to adapt, opportunities to create value will be missed. Over the years we have overcome many challenges and we will do the same with the challenges we face today and will face in the future.

We are adapting our strategy to the reality of a better than expected outlook for thermal coal markets, and the reality that our Tutupan mine is reaching its optimal capacity. Given our target is to produce 80 million tonnes a year in the medium term, we have decided to alter the plan and incorporate acquisitions into our growth plans. We used to be focused on just one concession and that was more than enough. But now we must be more growth oriented. The conditions are right.

We are not reckless however, and while our strategy is broadening it is still focused on deposits of Indonesian coal. This means not only discovery and acquisitions of undeveloped coal deposits but also moving downstream into the power sector, developing and installing coal upgrading technology and coal bed methane. It is an exciting time to be in Indonesian coal.



Chia Ah Hoo,
Director of Operations

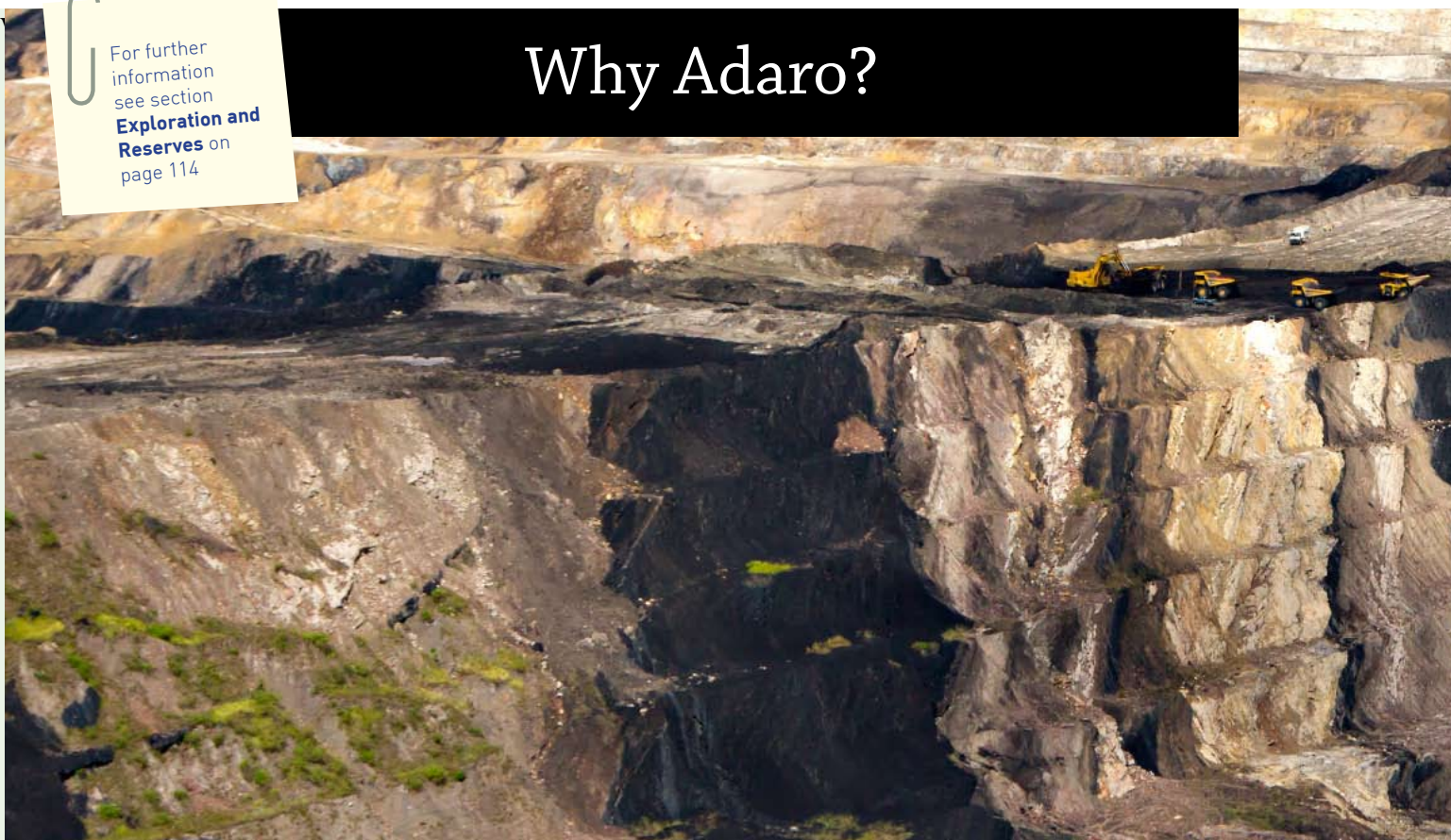
Rommel Cruz,
Deputy GM - Production

M. Syah Indra Aman,
Chief Legal Officer

Garibaldi Thohir,
President Director

For further information see section **Exploration and Reserves** on page 114

Why Adaro?



LARGE RESERVES 6 of ENVIROCOAL™

As any investor in the mining sector knows, at the end of the day, it all comes down to the reserves and resources. Our reserves are one of our main strengths. As the tables of our most recent JORC-compliant estimates show, we have sufficient reserves and resources for many years of operations. We have two kinds of Envirocoal, E 5000 (also known as Tutupan) and E 4000 (also known as Wara), which have calorific values of 5,000 Kcal/kg and 4,000 Kcal/kg respectively. E 5000 (Tutupan) and E 4000 (Wara) both are very low in sulfur, ash and nitrogen. Major coal seams have thicknesses ranging up to 50 meters. The reserves and resources are surface mineable with the coal quality consistent over the life of the mines.

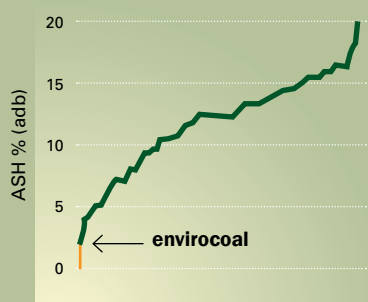
The Coal Resources and Reserves of PT Adaro Indonesia are based on a report from Terence Willstead & Associates dated 5 April 2011 and are estimated as at December 2010 as follows:

Resources (in million tonnes)

Location	Measured	Indicated	Inferred	Total
Tutupan	775	814	865	2,455
North Paringin	117	96	85	299
Wara 1	492	366	449	1,307
Wara 2	133	134	100	368
Total	1,518	1,410	1,500	4,428

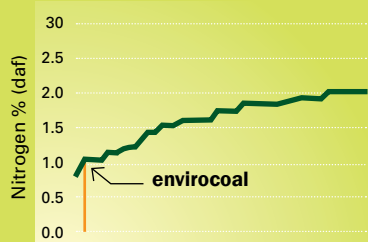
Run Of Mine (ROM) Reserves (in million tonnes)

Location	Probable	Proven	Total
Tutupan	141	410	552
Wara 1	98	289	386
Total	239	699	938



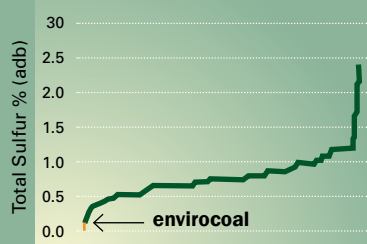
1% - 2.5% ASH CONTENT (adb)

- Lowest ash content among coals produced for global export trade, providing consumers with significant cost savings
- Blending Envirocoal with higher ash coal reduces the on-costs associated with ash disposal
- Reduces deposition rates in boilers improving thermal efficiency and reducing maintenance costs



0.9% NITROGEN CONTENT (daf)

- Envirocoal is amongst the 10 lowest coals by nitrogen content
- Enables consumers to reduce the costs associated with removing nitrous oxides from the flue gases
- Results in more net power for sale and lower electricity production cost



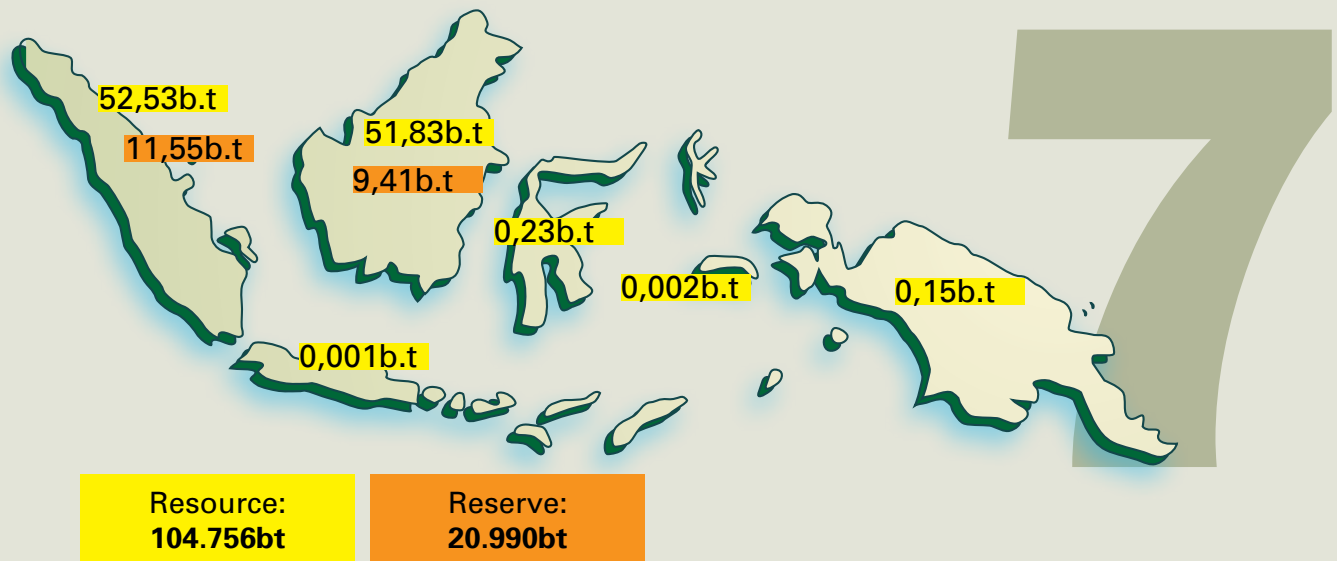
0.1% SULPHUR CONTENT (adb)

- Regulation of emissions of sulphur oxides has required some consumers to install flue gas desulphurization equipment or to reduce the sulphur content in the blend of coals.
- Envirocoal's ultra low sulphur content enables consumers to meet regulated standards and delay capital expenditure, reducing the cost of plant operation.
- Desulphurization units can cost up to 20% of the total capital expenditure of a new power station

Why Adaro?

For further information see section **Growing and Expanding** on page 117

Acquisitions to Increase Reserves of Indonesian Coal



Source: Directorate General of Mineral, Coal and Geothermal, "Indonesia's Coal Industry - Looking Ahead", May 31 2010 - 16th Annual Coaltrans Asia Conference

Previously, our sole aim was to increase production organically from our single concession in South Kalimantan. But now, given that our Tutupan mine is reaching its optimal capacity and the vulnerability of our single site operation to poor weather, together with our view that the era of cheap coal is over, we have embarked upon a program of acquisitions.

Given our desire to hit 80 million tonnes a year in the medium term, the robust outlook for subbituminous coal and our proven expertise and experience in Indonesia, we are targeting undeveloped deposits of Indonesian coal. As at the end of 2010, we had 3 targets after considering several throughout Kalimantan and Sumatra.

In 2010, we successfully began our acquisition campaign and closed a deal with BHP Billiton to buy 25% of the IndoMet Coal Project in Central Kalimantan, encouraging us to look for other Indonesian coal acquisitions to boost reserves.

774MT

World class resources of undeveloped metallurgical and thermal coal - IndoMet Coal Project as at 31 December 2009

For further information see section **Exploration and Reserves** on page 114

Why Adaro?

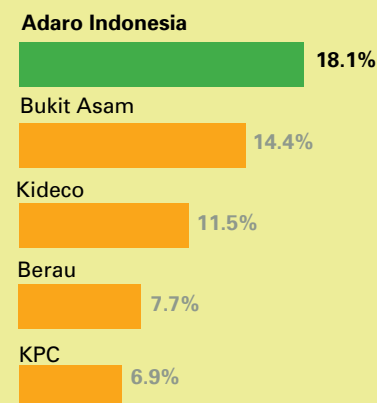
BIGGER and Better

In coal mining bigger is normally better. With over 19 years of uninterrupted growth we have grown to become the largest single site coal mine in the southern hemisphere. At 42.2 million tonnes production, we are nearly 4 times larger than Australia's largest single site mine. In 2010, we removed, transported and disposed 226 million bank cubic meters of overburden, enough to build a tower 45.5 kilometers into the sky with a base of football pitch. With capacity in excess of 50 million tonnes per year, Kelanis is one of the largest inland river bulk terminals in the world.

We have delivered over 370 million tonnes of coal to our customers in 17 countries around the world. We have proven our coal can be used in all burning equipment, alone or as a blend. We have proven that we can build operations on a large scale and operate them successfully without disruption.

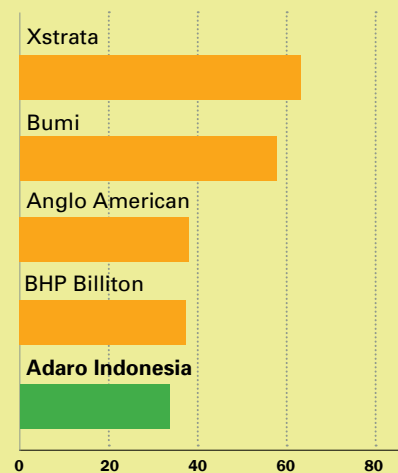
We are continually striving to create a bigger and better Adaro Energy.

Indonesian Top 5 Domestic Suppliers (2010)



Source: Indonesian Department of Mines and Energy, ICP Estimates

Seaborne Traded Thermal Coal (2010)



Source: Xstrata Presentation - April 2011



For further information see section **Financial Review** on page 104

Why Adaro?

Exceptional Access to CAPITAL



Our access to capital is excellent. We extended the maturity of the US\$487.5 million remaining balance on our Syndicated Loan, by three years to 2015. At the start of 2011, we closed the first ever 7 year bank loan in Indonesian history, for our mining contractor SIS, with a value of US\$400m.

We have liquidity of over US\$1.2 billion and our financial structure is stronger than ever, with net debt to EBITDA of 1.1x and net debt to equity of 0.48x.

Some of Our Lenders



adaro



COALTRADE SERVICES INTERNATIONAL

Refinancing Existing Loans

- Adaro Indonesia and Coaltrade successfully extended the US\$750 million syndicated loan facility from December 2012 to December 2015
- SIS successfully refinanced its existing US\$300 million five years term loan with US\$400 million seven years loan



Adaro and its Bond Recognized by FinanceAsia

Adaro's US\$800 million 10-year bond was voted as the winner by FinanceAsia in two categories:

- the most professional non investment-grade corporate bond in Asia and
- the best borrower in Indonesia.

Our Access to Capital

US\$800 million 10 year, non call 5, Reg S/144A, Guaranteed Senior Notes

- 7.625% coupon, semi-annual (431bp over 10 year Treasury)
- No restriction on dividends
- Quasi-investment-grade covenants
- If one notch rating upgrade to investment grade, incurrence ratios removed (currently rated Ba1 and BB+)
- Issued to increase financial strength

US\$500 million 5 year, Amortizing Revolving Credit Facility

- To be used as a standby facility
- Issued to ensure financial liquidity

Group Facilities

Group Facilities as of 31 December 2010

Debt	Borrower	Outstanding Amount	Maturity	Interest
Long-term Debt				
Senior Notes (US\$ mn)	AI	800		7.625%
Syndicated Loan (US\$ mn)	AI, CT	487.5	Des '15	LIBOR + spread
Senior Credit Facility (US\$ mn)	SIS	224.2	Jun '13	LIBOR + spread
Term Loan (US\$ mn)	SDM	13.7	2014	SIBOR+ spread

Message from the CFO

"Our hard work to continue to exercise financial discipline and strengthening our balance sheet post 2005 LBO puts us in a solid position to capture opportunities such as acquisition of new reserves and moving further downstream into power by partnering with international, blue chip power companies. We expect the funding for power projects to be project finance non recourse to Adaro Energy."

David Tendian, Director of Finance



Why Adaro?

For further information see section **Our Other Subsidiaries** on page 90

CONSTANTLY IMPROVING AN EFFICIENT Vertically Integrated Coal Supply Chain



The Pulau Laut Fuel Terminal:
To ensure a reliable and lower cost fuel supply for Adaro's operations, and developing liquid bulk-based traffic.



2X30 MW Mine-mouth Power Plant:
To power the overburden crushing and conveying system and other parts of the mining operations to lower dependency on oil and increase operational efficiencies.



Kelanis River Terminal Expansion:
A new set of barge loaders with a capacity of 30 million tonnes per year to support the 80 million tonnes a year target.

10



One of our most valuable assets and proudest achievements is our coal supply chain which we own 100% and which, together with our valued contractors, we have been building, improving and integrating since operations began.

Given the location and our type of coal we always had to do everything we could to move the coal efficiently and reliably. Even with coal prices as high as they are today, it is still very much part of our everyday business practices to constantly seek ways to improve the efficiency of our supply chain. Every little improvement helps.

In 2010 we continued improvements to our coal supply chain, such as our new fuel terminal at IBT (joint operation with Shell), which reduced fuel procurement costs. In 2010 we enjoyed our first full year of benefits from our in-house barging and ship loading contractor. At the end of the year we signed innovative barging contracts for a quarter of our barge fleet which will reduce freight rates in those contracts by approximately 15%. We also upgraded our Kelanis river terminal, which we understand is one of the largest inland river bulk terminals in the world.



PIT



Coal Mining Activities

Mining is by open pit, truck and shovel methods. Mining conditions are good with a number of thick seams up to 50 meters thick.



GPS Implementation

With the implementation of GPS that integrates with Adaro's supply chain software, Adaro is now able to receive live online data showing the truck hauling movements from the minesite to Kelanis, and barge movements from Kelanis downstream to Taboneo.



Barging at Barito Channel

20% cycle time improvement eliminated the need to increase the barge fleet to meet production increases through 2011 by an equivalent of 11 sets (or equivalent to US\$55 million investment savings) and US\$41 million in cost savings.



Transshipment Operation

Each floating crane set up as a floating terminal offering a one-stop service, which increases throughput by reducing waiting time.

Improvements to Adaro's Coal Supply Chain

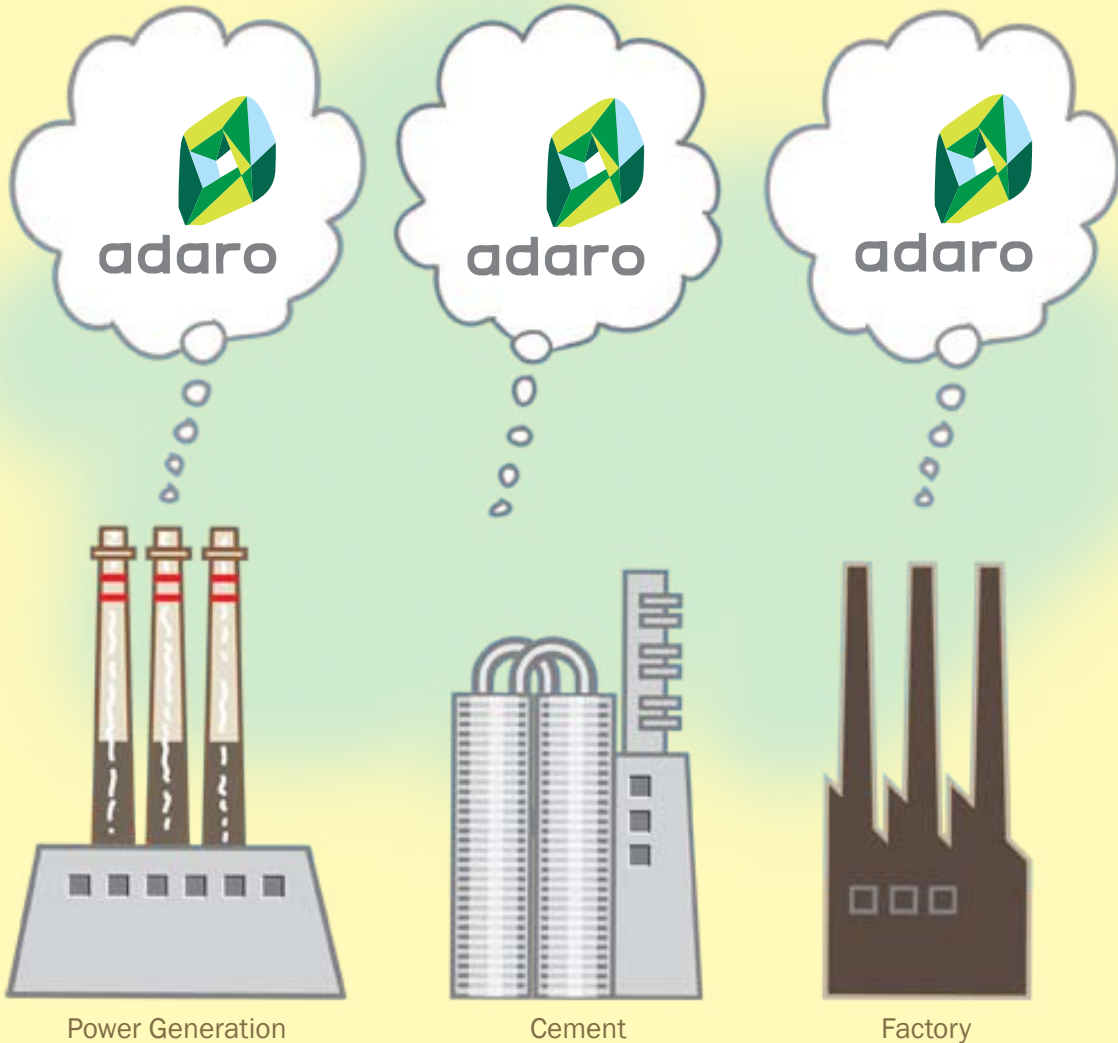
PORT

POWER



For further information see section **Corporate Overview** on page 62

Why Adaro?



PROVEN EXPERTS in Marketing Subbituminous Indonesian Coal

When Adaro first began marketing Envirocoal in the early 1990s, any coal with a calorific value below 6,000 kcal/kg (as received) was considered un-exportable and it was believed that not more than 2 million tonnes a year would be sold from our mine.

After many years of hard work, today there is wide international acceptance of our low ash, low sulfur, low nitrogen Envirocoal.

Consumers have obtained significant environmental and economic benefits from its use. Given the purity, uniformity

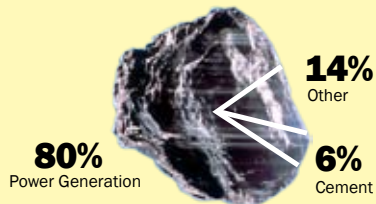
and the size of the seams, no washing or blending is required, which allows Adaro to offer greater reliability to customers.

The same methods that were used to build the market for E 5000 (Tutupan) are now being used to develop export markets for E 4000 (Wara), which is key to our growing to 80 million tonnes a year.

Demand for E 4000 (Wara) coal remained strong in 2010. We sold 2.05 million tonnes of the 4,000 CV coal, above our 1-2 million tonne target. This year we hope to sell 4-5 million tonnes of E 4000 (Wara).

During its production track record of 19 years, Adaro has cultivated a long-term, diversified and loyal customer base

Customer Type by Volume



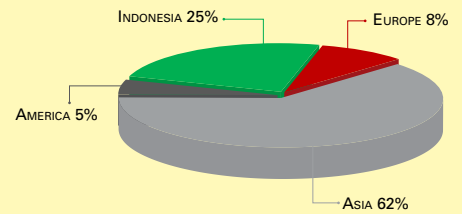
Loyal long term customers

- Substantially all have relationship of greater than 5 years
- 50% have relationship of greater than 9 years

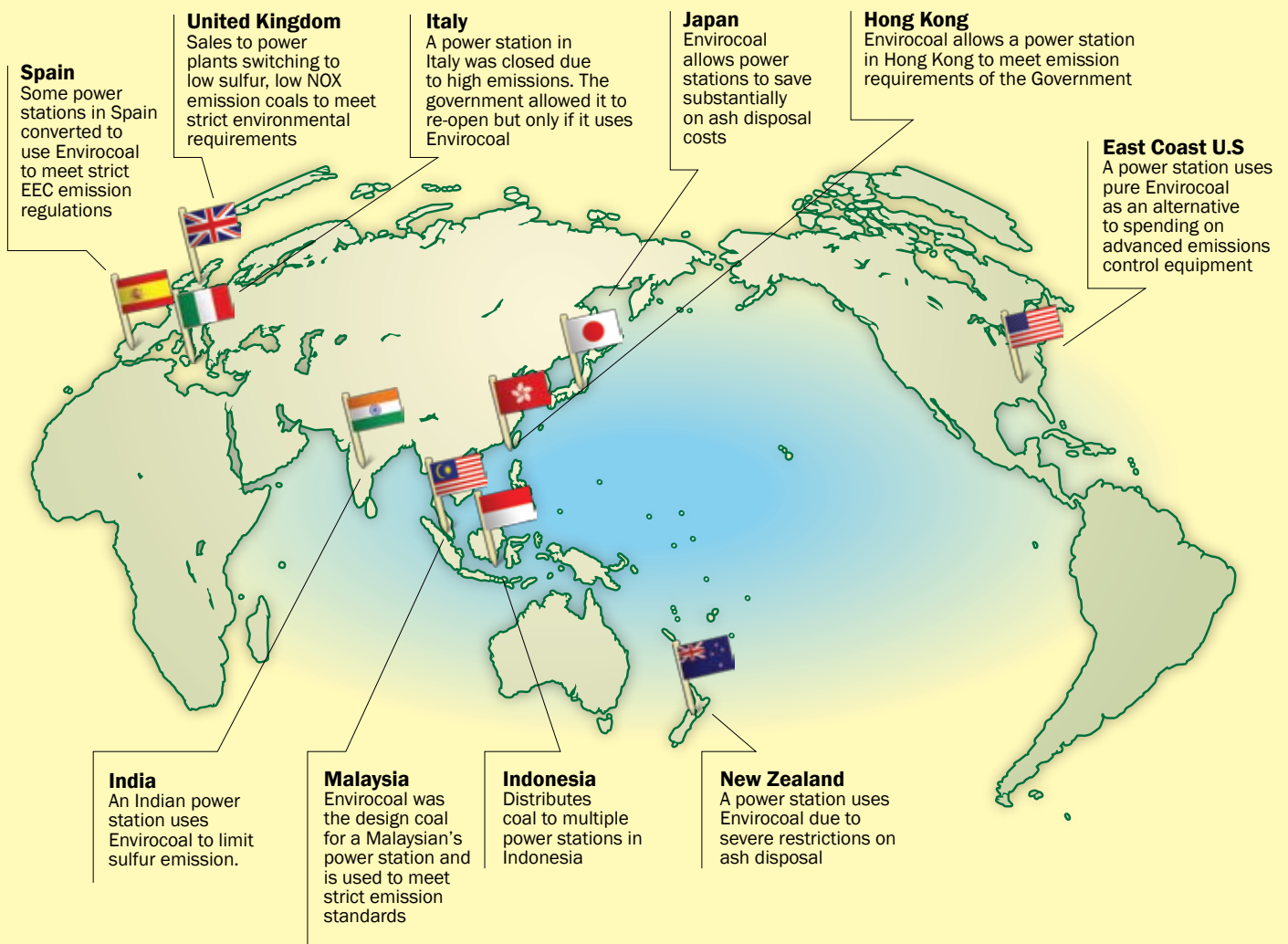
Average length of coal supply agreements is 5 years

Substantially all contracts have annual price negotiation

Geographical Breakdown of Customers



Around 80% of customers by volume in 2010 were power generation companies



Envirocoal has proven global acceptance

Paiton Energy Power Station, Indonesia



For further information see section **Status of Corporate Governance Practices** on page 129

Why Adaro?



Our Supportive AND LONG-TERM SHAREHOLDERS



Some of our management have seen many different owners, and we cannot stress how supportive our controlling shareholders are of Adaro and our growth plans. In fact, each of the four families, each without a controlling stake, collectively holding 66%, view themselves not as owners but as partners as we implement our strategies to create sustainable value from Indonesian coal. Responsible for the founding and building of Astra International, which

was then sold in 1998, Adaro Energy is their new flagship company, their new home and they are in for the long haul as we together build a bigger and better Adaro Energy. We believe the natural checks and balances that exist in this ownership structure ensure that all decisions are made in the best interest of Adaro Energy and long term value creation.

Distinguished Board of Commissioners



1. Dr. Ir. Raden Pardede
Independent Commissioner

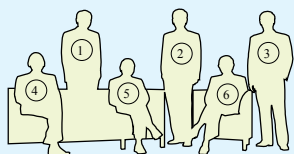
2. Edwin Soeryadjaya
President Commissioner

3. Lim Soon Huat
Commissioner

4. Ir. Palgunadi Tatit Setyawan
Independent Commissioner

5. Ir. Subianto
Commissioner

6. Theodore Permadi Rachmat
Vice President Commissioner



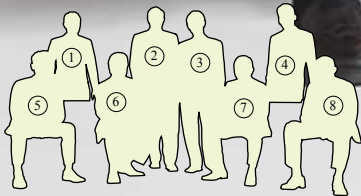
Acclaimed Achievements

INDONESIAN ENTREPRENEUR OF THE YEAR • BEST CEO IN ASIA • LONG SERVING EXECUTIVES OF ASTRA INTERNATIONAL GROUP • SENIOR EXECUTIVE OF THE KUOK/KERRY GROUP INVESTMENT • DISTINGUISHED GOVERNMENT ECONOMICS ADVISOR • SUCCESSFUL BUSINESS LEADERS IN THEIR OWN RIGHT

For further information see section our **Board of Directors** profile on page 50

Why Adaro?

13 Our Skilled and Professional Management



1. David Tendian
Director of Finance

2. Alastair B. Grant
Director of Business Development

5. Christian Ariano Rachmat
Vice President Director

6. Garibaldi Thohir
President Director

Strength of Senior Management Team

68 Combined 68 years with the Group

11 Average 11 years with the Group

128 More than 128 years of combined industry experience

Adaro Energy's Board of Directors are made up of professionals with a variety of experience and backgrounds. When the leveraged buyout was conducted in 2005, the original managers were retained due to their proven expertise in delivering consistent growth and returns. Our Board is thus a mix of the original management and the new owners, however all are focused on the task of building a bigger and better Adaro Energy.



3. Chia Ah Hoo
Director of Operations

7. Andre J. Mamuaya
Director of Corporate Affairs

4. M. Syah Indra Aman
Chief Legal Officer

8. Sandiaga S. Uno
Director

For further information see section **Human Resources Management** on page 56

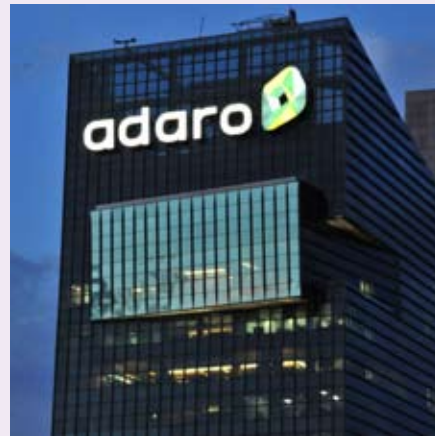
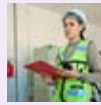
Why Adaro?

Our People

and How We Are Structured

We believe we have some of the best people in the business throughout our organization, be it on the Board of Commissioners, Board of Directors, in senior management or throughout the entire group. We place a huge emphasis on attracting and retaining the most talented people available and then finding the optimal place from where they can add value. We believe our horizontal, debate-oriented, merit-based, respectful organizational structure is key to our continued success. We are not interested in bureaucracy and hierarchies. We are interested in excellence and team work and output.





For further information see section **Corporate Social Responsibility** on page 138

Why Adaro?



A Unique and Proven Approach to
Corporate Social Responsibility



It is our firm belief that continual production growth cannot be achieved without building trusting and mutually beneficial relationships with local communities surrounding the mine. Building exemplary community development and environmental programs and behaving as a responsible corporate citizen are often spoken of as afterthoughts or just for cosmetic purposes. However for us, it is a core activity and a reason for our continued success. So many projects in Indonesia come to a halt because community issues were not given enough attention or were too complicated to solve. We have developed a very successful approach to community development and we have grown without fail each year since operations began. For this reason we feel not only will our production continue to grow, but that we are the partner of choice for coal mining in Indonesia.



For further information see section **Occupational Health and Safety** on page 98

Why Adaro?

An Exemplary Record of 16 Safety, Health and Environment

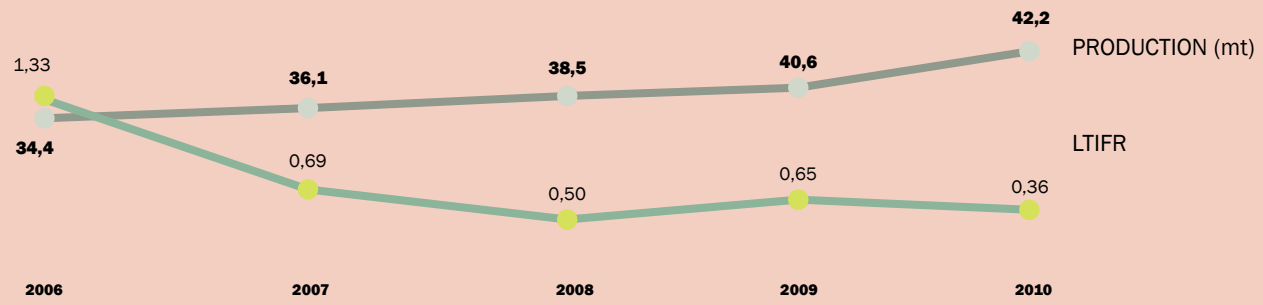


How well a company does in terms of safety is extremely important and we believe it is an often overlooked indicator of the health and prospects of a business. So many variables need to be in place and running smoothly in order for a company to operate safely. We are proud of our safety record and will not jeopardize the safety of our people. It is part of the reason why we have grown continuously for nearly two decades and we believe part of the reason we will keep growing.

Integrating harmoniously with local communities requires the proper stewardship and preservation of the environment. Land affected by our operation is reclaimed as soon as possible and made available to the local communities.

As a testament to our commitment to the environment, we have been awarded Green Level of the PROPER award given by the Ministry of the Environment for environmental rehabilitation excellence and are the only coal mining company to receive it each year since its inception in 2008.

Production vs Injury 2006 - 2010





MAP OF OPERATIONS

adaro

1

PT Adaro Indonesia,
Mining



Production Volume:
42.2 million tonnes (4% increase YoY)
Coal Sales including from Coaltrade: 43.8 million tonnes (6% increase YoY)
Overburden Removal:
225.87 Mbcm (8% increase YoY)
Planned Strip Ratio: 5.5x (2009: 5x)
Coal type: Envirocoal, sub-bituminous, medium calorific value, ultra-low pollutants



2

PT Saptaindra Sejati ("SIS")
Contract Mining



Total Coal Production:
16.6 million tonnes
Total Overburden Removal:
128.1 Mbcm



adaro

3

Hauling Road: 100%
Owned by Adaro Indonesia



Hauling Equipment Capacity: 60 million tonnes a year
Hauling Road Capacity: 80 million tonnes a year
Hauling Road Distance: 80 kilometers Hauling Road
Vehicles: 200 road trains
FY10 Contractors:
PAMA 39%, SIS 25%, BUMA 19%, RAJ 14%, RMI 2%, Adaro Indonesia 1%



adaro

4

Kelanis: One of the World's Largest Inland River Bulk Terminals



Crushing Capacity: in excess of 50 million tonnes a year
- 7 crushers with total capacity of 7,500 tonnes per hour
Stockpiling Capacity:
2 stockpiles with capacity of 250,000 tonnes each
Barge Loading Capacity:
2 load out conveyor systems each rated at 5,000 tonnes per hour
Crushing, stockpiling and barge loading facilities at Kelanis can easily be upgraded



5

PT Maritim Barito Perkasa ("MBP")
Barging



Total Coal Transported: 11.6 million tonnes
Barging Distance:
250 kilometers (estimated travel time ~24 hours)
MBP/HBI Fleet: 24 barges and 25 tugboats
Self-propelled Barges:
Four units of self-propelled barges with capacity of 12,000 dwt - 15,000 dwt



6

PT Sarana Daya Mandiri ("SDM")
Sea Channel Operator



Total Transit Volume: 68 million tonnes
Capacity:
200 million tonnes per year (previously 60 million tonnes per year)
Total barge steaming time along the channel: reduced by 3 hours
Channel Specifications:
Length: 15,000 meters (old: 14,000 meters)
Base width: 138 meters (old: 60 meters)
Depth: 6 meters LSW (old: 3 meters LSW)



7

PT Maritim Barito Perkasa ("MBP")
Shiploading



Total Coal Loaded: 12.7 million tonnes
Total Dedicated Capacity: 60,000 tonnes per day
MBP Floating Cranes:
4, each with 15,000 tonnes per day capacity



8

PT Indonesia Bulk Terminal ("IBT")
Coal Terminal Services

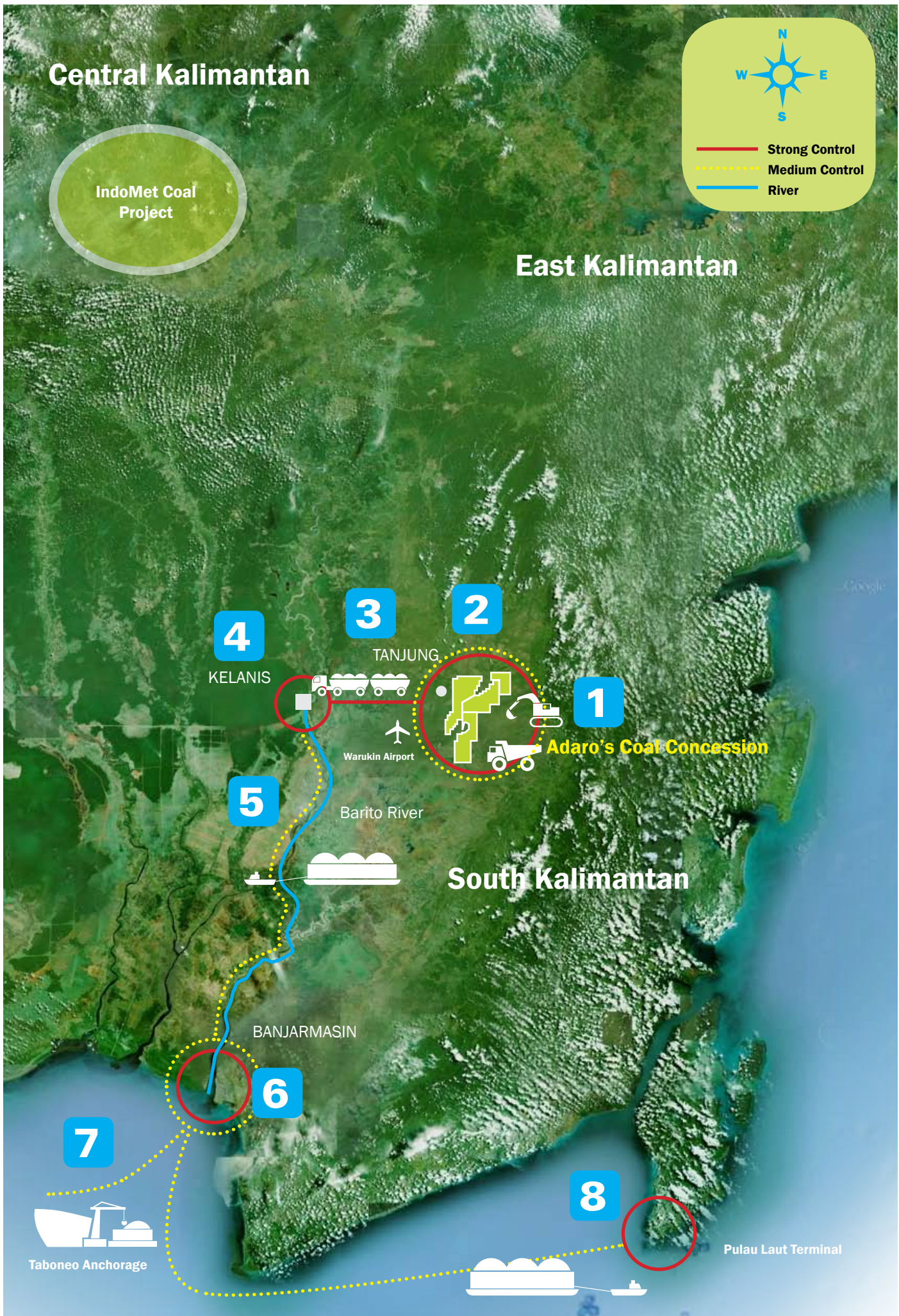


Total Coal shipped:
6.2 million tonnes (34% increase YoY)
Number of vessels loaded: 95
Stockpile: up to 800,000 tonnes of coal
Capacity: 12 million tonnes coal per year, fuel tank capacity of 80,000 kilolitres
Facilities:
2 large berths for 2 barges of up to 15,000 tonnes

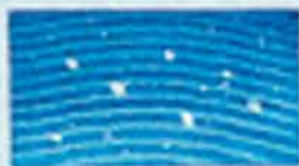
COALTRADE SERVICES INTERNATIONAL

Coaltrade Services International Pte Ltd Marketing

Principle activities are trading of thermal coal, acting as agents for both coal procedures and customers. Total third party coal sales of 1.39 million tonnes.



Going the Extra Mile



McCloskey Awards Adaro Indonesia

In August 2010, Adaro Indonesia received the "International Coal Producer of the Year" award from the McCloskey Group, as announced during the Indian Coal Markets Conference and Awards Dinner.

Platts Top 250 Global Energy Companies Award

Platts ranked Adaro Energy as the third fastest growing company in Asia based on the three-year compound revenue growth. Adaro was ranked fourth in the category of coal and consumable fuel companies in Asia, and 41st in the category of global energy companies in Asia.



President Director, Mr. Garibaldi Thohir and Adaro Indonesia Receive Awards from Enterprise Asia

Adaro Energy's President Director, Mr. Garibaldi Thohir, was awarded the Outstanding Entrepreneurship Award for 2010 from Enterprise Asia. In addition, Adaro Indonesia received the Green Leadership Award for the management of a Water Treatment Plant. Both of these awards were given by Mr. William Ng, President of Enterprise Asia, on December 14th, 2010.



Mr. Garibaldi Thohir Received "Best CEO in Mining 2010" Award while Adaro Energy achieved First Runner-up for the "CSR & Community Development Programs" Award

The President Director of Adaro, Mr. Garibaldi Thohir received "The Best CEO in mining 2010" from the Minister of Energy and Mineral Resources during the 2nd TAMBANG magazine award on May 25th 2010. During the same event, Adaro also received first runner-up award for the category of Best Mining Company in CSR and Community Development Programs.

Adaro Energy Received "Top Performing Listed Companies 2010" Award

Adaro Energy (IDX: ADRO) was selected among the Top Performing Listed Companies in 2010 during the Investor Awards 2010 event held by Investor Magazine in Hotel Aryaduta Jakarta on May 5th 2010. Adaro and two other companies were selected out of 151 qualified companies listed on the Indonesian Stock Exchange based on eight selection criteria.

Primaniyarta Award for Best Performing Exporter

Adaro Indonesia received the Primaniyarta award for the best performing exporter from the Ministry of Trade. The award was presented by Indonesia's Vice President Boediono on October 13th, 2010. Adaro received a similar award in 2007.



PROPER Green Award for Third Consecutive Year

Adaro Indonesia received the PROPER Award with Green Rating from the Ministry of Environment of Republic of Indonesia in recognition of Adaro's management of its mining operations in an environmentally sensitive manner while prioritizing safety. This is the third consecutive Green Rating that Adaro has received. The award was presented by Indonesia's Vice President Boediono, accompanied by the Minister of the Environment, Gusti Muhammad Hatta, on November 26th, 2010.



Aditama Award 2010 for Environmental Management Excellence

Adaro Indonesia received the Aditama award 2010 for environmental management excellence in the coal sector. The award was presented by Director General of Mineral Coal and Geothermal - ESDM, Bambang Setiawan on September 30th, 2010.



KSN Awards 2010

Adaro Indonesia received the KSN (Social National Solidarity) Award 2010 from the Ministry of Social Welfare, Mr. Salim Segaf Al Jufri and Vice President of Republic Indonesia, Mr. Boediono on September 30th, 2010 in several categories:

Platinum:

Community Empowerment Program at Dahai village, Balangan district, South Kalimantan.

Gold:

Family Empowerment Program for maternal newborn and child at Warukin village, Balangan district, South Kalimantan.

Gold:

Social Empowerment Program and Rural Community Economic Development at Masingai village, Tabalong district, South Kalimantan.

Gold:

Micro financing Program in Rubber Utilization at Tamiyang village, Tabalong district, South Kalimantan.

Silver:

Small and Medium Enterprises Program - UKM for setting up workshop.



LETTER FROM The Board of Commissioners

Dear Shareholders,

We are pleased to report that notable progress has been made in addressing key challenges particularly in the energy and coal markets. We continuously strive to create sustainable value from Indonesian coal through building a bigger and better Adaro and capitalizing on the energy market's long term immense growth. We have expanded our interest to further enhance our distinctive strength in integrating our coal supply chain to include downstream opportunities in the power sector. Hence, we remain confident in the overall long term business and financial achievements.

Year End Results

During the year, the Indonesian coal market in general experienced challenges related to unseasonal and unprecedented rainfall that in many ways resulted in Adaro's lower than expected production volume.

We ended the year with slightly higher production and sales volumes of 4% to 42.2 million tonnes and 6% to 43.84 million tonnes respectively. We sustained a robust EBITDA (earnings before interest, taxes, depreciation and amortization) of Rp8.03 trillion and a solid industry topping margin of 33%. However, due to higher mining costs which resulted from a higher stripping ratio and longer overburden hauling distances, Adaro Energy's costs of revenue increased 7% causing operating income to decline to Rp6.77 trillion. In addition to these costs increases, the abnormal weather condition caused the decline in net income by 49% to Rp2.21 trillion. Consequently, earnings per share decreased to Rp69 from Rp136.5.

In the Annual General Meeting of Shareholders (AGMS) on April 23rd, 2010, Adaro declared a final dividend of Rp927,592,898,000 or Rp29 per share which constituted 21.24% of the Company's Net Profit in 2009. In disbursing its dividend, the Company incorporated the interim dividend of Rp383,831,544,000 which was distributed on December 30th 2009, and the remaining Rp543,761,354,000 was paid on 18 June 2010 as the final dividend payment.

Adaro is currently Indonesia's second largest thermal coal producer, operates the largest single coal mine-site in Indonesia, and is a significant supplier of thermal coal to the global seaborne market. Adaro is vertically integrated either directly or indirectly and controls all aspects of its business from exploration through to marketing. Adaro is executing plans to boost its production capacity to 80 million tonnes per year. As at the end of 2010, Adaro had an estimated 4.4 billion tonnes of coal reserves and resources, based on a JORC compliant independent statement of reserves and resources dated April 5th, 2011.

In achieving our 80 million tonnes a year production, we have started production at the Wara pit. In the second quarter 2010, Adaro coal from E 4000 (Wara) pit was delivered to China. E 4000 (Wara) contributed around 2.5 million tonnes in the total production for 2010. Going forward production from E 4000 (Wara) will substantially increase.

Projects Development Progress

Adaro is continuing to make infrastructure and other improvements along the coal supply chain to improve efficiencies and strengthen its distinctive position in the market. In order to economically and reliably bolster production at Tutupan, Adaro plans to install a crushing and conveying system to move overburden (known as an Out of Pit Crusher and Conveyor – OPCC).

Adaro's 2x30 MW mine mouth coal-fired power plant is expected to power the OPCC and other part of the mining operations. Currently we are on track for the start up of the mine mouth coal-fired power plant in 2012.

We have secured the Government approval for the formation of the new joint venture for the IndoMet Coal Project (ICP) with BHP Billiton, where Adaro acquired a 25% interest in the ICP joint venture for US\$352 million, with BHP Billiton holding the remaining 75%. Adaro is delighted to have this engagement and looks forward to working together with BHP Billiton, a global leader in the resources industry and the world's largest coking coal producer, in developing this world class asset, which we expect will create significant shareholder value.

In moving downstream to the power sector, Adaro has reviewed several Independent Power Producer (IPP) projects located in Indonesia. To increase its resources, Adaro continues to look for potential acquisitions of coal deposits in Indonesia employing three selection criteria namely size, location, and quality of the asset.

CSR and Community Development

As a publicly listed mining and energy company, good corporate governance goes hand-in-hand with our Corporate Social Responsibility (CSR). Our commitments to support the local communities and preserve the environment in which we operate have also been demonstrated in the past, and continue to define our business practices and methods.

Our CSR programs have become paramount to us and are embedded assets in every activity we do, particularly in our mine site. In addition, Adaro employs the Millenium Development Goals (MDGs) as guidance in implementing our community development programs. We realize that we must not only bring temporary benefits to our



Edwin Soeryadjaya
President Commissioner

surroundings but there should be sustainable benefits that contribute to the establishment of an independent society based on harmonic relationship with the natural environment. We are in the process of developing a mining closure model to ensure we achieve sustainable community development.

Aside from our extensive community programs, Adaro applies strict standards on all phases of its operations through an Environmental Policy and Master Plan to ensure that negative impacts are minimized. Land affected by mining is reclaimed beyond what is required by the regulations. The reclamation encompasses planting of commercial crops, creating fish and shrimp farms, and developing other usage. We continually monitor air and water quality as well as the application of strict programs for air, water and waste handling and utilize an extensive range of equipment to handle all aspects of monitoring and analysis. Our efforts and commitment in applying best environmental practices have earned prestigious recognition. We are delighted to have received the PROPER Green award for 3 consecutive years from the Ministry of Environment for environmental rehabilitation and social programs excellence. Furthermore, we also received the Green Leadership Award for a Water Treatment Plant Project from Enterprise Asia.

Governance and Compliance

As we become bigger in the capital market, our responsibility to the governance aspects must also be enhanced. We have met the statutory requirements of the capital market and bourse authorities, and continue to build our governance structure in line with best practices.

The Board of Commissioners have exercised its governance function to supervise all key aspects of the management of the Company through regular board meetings and ad hoc meetings as well as the work of the Audit Committee. Although we can still make improvements in our governance practices, we believe Adaro has made extensive progress in advancing towards best practices and standards in alignment with Adaro's stated objectives, vision and mission.

Certainly, we will always strive to seek better ways to govern ourselves. We believe good corporate governance should be more than just a set of procedures or policies that comply with prevailing rules and regulations. Most importantly good corporate governance should be practiced and become an inherent part of our business or, better put, as a way of life. It is our intention to develop good corporate governance as a perpetual system that ensures the interests of both our shareholders and stakeholders are safeguarded and ensures the Company's sustainability.

The Extraordinary General Meeting of Shareholders in 2010, approved the appointment of Dr. Ir. Raden Pardede as an Independent Commissioner replacing Mr. Djoko Suyanto. We would like to thank Mr. Djoko Suyanto for his great contributions and services to the Company while at the same time we welcome Raden Pardede as a new member of the Board of Commissioners.

Closing Remarks

Our strong control and continuous investments in the coal supply chain empowered with best-in-class pool of talents have placed us in a much stronger position to capitalize on the vast growth opportunity ahead in the energy and commodity markets.

We also were pleased to received national and international awards for our accomplishments during the year in the areas of environment, social welfare, and business and financial performances. Again, all of these achievements depict our efforts to create sustainable value to all of our stakeholders.

The progress and the results we have earned during the year would not have been possible without the patronage and strong support from our customers and partners, and the commitment, dedication and hard work of the Board of Directors, Senior Management and Staff.

As a final remark I would like to extend my sincere appreciation to the management, employees and all of our stakeholders for their commitment and efforts during a tough year, and we count on their continuing trust and support to ensure our sustainable growth for many years to come.

On behalf of the Board of Commissioners,

Edwin Soeryadjaya
President Commissioner

LETTER FROM The Board of Directors

My Dear Fellow Shareholders,

It gives me great pleasure to report to you on how we did in 2010 and how we are going to continue to create shareholder value in the future.

The year 2010 was challenging, profitable, exciting and transformative. We had a great year in 2010 despite the challenges of horribly bad weather. I am extremely proud of how our organization reacted to the unprecedented and unusually wet conditions. Despite the weather we still delivered our second best year in terms of revenues and profits. We also retained the best EBITDA margin in Indonesian coal, at 33%. Market conditions are better than we ever imagined and it is a great time to be in the Indonesian coal mining business. We feel more encouraged than ever before to grow and expand and to continue to create sustainable value from Indonesian coal.

Although we produced slightly less than expected, our loyal long-term customers understood the weather situation and were satisfied. We managed to continue our unbroken track record of annual organic growth. This is impressive when we remember that we operate the largest single concession coal operation in the southern hemisphere, which is four times larger than Australia's largest mine. A less experienced, less dedicated group of operators might have waived and produced less. We aim to continue creating value by maintaining our unbroken 19 year track record of annual growth.

At the end of 2010 we remained Indonesia's second largest thermal coal producer, and the largest single coal mine in the southern hemisphere, and were a significant supplier to the global seaborne thermal coal market. Whereas the other larger miners have multiple concessions, we had just one concession we have continuously grown over the past 19 years.

What We Are Going to Do: Our 2011 Guidance

In 2011 we aim to produce and sell between 46-48 million tonnes of our Envirocoal, including 4-5 million tonnes of our new, lower heat value product called E 4000 (Wara), from the Wara pit in our concession. We are anticipating a strong



Here are some points on 2010 that we would like to highlight:

1. We had our second best year ever (revenue, profit) and still increased production of coal and overburden despite the unprecedented wet weather that lasted all year long.
2. Demand for the E 4000 (Wara) coal remained strong. Sold 2.05 million tonnes of the 4,000 CV coal, above our 1-2 million tonne target. This year we hope to sell 4-5 million tonnes of Wara.
3. Closed a deal with BHP Billiton to buy 25% of the IndoMet Coal Project in Central Kalimantan encouraging us to look for other Indonesian coal acquisitions to boost reserves.
4. We maintained the best EBITDA margin in Indonesian coal at 33% due to good cost control (cash cost only increased 17%) despite higher input costs throughout the industry.
5. Closed the first ever 7 year bank loan in Indonesian history, for our mining contractor SIS, with value of US\$400m.
6. Liquidity of over US\$1 billion and financial structure stronger than ever, net debt to EBITDA of 1.1x and net debt to equity of 0.48x.
7. For FY10 we have paid an interim dividend of Rp315,06 billion, and we plan to pay final dividend of Rp655.71 billion (subject to AGM approval). Therefore our dividend payout ratio for FY10 would be 43.98%.

year in 2011. Due to the strong market conditions we expect our average sales price to climb around 20% which should offset the increase in costs and deliver wider margins. Due to a rising strip ratio, which we shall increase to 5.9x (blended), as well as probably higher fuel prices we expect our blended cash cost to increase. As such, we are expecting to increase EBITDA to US\$1.1 to US\$1.3 billion in 2011.

The Era of Cheap Coal is Over: Our Strategy to Create Sustainable Value from Indonesian Coal

Like our new partner at the IndoMet Coal Project, we are focused on creating long term value by developing long term, low cost assets. Our strategic focus for the longest time was all about our one very large operation in South Kalimantan. We have 4.4 billion tonnes of coal resources at a seam called the longest in the southern hemisphere by Barlow Jonker, and this has given us more than enough to concentrate on for the past nearly two decades. However, we now believe the era of cheap coal to be over and thus must look for other deposits to create long term value.

We made this determination after a long period of careful research and analysis. When the Japanese reference price first spiked to US\$125 per tonne in 2008, we believed it to be an anomaly. In 2009, as a reaction to the recession, we went back to basics in order to preserve cash, focus on our core business and reassess our future plans. Out of that process, we determined that while interdependent, the economic crisis of the West was not as severe in Asia. We noticed that countries around Asia and in particular emerging market Asia, were gearing up for more growth and long term growth, as evidenced by our customers' pipeline of more efficient and larger coal-fired power stations. Sometimes referred to as supercritical power stations, these plants can handle a wider variety of coals, including a greater percentage of the subbituminous coals that we sell. We also saw that our customers cared about the environment and the demand for our clean coal was going to grow, not diminish.

China, which became a net importer of coal only in



Garibaldi Thohir
President Director

2008, surprised everyone when they imported 100 million tonnes of coal during the global recession of 2009. This was triple the amount they imported in 2008, yet still was only around 3% of their total annual consumption. We recognized that China, and more specifically the domestic coal price in China as well as the domestic cost of producing coal were to be key determinants of the coal price going forward. Our assessment in 2009 was that the Japanese reference price would decrease due to the recession, yet surprisingly, and in no small part to China's surge of imports, the Japanese reference price was set at US\$70 per tonne, which was the second highest price ever. It appeared to us then that we were not going to go back to the old days of low thermal prices. At this point we began to seriously think about how we could create value in a future with stronger coal prices.

In 2010, our assessment of the market was that the Japanese reference price would stay around the same level as in 2009. We were delighted when the price rose 40% to US\$98 per tonne. We are now more convinced of the continued robustness in the thermal coal markets. In combination with the scarcity of higher grade coals, we thus believe the future will include more low heat value subbituminous coals, more supercritical and more efficient power stations and coal drying technology will finally become commercial. We believe that most of this growth will occur in emerging market Asia.

So how have we reacted to the realization that the era of cheap coal is over? We have decided to broaden our focus and to begin expanding through acquisitions. We will not be reckless. We are not looking to diversify into other countries or other minerals. We are still focused on coal in Indonesia. In order to create sustainable value from Indonesian coal, our strategy is as follows:

- 1) Annual organic growth from our existing Tanjung concession.
 - a. Grow with our loyal customers that value Envirocoal.
 - b. Only grow if can continue to deliver better service and be more reliable than our competition and without jeopardizing industry topping profit margins.
- 2) Improve the vertical integration of the coal

Our Very LARGE Coal Mine

To give you a visual description of the scale of our operations, if you took the 226 million bank cubic meters of overburden and built a tower with a base the size of a football pitch, the tower would rise to a height of 45.5 kilometers! While we export to 17 countries, we are the largest supplier of coal to the Indonesian market, in 2010 providing 10.4 million tonnes of around 20% of Indonesia's consumption.

In 2010, our pit dewatering activities increased dramatically due to the unprecedented and huge amount of rainfall.

In the second half of 2010, our operation pumped 16,716 Olympic sized swimming pools. And all of this overburden handling and pit dewatering is being handled in an appropriate way with the full support and approval of the local communities and government and in full compliance with environmental regulations.

supply chain for greater control and efficiency.

- a. Reduce dependency on oil.
 - b. Increased mechanization through the use of conveyors and other equipment.
 - c. Increase amount of activities done by our own subsidiaries with competitive arrangements amongst the contractors.
 - d. Move downstream ("pit-to-power") into the domestic IPP sector in order to create demand for our low grade coal and generate a good return.
- 3) Increase coal reserves through exploration and acquisitions.
 - a. Focus on Indonesian coal deposits.

What We Said We Would Do: Our 2010 Guidance

In terms of 2010 guidance, at the beginning of the year we promised to deliver another year of growth, and expected to hit around 45-46 million tonnes. We said we would keep cash cost inflation to mid-single digits and that we would deliver similar pricing as in 2009.

We stated at the beginning of 2010, that our focus in 2010 was on growing production and marketing the new coal product E 4000 (Wara) and exploring different initiatives to get to 80 million tonnes a year by 2014, executing the current development projects to further improve the efficiency of the coal supply chain and seeking acquisition and investment opportunities in world class deposits of Indonesian coal.

How We Did

We had a fantastic start of the year. Despite being the rainy season, during the first quarter we were able to produce 11.36 million tonnes, our second best quarter ever. Our best quarter on record, 12.13 million tonnes, occurred in the fourth quarter of 2009. We had produced 23.49 million tonnes during the rainy season, which normally starts in the fourth quarter and ends in the first quarter. In anticipation of dry conditions which typically begin in the second quarter, we felt assured of hitting our 45-46 million tonnes target.

During the first quarter, we kept demurrage charges to just US\$1 million and in fact in the month of February we collected despatch, which

is the opposite of demurrage and occurs when waiting vessels are loaded ahead of schedule. The acquisition in mid-2009 of a barging and shiplading company contributed to strengthening the efficiency of our coal supply chain, as evidenced by cycle time reduction and improved tonnage. For these and other factors, we felt comfortable about hitting our cash cost guidance of mid-single digit inflation, rising to US\$31-US\$33 per tonne.

As well, conditions in the coal markets were very robust. We had anticipated that the Japanese reference price would be flat, perhaps just slightly above the US\$70 per tonne of 2009, which was already the second highest price on record. In fact the price increased 40% to US\$98 per tonne. We felt good about our average sales price guidance of a level similar to the US\$58.75 of 2009.

At the end of the first quarter we announced a best-ever quarterly revenue and we were on track to hit our guidance. As well, we had been selected from dozens of competitors to become partners with BHP Billiton in the IndoMet Coal Project.

However, around about the middle of the second quarter, the rains did not go away as expected. The rainy season, which starts in November and lasts four months, for the first time, did not come to an end. Normally in May we see start to see drier weather, but not in 2010. The months of June through September experienced double the five year average of rain fall and rain days. Above average rains continued in the fourth quarter. Every year we need a third quarter dry season to stay on track in term of production. During the third quarter we normally produce around 30% of our annual target and also conduct “waterproofing” activities. These activities, such as pre-stripping and exposing more coal at higher elevations, allow us to continue producing coal to meet customer demand during the upcoming rainy season.

No one could have anticipated that we would have a La Nina year and that there would be no dry season. It is an incredible achievement that despite 3,761 millimeters of rain and 206 rain days at our minesite we were still able to increase overburden removal by 8% to 226 million bank cubic meters and increase coal production by 4% to 42.2 million tonnes. It is testament to our operations and the skills and experience of our managers. I have full confidence in their ability to meet the inevitable challenges we will face in the future as we increase production up to our medium term target of 80 million tonnes a year.

Due to the weather, our cash cost, excluding royalties, of US\$35.29 per tonne was slightly higher than expected and our average sales price of US\$57.18 per tonne slightly lower than anticipated, but were still within range of our guidance. We did not produce as much as we hoped, however, most importantly it was another year of annual growth, in terms of both overburden and coal, and our customers remained satisfied as we were only 5% below our guidance. We still delivered our second best year of profit ever, with EBITDA of US\$884 million and net income of US\$243 million. We had our best year ever in terms of revenues, which increase to US\$2.7 billion.

E 4000 (Wara): Better than Expected Acceptance by the Market

We stated at the beginning of 2010, we would focus on marketing the new coal product E 4000 (Wara). This is certainly one of the highlights of 2010, as demand for the 4,000 CV Wara coal was strong. At least five years ago, it was thought the E 4000 (Wara) coal had too little heat and too much moisture to export and different ideas including the implementation of coal drying technology were considered.

Following a thorough study, and partly due to the robust conditions in the coal markets, our marketing department reported to the Board of Directors in June 2010 that we would not need to blend E 4000 (Wara) in order to generate exports. We sold 2.05 million tonnes, which is above our 1-2 million tonnes target. This year we hope to sell 4-5 million tonnes of E 4000 (Wara).

Getting to 80 Million Tonnes a Year by 2014

At the beginning of 2010, we also stated we would be exploring different initiatives to get to 80 million tonnes a year by 2014. We have held this target since 2008 and are doing everything we can to make it a reality. While both 2009 and 2010 were record years and extraordinarily profitable, in both years production was slightly below (around 5%) what we expected, due to the global recession in 2009 and the unprecedented wet weather in 2010.

Our number one objective is to create sustainable value from Indonesian coal by developing long term low cost assets. Our top priorities are making the best margin and growing with our loyal customers, rather than producing more coal just for the sake of hitting a production target, especially when doing so is less economically advantageous. In terms of growth our most important goal is that we produce more than the year before to maintain our unbroken track record.

It must be clear that while we will do our best to hit 80 million tonnes a year in 2014, it is our target and is not our promise.

While the target has not changed, how we get to 80 million tonnes a year has changed and now includes coal from our first mine site, Paringin, and coal from the three to four potential acquisition targets we may make in 2011.

It is now clear Tutupan’s growth is reaching optimal capacity and will likely plateau around 45 million tonnes a year. We are taking action to keep Tutupan growing reliably, as our customers require, and perhaps grow Tutupan beyond 45 million tonnes a year. Our plan includes adding conveyors, like the Overburden Crushing and Conveying System, which is also known as the OPCC (out of pit crusher and conveyor), which also forms part of our plan to reduce dependency on oil. We shall also increase the average size of the trucks and equipment, together with widening the ramps and better educating the drivers.

The reality we are well aware of is that our customers buy our coal because we are more reliable so as we grow to 80 million tonnes a year we must do so without jeopardizing our reliability. As a counter to the flattening growth trajectory of E 5000 (Tutupan), E 4000 (Wara) is selling very well and we are making as much money per tonne of E 4000 (Wara) as we do per tonne of E 5000 (Tutupan) coal. E 4000 (Wara) is key to our growth plans, and we hope to add 25-30 million tonnes by 2014

In 2010, we reopened our Paringin site, which we closed down in 1999 as the strip ratio of 6x was then considered uneconomical. We began production at Paringin 2010, and this coal, which has a similar heat value as E 5000 (Tutupan), could contribute around 2 million tonnes in 2014.

We have 3 potential acquisition targets, all inland thermal deposits at the development phase, which by 2014, if we close a deal in 2011, could also contribute some output.

Project Development to Improve Efficiency of the Coal Supply Chain

At the beginning of 2010, we planned to implement current development projects to further improve the efficiency of the coal supply chain. We made good progress.

Improving Integration and Efficiency of the Coal Supply Chain: Conveyor Systems

As ensuring the reliable and safe production growth of Tutupan is a higher priority than increasing coal hauling efficiency, we advanced plans to increase and improve overburden removal at the Tutupan mine. Plans to construct what is known as an overburden crusher and conveyor system made good progress and we will announce the EPC contractor in early 2011. We expect the system will be operational by 2013.

Meanwhile, the 38 kilometer overland conveyor (OLC), which will run along our coal haul road, was put on hold given our E 4000 (Wara) coal was making as good a margin as E 5000 (Tutupan) without having to lower coal transportation costs with the OLC.

2 X 30 MW Mine-mouth Power Plant

Our mine-mouth power plant will power the new conveyors and the entire mining operation, bringing costs savings, less dependency on oil and more reliability. The plant will be owned and operated by our subsidiary, MSW, and is expected to commence in 2012. As at the end of 2010, MSW had spent US\$59 million on the project. The plant will be fueled by approximately 300,000 tonnes of E 4000 (Wara) per year.

Shell Inaugurates the Pulau Laut Fuel Terminal in South Kalimantan

Shell, in co-operation with Indonesia Bulk Terminal officially opened the Pulau Laut Fuel Terminal in South Kalimantan on August 27th, 2010. IBT's new fuel terminal is an example of our continual efforts to further integrate and improve our coal supply chain. For Adaro Indonesia, the fuel terminal will provide a guaranteed and lower cost fuel supply. For IBT, the fuel terminal will help increase third party traffic and users of IBT's facilities.

New Bargaining Contracts to Lower Freight Rates an Estimated 15%.

We also made some progress in terms of our bargaining activities. In November, we announced our wholly-owned subsidiary PT Adaro Indonesia had signed three new innovative long term coal bargaining contracts, which will strengthen the bargaining segment of the coal supply chain and lower freight rates by an estimated 15%. The deals were made to support growth, improve efficiency and reliability and lengthen the maturity of contracted bargaining volumes.

Acquisitions of Indonesian Coal Deposits: The IndoMet Coal Project with BHP Billiton and Others

At the beginning of 2010 we also guided that we would be seeking acquisition and investment opportunities of world class deposits of Indonesian coal. At the end of the first quarter 2010 we delivered by acquiring 25% in the IndoMet Coal Project (ICP) from BHP Billiton.

On March 31, 2010, BHP Billiton announced it had entered into binding agreements to create a new joint venture for its IndoMet Coal Project (ICP) with PT Alam Tri Abadi, one of our wholly owned subsidiaries. We agreed to acquire a 25% interest in the ICP joint venture for US\$335 million (before tax). BHP Billiton holds the remaining 75%. The ICP covers seven Coal Contracts of Work (CCoWs) located in East

and Central Kalimantan in Indonesia. Undeveloped metallurgical and thermal Coal Resources are estimated at 774 million tonnes. In May 2010, we announced the formation of the new joint venture for the IndoMet Coal Project (ICP) with BHP Billiton, following confirmation of outstanding Government approvals. We expect our investment in the ICP will create significant shareholder value. Throughout 2010, studies were conducted to identify development options across the seven concessions.

Other Acquisitions: Three Targets, Hopefully Close a Deal in 2011

Given the long term robust outlook that we expect in coal markets, we will now also create sustainable value from Indonesian coal through acquisitions. While we will look at all opportunities, we prefer to acquire undeveloped deposits rather than mines, as we can use our specialized knowledge and experience of how to take a deposit and turn it into a profitable long term asset. The opportunities we have identified play right to our strengths as an expert of inland low rank Indonesian coal. We looked at several opportunities in Kalimantan and Sumatra in consideration of three main criteria: 1) location, 2) size and 3) deposit quality. While we do not have a specific minimum resources amount, we are only interested in deposits that can create substantial value

Regulatory and Land Issues

Like the weather, land issues will always be there, this includes permits as well as outright purchase of land. We are not a backfill operation and need to purchase hundreds of acres each year. We try and keep a land bank of what we estimate we need for around 5 years ahead. Although land has become more of an issue, we do not foresee any out of the ordinary problems, nor do we anticipate our growth plans will be hampered.

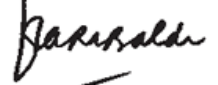
Dividend

Last year, on the 2009 net income we paid a cash dividend of 21.24%, or Rp928 billion. The payout ratio was less than the 42.5% we paid on the 2008 net income, as we needed cash to pay BHP Billiton for our 25% interest in the IndoMet Coal Project. On the 2010 net income, and pending shareholder approval, we are planning to pay a cash dividend of Rp655.71 billion, or 43.98% of the 2010 net income.

It was a year when we made good on plans to broaden our focus from one concession and one type of business activity. After 19 years, we no longer are solely concerned with our coal operations in South Kalimantan. Our business strategy is no longer solely about organic annual production from this site. However, while we are broadening our focus, we still are very much focused on creating sustainable value from Indonesian coal.

Finally, I would like to thank all of our stakeholders for helping to turn a difficult year into one of our best ever. In particular I would like to thank our dedicated and loyal workforce and contractors. Without your professionalism and skills, 2010 might have become the first year we did not increase our output. I would like to thank our valued long term customers who remained loyal despite the difficulties posed by the unusual weather. I would also like to thank you, our shareholders, for your continued support as we build a bigger and better Adaro Energy in order to create sustainable value from Indonesian coal.

On behalf of the entire Board of Directors,



Garibaldi Thohir
President Director

Board of Commissioners



Mr. Edwin Soeryadjaya
President Commissioner

Indonesian Citizen, 61, was awarded his Bachelor of Business Administration degree from the University of Southern California in 1974. He is the President Commissioner of PT Adaro Energy, and among others PT Saratoga Investama Sedaya, PT Pulau Seroja Jaya, PT Global Kalimantan Makmur, PT Lintas Marga Sedaya, PT Saratoga Sentra Business, PT Dianlia Setyamukti, PT Alberta Investama Sedaya, PT Mitra Global Telekomunikasi Indonesia, PT Pandu Dian Pertiwi, PT Saratogasedaya Utama, PT Saptaindra Sejati, PT Alam Tri Abadi, and PT Adaro Strategic Investments.

He is also the Commissioner of among others, PT Bhaskara Utama Sedaya and PT Mitra Pinasthika Mustika.

Mr. Soeryadjaya joined PT Astra International (Astra) in 1978 and left as the Vice President Director in 1993. The Soeryadjaya family founded and owned Astra International from 1957 to 1992. He successfully spearheaded the financial restructuring of Astra from 1987 to 1990 and led Astra's IPO in February 1990. Mr. Soeryadjaya was recently awarded 'Indonesian Entrepreneur of the Year 2010' by Ernst and Young.



Mr. Theodore Permadi Rachmat
Vice President Commissioner

Indonesian citizen, 67, completed his education in Mechanical Engineering from the Bandung Institute of Technology in 1968.

He is the Vice President Commissioner of PT Adaro Energy, a Commissioner of PT Alam Tri Abadi, PT Adaro Indonesia, PT Indonesia Bulk Terminal, PT Jasa Power Indonesia and Dianlia, as well as the President Commissioner of PT Adira Dinamika Multifinance Tbk.

He started his career at Astra in 1969, as a General Manager of the Heavy Equipment Division (1971-1973), Marketing Director (1973-1976), Group Director (1977-1980), Vice President Director (1981-1984), President Director (1984-1998), Commissioner (1998-2000), elected as President Director (2000-2002) for the second time and then President Commissioner (2002-2005).

He also held several key positions at PT United Tractors, including President Director (1977-1984) and Commissioner (1984-1999).

He was a prior member of the National Economic Board (1999-2000), Commissioner of PT Multi Bintang Tbk. (2002-2007) as well as Commissioner of PT Unilever Indonesia Tbk (1999-2009).

Mr. Rachmat was named "Best CEO 1994 in Asia" by CEO of the Year Europe and Asia 1994 Financial World.



Mr. Ir. Subianto
Commissioner

Indonesian citizen, 68, completed his education at the Bandung Institute of Technology in 1969. He is a Commissioner of PT Adaro Energy, PT Alam Tri Abadi, PT Adaro Indonesia, PT Jasa Power Indonesia, PT Saptaindra Sejati and PT Indonesia Bulk Terminal.

He began his career at PT Astra International Tbk as a manager in 1969.

He then joined PT United Tractors as a director in 1972 and Vice President Director in 1979.

He served as a Director (1979-1990), Vice President Director (1990-1998) and Commissioner (1998-2000) of PT Astra International Tbk.

He served as a Director (1984) of PT United Tractors, before being appointed as commissioner and President Commissioner in 1997-1999.

He was also the President Commissioner (1995-2001) and Commissioner (2001-2003) of PT Berau Coal.



Mr. Ir. Palgunadi Tatit Setyawan Independent Commissioner

Indonesian citizen, 71, he earned a Bachelor's degree from the Bandung Institute of Technology in 1962 and a Dipl. Ing. Ballistic Engineer from the University of Belgrade, Yugoslavian Military Science and Industry Institute in 1966 and Army ABRI Sesko education in 1979. He served in the army until 1981, retiring as Lieutenant Colonel.

He is an Independent Commissioner of PT Adaro Energy. He is also a member of the Audit Committee of PT Mahaka Media Tbk., Independent Commissioner and Chairman of the Audit Committee of PT Pembangunan Jaya Ancol Tbk, President Commissioner of PT Jakarta Propertindo Head of Management & Entrepreneurship Development Institution of Al Azhar Indonesia (UAI) University, Independent Consultant of Corporate Governance, Internal Audit and Corporate Culture.

He served as a Manager, Director, and Commissioner for PT United Tractors Tbk from 1982 to 1998, Senior Vice President for Astra from 1989 to 1997, President Director for PT Astra Mitra Ventura from 1992 to 1997, Director for Asia Region for GIBB Ltd. from 1997 to 1999, and Executive Vice President for PT Raja Garuda Mas from 2000 to 2002.



Mr. Lim Soon Huat Commissioner

Malaysian citizen, 46, is a Commissioner of PT Adaro Energy and has had more than 15 years financial and corporate management experience within the Kuok Group of companies in Singapore, Thailand, Hong Kong, and China.

Currently oversees the Kuok Group's investments and operations in Indonesia which include sugar cane plantations, sugar milling, flour milling and hotels. He also serves as a Director for PPB Group Berhad, a company listed on the KLSE, Malaysia.



Dr. Ir. Raden Pardede Independent Commissioner

Indonesian citizen, 50, earned his Chemical Engineering degree from the Bandung Institute of Technology in 1984, and PhD in Economics in 1995 from Boston University, USA.

He is currently a member of The National Economic Committee (Komite Ekonomi Nasional) and an Independent Commissioner of Bank Central Asia. Previously held position as President Commissioner of PT Perusahaan Pengelola Aset (PPA) (2008-2009), after previously serving as Vice President Director of PT Perusahaan Pengelola Aset (2004-2008).

In addition, he had held various positions in the Government and private sector, among others, the Special Staff of the Minister of Finance (2007-2010), the Secretary of Financial System Stability Committee (2008-2009), Chairman of Indonesia's Infrastructure Development Financing (2004-2005), Special Staff of Coordinating Minister of Economy RI (2004-2005), Executive Director of PT Danareksa (2002-2004), Deputy Coordinator for Finance Minister Assistance Team, RI (2000-2004), Chief Economist and Head of Division of PT Danareksa (1995-2002), founder of Danareksa Research Institute (1995), Consultant at the World Bank (1994-1995), Consultant to the Asian Development Bank (2000-2001), Staff Planning in the Ministry of Industry (1985-1990), and Process Engineer at PT Pupuk Kujang / Fertilizer Industry (1985).

Board of Directors



Mr. Garibaldi Thohir President Director

Indonesian citizen, 45, earned his Bachelor degree from the University of Southern California in 1988 and an MBA from Northrop University, Los Angeles, United States of America in 1989.

He is the President Director of PT Adaro Energy, PT Alama Tri Abadi, PT Adaro Indonesia and Dianlia, President Commissioner of PT Jasa Power Indonesia, PT Adaro Power, and Commissioner of PT Indonesia Bulk Terminal and a group of 7 CCOW companies in which Adaro holds a 25% JV interest with BHP Billiton (IndoMet Coal Project) since 2010.

He is also the President Director of PT Trinugraha Thohir, PT Allied Indo Coal, PT Padangbara Sukses Makmur and is the President Commissioner of PT Trinugraha Food Industry, PT Wahanaartha Harsaka, PT Wahanaartha Motorent and is a Commissioner of PT Karunia Barito Sejahtera, PT Wahana Ottomitra Multiartha Tbk.w



Mr. Christian Ariano Rachmat
Vice President Director

Indonesian citizen, 37, earned his Bachelor of Industrial Engineering from Northwestern University in 1995.

He is the Vice President Director of PT Adaro Energy, Director of PT Alam Tri Abadi, PT Adaro Indonesia. He is the Commissioner of PT Saptaindra Sejati, PT Indonesia Bulk Terminal, PT Jasa Power Indonesia, PT Adaro Power and President Commissioner of PT Makmur Sejahtera Wisesa.

Past experience includes Business Analyst at A.T. Kearney (USA) (1995-1996), Operations Researcher and Supply Chain Manager of Toyota Motors (1996-1998) and Director at Triputra Group (1999-present).



Mr. Andre J. Mamuaya
Director of Corporate Affairs

Indonesian citizen, 40, completed his engineering education at the department of Industrial Mechanical Engineering of Tokyo Denki University (Japan) in 1994 and graduated from the American College, Los Angeles (USA) in Business Administration in 1996.

He is the Director of Corporate Affairs of PT Adaro Energy, President Director of PT Jasa Power Indonesia, PT Maritim Barito Perkasa, PT Harapan Bahtera Internusa and PT Adaro Power, and is a Director of PT Alam Tri Abadi, PT Satya Mandiri Persada, PT Makmur Sejahtera Wisesa and Dianlia.

He is also the Commissioner of PT Saptaindra Sejati, PT Pandu Alam Persada and PT Tri Nur Cakrawala. He has served as a Director of PT Anugrahtimur Sejatiperdana from 1997 to 2000.



Mr. Sandiaga S. Uno
Director

Indonesian citizen, 41, graduated Summa Cum Laude with a Bachelor of Business Administration from the Wichita State University in 1990 and obtained a Masters of Business Administration from George Washington University in 1992.

He is a Director of PT Adaro Energy. He is the founding partner of Saratoga Capital, a private equity firm he co-founded with Edwin Soeryadjaya in 1998. Saratoga Capital focuses its investments in natural resources and infrastructure opportunities in Indonesia and Southeast Asia. He also co-founded a boutique investment firm, PT Recapital Advisors in 1997.

Since June 2010, Mr. Uno served as a member of the National Economic Council appointed by the President of Republic of Indonesia and he was the Chairman of the Indonesian Young Entrepreneurs Association (HIPMI) from 2005-2008.



Mr. David Tendian
Director of Finance

Indonesian citizen, 44, graduated with the Honors and Distinction in Economics and Marketing in 1989 and earned his MBA in Economics and Finance from the University of Illinois in 1991.

He is PT Adaro Energy's Director of Finance, Chief Financial Officer and Director in PT Adaro Indonesia, PT Alam Tri Abadi, PT Jasa Power Indonesia, and PT Indonesia Bulk Terminal. He has worked in the coal industry in Indonesia since 2003 with several CCA first generation companies. He formerly held senior level positions in several international banks and private equity firms in the US and Indonesia from 1991 to 2002 and from 2005 to 2006.



Mr. Alastair Grant **Director of Business Development**

New Zealand citizen, 69, earned his B.E. (Mining) and M.E. (Mining Engineering) from Otago University (Dunedin, New Zealand) in 1963 and 1965 respectively, and a B.A. (Economics) from the University of New England (N.S.W., Australia) in 1982.

He is a Director of PT Adaro Energy, and was responsible for marketing and sales of Adaro's coal as well as the negotiation of coal supply contracts. He is now responsible for the business development of the group.

He has over 41 years of experience working in the energy and minerals industries. Within the Indonesian coal industry, he previously worked for PT Arutmin Indonesia (BHP) and Utah International Inc. on coal projects, before joining Adaro as General Manager in March 1990.



Mr. Chia Ah Hoo **Director of Operations**

Malaysian citizen, 51, earned his Bachelor of Applied Science (Civil Engineering) from the University of Windsor (Canada) in 1984.

He is the Director of Operations of PT Adaro Energy, Director of PT Adaro Indonesia, PT Alam Tri Abadi, PT Jasa Power Indonesia and the President Director of PT Indonesia Bulk Terminal. He has been appointed as a Director in a group of 7 CCOW companies in which Adaro holds a 25% JV interest with BHP Billiton (IndoMet Coal Project) since 2010. He has over 20 years experience in civil construction projects and open-cut mining projects throughout South East Asia. He joined Adaro in 1991 as Operations Manager of Kalimantan operations and held the position of General Manager of Adaro Indonesia from 1998 to 2005.

Build A Bigger and Better ADARO

“...the journey to become a large company is never an easy path and there are always many challenges to overcome. This means that this journey demands abilities that outperforms the industry average and the aspiration to grow bigger requires the capability to run the business in a way that surpasses our competitors. We cannot get ‘bigger’ if we are not ‘better’...”



May peace be with us all.

Dear fellow members of Adaro Management:

Moving towards the end of 2010, the Indonesian economy has been indicating a positive trend. As of Q2 2010, the economy had grown by 6.2% (YoY) and is predicted to continue growing at 6.0% - 6.5% in 2011. And it is a known fact that each increment in economic growth generates twice as much need for energy supply. Thus, I think “Build A Bigger and Better Adaro” is the right theme for the President Director’s Message of 2011.

Why did I choose “Build A Bigger and Better Adaro”?

A number of factors have convinced me that this is indeed the most suitable theme:

Firstly, we are running our businesses in the right sector: mining and energy - a sector that is playing a very strong role in triggering the country’s economic growth. At the same time, the Government of Indonesia is now accelerating the development of energy supply facilities to accommodate the strong increase in demand.

Secondly, this theme is in line with the vision and long-term commitment of our shareholders, who aspire to expand Adaro. We all want to have Adaro as a secure place to work, and to share our dreams and successes. For this, let’s work together to make our beloved Adaro even bigger.

Thirdly, the journey to become a large company is never an easy path and there are always many challenges to overcome. This means that this journey demands abilities that outperforms the industry average and the aspiration to grow bigger requires the capability to run the business in a way that surpasses our competitors. We cannot get “bigger” if we are not “better”; thus, the combination of these two words creates a power phrase that is truly meaningful for us in Adaro.

ON TRACK TO BUILD A BIGGER AND BETTER ADARO ENERGY

As part of Adaro's big family, I would take this opportunity to share my dream about expanding this home. Last 4th and 5th October, the Board of Directors and several members of senior management gathered to discuss Adaro's Vision, Mission and Strategies for the next 20 years. The discussion was highly productive and resulted in a consensus that the vision "To be a leading Indonesian Mining & Energy group" stated in the book "The Family" of the year 2007 is still very much relevant to our current situation.

Two major tasks need to be accomplished as we work towards our shared vision:

First, we must strengthen Adaro's position as the second largest coal producer in Indonesia and a major coal supplier in the world. This is an aspiration that requires a massive increase in production capacity and coal reserves, as well as effective and efficient operation of infrastructure. Such an increase must also be sustainable and attainable both organically and through acquisition or partnership.

Second, we will develop business in the power sector as an independent electricity provider in Indonesia. We are aware that electricity is urgently needed by society and, for many Indonesian people, electricity is still a luxury to



- 1** Mining and energy plays a very strong role in triggering the country's economic growth
- 2** Committed shareholders to expand Adaro
- 3** Overcome the challenges in order to get "bigger" and "better"

which they have no access. We, Adaro, have taken this situation as a calling to serve this sector in our mission towards making a bigger contribution to society and in support of the development of our beloved country.

In the future, the power sector will also play a very strategic role for the business of Adaro Group. Adequate supply of power will support us in operating our existing productive assets more efficiently and improving the living standard of the communities surrounding Adaro's operational locations. This, in turn, will support the company's operations and business in general. Therefore, this is the vision that we will share and strive for in the next 20 years.

I believe that if all of us sincerely work together to fulfill all of the above, our worthy aspirations will come true. Let us welcome the year 2011 and make Adaro bigger and better with our full spirit: the spirit of ability, the spirit of hard work, the spirit of ADARO.

Thank you and have a great day at work.

Jakarta, 9 December 2010

Garibaldi Thohir



Christian Ariano Rachmat
VICE PRESIDENT DIRECTOR

Mr. Rachmat earned his Bachelor of Industrial Engineering from Northwestern University in 1995. He is the Vice President Director of PT Adaro Energy, Director of PT Alam Tri Abadi, PT Adaro Indonesia. He is the Commissioner of PT Saptaindra Sejati, PT Indonesia Bulk Terminal, PT Jasa Power Indonesia, PT Adaro Power and President Commissioner of PT Makmur Sejahtera Wisesa. Past experience includes Business Analyst at A.T. Kearney (USA) (1995-1996), Operations Researcher and Supply Chain Manager of Toyota Motors (1996-1998) and Director at Triputra Group (1999-present).

Human Resources Management

“In 2010, Adaro approved plans to establish a learning center named the Adaro Institute with a mission to develop talented people and produce high calibre professionals and leaders.”

by **Christian Ariano Rachmat**



Adaro’s roadmap in managing its human resources encompasses a clear objective to be able to attract and retain top talents with the aim to establish best in class pool of talents thus ultimately fostering the Company’s efforts to create long term sustainable value from Indonesian coal.

In 2010, the Company has consistently developed various excellence programs in managing human capital while taking into account that employees are critical assets for the success and sustainability of the Company’s performance and upholding the philosophy that “Every Manager is an HR Manager”, whereby firmly encouraging line managers to exercise their leadership in nurturing the potential of every employee.

As evidence of our commitment to human resource development, a number of achievements were highlighted during the year.

Adaro approved plans in third quarter 2010 to establish a learning center named the Adaro Institute with a mission to develop talented people and produce high calibre professionals and leaders. To help Adaro’s business development plans, the institute will improve the skills and capabilities of the rapidly growing work force by providing competency based development curriculum and career opportunities. Adaro recognizes attracting and retaining the top talent can be a challenge as we look to grow to 80 million tonnes a year and continue to create shareholder value from Indonesian coal. The institute, which will be located in Jakarta as well as near the mining operations in South Kalimantan, will offer courses and certified training programs in a multitude of disciplines related to the business of coal mining.



employees are critical assets for the success and sustainability of the Company's performance and upholding the philosophy that **“Every Manager is an HR Manager”**

We expect the learning center of Adaro Institute in Jakarta will commence in 2011 serving as the center for leadership and managerial competency development. Meanwhile the learning center in Kalimantan is expected to roll out in 2013 functioning as the center for professional competency development, particularly technical competency involving mining, mechanical, electrical, and other competencies related to Adaro operations in mining and energy.

The installation of an advanced Human Resources Information System in 2010 enables the Company to effectively manage its resources and productivity and expedite administrative process.

During the year, the Company also engaged in an internal assessment program involving middle level managers to senior managers to provide effective succession planning and identify rising stars of the future. Job grading and job banding were also refined to ensure that our talents are put in the right place with the right incentives. Job evaluations were enhanced to better measure performance against targets and aligning individuals goals with the corporate objectives and strategies.

OTHER ESSENTIAL PROGRAMS IN 2010

1. Recruitment Policy: Identifying Future Leaders

Highly qualified and competent employees with above average motivation form the basis of a bigger and better Adaro. Our recruitment policy puts internal resources first to meet our manpower needs. This provides our employees with substantial opportunities to optimize their self-development according to their job aspirations. External recruitment is conducted to locate the best talents from the market to strengthen our manpower resources. Cooperation with reputable universities is also made through regular campus recruitment and job fairs.

2. Training and Development: Towards People Excellence

As a pilot program, Mining Professional Development Program (MPDP) has been set up to source and develop talented graduates in mining, geology, geotechnical, civil, and environmental engineering, thus, strengthening the supervisory level in the organization, particularly in mining activity.

Adaro continues to provide extensive training and development programs for its employees covering various areas of expertise including both soft and hard skills.

In 2010, Adaro Energy, Adaro Indonesia and SIS spent a total of US\$1.97 million on training, an increase of 31% over 2009.

3. Safety, Health, and Environment (SHE): Towards Operating Excellence

Given the importance of SHE towards Adaro's operating excellence, we ensure every employee and those of our business partners possess sufficient level of SHE awareness. Our continuous approach to intensify the awareness on SHE has been conducted through daily morning talks at operating subsidiaries together with routine training programs.

Every employee is obliged to hold the required certification to ensure technical competency and so minimize operational risk.

4. Communication Culture: Openness and Synergy

Adaro realizes we would never enjoy employee support without appropriate communication from senior management. In line with this spirit, we encourage open communication between management and employees. Informal meetings are organized between the Board of Directors (BOD) and Senior Management and managerial level employees on a regular basis with the aim of discussing ongoing company developments and information exchange in order to promote team synergy.

Education Background	AE	AI	ATA	IBT	JPI	MSW	SDM	SIS	CTI	OML - HBI - MBP
High School	5	374	49	219	1	5	15	3,330	2	74
Diploma	8	89	3	24	0	6	1	629	2	361
Bachelor Degree	49	223	19	44	2	23	14	581	4	39
Master Degree	23	18	9	0	1	4	3	10	1	7
Doctorate	1	1	1	0	1	0	0			
Total	86	705	81	287	5	39	33	4,550	9	481

Every year, the BOC and BOD meet with all levels of staff during the President Message event (“Malam Kebersamaan”) to effectively communicate management’s objectives and year end goals while provide opportunity for all staff to get together.

5. Organizational Development: Infrastructure Readiness

A robust infrastructure foundation in Human Resources Management was built in 2010 to support the company growth toward a bigger and better Adaro. It commenced with job analysis process for all employees, then job evaluation, and job competency profiling. The Company also revisited its organization structure and refinements for improving productivity and aligning with the future growth of Adaro.

6. Reward Management: Rewarding Employee Contribution

Our philosophy in reward management relies on the importance of both financial and non financial rewards. Annually, we participate in a salary survey to identify our remuneration policy against the market and ensure it is in line with market best practices.

Despite our awareness of the importance of the spirit of team work for Adaro’s success, we also recognize employees who contribute more and stand out from the crowd.



Djohan Nurjadi
GENERAL MANAGER HUMAN RESOURCES & INFORMATION TECHNOLOGY

Prior to becoming a member of the Adaro Energy team in 2008, Djohan was the deputy general manager HR for PT Era Indonesia from 1998 to 2001 and general manager HR for the Hero Supermarket group from 2001 until 2008. He has a degree in mechanical engineering from Trisakti university.

Our non financial rewards cover such areas as special assignments, job enrichment, and job rotation.

7. Performance Management: Corporate Objectives Alignment

To ensure employee contributions to the achievement of corporate objectives every employee’s individual objectives are aligned with corporate objectives and line managers play a critical role in defining, monitoring, and assessing these objectives. Adaro attempts to align every employee’s objectives with corporate objectives.

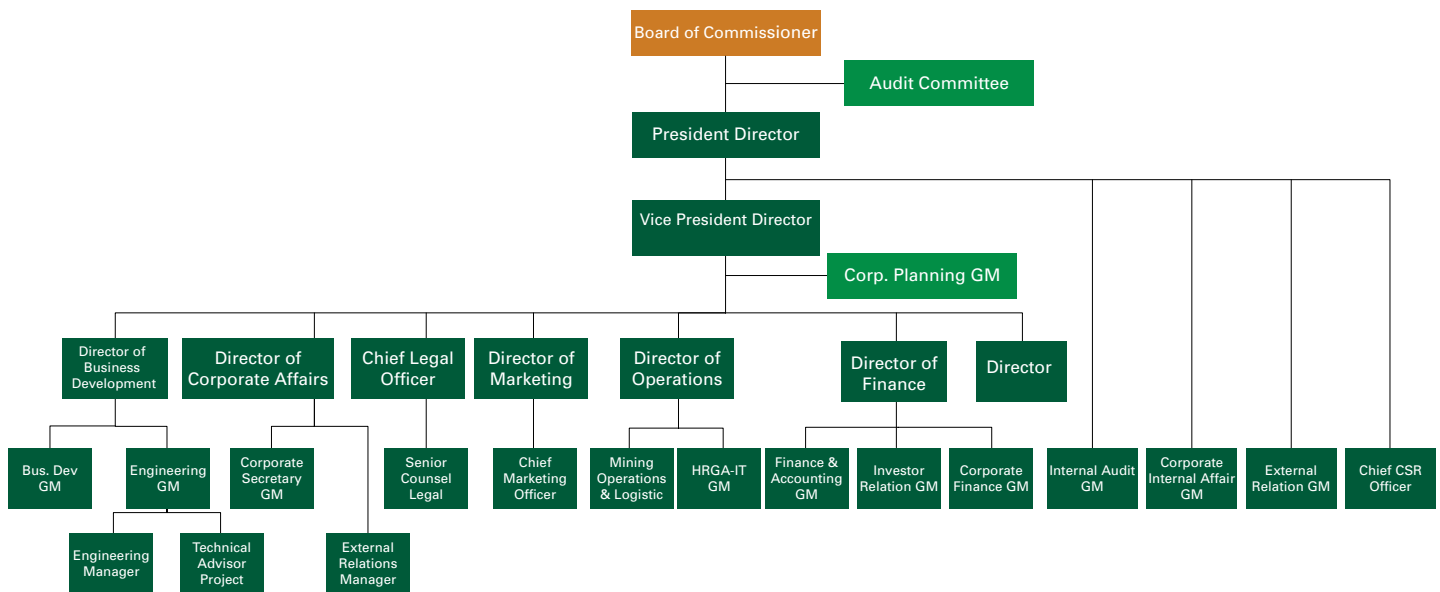
8. Employee and Industrial Relations: Togetherness and Harmony

Adaro has consistently created a working environment that values togetherness among employees and between employees and management. Employee relations activities conducted during 2010 include a get-together evening for all employees, a family gathering, religious events, and sports events. An internal HR Newsletter is also published regularly as a communication media.

Adaro Energy works hard to achieve the ultimate goal of creating mutual understanding and building harmonious working relationships.

To order reprint go to www.adaro.com

OUR ORGANIZATION STRUCTURE



Making It Happen – Kelanis Team

by Barry Jones

As we all know Adaro Indonesia is one of the largest coal producers in Indonesia. From an outside perspective most people know this as the giant mine at Tutupan in South Kalimantan.

However, after mining and before the coal becomes a saleable product it needs to be processed by crushing to an internationally acceptable final size, stockpiled and then loaded onto barges for transportation either direct to local consumers or to Taboneo for transshipment to ocean going vessels which deliver the coal to international consumers.

So where does this happen?

At the Kelanis Processing and Barge loading facility on the banks of the Barito river located 75 kilometers from the mining area and which has now grown to be one of the largest inland river bulk ports in the world with a present capacity in excess of 50 million tonnes per year.

The Kelanis facility is the only part of Adaro Indonesia's operations that is directly operated and maintained by Adaro Indonesia personnel as it is critical to Adaro's product quality control. It is also the hub of the Adaro Indonesia coal chain as every tonne of coal mined passes through the facility. This makes it a vital asset that needs to be operated at maximum efficiency to achieve its throughput and to ensure that the coal flow is constant.

Since the commencement of Adaro's coal operations in the 90's, Kelanis has been upgraded continuously with additional crushing stations and conveyor systems to meet the ever-increasing throughput requirements. This was made possible by the innovative engineering designs which allowed upgrading work to be undertaken without interruption to routine operations.

However the primary key to the success of Kelanis as a high volume and dependable facility has been the development of a dedicated and highly trained team of operations, maintenance, warehousing, and administration personnel whose combined efforts have seen them regularly achieve plant availabilities in excess of 98%

Expansions will continue into the future with additional crushers and new barge loading conveyors being installed as upgrades to the existing systems while construction will soon commence for a completely new processing and barge loading facility to be



built immediately adjacent to the existing ones. This will lift the combined throughput capacity of Kelanis to more than 80 million tonnes per year and enable Adaro to meet its future production targets.



Barry Jones
TECHNICAL ADVISOR

Barry joined Adaro in 1996 as head of maintenance at the Kelanis barge loading facility before being promoted to Kelanis Superintendent, Coal Processing and Shipping Division Head, then General Manager of IBT and now Projects Technical Advisor. Prior to joining Adaro he had many years experience within the Australian coal industry. He has a Diploma in Electrical Engineering, Graduate Certificate in Maintenance Management and a Graduate Certificate in Management.



Terry Ng,
GENERAL MANAGER –
SUPPLY CHAIN

Terry is responsible for streamlining and improving the entire supply chain of Adaro. He has been with the Group since 2002. Before taking this post he was Customer Support Manager for Adaro and then Marketing Manager for IBT. Prior to joining the Group Terry worked with Schlumberger as a Technical Support Engineer and subsequently as Regional Marketing Engineer providing support to Asian Pacific power utilities. He holds a degree in Electrical Engineering from McGill University, Canada.

Shipping to the World - Adaro's Taboneo Team

by Terry Ng

The downstream logistics of Adaro that links the Kelanis barge loading jetty to vessels loading at Taboneo is serviced by three functions.



The first ensures that there is adequate barging capacity to transport the required tonnages out from Kelanis to customers.

The second ensures that the discharging capacity at Taboneo is well managed to allow for prompt discharge of cargo from barges that in turn allow for prompt loading of cargo onto vessels. The last is a scheduling function that plans for adequate vessels to arrive at our Taboneo anchorage so that we may maintain our production flow rate.

Adaro pioneered anchorage operations in Indonesia loading coal to gearless vessels with floating cranes from the early 1990s when the first crane, the "Dona Flor" commenced work. Since then, Adaro has been constantly innovative with reputable partners in developing better loading systems for offshore operations. As of now, Adaro has six floating cranes with a total loading

capacity of 125,000 tonnes per day for gearless vessels, and 40,000 tonnes per day for geared vessels. This anchorage loading operation is thought to be one of the largest of its type in the world.

All of this is controlled from the Permata Barito, Adaro's floating command center at Taboneo anchorage which is equipped with sophisticated satellite communications and GPS tracking systems. The working team from Adaro are accommodated there as are contractors to allow for 24 hour per day supervision. The Permata Barito is also the command center for coordinating all offshore loading activities to allow for vessels calling at our anchorage to achieve a quick turnaround time from arrival to departure.

In 2010, a total volume of 28 million tonnes was transhipped through the anchorage. A second floating command center is planned to accommodate the additional personnel that will be required to service the higher volume of coal to be transhipped through the anchorage as Adaro's production volume grows to 80 million tonnes a year in the future.



Domestic Market Team

by **Ario Suyudanto**

Adaro has long been a supporter of the Government's promotion of the use of coal for power generation, cement, and other industries.



Ario Suyudanto (Domestic Sales Mgr), **Abdul Farid** (Paiton Marketing Operation), **Bahrul Ulum** (Deputy Sales Mgr.), **Ahmad Syafii** (Surabaya Marketing Administration), **Johanes Baskoro** (Cilacap & Suralaya Marketing Operation), **Nurul Huda** (Surabaya Marketing Operation), **Bambang Tridadi** (Market Development Mgr), **Syamsul Bahri** (Paiton Marketing Operation), **Ari Murdoko** (Surabaya Marketing Operation)

Adaro first started deliveries to the PLN's 2 x 400 MW Paiton power station in East Java in 1993, the same year that sales were also secured to some industrial customers. In 1997 the first supply to the cement industry commenced as well as to PLN's Suralaya power station. This was followed in 1998 with the first sales to PT Paiton Energy, developers of 2 x 600 MW units at the Paiton complex who remains one of Adaro's largest customers.

In 2000, Adaro overtook PT Bukit Asam to become the largest supplier to the domestic market and has remained so to this day. Supply in 2010 was 10.3 million tonnes equivalent to approximately 20% of the country's total coal consumption. Company records show that since

the commencement of production in 1992 Adaro has supplied approximately 110 million tonnes to the domestic market.

These achievements in supporting the country's economic growth through the supply of a reliable, clean and competitively priced energy source would not have been possible without the efforts and dedication of Adaro's domestic marketing team who have been ably led by Ario Suyudanto for more than 15 years.

The Domestic Market Team is based in Surabaya, East Java, Indonesia's second largest city, as Adaro's major customers are located in this province. The three operators of generating units at the Paiton power station complex now take in excess

of 6 million tonnes of Adaro coal annually while a number of cement and industrial customers are also based in the this area. However the team also services other customers including power stations in West Java at Suralaya, Cilacap and Cirebon as well as major cement companies, pulp and paper companies and other industries.

At all major customer locations, support offices have been established to handle delivery operations as well as customer support on issues ranging from quality control through to handling and combustion advice. Adaro's consulting combustion engineer makes regular visits to plant sites providing expert advice when required in support of the domestic marketing team.

The team also handles liaison with the Ministry of Energy and Mineral Resources and a dedicated manager regularly meets with Ministry officials to discuss Government policy with particular emphasis on matters relating to domestic allocations, supply and pricing.

In coming years, as the Indonesia's coal fired power generating capacity increases to meet power demand, Adaro intends to remain at the forefront as a premier supplier and the Domestic Market Team will be expanded accordingly to ensure that the high standards it has set in customer support will be maintained.



Chia Ah Hoo
DIRECTOR OF OPERATIONS

Mr. Chia earned his Bachelor of Applied Science (Civil Engineering) from the University of Windsor (Canada) in 1984. He is the Director of Operations of PT Adaro Energy, Director of PT Adaro Indonesia, PT Alam Tri Abadi, PT Jasa Power Indonesia and the President Director of PT Indonesia Bulk Terminal. He has been appointed as a Director in a group of 7 CCOW companies in which Adaro holds a 25% JV interest with BHP Billiton (IndoMet Coal Project) since 2010. He has over 20 years experience in civil construction projects and open-cut mining projects throughout South East Asia. He joined Adaro in 1991 as Operations Manager of Kalimantan operations and held the position of General Manager of Adaro Indonesia from 1998 to 2005.

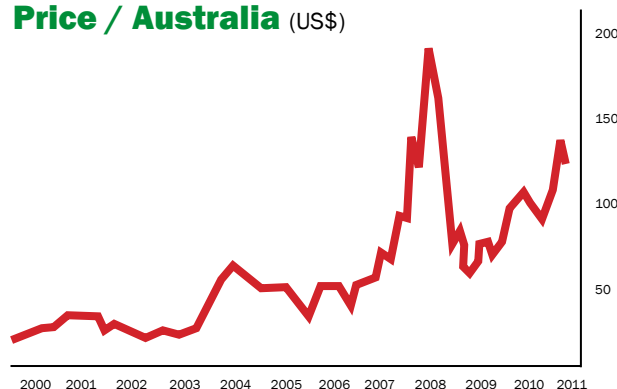
Corporate OVERVIEW

"The long-term outlook for coal is robust and Adaro is convinced that the era of cheap coal is over."

by **Chia Ah Hoo**

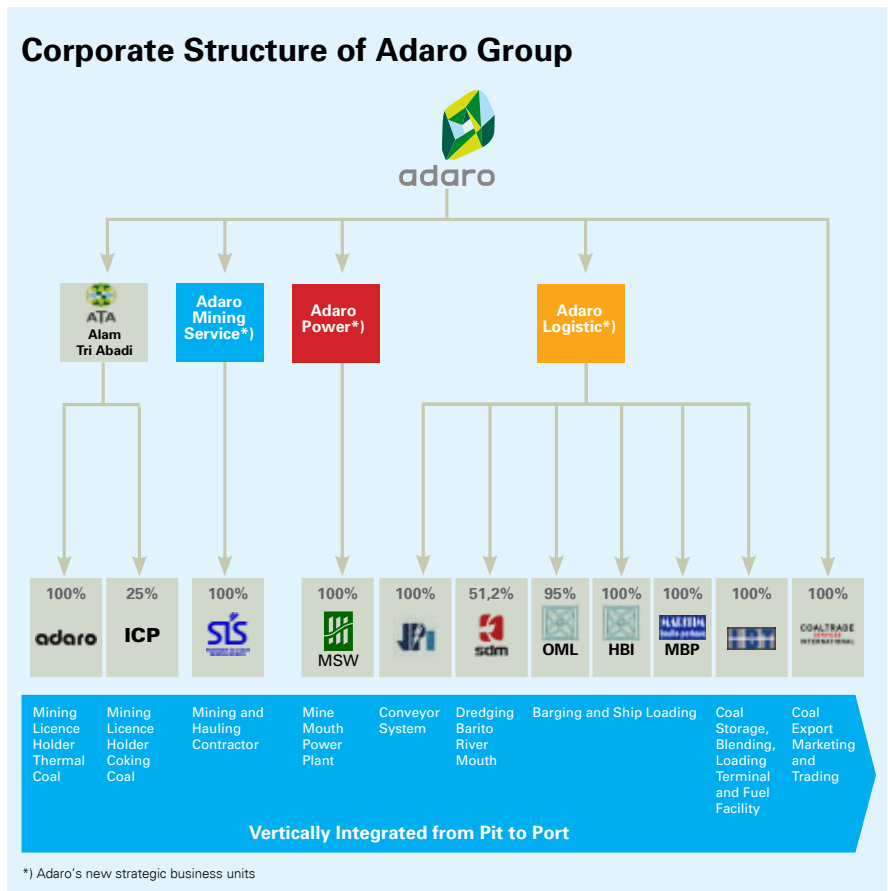
Adaro has grown rapidly to become the fourth largest exporter in the global seaborne thermal coal market. It is currently operating the largest single-site coal mine in the Southern Hemisphere, is amongst the lowest cost coal producers globally and is the largest supplier to the Indonesian domestic market. Production and sales were 42.2 million tonnes and 43.8 million tonnes respectively in 2010. Considerable attention towards safety, local communities and environmental management has been important keys for its unbroken track record of continuous growth since mining commenced in 1992. After listing on the Indonesian Stock Exchange in July 16th, 2008 and raising Rp 12.2 trillion (US\$1.3 billion), Adaro continues to focus on creating sustainable value for its stakeholders from Indonesian coal through annual organic growth, improving the efficiency and integration of its coal supply chain and acquiring quality coal deposits within Indonesia.

McCloskey Newcastle 6,700 kc GAD FOB Steam Coal Spot Price / Australia (US\$)



The long-term outlook for coal is robust and Adaro is convinced that the era of cheap coal is over. Adaro has reacted to this condition by looking at other opportunities as well as continuing to focus on building long-term low cost coal mining assets to create maximum shareholder value. In the medium term, Adaro continues to explore initiatives to increase coal production capacity to 80 million tonnes a year and is also reviewing the acquisition of new coal deposits. Adaro has the reputation and specialized knowledge in developing inland low rank coal deposits and creating profitable mining operations. The company intends to apply these principles as it aims to acquire and develop other coal deposits in Indonesia.

Moving further downstream into power and completing its vertical integration from “pit to power” also presents an important opportunity for Adaro to provide a steady source of reliable cash flow and significant base demand for E 4000 (Wara). Furthermore, Adaro continues to focus on improving the efficiency of its coal supply chain and lowering costs through its infrastructure projects.



INDUSTRY OVERVIEW

Why Coal?

The coal industry is generally divided into two segments; thermal coal and coking coal. Thermal coal is considered as the most abundant and cheapest source of energy for generating electricity through combustion, while coking coal, which is used in the manufacturing of iron and steel manufacturer is more expensive due to its scarcity and higher calorific value. According to the BP Statistical Review of World Energy (June 2010), global proven reserves of thermal coal are estimated to be 826 billion tonnes, which are the largest of all the fossil fuels representing approximately 119 years of production at the current mining rate, much longer compared to oil and gas at 46 years and 63 years respectively. Indonesia has abundant coal reserves. The Directorate General of Mineral, Coal and Geothermal estimates that Indonesia has 104 billion tonnes of coal resources and 20 billion tonnes of coal reserves (Coaltrans 2010).

R/P *) (in years)	Oil	Gas	Coal
Global	45.7	62.8	119.0
China	10.7	28.8	38.0

*) Reserves-to-Production Ratio

Source: BP, "BP Statistical Review of World Energy", June 2010

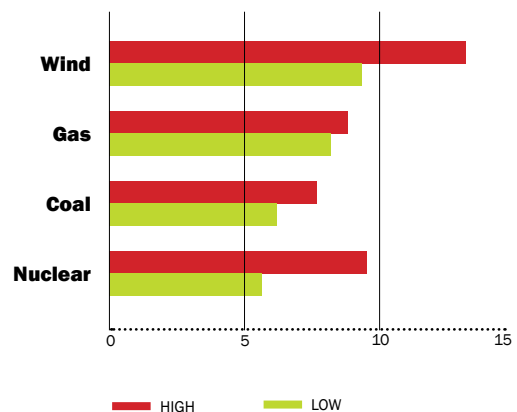
Coal is also considered as the cheapest and most efficient source of electricity generation as shown on the chart to the right. It is relatively easier and safer to transport compared to oil and gas, and contains less geopolitical and radiation risks compared to nuclear.

Due to its availability and efficiency, coal is forecast to fuel most of the additional energy demand, especially from non OECD countries. Coal will remain the dominant source of energy worldwide as electricity demand is expected to grow 76% in 2007-2030, equivalent

Coal is considered as the **cheapest and most efficient** source of electricity generation

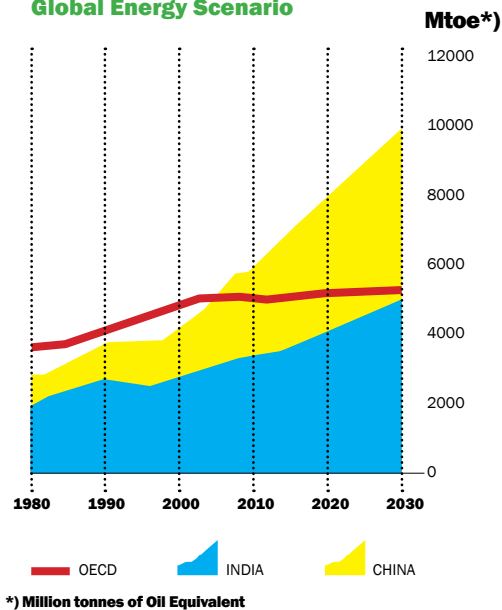
Cost Efficient Sources of Energy

Cost of Generating Electricity - Cents/Kwh



Source: International Energy Agency; Nuclear Energy Agency

Global Energy Scenario



Source: International Energy Agency, "World Energy Outlook 2009", 10 November 2009.

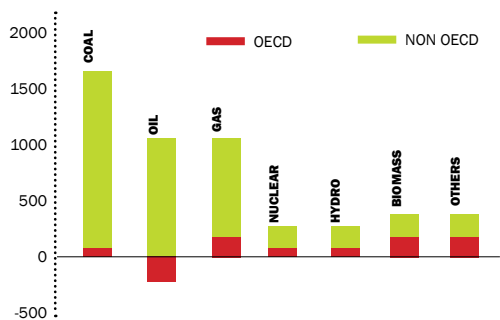
to an additional 4,800 GW of capacity which is almost five times the existing capacity of the US. Nevertheless, 1.3 billion people will still have a basic lack of access to electricity by 2030, compared to 1.5 billion people today. The development aspirations of the next billion people are dependent on increased energy consumption. As a rule of thumb, power capacity needs to grow twice the economic growth rate in order to keep power supply in balance to support the economic growth rate.

Demand and Supply Outlook for Thermal Coal

Adaro views that the demand and supply for thermal coal will continue to be in balance in the long-term. The robustness in coal demand will be met by additional supply coming to the market as the main challenge of infrastructure constraints will be resolved. Trade in thermal coal has developed and grown rapidly following the two oil crisis of the 1970s and is predominantly seaborne between the Asia Pacific and the Atlantic market. The dominant suppliers to the Asia Pacific market are Indonesia, Australia and Vietnam, while the dominant suppliers to the Atlantic are South Africa and Colombia, with additional coal

1.3 billion people will still have a basic lack of access to electricity by **2030**, compared to **1.5 billion people today**

Changes in Primary Energy Demand (2007-2030) in Mtoe (Million tonnes of Oil Equivalent)

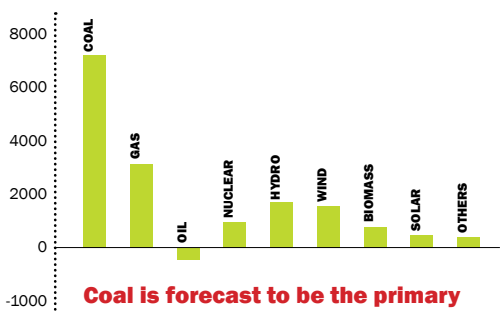


Source: International Energy Agency, "World Energy Outlook 2009", 10 November 2009.

coming from Venezuela, Poland, Russia, Indonesia and Australia. The relatively high cost of shipping coal over long distances is the major determinant which results in this market segregation. Going forward, the thermal seaborne market will continue to be a tale of two basins, the Asia Pacific and Atlantic basins, over the next decade.

The balance of power is shifting from the Atlantic to the Asia Pacific basin. According to Wood Mackenzie, it is expected that the Atlantic thermal seaborne coal demand will not rebound to pre-recession levels until 2012-13, which then will have flat growth. In the meantime, the Asia Pacific basin is expected to continue its growth with a forecasted CAGR of 4% in the foreseeable future.

Fuel Sources for Incremental Global Demand for Electricity (2007-2030) in TWh (Terawatt-hour)



Coal is forecast to be the primary source of supply for the increase in global demand for energy

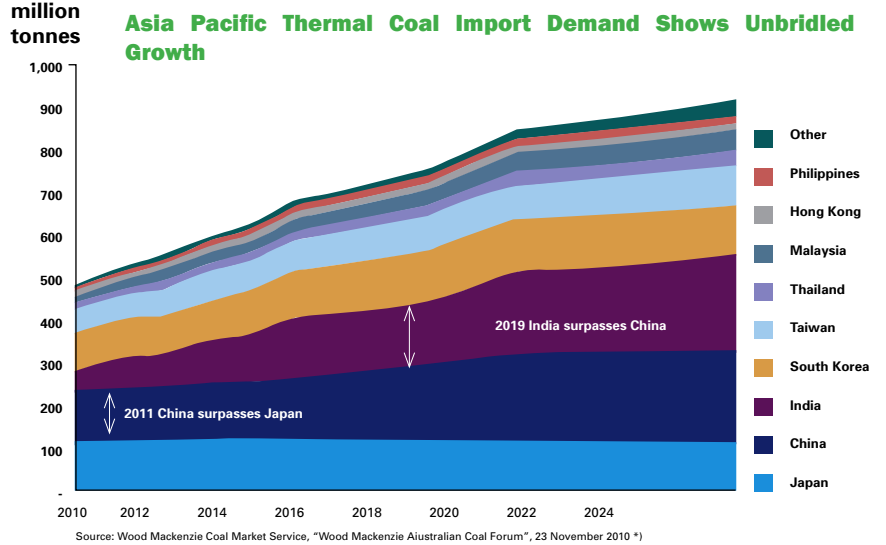
Source: International Energy Agency, "World Energy Outlook 2009", 10 November 2009.

ADDITIONAL INFORMATION

To read more news on Adaro and what is going on in our industry please check out our IR blog at:

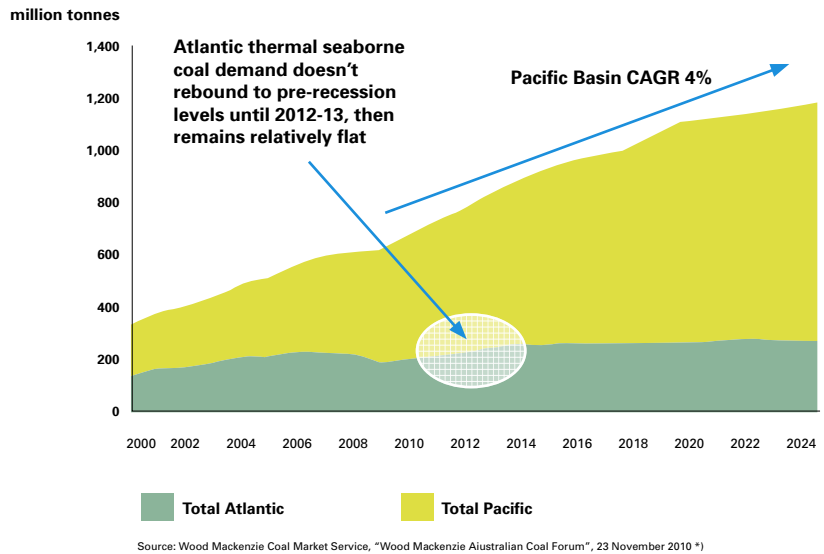
http://www.adaro.com/investor_relations

The robust growth in the Asia Pacific market is attributed to the robust demand for thermal coal in Asia, which grew much faster than in the Atlantic markets, spearheaded by China and India. China is expected to contribute 49% of the world's increase in coal demand from 2002 to 2030. Wood Mackenzie predicts that China's import demand for thermal coal will surpass Japan by 2011 and it is forecasted that Chinese thermal coal demand will grow to nearly 5 billion tonnes by 2025. China's move from being a net exporter to a net importer is here to stay. According to the China Electricity Council, Chinese power generation may rise 8.5% per year to 1,437 GW by 2015 and to 1,885 GW by 2020. This means that it will grow by 80GW per year or roughly more than two times Indonesia's current total electricity capacity.



China's import demand for thermal coal will surpass Japan by 2011... Indian import demand will surpass China by 2019

It is also expected that Indian import demand will surpass China by 2019. In contrast to China, the Indian import demand represents a structural shift due to domestic coal shortages which requires the country to urgently expand the import of coal, including lower rank coal. Currently, 40% of Indian's population does not have access to electricity, and India plans to install additional 79 GW of electricity by 2012 with 79% of this being coal-fired generation (Coaltrans 2010). In summary, it is expected that additional new coal-fired power plants of 579 GW are expected in the next 20 years in Asia, predominantly in China, India, Vietnam and Indonesia. These projects will require an additional 1.7 billion tonnes of coal per year.



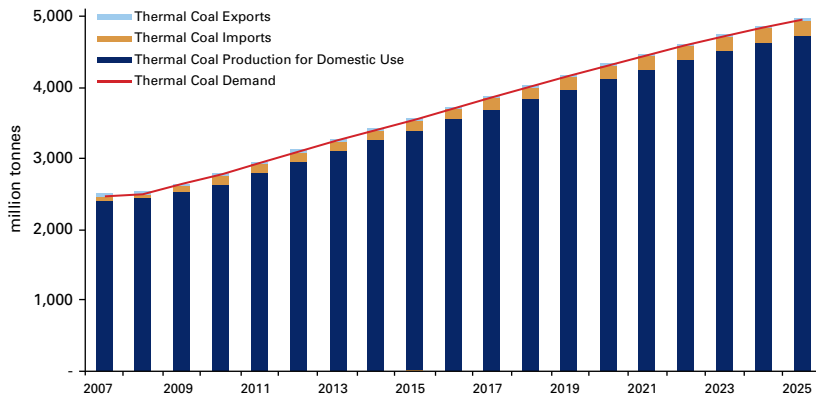
Continued investments in infrastructure projects in Australia, Africa and Indonesia will be needed in order to meet the strong Asian demand for coal. Indonesia and Australia will continue to dominate during the period of tight supply of export thermal coal as some of the infrastructure projects in other countries will continue to struggle to move forward. Other risks and challenges also include limited availability of working capital, especially for small and medium sized coal producers, regulatory environment and more challenging mining conditions (i.e. further inland and more lower rank). However, Wood Mackenzie predicts that the positive long-term outlook for thermal coal will drive the development of emerging supply. The infrastructure proposals for emerging supply, especially in Indonesia and Australia, present significant upside potential and cost competitiveness.

The **Pacific basin** is expected to continue its growth with a forecasted **CAGR of 4%** in the foreseeable future.

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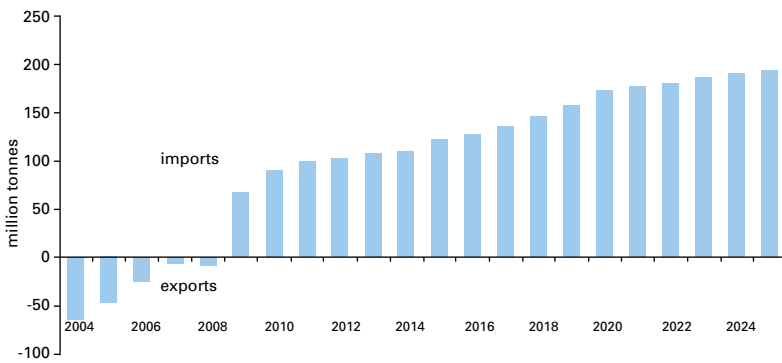
Chinese Thermal Coal Demand Growth to Nearly 5 Billion Tonnes



Source: Wood Mackenzie Coal Market Service, "Wood Mackenzie Australian Coal Forum", 23 November 2010 *)

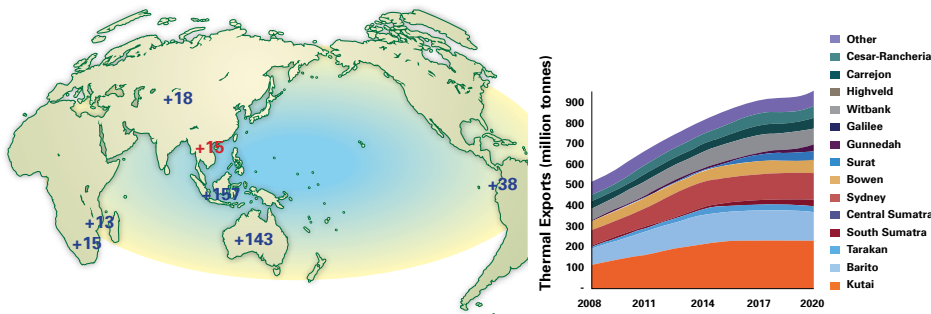
Chinese thermal coal demand will grow to nearly **5 billion tonnes by 2025**... China's move from being a net exporter to a **net importer** is here to stay

China's Move from a Net Exporter to a Net Importer is Here to Stay for The Foreseeable Future



Source: Wood Mackenzie Coal Market Service, "Wood Mackenzie Australian Coal Forum", 23 November 2010 *)

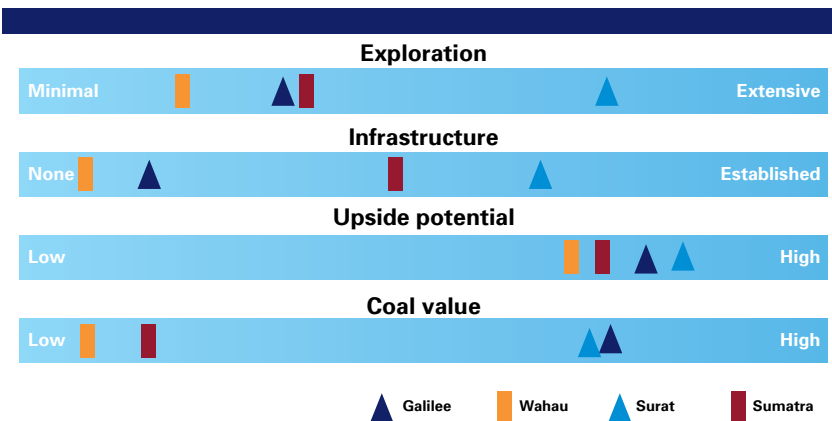
Australia and Indonesia to Dominate Supply of Export Thermal Coal



The **infrastructure proposals** for emerging supply, especially in Indonesia and Australia, present significant **upside potential and cost competitiveness**

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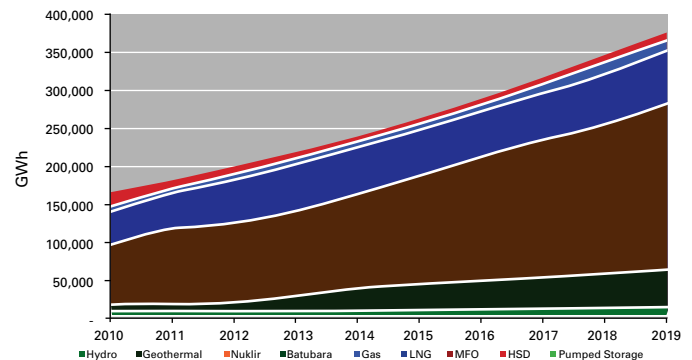


Source: Wood Mackenzie Coal Market Service, "Wood Mackenzie Australian Coal Forum", 23 November 2010 *)

Outlook for Indonesia

Following the economic crisis in 1998, the Indonesian economy has bounced back and outperformed Asia ex-Japan, most notably in 2010. A strong macro environment, Rupiah appreciation and rating upgrade by Moody's accompanied with outlook revision by Fitch Ratings, makes the Indonesian market such a compelling and attractive environment in which to invest. On 1 December 2010, Moody's upgraded Indonesia's sovereign ratings to Ba1 with Stable outlook, meanwhile Fitch Ratings revised the Outlook on Indonesia's BB+ to Positive from Stable on 24 February 2011. The rating and/or outlook revision are largely supported by the resiliency in the Indonesia economy despite the recent global financial crisis, improvement in

Power Production Based on Fuel Type: Total Indonesia (GWh)



Electrification ratio of just **65%** as of **2009**, while population growth and demand for electricity has continued to expand annually

the central bank's foreign currency reserves and strengthening fiscal solvency measured by declining public debt ratios, as well as the improvement in foreign direct investment prospects.

Indonesia's real GDP growth was 6.1% in 2010 and is expected to be sustainable at this level in the long-term, hence, using the rule-of-thumb as previously indicated, Indonesia needs its power capacity to expand at twice the economic growth rate. However, the lack of investment in power sector following the 1998's economic crisis has caused a desperate shortage of power as evidenced by electrification ratio of just 65% as of 2009, while population growth and demand for electricity has continued to expand annually.

Indonesia's grid power capacity is around 34 GW, with the main Java-Bali grid making up 23GW of the total as of 2009. To cope with the current shortage in power supply, the State Electricity Company (PLN) launched two crash programs to accelerate the construction of power plant projects. The first phase was launched in 2006 to build coal-fired power plants with capacity of 10 GW, with more energy diversification and private participation (IPP) to be seen in the second phase 10 GW crash program. Based on PLN's blueprint of National Energy Management for 2010-2019, coal will continue to play a

dominant role to contribute 59% of total energy production by 2019, growing from 46% in 2010. According to the Ministry of Energy and Mineral Resources, Indonesia produced 275 million tonnes of coal in 2010, of which 65 million tonnes was consumed domestically. As more coal-fired power plant from the first crash program will be operating in the near future, it is expected that the domestic coal consumption will increase at around 10 million tonnes per year to reach 105 million tonnes by 2015.

Marketing Envirocoal

Adaro's mines sub-bituminous, medium heat and ultra-low pollutant coal, with total JORC-compliant resources of 4.4 billion tonnes as at April 5th 2011. Because of its environmental characteristics, Adaro's coal is trademarked as 'Envirocoal' and has received global acceptance among blue chip power utilities. The coal is sold to 41 customers in 17 countries, predominantly to power plants and some cement producers, and has developed loyal, diversified and long-term relationship with its customers. Prices are either fixed in annual price negotiations, or set with reference to index prices, while costs are managed effectively due to its vertically integrated business model. Highly qualified combustion engineers retained by Adaro travel to all customers providing advice on how to optimize their boilers and

Power Production Based on Fuel Type: Total Indonesia (GWh)

No	Fuel Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	HSD	22,811	13,035	9,550	6,740	6,667	6,158	6,488	6,751	7,952	8,642
2	MFO	5,095	5,194	3,968	1,836	1,196	1,007	1,095	971	975	958
3	Gas	43,239	45,753	55,247	63,387	61,998	62,600	63,425	61,430	67,868	67,492
4	LNG	-	-	5,266	5,365	5,441	5,508	5,585	10,727	13,456	13,482
5	Coal	78,453	99,312	104,055	111,976	123,842	141,848	160,984	180,469	194,376	220,410
6	Hydro	9,771	10,296	10,145	10,804	11,332	11,613	12,735	13,808	15,328	16,506
	Pumped Storage	-	-	-	-	477	645	724	1,079	1,424	1,149
7	Geothermal	10,318	10,672	12,627	19,347	30,016	35,108	38,924	42,220	45,524	49,853
8	Nuclear	-	-	-	-	-	-	-	-	-	-
	Total	169,687	184,261	200,858	219,546	240,970	264,486	289,961	317,454	346,903	378,493

Source: RUPTL PLN 2010-2019

operations when using Envirocoal. Aside from consistent quality, reliability and dependability, the provision of top class customer services is a focus of Adaro.

Envirocoal is the best environmental solid fuel available as its gaseous emissions and particulate airborne emissions are lower than any other solid fuel. The amount of captured ash wastes are very small on an absolute basis and very low compared to other coals. The chemical

composition of airborne and captured ash wastes renders them benign and suitable for recycling. Envirocoal generates economic benefits on top of the low pollutant characteristics. Once a power plant has been built, the cost of electricity or steam is aggregated into fuel cost, maintenance cost and operating cost. Market conditions determine fuel costs. With its expanding sales, Envirocoal has shown itself to be competitive with higher rank coals on a per unit of energy basis. Maintenance costs of pulverisers, coal pipes, boiler

Envirocoal and the Castle Peak Power Station

by Geoff Palmer



This Emission Controls project became one of Hong Kong's largest engineering projects in terms of scale and complexity, requiring more than 13.5 million man-hours to complete and generated 9,000 jobs at its peak. However the greatest challenge was to maintain reliable electricity supply during the complex project

site construction work, a challenge that was well met by the project team.

PT Adaro Indonesia has been supplying its Envirocoal to Hong Kong's Castle Peak Power Station since 2000. This power station is owned and operated by Castle Peak Power Company or CAPCO, a joint venture between CLP Power Hong Kong and ExxonMobil Energy and is one of the largest coal fired power station in the world with an installed capacity of 4,110 MW.

In 2002, the Hong Kong SAE and the Guangdong Provincial Government agreed to reduce the regional emissions of sulphur dioxide, nitrogen oxide and ash particulates in the air by 40%, 20% and 55% respectively by 2010, in order improve regional air quality in the Pearl River Delta area.

In order to meet these stringent requirements CAPCO embarked on a massive project to retrofit its four larger 677 MW generating units with the emissions control systems that would enable the company to attain the substantial reductions required.



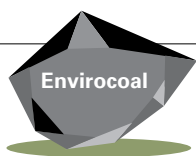
Garibaldi Thohir (back row fourth right) was among the honored guests officiated at the Emissions Control Project Completion Ceremony.

Even during the construction phase of the project CAPCO was still required to meet strict environmental emissions standards and from 2006 boosted the use of ultra low sulphur coal from Indonesia, primarily from Adaro.

Even with the challenges of the retrofit, the Emissions Control project comprising Flue Gas Desulphurization, Selected Catalyst Reactor systems and Boosted Over Fire Air for NOX control was completed ahead of schedule with the successful commissioning of the units throughout 2010 and this, in combination with the use of Envirocoal recorded a reduction of 60% across all three emission types, outperforming the overall targets set by the Government and making it one of the cleanest coal-fired power stations in the world.

In March 2011 at the Emissions Control Completion Ceremony attended by government functionaries and other guests including Adaro's President Director, Garibaldi Thohir, Mr Richard Lancaster, Managing Director of CLP Power Hong Kong Limited noted in his address that emissions from power generation had been reduced by a staggering 80% in the twenty years between 1990 and 2010 and underpinning this accomplishment had been the adoption of clean fuels such as natural gas and nuclear power from the Mainland and ultra low sulphur coal from Indonesia, of which PT Adaro has been the key supplier.

E 4000 (Wara) has received strong demand from countries such as **India, China, South Korea** and in the **domestic market**



	Total Moisture (% : as received)	Ash (% : as received)	Volatile Matter (% : as received)	Fixed Carbon (% : as received)	Sulphur (% : as received)	Nitrogen (daf basis)	Calorific Value (kcal/kg air dried basis)
E 5000 (Tutupan)	25%	1-2.5%	43.50%	35.50%	0.10%	0.90%	5,900
E 4000 (Wara)	38%	2-3%	37.00%	35%	0.15%	1%	4,950
Newcastle Coal	10%	10-15%	24.0%-35.0%	-	0.80%	-	6,700

tubes and other equipment along the coal path are also reduced because of the lessened impact of the ash. Finally, Envirocoal can be used to meet environmental regulations without the need for flue gas desulphurization units (FGD). This brings significant reductions in capital and operating costs by eliminating the need for a limestone scrubbing plant and its operating costs. In terms of the technical benefits of Envirocoal, the high surface area of the coal combined with high volatile matter results in excellent ignition, stable combustion and near complete char burnout. Combustion efficiency is often greater than 99.7%.

In 2010, Adaro commenced production at the Wara deposit and produced 2.5 million tonnes. Adaro plans to produce 4-5 million tonnes in 2011. Although coal from the Wara deposit has similar environmental characteristics as Tutupan, it has lower calorific value and higher moisture and because of this it has been branded as E 4000 (Wara). To differentiate between the two products Envirocoal has been rebranded as E 5000 (Tutupan). This new product has received strong demand from countries such as India, China, South Korea and in the domestic market. It will be key for Adaro reaching its 80 million tonnes a year target in the medium term. In addition, Adaro also produced 0.5 million tonnes from the Paringin deposit in 2010. In the past, production from this deposit was stopped due to unfavorable economics and it is now reopened due to the strong pricing environment. Paringin coal has the same quality characteristics as Envirocoal.

Competition

E 5000 (Tutupan) has three main competitors in the environmental coals sub-bituminous coal market, while E 4000 (Wara) has more than twelve competitors. Adaro competes with these producers on price, certainty of delivery, and established record of quality. Adaro believes that it has strong competitive advantage over its Indonesian competitors derived from its large proven coal reserves, strong relationships with its mining contractors, vertically integrated operating businesses, and proven track record of supplying quality Envirocoal to its customers. Adaro also believes that it holds competitive advantages over its Australian and South African competitors when selling Envirocoal to customers in Asia given its relative geographic proximity to such customers. In addition, Adaro also faces competition in all markets in which it operates from providers of alternative sources of energy to coal.



Geoff Palmer,
GENERAL MANAGER - MARKETING

Geoff Palmer joined Adaro in March 1997 and has had over 35 years experience in the mining industry with over 20 years in coal operations and 14 years in coal marketing. Prior to joining Adaro he was with PT Kaltim Prima Coal and Westar Mining's Canadian operations. He has a degree in Physical Metallurgy from the British Columbia Institute of Technology.



Salim Wibowo Halim
GENERAL MANAGER - CORPORATE PLANNING

Salim completed his Accounting degree and Master of Management in 2003. He previously worked with auditing firm Prasetio, Utomo and Co. from 1990-1995 before joining Adaro Indonesia as Chief Accountant. He left the company to pursue further studies and then rejoined as General Manager Corporate Planning in 2008.

COAL MINING REGULATION IN INDONESIA

The Government of Indonesia controls all natural resources according to the Indonesian law. Coal is a non-renewable natural resource and is considered as part of the national wealth of Indonesia and consequently is controlled by the Government to bring welfare to the Indonesian people. The Indonesian government has introduced new laws and regulations since the Coal Cooperation Agreement ("CCA") came into effect in 1982 with the most recent one being Law number 4 of 2009 which supersedes the previous Law number 11 of 1967.

Adaro is continuing to monitor the progress of the implementing regulations for the Law, and will consider the impact on its operation, if any, once these regulations are issued. Some of the new implementation regulations are as below.

- In February 2010 the Government of Indonesia released two implementing regulations for Mining Law No. 4/2009; Government Regulation No 22/2010 and 23/2010 ("GR No.22" and "GR No. 23"). GR No. 22 deals with the establishment of the mining areas under the new mining business license ("Ijin Usaha Pertambangan" or "IUP"), while GR No. 23 provides the clarifications surrounding the procedures to obtain new IUP'S. GR No. 23 also indicates that existing CCAs, such as that held by Adaro, will be honored by the Government although any extension of existing CCAs will be through the issuance of an IUP.
- In September 2009, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 28/2009, which, among others, requires the Directorate General's approval to use an affiliate as a mining service contractor. This regulation provides the definition of affiliates and provides exception only when there are no other capable mining service companies operating in the area. It also requires mining concession companies to conduct all coal extraction activities themselves within 3 years issuance of the regulation. Accordingly, Adaro will be required to develop its own extraction capabilities in lieu of relying on third party contractors. Furthermore, Adaro believes that carrying out coal extraction activity by themselves will not materially change the operating structure of Adaro's or SIS's operations.

- In December 2009, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 34/2009 which provides a legal framework to require mining companies to sell a portion of their output to domestic customers (“Domestic Market Obligation” or “DMO”).

- In September 2010, the Minister of Energy and Mineral Resources issued Ministerial Regulation No.17/2010 on The Procedure for the Setting of Benchmark Prices for Mineral and Coal Sales, which regulates that the sale of coal shall be conducted with reference to the benchmark price as issued by the Government, which will be regulated by a regulation issued by the Director General of Mineral, Coal and Geothermal. In the Ministerial Regulation, existing spot and term contracts which have been signed prior to the date of the Ministerial Regulation must conform its provisions with the provisions under Ministerial Regulation within 6 months for spot contracts and 12 months for term contracts. Those contracts whose coal sales prices have been renegotiated under and in accordance with the instruction of the Minister or Director General are exempted.

Mining can be a risky, highly regulated, and capital intensive industry

coal seams, scheduled to be mined, substantially under water even with full time pumping. To mitigate this risk, Adaro continues to prioritize pit dewatering. The company has brought in additional dredging systems to clean up mud from the pits and increase pumping performance.

Cyclicality and Fluctuation in Global Commodity Price

The prices for Envirocoal are based on global coal prices. The cyclicality and fluctuation of global coal prices may have a material impact on Adaro’s financial performance. As a commodity product, global coal prices may fluctuate due to supply and demand dynamics, geopolitical factors and changes in the world economy. Adaro continues to focus on building long-term, low cost assets by improving the efficiency and integration of its coal supply chain to manage the risk of global coal price fluctuations.

Fluctuation in Fuel Price

Fuel is one of the major cost components of Adaro’s mining cost. Adaro bears the full risk of fuel price fluctuations as the fuel costs for all mining contractors are managed and procured by Adaro and not incorporated in the contract rates. As a result, any significant

RISK MANAGEMENT

Mining is a risky, highly regulated, capital intensive and slow yielding industry. Adaro approaches its risk management by identifying, evaluating and managing risks that may have an impact on its business. The Company believes that transparency and open feedback is critical in allowing effective communication between operations and management. Every operating level is encouraged to be aware of the uncertainties that emerge from commercial, social and regulatory risks. During regular Board meetings, the Board discusses all issues that require immediate attention, making timely decisions to ensure the continuity of Adaro’s business that has allowed it to increase production continuously for nineteen years.

One of the prime ways of mitigating risk is through insurance. Adaro has a wide range of coverage comprising Property Risk and Business Interruption, Marine Cargo and Marine Hull, Director and Officer Liability, Comprehensive General Liability, Terminal and Port Operator Liability, Charterers Liability and other general insurances to hedge against its related risks and uncertainties.

The following describes the commercial, social and regulatory risks that may have an effect on Adaro’s business:

Commercial Risk:

Unusual and Unseasonable Weather Patterns

Adaro’s mining operations are subject to unexpected weather patterns that can adversely impact Adaro’s business. Such unexpected weather patterns may include heavy rainfall, flooding and rough sea conditions. The impact of these events can lead to operational disruptions along Adaro’s coal supply chain from mining and road transportation, through to barging and shiploading operations. 2010 was a La Nina year and the resultant rain severely impacted coal production from the mine. The extended rainy season caused pit drainage sumps to overflow which kept the floor





Christopher Pitch
MARKETING CONTRACTS
MANAGER

Chris has been working with Adaro and its previous shareholders in Indonesia since 1987 in a variety of positions. He was involved in both the development of Adaro and IBT in the late 80's and early 90's and other Group operations including engineering and sales of coal crushing equipment and plant and involvement in marine operations for barging and shiploading as well as chartering operations of bulk carriers. Prior to joining the Group in 1984 he held project management positions on dredging and reclamation projects in Indonesia and other countries in SE Asia.

with the remainder primarily paid in Rupiah.

Fluctuation in Interest Rate

Adaro aims to reduce the risk of interest rate fluctuation by entering into interest rate swaps from variable to fixed rates. Adaro Indonesia and SIS entered into interest rate swap contracts to hedge floating interest rates into fixed rate payments with its relationship banks.

Ability to Obtain Heavy Equipment, Machinery and Other Engineering Supplies

Adaro's operations at the mine and other parts of the coal supply chain depend on its ability to acquire necessary heavy equipment, machinery and other engineering supplies. This includes excavators, dump trucks, bulldozers, graders, hauling trucks, coal crushing plants, coal shiploaders, and other engineering supplies to maintain roads and rivers. Adaro may enter into a long-term supply agreements with some key suppliers in the future to secure necessary equipment supplies to mitigate operational disruptions.

increase in fuel prices would cause a corresponding increase in Adaro's costs. In return, all contractors are committed to gradually reduce fuel consumption. Adaro continues to improve the efficiency of the coal supply chain and reduce dependency on oil as part of its overall strategy. This includes the construction of a 2x30 MW mine-mouth power plant to provide power to the mining operations which will be fuelled by E 4000 (Wara), and the signing of three new barging contracts which incorporates a progressive reduction in fuel consumption. On a selective basis, Adaro also enters into fuel hedging contracts to meet its fuel requirements.

Fluctuation in Currency Exchange Rate

Adaro's earnings are naturally hedged as the majority of its revenues and costs are in U.S. dollars. The fluctuation in currency exchange rates however impacts Adaro's consolidated financial statements as it needs to report in Rupiah. All of Adaro's export sales and a significant portion of its domestic sales are priced, invoiced and paid in U.S. dollars with the remainder primarily paid in Rupiah. Adaro's cost of sales and operating expenses are denominated and paid substantially in U.S. dollars

SOCIAL RISK:

Retaining and Attracting Qualified and Skilled Human Resources to Support Growth

Coal mining is a labor-intensive industry that requires specialized knowledge and experience. The skills shortages in engineering, mining operators, truck drivers and other technical services may impact Adaro's operations. Going forward, Adaro's future growth plan depends on its continued ability to attract and retain skilled and qualified personnel.

Relationship with Local Communities

Adaro's track record of annual production growth for nineteen years would not be achievable without the strong support from local communities. The lack of support and failure to settle any local community issues may adversely affect Adaro's operations and delay its infrastructure projects. By partnering and growing with the community, Adaro has identified the needs and concerns of the people affected by Adaro's operations through community development programs.

REGULATORY RISK:

Regulatory Changes

Mining is a highly regulated industry and the introduction of new regulations may adversely affect Adaro's operational activities. Adaro aims to comply with all regulations and review the new regulations that may have material adverse affect on its operations.

Exposure to Health, Safety and Environment Regulations

Adaro is subject to health, safety and environmental regulations in Indonesia. Any incident related to occupational health and safety may disrupt operations and damage Adaro's reputation. Any non-compliance with environmental regulations may result in penalties which may adversely impact Adaro's financial position. To mitigate this risk, Adaro has developed the Adaro Safety, Environmental, and Production (ASEP) Management System, with the goal of continuously meeting international standards of safety performance and minimising the environmental impact from operations.

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Neil Little
SENIOR MARKETING
MANAGER

Neil joined Adaro in October 2010 from QCoal, an Australian based coking and thermal coal producer, where he worked as Marketing Manager. Previous to this he worked as Senior Account Manager for QRNational Coal, Queensland rail operations. Neil studied at the QUT in Business, Management and Finance and completed a Master of Integrated Freight System Management from Melbourne University.

2010 - A Coal Market Reflection

by Neil Little

The 2010 global thermal coal market has certainly been an extraordinary one. Strong year on year expansion of Chinese import demand, surging Indian investment in future consumption and a recovery from recessionary slumps in Korea, Taiwan and Malaysia have given rise to an impressive return to growth for the Tiger economies.



Albeit muted in comparison, the European supply demand situation has shown encouraging signs at year end. In Europe, German power and crude prices firmed, the onset of a cold winter period enabled a surge in power demand, weak Scandinavian hydro-electric supply increased the need for alternative fuels and a virtual completion of coal de-stocking in the UK has utilities on the verge of re-building inventories.

Throughout 2010 global coal demand and market sentiment has rested firmly on the back of Chinese imports. In the first half of the year imports surged driven by drought influenced domestic spot prices, which increased ex Qinhuangdao from 640RMB per tonne (5800 NAR) to 840 RMB per tonne (US\$124) before stabilising at 780RMB midyear. This price surge, in addition to a late year winter repeat of the cycle, resulted in Chinese import growth of

approximately 25 million tonnes to give a total of 117 million tonnes of imports in the year.

In contrast to increasing Chinese and Asian import growth, coal demand throughout Europe and North America remained flat. In addition to limited growth, continued economic uncertainty, strong supply of cheap gas and declining freight costs further attributed to what eventuated as an oversupply of steam coal from Colombian and South African producers.

As Colombia and South Africa stocks increased and Newcastle prices firmed, the flow of coal trade abruptly shifted. With Chinese domestic prices increasing, price sensitive buyers throughout Asia were quick to take advantage of decreased freight costs, sourcing coal from non traditional Atlantic suppliers. Asian imports of

Colombian coal alone increased from 0 in 2009 to 11.6 million tonnes in 2010. In addition, South Africa, and to a lesser extent Russia, made inroads into the East Asian market. In 2010 trade from these new and emerging entrants (Colombia, South Africa and Russia) expanded to an impressive total of 49.6 million tonnes. Fortunately, this first half swing in of supply consumed excess Atlantic demand and gave slow rise to average prices in Europe.

With market prices approaching equilibrium, global coal trade re-balanced. Increasing European demand and continued purchasing strength in India drew supply from South Africa. In South America, flow was restricted due to rising freight costs and declining supply. All these factors combined returned supply from Colombian and South African back to buyers in the Atlantic region.

Changes in trade flows were primarily driven by real and continued constraint risk. Globally almost all export markets were influenced in some form. In Indonesia, Colombia and more recently Australia unseasonably high rainfall and flooding weighed heavily on production. This contributed to rising price levels in all markets. Further, Russian and South African sovereign and infrastructure issues continued to provide challenges for both domestic and export supply.

In addition to increased Asian market demand and throughput constraints, thermal coal supply did not see significant increases in 2010. Macquarie estimated that Australian thermal coal exports would finalise at 138 million tonnes. This reflected a year on year decrease of 1 million tonnes and highlighted the emphasis Australia put on the export of coking coal which is more profitable and of which Australia is the world's leading supplier. Excluding Indonesia, thermal coal from the remaining major export nations also declined year on year to approximately 279 million tonnes, down by 1 million tonnes. A notable contributor to this decline was China with a decrease of 6 million tonnes. Indonesia remained as the only export nation to significantly grow exports, increasing by 50 million tonnes to approximately 283 million tonnes.

2010 also saw witness to significant discussion regarding new government regulation. For the year the most notorious was the rise and fall of the Australian Super Profits Tax (SPT) which arguably downed an Australian Prime Minister. This was later reintroduced as the Minerals Resource Rent Tax (MRRT). In Indonesia, officials introduced the HBA pricing policy to govern minimum price and royalty payments for export and domestic coal. In Spain, government regulators introduced the Royal Decree to prioritise utilisation of domestic coal over imports though this was later overturned by the Spanish High Court and remains uncertain at year's end. In more recent times the Development and Reform Commission of China gave a directive to freeze 2011 contract prices.



These initiatives, successful or not, ignited discussion around the impending status of supply demand and the role of governments in managing competitive markets.

The market also continues to closely monitor the progression of policy makers regarding global warming and CO2 emissions. As the year progressed it was clear that reaching consensus remained, arguably, as far from completion as at the commencement of the year. Be it the establishment of binding or non-binding emissions targets, few were concluded. What can be said is that the movement towards the utilisation of more friendly fuels, such as that of Indonesian low ash, low sulphur sub-bituminous coal reserves gained traction. Discussion regarding clean coal technologies also helped to alleviate some of the immediate concerns surrounding this topic.

Finally to foreign exchange and inflationary pressures. In 2010 a majority of emerging currencies appreciated significantly against a declining US dollar. The Aussie Dollar and the Japanese Yen increased 12.4% and 12.8% respectively. Gold reached record highs of above US\$1400 per ounce, representing a 26.9% increase and crude oil also increase by 14.8%. Most emerging nation's upward cost and wage pressures continue to squeeze manufacturing. In China inflation increased by 5.1% and GDP finished up by 9.6%. Further, Chinese infrastructure constraints continue to limit transport of key commodities from western and central provinces to rapidly expanding population hubs in the east.

Concluding sentiment for 2010 global coal markets is that of continued robust growth. In the medium term coal demand continues to outstrip projected supply growth and demand risks are weighted firmly towards global supply constraints and growing demand than that of market retraction. India is a case in point with predicated growth of 90 million tonnes, totalling 150 million tonnes by 2015. Further, strong price movements throughout the year have been supported more recently with concluding 2010 deals. Term contracts settled in Japan at around US\$98 for April 1 start contracts and US\$103 for 1 July start contracts, all of which highlights how buoyant the thermal coal market remains.

DEVELOPING THE IMPOSSIBLE

Adaro Indonesia An Early History

by: Alastair Grant, *Director of Business Development*

The name 'Adaro' was chosen as the company name by the Enadimsa management to honour a famous Spanish mining family in Spain, the Adaro family, who had been involved in Spanish mining for several centuries and PT Adaro Indonesia came into existence.

The oil shocks of the early 1970's caused the Indonesia Government to revise its energy policy, which up till that time was heavily reliant on oil and gas and Pertamina, to include coal as a fuel for domestic use. A decree was issued by President Suharto in 1974 requiring cement plants, amongst other industries, to use coal to allow more oil exports to obtain the then high prices of oil as foreign exchange.

In 1976, in order to attract both foreign and domestic private investment into the coal industry, the Mines Department divided East and South Kalimantan into 8 coal blocks and invited tenders for these blocks based on work program commitments.

The Spanish Government company, Enadimsa, bid for Block 8 in the Tanjung district of South Kalimantan as coal was known to be present in the district from outcrops mapped by Dutch geologists in the 1930's and then intersected at depth in oil wells drilled by Pertamina in the 1960's. No other company bid for this Block as at that time it was regarded as being too far inland and the coal of low quality.

Negotiations on an agreement to explore and develop Block 8 were held between Enadimsa and the state coal mining company, Perum Tambang Batubara. These negotiations followed what was also being negotiated at that time by Utah International/ Atlantic Richfield, Rio Tinto/BP and other international groups for other blocks.

Adaro's Coal Cooperation Agreement (CCA) was signed on 2 November 1982. This Agreement was essentially the same as that signed by the other groups and was a combination of the Pertamina oil production sharing contracts, as required by the Government, and Mineral Contracts of Work, as requested by the private coal investors. Key aspects of the CCA were defined periods for exploration, development and operation; a royalty



Alastair Grant explains where Adaro's mining began.

of 13.5% of production which was a reduction from a much higher percentage proposed by the Government and a fixed tax rate of 35% for the first ten years and 45% hereafter which reflected the higher global tax regime that existed at that time.

The name 'Adaro' was chosen as the company name by the Enadimsa management to honour a famous Spanish mining family in Spain, the Adaro family, who had been involved in Spanish mining for several centuries, and PT Adaro Indonesia came into existence.

Enadimsa conducted exploration work in the Agreement area from 1983 till 1989 through programs that included mapping, drilling and engineering studies including reviews of potential access routes to the sea. Enadimsa's team was led by Mr. Paco Ojeda, a mining engineer who brought considered intellect to the program and who became well known in the Indonesian coal industry.

In 1989 a consortium of Australian and Indonesian companies purchased 80% of Adaro from Enadimsa. Staff recruitments were also conducted at this time, their first appointment to Adaro was David Palmer in January 1990 as Construction Manager, followed by that of Alastair Grant as General Manager and Chia Ah Hoo as Operations Manager. Other staff were recruited, many of whom are still with the company today.

During the first half of 1990 a feasibility study was carried to lay the groundwork for project development. Of primary importance was the selection of the transport route for coal haulage and after intensive review the decision was made to build the coal haul road west for 70 kilometers to the Barito river, rather than 130 kilometers to the east to Adang Bay because of the time to build the extra distance. Also the eastern route would have to go through the Meratus mountains with associated higher construction costs.

It was also decided to start production from the Paringin deposit as it had a slightly higher heat value than the Tutupan deposit and also because it had overburden that contained a burnt mudstone, a harder rock suitable in road construction. This mine development was fast-tracked in order to get the coal to the market as quickly as possible in order to develop a customer base.

Decisions were made to integrate with the community as much as possible, with all staff, expatriate or national, living in the local towns, and a recruitment focus on hiring from the local population with the attendant commitment to major training programs.

Use of contractors to the maximum extent possible was also made a focus for the operations, particularly local contractors and local suppliers if available. There were a number of top class Indonesian contractors with equipment and manpower immediately available so this would assist quick mine development while using local contractors and suppliers would assist in community integration.

The first step in development of the coal deposit was to raise funds and in May 1990 a number of banks were approached for project finance of US\$ 28 million. However all the banks declined to provide funds because of perceived issues that related to the quality of the coal as Adaro's type of sub-bituminous coal had not been traded internationally before in any significant volumes and the domestic market was relatively small.

There were also doubts about the feasibility of the haul road construction primarily due to the fact the last 27 kilometers of the proposed road was through swamps which even if technically feasible, would mean a high cost of construction.



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- 1** The Paringin pit in 1992 with the single 30 meter seam clearly visible.
- 2** Haul road construction in the swampy area.
- 3** Smoke from forest fires created visibility problems during the construction at Kelanis.
- 4** Haul road bridge under construction.
- 5** One of the first export vessels being loaded.

With no bank funding available the shareholders agreed to provide US\$20 million development funds for the construction and development of Adaro's operation with the requirement that any further funding come from cash flow. The funds were provided at commercial financial rates.

Construction of the coal haul road started in September 1990 following initial land acquisition and surveying along the planned route. The contractors chosen for this work were Pamapersada and Petrosea and were supervised by Graham Deacon, an Adaro staff member. First construction was from the Paringin area towards Kelanis with a second stage starting one month later from Km 40 in the Pasir Panas area towards Kelanis. For the second stage a camp was built from local materials at Km 35.

Development of the Kelanis facilities was delayed as geotechnical drilling in August and September 1990 at the first site that was chosen showed poor ground conditions. The proposed Kelanis site was then moved to the south where better ground conditions were found. By the time the site was confirmed the wet season had started and the rise of the river had flooded the area. Sand was brought in by barge to give a platform to start earthworks and then a dredge was contracted to pump sand from the river to build up the Kelanis area to a level that was thought to be above flood level. Construction then started in March 1991 of a two million tonne per year crushing, stockpiling and barge loading system.

Initial accommodation at Kelanis was on rented house boats on the river, with the first land based accommodation completed in May of 1991.

Road construction proceeded on schedule through the first half of 1991 with good progress in the section from the mine westward. In the swamp area though atrocious conditions were

encountered with a seemingly bottomless peat bog making use of conventional earthmoving equipment impossible. However a technique of felling the trees in the road alignment in a criss-cross fashion and then covering them with sand proved successful as did the increased use of fully articulated dump trucks for hauling fill material together with use of other low ground pressure equipment to speed up the building progress. The use of good quality sand for fill material was critical and fortunately good quality silica sand was located in the vicinity of the road between Kms 30 to 35 and this provided much of the material for the road construction.

After further study as the roadworks progressed it became apparent that the road was being built several kilometers too far to the south as there were better ground conditions to the north. However to keep the road in a straight alignment for a possible future conveyor or rail system, it was decided not to curve to the north, but to bring in more sandfill.

Some road construction was also started from Kelanis heading east in July 1991 but in the open area up to Km 3, where there were no trees available and the swamp was particularly deep, far more fill material than planned was required.

The key to the road completion was the construction of bridges over two streams and a river along the road. The completion of the 130 meter long bridge over the Tabalong river in September 1991, was a major achievement as it allowed direct access along the haul road, rather than having to drive through the town of Tanjung and use the public highway bridge. No road access was available for the heavy construction equipment and a jackup piling and construction barge was floated up the Tabalong river for this purpose.

Opening up of the Paringin pit with its single 30 meter thick seam started in March 1991 using local contractors. The first



3



5



4

coal was put into run-of-mine stockpiles to test the handling and self heating characteristics. The results were satisfactory. A bulk sample of coal was then taken and shipped to two laboratories in Australia for coal combustion testing. The results were good and highlighted some potentially positive aspects of the use of the coal in commercial boilers.

An official opening of the Paringin mine was held in August of 1991 with the key speeches given by the local Bupati and Mr Chia Ah Hoo.

During 1991 recruiting of the operations group was carried out. Staff who joined at that time included Priyadi, Putu Sastrawan, Iswan Sujarwo, Taufik Hidayat and Bob King and, with the exception of Bob King who has become famous in his own right in Indonesia, all remained with Adaro in senior operations positions.

Of particular importance was the input provided by Dr. Soetaryo Sigit who had previously held a number of senior Government positions with his last post before retiring being Director General of Mines. Dr. Sigit accepted the offer of becoming a Director in Adaro and during the construction stage set out most of the standards of the company, particularly in regards to having the highest commitment possible to the community, setting high class environmental standards and working effectively with the local government.

During 1990 a marketing program was developed that focused on potential markets where Adaro's ultra low sulphur and ash coal would have benefit. To aid marketing it was decided to adopt a brand name for the coal that would reflect these qualities and after the merits of "aquacoal" had been discussed and rejected, the name "envirocoal" was selected.

A consumer type marketing approach was taken with an advertising campaign in trade journals and promotion through exhibitions and conferences focusing on "envirocoal".

An environmental conference and exhibition in London organized by the World Coal Institute in 1990 was the first that Adaro participated in followed by Coaltrans which was held in Brussels that year.

The first sale of Adaro's coal was to Krupp Industries of Germany who were interested in the environmental qualities of the coal, notably the low sulphur and low ash, and required an 0-200 mm product for test burns.

However the delays to starting the Kelanis construction meant it was not ready when the Krupp vessel, the MV Maersk Tanjong, was due to arrive and a temporary coal crushing and handling facility was set up at Km 30 where coal for the first vessel was crushed and directly trucked to Kelanis for loading on to barges, also through a temporary loading system.

The MV Maersk Tanjong self loaded with its own gear and grabs and sailed to Europe on October 22nd with 68,750 tonnes. An Adaro staff member, Bob Newton, travelled on board the ship to take regular measurements of the cargo, particularly of any self heating. The results showed there were no issues with long distance shipment of Adaro's coal.

Further shipments of test burn coal were made in 1991 to Japan, the USA, Spain and to a domestic customer. In 1992 shipments were made to a range of potential customers and with the completion of construction of the mine and infrastructure and the establishment of a customer base, Adaro was declared to be in commercial production on October 22, 1992.



Jamie Frankcombe
CHIEF OPERATING OFFICER - ADARO INDONESIA

Jamie re-joined PT Adaro Indonesia in July 2010 having worked for Adaro previously from 2000 – 2003. Prior to joining Adaro he was Executive General Manager – Americas for Xstrata Coal. Jamie has over 30 years of experience in the coal mining industry having held various operational and management roles in open cut and underground coal mining operations. He is a qualified Mining Engineer and holds a MBA from Deakin University.

REVIEW OF Coal Operations

by Jamie Frankcombe

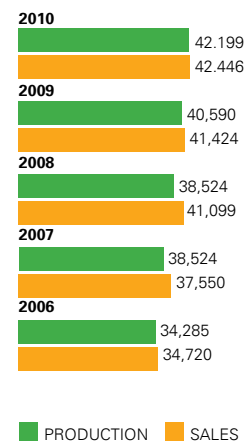
MINE OPERATIONS AND CONTRACT MINING

Mining operations in 2010 were adversely affected by an exceptionally high volume of rainfall and increased number of rain days especially during what is typically the normal dry season months from May until October where total rainfall in some months exceeded normal wet season rainfall. Nonetheless, even with these challenging conditions, Adaro Energy was still able to record its 19th successive year of annual production growth, increasing coal production 4% to 42.2 million tonnes or 94% of the 45 million tonnes target. Operations at the new Wara pit was less affected as coal extraction from the mine's 3 major coal seams was taking place close to the surface with attendant low overburden stripping ratios.

The Tutupan and Wara deposits are mined by open-cut methods with primary overburden stripping and coal mining being undertaken with hydraulic excavators and shovels loading trucks. Topsoil is removed and stockpiled for later rehabilitation of mined out areas, after which overburden stripping commences until such time as coal is exposed and coal extraction is then performed. Adaro focuses on marketing, mine planning, production, supervision and exploration, land rehabilitation and waste water management, and contracts out all other aspects of its mining operations.

PT Adaro Indonesia

Sales and Production Volumes
(000 tonnes)



■ PRODUCTION ■ SALES



Despite unprecedented and unseasonably **heavy rainfall** adversely affecting our operations, Adaro continue to increase production and maintain its **track record** of delivering another year of consecutive annual **production growth over nineteen years**



Priyadi
GENERAL MANAGER
OPERATIONS

Priyadi graduated with a degree in Mining Engineering from UPN Yogyakarta and has been with Adaro since 1991 where he has held various posts including Production Superintendent, Senior Planning Engineer, Administration Manager and General Manager External Affairs. Prior to joining Adaro he was with PT Tanito Harum. He is currently General Manager Operations.

PT Adaro Indonesia	2006	2007	2008	2009	2010
Key Financial Highlight (in US\$)					
Total Assets	1,282,558,518	1,113,451,006	1,285,154,748	2,303,408,132	1,884,993,302
Total Liabilities	1,211,767,421	1,006,701,805	1,029,304,944	1,844,077,979	1,648,576,462
Interest Bearing Debt	855,103,268	550,000,000	520,387,077	1,204,276,566	1,141,253,560
Total Equity	70,791,097	106,749,197	255,849,805	459,330,153	236,416,840
Revenue	1,003,221,834	1,146,339,836	1,617,765,114	2,406,903,867	2,411,971,193
Operating Statistics					
Coal Sales (Million tonnes)	34.46	36.58	39.8	41.08	42.45
Coal Production (Million tonnes)	34.29	36.08	38.52	40.6	42.2
Overburden Stripping (Mbcm)	122.4	119.9	159.31	208.5	225.9
Average stripping ratio Tutupan (planned)	3.57	4.25	4.25	5.0	5.5
Average stripping ratio Tutupan (actual)	3.57	3.3	4.14	5.12	5.52
Average stripping ratio Wara (planned)	-	-	-	-	2.67
Average stripping ratio Wara (actual)	-	-	-	-	2.7

REVIEW OF COAL OPERATIONS

Five contractors, including SIS, are working under multi-year contracts to Adaro undertaking overburden removal and transportation, coal extraction and transportation and partial mine reclamation activities. Each of these contractors are responsible for providing all of their own equipment, supplies and labor necessary to mine within the respective areas allocated to them by Adaro. Adaro considers that its reliance on contractors allows it to significantly reduce capital expenditures and working capital committed to mining operations and to focus on its value-added activities such as mine planning, exploration, quality control and marketing.

In 2010, PT Pamapersada Nusantara ("PAMA"), owned by PT United Tractors Tbk, was responsible for 39% of Adaro Indonesia's coal production volumes. PT Bukit Makmur Mandiri Utama ("BUMA") and PT Rahman Abdijaya ("RA") were responsible for 19% and 14% respectively, with PT Rante Mutiara Insani ("RMI") providing 2%. Adaro Energy's subsidiary PT Saptaindra Sejati ("SIS") was responsible for 25%, while Adaro Indonesia handled 1% of coal production.

The higher than average rainfall for 2010 had a significant impact on the mining contractors ability to meet forecast overburden and coal targets. The graphs shows the increase in rainfall which affected mining operations occurred mostly through the "Dry" season where historically, production levels are maximised to compensate for the less productive "Wet" season.

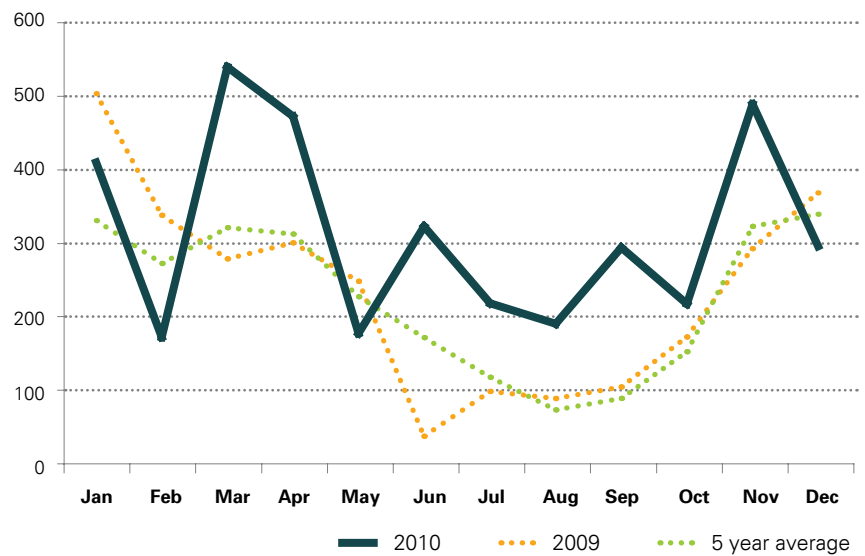
Coal Mining

Adaro Indonesia coal production finished at 42.2 million tonnes for 2010, short of the planned forecast 45 million tonnes, predominantly due to high rainfall. Even with these challenging conditions records continued to be broken with daily coal production from the pit to Run Of Mine (ROM) stockpiles of 170,805 tonnes being achieved on the 9th of February and a new hauling record from ROM stockpiles to Kelanis reaching 145,078 tonnes on the 28th of February.

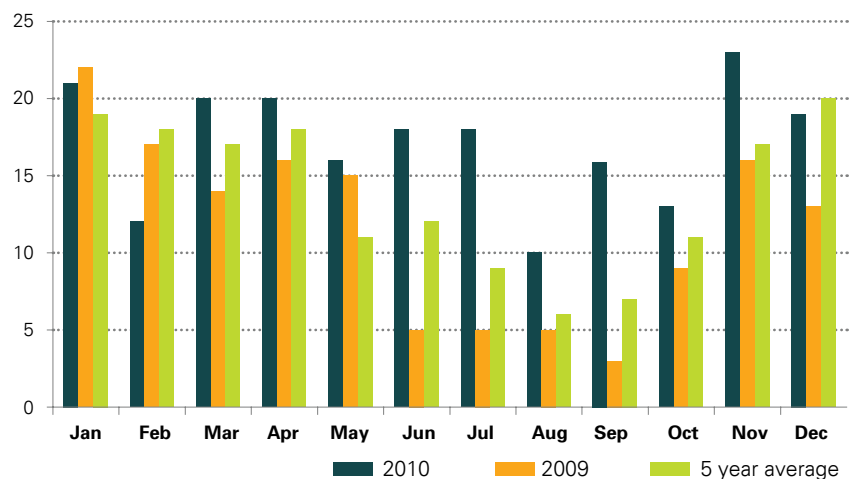
The Wara mine produced over 2.5 million tonnes of coal during 2010. This is half a million tonnes higher than planned, with the majority of the coal being mined in the latter half of the year. This was achieved by introducing more equipment as the mining area increased, establishing a solid foundation for Adaro to accomplish the plan of 5 million tonnes of coal from the Wara pit in 2011.

Coal Mining	Coal Extraction
PT Pamapersada Nusantara ("PAMA")	39%
PT Saptaindra Sejati ("SIS")	25%
PT Bukit Makmur Mandiri Utama ("BUMA")	19%
PT Rahman Abdijaya ("RA")	14%
PT Rante Mutiara Insani ("RMI")	2%
PT Adaro Indonesia ("AI")	1%

Rainfall (mm)



Rain days



Hauling Road

The hauling road capacity is 80 million tonnes a year.

Overburden Removal

Overburden removal was an 8% increase in 2010 compared to the previous year finishing at 225.87 million bank cubic meters (Mbcm) with a record daily overburden removal of 929,978 bcm on the 15th of December. However, the overall overburden performance fell short of the planned 258 Mbcm.

The inclusion of new, larger capacity mining equipment by all the major contractors has provided the opportunity to substantially increase production in 2011.

The large increase in rainfall created significant water management problems and while there was sufficient water pumps to deal with the increased water volume flowing into the pit, a build-up of mud and other solid materials in the large in-pit drainage sumps did reduce their efficiency. This task of mud removal was made more effective by the introduction of dredges by some of the contractors, that have the capability of handling up to 40% solids and 160mm diameter rocks with a pumping capacity of 350 tonnes of solid material an hour.

Continued improvements to pit haul road construction with the introduction of superior surfacing material providing enhanced traction, enabled contractors to operate for longer periods during wet weather.

Contractor	Overburden Removed (bcm)	%
PAMA	90,934,954	40%
SIS	67,775,271	31%
BUMA	43,193,655	19%
RA	17,969,619	8%
RMI	3,081,609	2%
ADARO	2,910,985	1%
TOTAL	225,866,093	100%

HAULING AND KELANIS OPERATIONS

Road Hauling of Coal

The 80-kilometer haul road from the mine to Kelanis remained at a high standard even with the increased haulage tonnages and the unseasonal wet weather throughout the year and no coal haulage stoppages were recorded. Upgrading and maintenance of the road continued. As at year's end there were over 300 tractor trailer units being operated by the five contractors.



Kelanis River Terminal

One of the world's largest inland bulk terminals with current capacity in excess of 50 million tonnes a year Adaro plans to upgrade Kelanis in 2011.

Kelanis Barge Terminal

Coal receipt, crushing, stockpiling and barge loading operations continued smoothly throughout the year, maintaining a high level of availability with no major mechanical breakdowns affecting throughput. Envirocoal produced from the Tutupan, Paringin and Wara pits was processed through the facility.

The six crushing lines currently in operation were augmented with an additional system which was completed in November. This new crushing line incorporates three stage crushing, the first at Kelanis, with all of the other six crushing lines to be retrofitted with three stage crushing during 2011 and 2012. The new line currently provides crushing redundancy and incremental throughput that is less than design capacity due to downstream restrictions. An upgrading of the Kelanis facility to be undertaken during 2011 will include works that will allow the full throughput capacity of this 7th crushing line to be fully realised.

Ancillary equipment was purchased to maintain plant capacity including generating sets for the additional crushing and handling systems and bulldozers to increase reclaim capacity on the stockpiles keeping Kelanis in front of future production targets and to process multiple coal products.

Planning continued in the second half of 2010 on upgrades to provide an extra loading conveyor at each barge berth. The design planning was completed to a point where more detailed work could continue in the first quarter of 2011. Major upgrades were also at a tender stage to increase Kelanis crushing and barge loading capacity to 60 million tonnes a year with construction due to commence in the second quarter of 2011 with final completion and commissioning scheduled for the second quarter 2012.



MARINE LOGISTICS OPERATIONS

Barging

There are currently 6 barging contractors involved in coal barging to coal export transshipment points or to domestic destinations, including Adaro's subsidiary, MBP. The current barge fleet numbers 73 units with an average fleet size of 10,197 dwt, an increase of 1% over 2009. During 2011 and 2012, 8,000 dwt barges will be phased out while a series of large 18,000 dwt units will be introduced which will increase the average barge size to 10,600 dwt.

During the year, new long term contracts were entered into with three of the contractors through a competitive bidding process. These new contracts resulted in a reduction in freight rates as a result of improved cycling time and reduced fuel consumption.

GPS is now installed on all marine equipment in the operation which allows for online, real time monitoring through movement tracking and this enhanced visibility of vessel positions has assisted planning and improved operational performance.

Taboneo Loading Operations

The floating ship loading fleet remained at 6 units with 5 floating cranes and one transhipper in operation with a combined shiploading capacity of 125,000 tonnes per day. In addition there is sufficient barging capacity to also supply up to 4 self-loading gear and grab fitted bulk carriers which have a combined capacity of 40,000 tonnes



Self Loading

Transshipment activities from barges to the vessels at the Taboneo anchorage.

per day giving a total Taboneo shiploading capacity of 165,000 tonnes per day.

The coal terminal operated by PT Indonesia Bulk Terminal on the island of Pulau Laut remained as a strategic back-up to the Taboneo export transshipping operations and in excess of 2 million tonnes was loaded to vessels in 2010.

The combined Taboneo and IBT operations provided Adaro Indonesia with a combined export shiploading capacity in excess of 50 million tonnes per year.

	UNITS	2009	2010	% CHANGE
Floating Cranes	million tonnes	21.95	23.06	5%
Self Geared	million tonnes	6.04	4.93	-18%
IBT	million tonnes	3.13	3.48	11%
Barges	million tonnes	9.95	10.97	10%
Total	million tonnes	41.07	42.44	3%

Due to the impact of the unexpected wet weather on production, especially from June onwards, a vessel queue developed as vessels had to wait for a number of days at the anchorage before coal became available for loading leading to a significant increase in demurrage payments. This situation continued through until October when remedial measure taken to reduce shipments to customers started to have the desired effect and the vessel queue started to shorten.

Nonetheless, higher than expected demurrage rates continued to be experienced until the end of the year.

MARKET OVERVIEW AND SALES

Market Overview

2010 saw strong demand growth in the Asia Pacific region for seaborne thermal coal driven by increased demand for imported coal by China and India which outweighed the impact of reduced demand in Europe, North America and other Atlantic markets caused by high stock level, a slower economic recovery and lower gas prices.

In the Asia Pacific region, imports into China continued at very high

levels during the first half, driving domestic spot prices ex Qinhuangdao to 840 RMB per tonne (US\$124 per tonne) 5800 NAR basis in February before stabilising at 780 RMB per tonne (US\$115) towards mid-year as the severe drought came to an end and warm weather returned. This cycle repeated itself towards the end of 2010 as a result of stocking up by utilities in anticipation of the cold winter. Chinese domestic prices rose again to the 840 RMB level by December.

Total thermal coal imports into China was estimated to be 117 million tonnes for 2010 compared to 92 million tonnes for 2009, a rise of 27%.

Demand for thermal coal imports in other Asian markets also grew significantly led by India and South Korea, both registering growth in excess of 10% in 2010. This Indian import growth will continue in the next few years as a number of the power plants under construction are commissioned. India's thermal coal import is estimated to grow from about 60 million tonnes in 2010 to 150 million tonnes in 2015.

Indonesian coal, comprising predominantly sub-bituminous coal, accounted for the majority of global supply growth as Australian thermal coal exports were hampered by adverse weather and the switching of production into the buoyant metallurgical coal markets. However increased demand from the Asia Pacific market was also satisfied by coal traditionally destined for the Atlantic markets. In the first half of 2010, Colombian and South African thermal coal supplied to the Pacific market increased by more than 10 million tonnes compared with 2009.

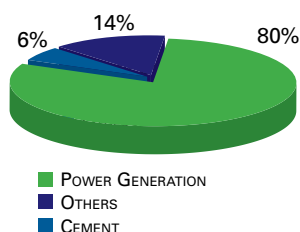
Spot thermal coal prices in the Pacific market remained in a range of US\$94-US\$100 per tonne in the first half of the year. Prices rallied towards the end of 2010 to above the US\$100 level as wet weather in Indonesia and Queensland resulted in supply restrictions.

For the term market, Australian suppliers and Japanese Power Utilities settled at around US\$98 per tonne FOB basis 6322 GAR at the end of March 2010 for the fiscal year commencing 1 April 2010. Towards the end of the year Xstrata had agreed contract prices at around US\$103 per tonne for annual contracts commencing 1 July 2010.

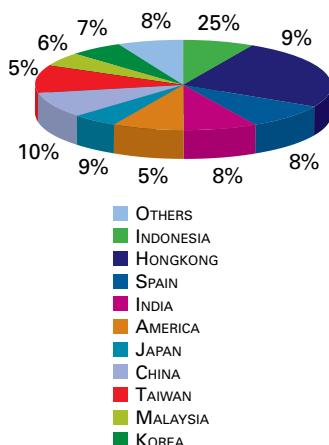
Going forward into 2011 and beyond, strong demand for imported coal in China and India and an improving, albeit slow recovery in Atlantic markets will support thermal markets in 2011. The supply restrictions resulting from wet weather in Indonesia and Queensland will take some time to recover and prices are expected to remain firm at least over the first 6 months of 2011.

Over the medium term, thermal coal markets are expected to remain robust as coal demand continues to outstrip projected supply growth, driven by economic growth in Asia and other

Customer type by volume (FY2010)



Geographical Breakdown of Customers (FY2010)



developing economies, as China continues on its path to industrialization and India invests in new coal-fired generation to address their growing electricity shortages.

Adaro Indonesia's Sales

Adaro's thermal coal sales are underpinned by its position in the key thermal markets of Asia which together accounted for 86% of Adaro's market with the remaining 14% supplied to the Atlantic market.

During the year sales increased by 3% to reach 42.45 million tonnes. Of this total 32.08 million tonnes was for export customers while 10.36 million tonnes went to the domestic market. As at 31st December, Adaro was shipping coal to 41 customers in 17 countries world wide.

During the year shipments commenced to new long term customers in India and the Philippines and to a new domestic IPP plant. In addition a long term contract for coal supply to another Indonesian power plant as well as a short term contract for supply of Envirocoal 4000 to a Chinese IPP were finalised with deliveries to commence in 2011.

Demand remained strong for Adaro's Envirocoal 5000 product and while sales were curtailed to some extent due to the weather related production problems in the Tutupan pit, these were being resolved by year's end and sales were expected to recover in 2011 with all production sold for the year.

The domestic market in Indonesia was also very firm due to strong economic growth and the gradual commissioning of power plants under PLN's "Crash Program".

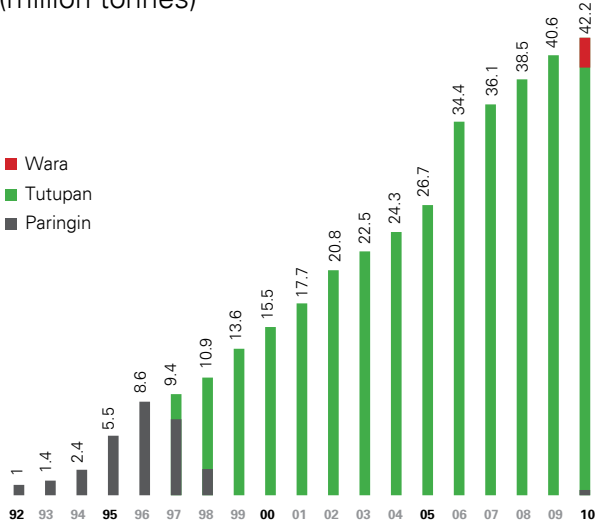
Starting from Q1 2010, Adaro began to ship E 4000 (Wara), sub-bituminous coal with typical calorific value of around 4000 kcal/kg gross "as received". Trial shipments were made to a number of customers and the results were encouraging. More marketing effort will be dedicated to promoting this type of coal in future as production of E 4000 (Wara) coal will increase significantly.

To order reprint go to www.adaro.com

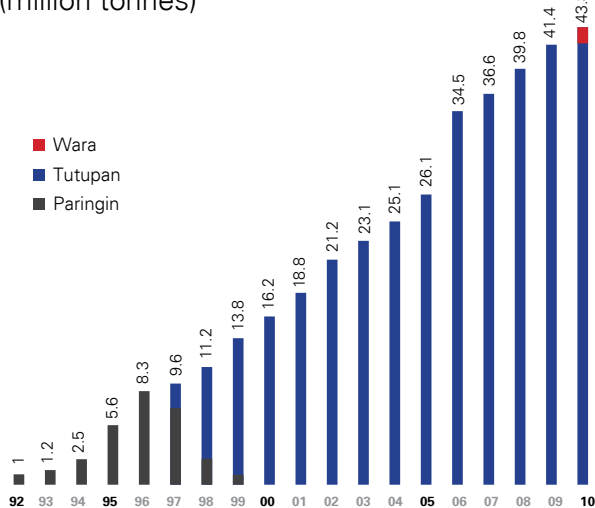
Customer Type by Volume



Historical Production Volume
(million tonnes)



Historical Sales Volume
(million tonnes)



Exceptional Community Relations:

Adaro's Key Success Factor to Achieve Continual Production Growth

Presented by Mr. Garibaldi Thohir during Coal Trans Asia, May 31st, 2010 at Bali International Convention Center

Good Community Relations = Continual Growth

- ✓ Continual production growth cannot be achieved without building trusting and mutually beneficial relationship with local communities surrounding the mine
- ✓ For Adaro it is a core activity
- ✓ We have developed a successful approach which is key to our continual production growth
- ✓ Not only will our production continue to grow but we are the partner of choice for successful and profitable coal mining in Indonesia

Building exemplary community development and environmental programs and behaving as a responsible corporate citizen are often spoken of as afterthoughts or just for cosmetic purposes.

However for us, it is a core activity and a reason for our continued success. So many projects in Indonesia come to a halt because community issues were not given enough attention or were too complicated to solve. We have developed a very successful approach to community development and have grown without fail each year since operations began. For this reason we feel not only will our production continue to grow, but that we are the partner of choice for coal mining in Indonesia.

Key Success Factor to Ensure Continual Growth: Good Community Relations

In order to have success in the coal business there are many factors, concerning the geology, regulatory framework, market outlooks, political and economic stability, prices and costs estimates, funding, equipment, human resources, etcetera.

But one of the most important key success factors for the continued success of Adaro is the excellent community relations developed over many years due to respectful treatment and appropriate thoughtful community development programs.

Of course, every company is going to make that claim. No one will actually admit that they have poor standards of community relations.

However, with Adaro, our continual growth year after year proves that we have developed exceptional community relations.

Approach the problems of the Local Communities with Heart and Respect

ADDITIONAL INFORMATION

To download this presentation please go to:

http://www.adaro.com/investor_relations/investment-presentations#fragment-2



“I hope you will see that continual production growth cannot be achieved without building trusting and mutually beneficial relationships with local communities surrounding the mine.”



Use Your Heart and Give Respect

- ✓ Remote locations have little infrastructure
- ✓ Not just money, use your heart and give respect
- ✓ “Ngewong Ke Wong”
- ✓ Make community relations a core business function



One of the first things we have to remember is that most Indonesian coal mining is done in remote locations. And it may not always be the case the government has been able to prioritize the development of the local communities’ infrastructure or provide adequate government services. Like it or not, the reality of successful mining in Indonesia is that companies must step in and take the initiative in terms of developing local communities, together with the local governments.

However, it is not so simple as just spending a lot of money on community development programs. Successful community development programs that will ensure the long term continued support of the local communities surrounding the mine must always start with the heart and with respect. If we go into these arrangements looking at the locals as lazy, uneducated, or take a suspicious approach to their demands, we can never expect to see the situation from their perspective. So we must give our local communities the care and respect they deserve.

At Adaro we believe in the concept that all human beings are equal. This is reflected in the Javanese saying “Ngewong ke Wong”.

Make Community Relations a Core Business Function

In terms of building successful community development programs a company must give the responsibility to the very top of the organization. We have done this at Adaro, as I myself am responsible for the oversight of our community relations. If community development is always treated as a necessary evil and not a core business function, your organization will never be able to conduct the creative thinking nor make the effort to achieve success.

Frequent Visits and Really Listen

To show respect and to make it a core business function means frequent visits to the site by senior management. Sometimes

Use Your Heart and Give Respect

- ✓ Conduct frequent visits and really listen
- ✓ Integrate with the community
- ✓ Hire locally
- ✓ Operate safely



it’s the very act of going to the “level” of the villager, of sitting down with him, having a cup of coffee and hearing his concerns. Often they are not looking for money. Sometimes, it’s the simple

act of being heard. Often the things they are asking for are surprisingly simple and inexpensive, such as a new soccer pitch. Don’t assume that the local communities are out to get

you, don’t be suspicious of them. Work together with them.

Integrate with the Community

One of the unique approaches we use to enable good community relations is the full integration of the operation into the local community. We never had a camp and never will. We always endeavour to be a contributing member of the community and by being fully integrated, it blurs the distinction between company and community and makes things easier.

Hire Locally

The local communities provide us and our contractors with a ready pool of labour. After almost 20 years of operation we are familiar with training and upskilling local staff to contribute to the operation and ensure that they comply with the highest standards of safety and environmental care.

Operate Safely

Through our operating polices and best practices, we have established an impressive track record for workplace safety. From 2007 until the end of 2009, Adaro and our contractors worked more than 76 million man-hours without a fatality.

This above points summarize our successful approach to community relations and building good community development programs.

So what kind of programs are we conducting? We run several economic, education, health and socio-cultural programs. I don’t want to list them all (nor give you the secret formulas of our success) however I will list some of the successful programs we have initiated and approaches we have taken.

Against this backdrop, we have gone from strength to strength, expanding production in line with market demand.

We believe business success, integrity as well as transparent and accountable business conduct stands out. In particular our high standards of corporate social responsibility have been a key success factor. The specific methods and standards we have developed make us experts in this area, among others. It is this experience and

Good Community Relations = Continual Growth

- ✓ Continual production growth cannot be achieved without building trusting and mutually beneficial relationship with local communities surrounding the mine
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ability to solve non-technical and non-operational problems related to mining in Kalimantan that makes us the partner of choice for successful and profitable coal mining in Indonesia.



Edwin Tsang
Director

Edwin Tsang joined the company in October 2006. He is currently the Marketing Director of Adaro Indonesia and Director of Coaltrade. Prior to this he had 25 years of experience within the coal industry, firstly with China Light and Power as Fuel Supply Engineer in the 1980's, then with the Sydney based mineral and energy consultancy firm, Barlow Jonker, as a member of the coal consultancy team in the early 1990's and finally as Managing Director of Total Energy Hong Kong. He holds a Bachelor of Science degree in mechanical engineering from Hong Kong University and an MBA from the Chinese University of Hong Kong.

ENVIROCOAL 4000 – The New Coal from Adaro

by Edwin Tsang

The commencement of full scale production at the Wara mine is the most exciting new development at Adaro over the past 15 years as its output will allow the company to significantly increase its production in the next 5 years.

Wara coal, now branded as E 4000 (Wara) is a low energy value, high moisture coal, however it retains the same environmental qualities of ultra low sulphur and ultra low ash as the higher CV, E 5000 (Tutupan).

Full scale development of the mining operation commenced at the end of 2009 and in the short period since

key to Adaro reaching a forecasted output of 80 million tonnes per year in the medium term.

The Wara Deposit

The Wara deposit lies 5 kilometers west of the Tutupan deposit and is connected to road infrastructure from the existing mining operations. Coal reserves of this deposit are the second largest in Adaro's resource area after Tutupan.

Extensive drilling of the deposit has been carried out in three phases over the past 25 years and a large resource base has been delineated. Trial mining operations were carried out in 1995 and 1996 as a utility customer in Slovenia was using a

The Wara blend, with its ultra low sulphur and ash, was used to allow the station to keep generating and meet EU emission standards without installation of flue gas desulphurisation equipment. However after further trials it was found that the station could accept the Paringin and Tutupan coals which were already under large scale mining and the mining at Wara was subsequently stopped.

Geology

Regional geological studies of South Kalimantan including the Adaro area, have been carried out since the beginning of this century. Much of the early work was carried out in the search for oil by foreign companies, or in conjunction with the state owned oil company Pertamina, although significant quantities of coal were also identified.

The work consisted of aerial photography, seismic studies, gravity surveys and drilling which led to the establishment of an important producing oil field (the Tanjung Field) adjacent to the Adaro coal deposits. This work carried out, primarily by Pertamina during the period 1965 - 1971, was instrumental in defining the Tertiary stratigraphy of the Barito Basin.

In 1982, PT Adaro Indonesia was created for the development of the coal resources within the Adaro Area under a Coal Cooperation Agreement with the Indonesian Government. Coal exploration activities commenced in 1983.



then E 4000 (Wara) has already been able to achieve significant market acceptance. It is planned that the Wara production will be

blend of Wara and Paringin coal in a power station that had been previously using high sulphur lignite.

The Coal Resources and Reserves of PT Adaro Indonesia are based on a report from Terence Willsted & Associates dated 5 April 2011 and are estimated as at December 2010 as follows:

(in million tonnes)

LOCATION	RESOURCES				Run Of Mine (ROM) RESERVES		
	Measured	Indicated	Inferred	Total	Probable	Proven	Total
WARA 1	492	366	449	1,307	98	289	386

Exploration work carried out during this period by Adaro at Wara included geological and coal outcrop mapping, trenching, drilling, geophysical downhole logging and coal sampling and analysis. A geotechnical analysis of Wara and aerial photogrammetric topographic mapping was also undertaken. This work identified two separate deposits named Wara I and Wara II, each with multiple seams.

Two further exploration programs were carried out in the late 1990's and from 2007 till the present time, and in total 429 holes have been drilled for a total of 49,093 meters. Of these, 90 holes with a depth of 11,879 meters were cored and samples sent for laboratory analysis to give the quality data of the deposit

The Wara I deposit has three major coal seams, which have been named W-100, W-200 and W-320 with thicknesses ranging up to 35 meters. The coal strikes in a general north-east / south-west orientation for a distance of 12 kilometers, and the coal seams dip to the south east at approximately 45 degrees.

Coal Quality

Coal samples taken from the cored drilled holes during each of the exploration programs were analyzed at both national and international laboratories with analyses including proximate analysis, specific energy, sulphur, relative density, ultimate analysis, ash fusion temperature, ash composition analysis and petrographic analysis.

This database has been augmented with new data from shipments performed since production commenced at the end of 2009 and has confirmed that coal from the Wara deposit has a relatively high moisture and correspondingly lower calorific value than Envirocoal produced from the Tutupan deposit, however it has the same ultra low ash and sulphur contents.

Mining and Logistics

Mining started in the W-100 seam, however as production increased the pit was developed and widened to incorporate extraction of the other two seams.

Overburden is being hauled to waste dumps a distance of approximately 1.2 kilometers to the west of the pits with overburden stripping ratios, at least in the medium term, being less than 3 to 1.

Mid-sized mining equipment is being used for overburden stripping and coal extraction as the ground conditions are generally softer than Tutupan with the main equipment comprising 80 tonne capacity dump trucks and 14M3 to 17M3 class excavators. However as the pit becomes wider and deeper, larger equipment of the size being used in the Tutupan operations will be introduced to ensure that the mining operation is carried out as efficiently as possible.

The pit that was developed as a result of the mid 1990's trial mining filled with water during the period when there was no activity. This will be gradually drained into the new northern pit sump and pumped



away to settling ponds. Mining operations will then commence through this area to join up with the new southern pit.

Mined coal is hauled to ROM stockpiles before being loaded on to double trailer road trains for the haul to Kelanis using the same haul road that is used for the transportation of E 5000 (Tutupan). For this purpose a haul road extension was constructed into the area of the Wara mining operations.

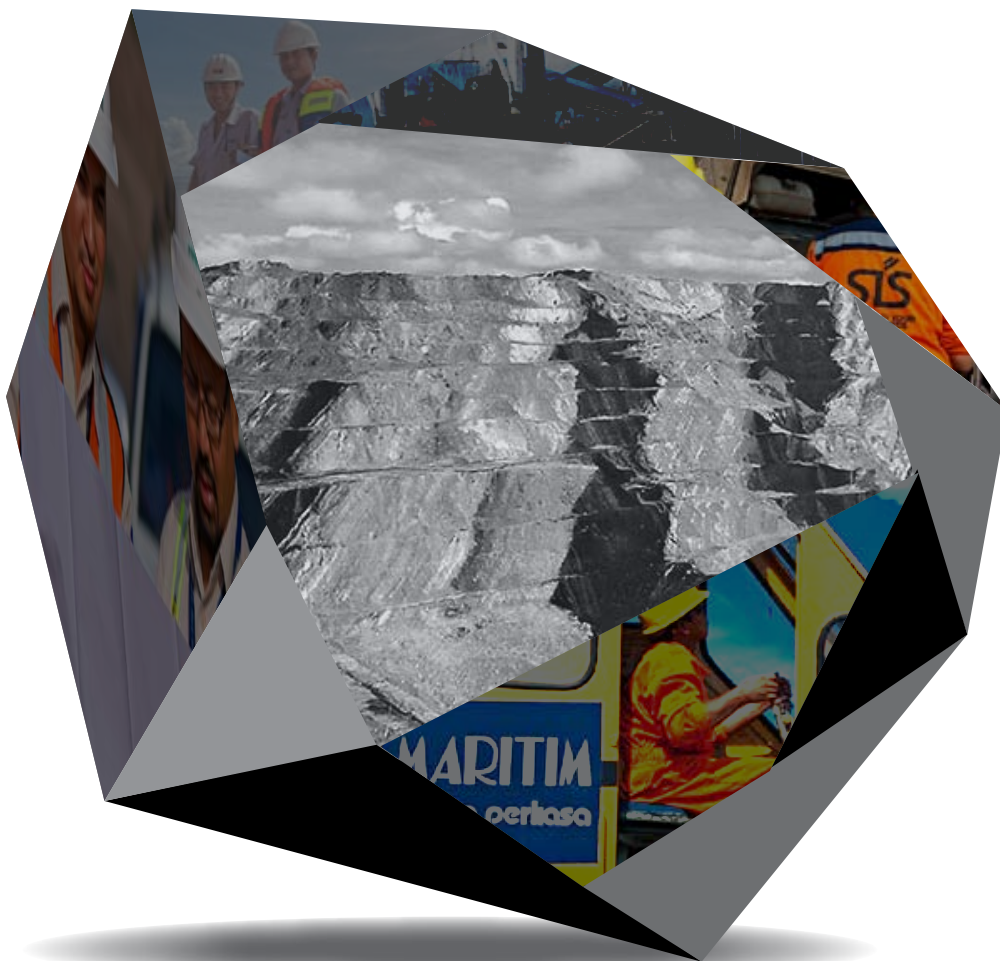
At Kelanis the coal is crushed and conveyed to a dedicated stockpile before being loaded on to barges for the down river trip and later ship loading. A dedicated facility to handle E 4000 (Wara) coal will commence construction in 2011 for completion by the end of 2012 with a capacity of 30 million tonnes per year and at that time all E 4000 (Wara) coal will be handled through this facility.

OUR OTHER
SUBSIDIARIES

IN SUMMARY



Adaro's subsidiaries each have a crucial role to play as they each form a key element of Adaro's coal supply chain. Having just completed pit to port integration in May 2009, our approach is to treat each company as a stand alone third party business. Each operating subsidiary is positioned as an independent profit center to deliver continued value to Adaro Energy and provide substantial diversification of EBITDA. Should it create shareholder value, Adaro Energy may list these performing subsidiaries in the future.



PT Saptaindra Sejati



PT Saptaindra Sejati is Indonesia's third largest coal mining services providing a wide range of services from exploration and drilling through to contract mining and logistical support to a number of coal mining companies. Currently the company has multiyear contracts with 6 customers, the largest being Adaro with these contracts requiring the provision of all labor, equipment and materials for overburden removal, coal extraction and overland coal hauling.

Even though 2010 performance was seriously affected by unseasonal wet weather throughout the year, the company was still able to improve its overburden stripping performance by 11% over 2009 with a total of 128.08 Mbcm extracted of which Adaro's share was 53%.

Coal extraction and hauling operations were more impacted by this weather with total production showing only a modest 1% increase over 2009 to 16.58 million tonnes with Adaro Indonesia's share being 10.25 million tonnes or 25% of Adaro's total production.

The lower weather impact on overburden stripping was particularly due to the introduction of larger

equipment into the fleet at Adaro including 22M³ capacity, 400 tonnes class hydraulic excavators and 200 tonnes capacity off-highway dump trucks for overburden hauling. The ongoing fleet upgrading with larger equipment will allow operations to increase its efficiency by minimizing pit congestion and increasing utilization.

To further increase productivity, the Company has also implemented a real time tracking system in November 2010 that utilizes GPS technology to continuously track equipment location and performance.

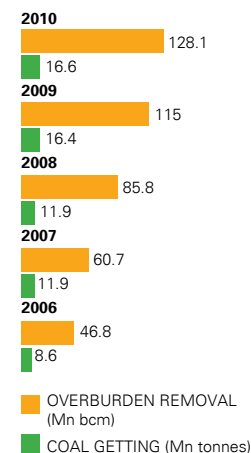
In dewatering technology, SIS has introduced dredging systems to manage the solid mud build up into pit drainage areas during 2010's extremely wet periods which conventional water pumps could not handle. These units are classed as bucket wheel suction dredges and utilize a revolving wheel equipped with buckets and teeth which can dig and break up solid material and allow it to be pumped out of the pits where SIS is operating. These dredges will now be utilized on a continuous basis and will allow SIS to continue to improve pit dewatering.



Anis Sulistiadi,
Chief Executive Officer

Anis Sulistiadi graduated from the Bogor Agriculture Institute with a degree in Agricultural Mechanization and Technology and joined SIS in January 2008 as Senior Executive before being appointed as CEO of the company in October 2008. He held various Senior Executive position within the United Tractors Groups company between 1981-1989 as Parts Manager and from 2001-2007 as CEO of PT United Tractors Engineering, PT Pandu Daya Tama Patria, PT Bina Pertiwi, Commissioner PT Kalimantan Prima Persada and was also a member of the Astra Quality Committee.

PT Saptaindra Sejati Operating Statistic



PT Saptaindra Sejati	2006	2007	2008	2009	2010
Key Financial Highlight (in US\$)					
Total Assets	217,371,064	315,411,170	438,550,024	460,949,438	482,816,959
Total Liabilities	186,968,191	263,110,532	357,922,570	362,759,068	381,851,787
Interest Bearing Debt	163,610,957	233,161,277	328,122,495	311,530,925	309,277,419
Total Equity	30,386,596	52,300,426	80,627,228	98,190,106	100,964,909
Revenue	117,873,511	149,368,298	189,407,537	264,334,683	304,457,243
Operating Statistics					
Overburden Removal (Mn BCM)	46.78	60.73	85.8	114.99	128.08
Coal Getting (Mn tonnes)	8.61	11.93	11.85	16.37	16.58



PT Makmur Sejahtera Wisesa



Joseph Chong,
Chief Executive Officer

Joseph is a Malaysian citizen and obtained a Bachelor's degree in Mechanical Engineering from the University of Liverpool, United Kingdom in 1975 and an MBA from Oregon State University, USA in 1982. He had over 30 years experience in Tenaga Nasional Berhad, Malaysia's power utility company, in various roles including Operations and Maintenance of power plant, Power Project Management, Finance, Fuel Risk Management and Procurement. Currently Joseph is as CEO of PT Makmur Sejahtera Wisesa.

PT Makmur Sejahtera Wisesa	2008	2009	2010
Key Financial Highlights (in Rp '000)			
Total Assets	371,267,602	375,442,872	735,652,500
Total Liabilities	133,102,615	51,055,677	536,159,394
Total Equity	238,164,987	324,387,195	199,493,106

PT Makmur Sejahtera Wisesa is developing a captive mine mouth power station at Tanjung, South Kalimantan, that will provide power to Adaro Indonesia's coal mining operations, replacing expensive diesel generators, when it comes on stream in 2012, and reducing Adaro's dependency on diesel fuel.

The power station comprises 2 x 30 MW units which will be fuelled from Adaro's Wara deposit and will have a net power output guaranteed at 52.5 MW with up to 5 MW of this output being reserved for supply to the local community with the balance available for Adaro Indonesia's operational needs

The EPC Contract was awarded in April 2008 with major work commencing at the site in July 2009 with this delay being due to the financial crisis of 2008 and is expected to be completed by the end of the 4th Quarter of 2011 with first power out during that period.

As of early December 2010 the project was about 50% completed. All the main foundations for the boilers and the steam turbine generators have been completed. The 88 meters concrete chimney windshield has also been completed. Boiler erection activities were ongoing while the steam turbine generators were delivered to site and put in place in early 2011.

Only equipment from long established and reputable manufacturers was considered. The steam turbine generators are being supplied by Siemens and the boiler by BHEL of India. Lurgi's Circulating Fluidised Bed (CFB) technology was utilized in the boiler design and this will allow the plant to achieve high levels of availability, up to 90% even when using Adaro's low energy, high moisture Wara coal.

Environmental considerations were key factors in the design of the plant which incorporated stringent World Bank and Indonesian Government regulatory limits on emissions and effluents.

The need for flue gas desulphurisers were not required as the CFB technology allows for sulphurous gases (SOx) removal from the flue gas with limestone injection. In addition, emissions of harmful nitrogen oxides (NOx) will be well within regulatory limits because of the CFB's relatively lower combustion temperatures. Electrostatic precipitators are being incorporated to remove dust particulates from the flue gases to ensure visually smokeless exhausts from the chimney stack.

A continuous online emission monitoring system is being incorporated into the plants control systems to ensure that the plant operates within the strict environmental limits required by the regulatory authorities.





Orchard Maritime Logistics Pte. Ltd

PT Maritim Barito Perkasa

PT Harapan Bahtera Internusa



Orchard Maritime Logistics is a Singapore based marine company. The company is one of Adaro's key barging contractors providing a large fleet of towed as well as self-propelled barges carrying coal to the Taboeneo anchorage and the IBT terminal for transshipment to export vessels as well as to domestic customers. It is also Adaro's primary supplier of shiploading services through its large fleet of modern floating cranes which operates 24 hours per day, year round at the anchorage.

In 2009, the assets of OML were restructured to PT Maritim Barito Perkasa (MBP) and PT Harapan Bahtera Internusa in order to comply with Indonesia's cabotage law and by the beginning of 2010 the entire fleet was under Indonesian flag. This change over to Indonesian registry was carried out with no disruption to the fleet's carrying capacity and tonnage delivery obligations to Adaro and other customers.

MBP's modern fleet of marine equipment now consists of 15 barges, 17 tugboats, 1 accommodation and operations barge, 1 landing craft, 3 self-propelled barges and 4 floating cranes. This equipment works primarily for Adaro however other companies also utilise OML's services for barging and transshipment.

Coal transportation tonnage in 2010 increased 12% over 2009's total to 11.6 million tonnes which was a strong performance given the high rainfall throughout

the year that reduced Indonesia's forecasted coal production. Subsequently, total coal loaded in 2010 also increased 11% over 2009's to 12.7 million tonnes. This increase in tonnage transported and loaded was achieved without additions to the fleet as better cycling times allowed for higher utilization.

The 4 floating cranes continued to work for Adaro throughout the year with their reliability and consistency contributing strongly to Adaro's coal deliveries. Transshipment tonnages for the year also increased by 12% from 11.4 million tonnes in 2009 to 12.7 million tonnes for 2010.

Internationally, OML completed its two years contract for sand barging services between Cambodia, Vietnam and Singapore in April. As there had been a downturn in that market, the tugs and barges employed on this project were redeployed to Indonesia for coal barging operations, however the Company will continue to search for regional barging business that suits its fleet.

Adaro remained as OML's biggest customer for both barging and transshipment. Other customers using OML's barging services included PT Kideco Jaya Agung, another major coal producer, PT Jawa Power operating a 1,200 MW coal power plant and PT Semen Gresik (Persero) Tbk. which is Indonesia's largest cement producer.

Barging/SMP (OML, MBP, HBI)	2006*	2007*	2008*	2009*	2010**
Key Financial Highlights (in US\$)					
Total Assets	1,275,941	1,609,213	1,663,011	1,778,874	1,220,812
Total Liabilities	1,181,904	1,465,529	1,482,237	1,529,685	1,320,554
Interest Bearing Debt	848,938	1,226,561	1,388,741	1,048	855
Total Equity	94,037	143,684	180,774	249,189	(99,742)
Revenue	213,485	443,340	657,579	670,220	554,593
Operating Statistics					
Coal Transported (million tonnes)	5.23	9.40	10.60	11.41	11.59
Coal Transhipped (million tonnes)	2.67	6.77	9.50	10.60	12.65

* Combined figures of OML, MBP and HBI, translated using rate Rp. 9,400/US\$ for convenience purposes only 2009.

** Figures of PT Sarana Multi Persada and subsidiaries, a holding company to PT Maritim Barito Perkasa and PT Harapan Bahtera Internusa. In October 2009, the assets of OML were restructured to PT Maritim Barito Perkasa and PT Harapan Bahtera Internusa in order to comply with Indonesia's cabotage law and by the beginning of 2010 the entire fleet was under Indonesia flag.

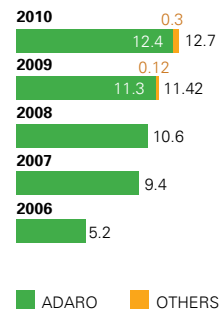


Alan Yim,
President Director

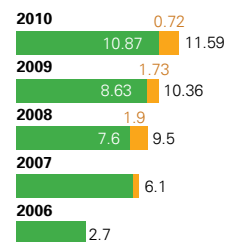
Alan joined OML in 2009 after being with the Chuan Hup Group of companies, one of South East Asia's largest barging and offshore operations company since 1982. During his period with them he held a variety of positions rising to become Director and CEO of CH Logistics Pte Ltd in 2002, a post he retained until he left the company in 2008. He holds a Chief Engineer's certificate.

Orchard Maritime Logistic Operating Statistic

Coal Transhipped (Mn tonnes)



Coal Transported (Mn tonnes)





PT Sarana Daya Mandiri



Fakhrol Azmi Bin Harun
PRESIDENT DIRECTOR

Fakhrol Azmi holds a BA (Hons) in Accountancy from Northern University Malaysia and prior to joining the Adaro Energy Group he held a number of senior management positions with Tenaga Nasional Berhad, Malaysia's state power company, both in Malaysia and Indonesia and with Insurance companies in Malaysia. His last position with TNB before joining Adaro was as President Director of TNB's coal operations in Indonesia. He is currently President Director of PT Sarana Daya Mandiri which is managing the operations of the Barito River sea channel.

PT Sarana Daya Mandiri is a South Kalimantan based company that undertook the dredging project that created the new 15 kilometers Barito River channel in 2008. This effectively tripled the capacity of the Barito river transport system to an estimated 200 million tonnes of cargo per year as it allowed 24 hour per day transit of coal barges and vessels than had previously not been possible through the old tidal restricted channel. In addition to the increase in coal capacity, the new channel has had other major benefits to the economy of the Province with the Banjarmasin Port Authority building two new terminals to handle the increase in cargo and passenger throughput made possible by larger vessels now being able to enter the port.

SDM undertook this dredging as a contractor to PT Ambang Barito Nusapersada, a South Kalimantan Government owned company appointed to dredge the new channel and manage traffic operations. SDM retains the right to jointly operate the channel and collect channel usage fees in conjunction with Ambang Barito Nusapersada. This allows SDM to recoup the cost of the initial capital dredging and fund ongoing expenditures including annual maintenance dredging in the channel to ensure guaranteed depth is maintained year round, upkeep of navigational aids in the channel and ongoing improvements to traffic management systems to ensure safe navigation in the channel.

Since the new channel became operational, two maintenance dredging programs have been undertaken with the latest, which commenced in August 2010, being carried out by international Dutch dredging contractor Van Oord and their local affiliate PT Penkonindo using a trailer suction hopper dredger. During 2010, SDM dredged 3.76 million cubic meters of channel sediments.

As part of its continuous efforts to improve navigational safety in the channel, the Company successfully installed a radar system during 2010 to monitor the channel traffic. Radar operators in control of the system are undergoing training with two already being fully certified.

While coal barges are the greatest percentage of the channel traffic other significant users include small tankers and tank barges servicing the fuel requirements of the province, feeder container ships and passenger ferries which have regular schedules from Banjarmasin to main ports on Java and other inter-island ports together with other smaller cargo ships.

The tonnage of cargo transiting the channel on which channel fees were paid totalled 68.35 million tonnes in 2010 which compares to 58.29 million tonnes in 2009 an increase of 17% which was due to an increase in coal barge traffic over 2009, particularly from the Central Kalimantan province.



PT Sarana Daya Mandiri	2008	2009	2010
Key Financial Highlights (in Rp '000)			
Total Assets	460,225,140	561,074,965	480,987,064
Total Liabilities	474,186,955	465,457,833	376,999,518
Interest Bearing Debt	468,922,428	433,758,699	361,877,787
Total Equity	(13,961,815)	95,617,132	103,987,546
Operating Statistics			
Volume tonnage (million tonnes)	-	58.29	68.35



PT Indonesia Bulk Terminal



The South Pulau Laut Coal Terminal operated by IBT and with a capacity of 12 million tonnes per year is in a unique position in Indonesia's coal trade of being one of only two public terminals in the country which can undertake coal handling services for any coal producer rather than being dedicated to a single supplier. Because of this, the terminal has been able to develop an expanding business with producers and traders who utilize the Terminal's services for coal assembly and shiploading due to its ability to undertake coal blending of differing types while maintaining quality requirements and control.

In 2008, IBT entered into a BOOT agreement with Shell to develop a fuel storage and distribution center at the terminal which comprises 4 storage tanks with a total capacity of 80,000 kiloliters and a new fuel berth alongside the coal jetty which handles tanker inloading and fuel barge outloading systems. This operation is managed by Shell and has an annual capacity of 720,000 kiloliters and is designed to not only provide fuel supply security to Adaro's mining operations but to develop additional liquid bulk business to third parties to the benefit of IBT.

During 2010, IBT's coal tonnage performance increased over 2009 and even with weather related production slowdowns at mines, a tonnage increase of 34% was achieved with the year's throughput reaching 6.23 million tonnes with 95 ships being loaded, as compared with 4.64 million tonnes in the previous year. The Group's share of this tonnage through Adaro Indonesia and Coaltrade was 3.48 million tonnes which was only a marginal increase over 2009 with the marked improvement in coal throughput being due to the rapid growth in the number of third party users of the terminal.

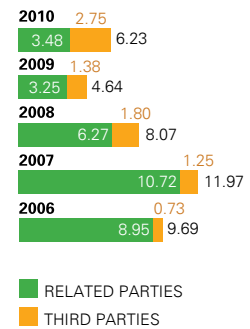
The fuel storage and distribution center became operational in May and a total of 169,700 kiloliters was transhipped through the center to Adaro's fuel receival facilities at Kelanis on the Barito River for onward trucking to operational areas.



Ir Sonny Sidjaja,
GENERAL MANAGER - TERMINAL SERVICE

Prior to becoming GM of IBT, Sonny was the Operations Director of PT Sarana Daya Mandiri from 2008 with responsibility of managing the dredging project for the new Barito River sea channel and for its ongoing maintenance and management. Before joining SDM in 2008 he was the head of Logistics Business for Surabaya area with AKR Corporindo, an internationally recognised Indonesian chemical manufacturer and trader. He was also the General Manager of HR and Production at PT Aiwa Indonesia, the local arm of the Japanese Electronics manufacturer. He holds a mechanical engineering degree from Trisakti University, Jakarta.

PT Indonesia Bulk Terminal Coal Tonnage Handled (000 tonnes)



PT Indonesia Bulk Terminal	2006	2007	2008	2009	2010
Key Financial Highlight (in US\$)					
Total Assets	172,453,932	176,110,220	176,673,960	179,031,335	94,313,307
Total Liabilities	55,939,394	38,135,673	29,563,933	29,065,251	28,809,445
Interest Bearing Debt	38,245,923	30,165,353	1,871,045	1,934,905	-
Total Equity	116,514,538	137,974,547	147,110,029	149,966,084	65,503,862
Revenue	44,740,238	50,366,881	34,266,097	19,256,206	26,983,282
Operating Statistics					
Related Parties (million tonnes)	8.95	10.72	6.27	3.25	3.478
Third Parties (million tonnes)	0.73	1.25	1.80	1.38	2.75
Coal Tonnage Handled (million tonnes)	9.69	11.97	8.07	4.63	6.23
Vessels Loaded	146	185	125	72	95

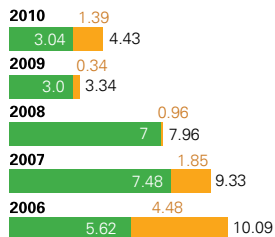
COALTRADE
SERVICES
INTERNATIONAL



Edwin Tsang
Director

Edwin Tsang joined the company in October 2006. He is currently the Marketing Director of Adaro Indonesia and Director of Coaltrade. Prior to this he had 25 years of experience within the coal industry, firstly with China Light and Power as Fuel Supply Engineer in the 1980's, then with the Sydney based mineral and energy consultancy firm, Barlow Jonker, as a member of the coal consultancy team in the early 1990's and finally as Managing Director of Total Energy Hong Kong. He holds a Bachelor of Science degree in mechanical engineering from Hong Kong University and an MBA from the Chinese University of Hong Kong.

Coaltrade Service International Pte. Ltd.
Coal Sales (000 tonnes)



■ ADARO
■ THIRD PARTIES

Coaltrade Services International Pte. Ltd.

Coaltrade is based in Singapore and acts as a marketing agent to Adaro Indonesia as well as actively trading in third party coal business.

Under its agreement with Adaro, the company is a marketing agent for Adaro's export sales in specific countries and geographic areas and receives commissions from Adaro for generated sales. It also provides access to marketing information regarding those areas where it acts on behalf of Adaro as well as providing global trends in the coal industry.

In addition to this, the company trades in third party coal and either blends it with Adaro coal to improve

quality and price for onward sale or direct sells to end users.

The 2010 results showed a significant rise over 2009 with total coal sales of 4.43 million tonnes for the year compared to 3.35 million tonnes in 2009, a rise of 32%. Of importance was the rise in third party sales from 0.35 million tonnes in 2009 to 1.39 million tonnes in 2010, a 1 million tonne increase which highlighted the efforts that Coaltrade has made in developing third party trading to ensure continued organic growth.

Coaltrade Services International	2006	2007	2008	2009	2010
Key Financial Highlight (in US\$)					
Total Assets	57,221,905	244,427,695	231,541,248	228,265,709	168,237,203
Total Liabilities	32,811,586	226,178,428	185,814,397	175,172,110	146,255,041
Interest Bearing Debt	-	200,000,000	157,654,590	144,690,590	127,964,351
Total Equity	24,410,319	18,249,267	45,726,851	53,093,599	21,982,162
Revenue	334,938,661	315,647,939	383,664,769	211,691,085	292,161,076
Operating Statistics					
Total Coal Sales (million tonnes)	10.09	9.32	7.96	3.35	4.43
Adaro (million tonnes)	5.62	7.48	7.00	3.00	3.04
Third Parties (million tonnes)	4.48	1.85	0.96	0.35	1.39

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a premium international bulk port and handling center

PT INDONESIA BULK TERMINAL (IBT) is the developer and operator of the Pulau Laut Coal Terminal which is a common user terminal situated on the southern tip of the island of Pulau Laut in Indonesia's South Kalimantan Province.

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FREIGHT REPORT

Shipping is a moving business – testament to that can be seen daily on the Baltic Exchange Dry Index (“BDI”), an index which reflects the overall commercial performance of the four primary bulk carrier segments.

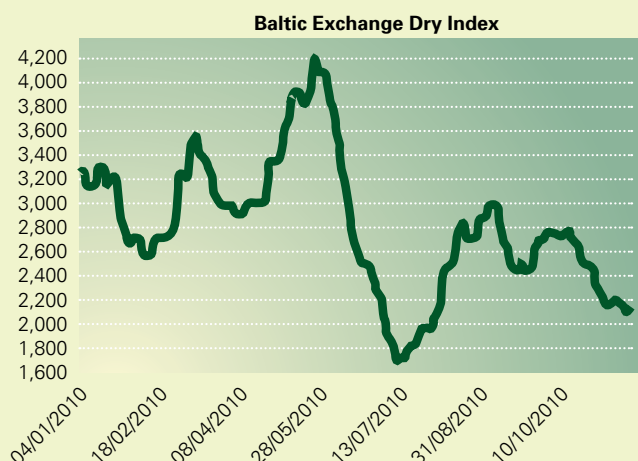
The year of 2010 from a commercial freight perspective was a story of two halves. Positive sentiment from a range of markets particularly those in China in the first half of the year saw the BDI rise 30% only to take a correction in July and then ease back to a 30% lower position in December as compared with January.

The China phenomena remains the focal talking point and this combined with the potential of other Pacific countries and the enormous potential of India gives many of

us hope that shipping will continue to yield good returns for ship owners and operators alike.

The biggest question for all of us in shipping today is - can we absorb the bulk carrier fleet that will be upon us in 2011 / 2012?

The current fleet in the four primary segments stands at about 8,060 units or 526 million tonnes dead weight (DWT) – the current order book reflects the potential of 53% fleet growth of 3,269 units or 278.7 million DWT.



Note: Graph by courtesy of the Baltic Exchange London

With the global markets in flux it's certainly going to be interesting times in shipping in the coming couple of years - for some however the continued flux brings the ability to take charge of their own destiny and with that many new opportunities.



Alex Harkess,
Shipping Consultant attached to Adaro Logistics (seconded from Clarksons)





Sandiaga S. Uno
DIRECTOR

Mr. Uno graduated Summa Cum Laude with a Bachelor of Business Administration from the Wichita State University in 1990 and obtained a Masters of Business Administration from George Washington University in 1992. He is a Director of PT Adaro Energy. He is the founding partner of Saratoga Capital, a private equity firm he co-founded with Edwin Soeryadjaya in 1998. Saratoga Capital focuses its investments in natural resources and infrastructure opportunities in Indonesia and Southeast Asia. He also co-founded a boutique investment firm, PT Recapital Advisors in 1997. Since June 2010, Mr. Uno served as a member of the National Economic Council appointed by the President of Republic of Indonesia and he was the Chairman of the Indonesian Young Entrepreneurs Association (HIPMI) from 2005-2008.

OCCUPATIONAL Health and Safety



by Sandiaga Uno

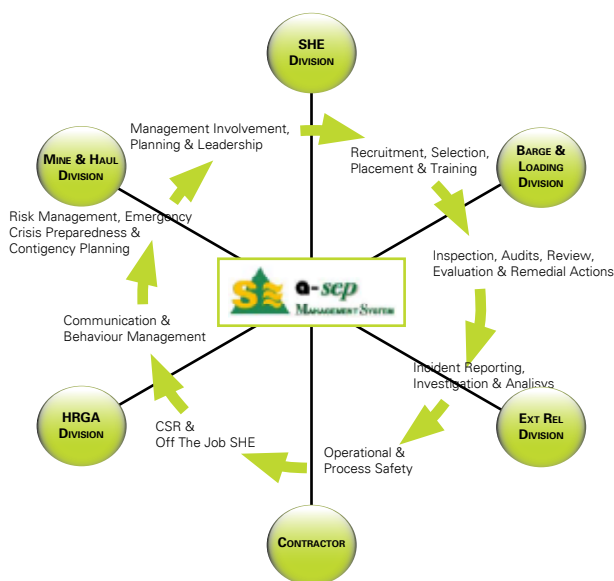
PT Adaro Indonesia is committed to achieving the highest standards of occupational health and safety of its workforce by minimizing the risk of accidents and injuries occurring within operational activities by the implementation of a safety, environmental and production management system, known as ASEP, that is aligned to the international standards ISO 14001 and OHSAS 18000.

This ASEP management system is an important element for the employees in managing safety as well as ensuring high levels of worker productivity and overall production. Additionally this system incorporates environmental management and follows Government regulations for Occupational Health and Safety (K3) and Environmental regulations.

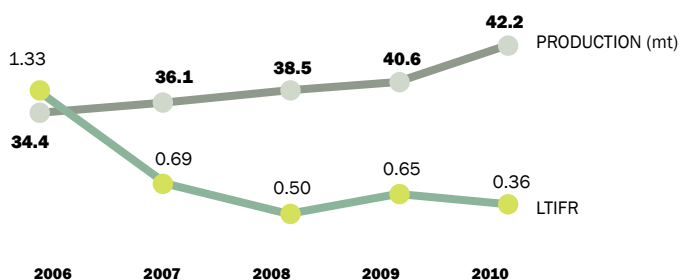
To ensure the health of employees, medical facilities are available on site and periodic health maintenance checks are carried out to ensure that health standards are maintained. Outpatient allowances and the Government Jamsostek Social Security scheme are also made available for the employees.

Intensive safety induction sessions for all new employees are undertaken to introduce them to safety principles that will be required to be observed in the workplace. Employees also attend regular safety training sessions where safety performance is evaluated. Safety induction sessions are also provided to all site guests who enter mining areas.

Employees receive thorough training prior to undertaking any equipment operation or performing any task within the mining operation. Safe Operating Procedures have been developed based on risk assessments of all work related activities to ensure that all tasks can be performed safely.



Production vs Injury 2006 - 2010



Particular emphasis is placed on our objective that the Adaro operation is free of fatalities and injuries. Protocols have been developed to address the activities that have been identified as having a higher safety risk. Regular audits are undertaken to ensure compliance with these protocols.

The Adaro operation engages a large contractor workforce that undertakes activities in all aspects of the business. The management of safety by our contractors is of equal importance to Adaro and we ensure that they comply with all of our safety standards and procedures. We monitor the safety performance of the contractor workforce on a daily basis with their performance and work hours included in the reported safety related statistics. On a quarterly basis a Safety Awareness meeting is conducted with the senior management of the contractor organizations in attendance. This meeting provides a forum for open communication on safety performance and sharing of experiences, along with demonstrating commitment to the safety programs.

Adaro uses the Lost Time Injury Frequency Rate (LTIFR) as one measure of safety performance. This is an internationally recognized standard and measures the number of Lost Time Injuries per million manhours worked.

In 2010, the number of Lost Time Injuries (LTI) decreased to 15 from the previous year's LTI of 23. This resulted in the LTIFR (Lost Time Injury Frequency Rate) dropping from 0.65 in 2009 to 0.36 in 2010.

Adaro's high standards in occupational health and safety have been recognized by the Ministry of Mines and Energy Resources and it was awarded the Pratama Award for mine safety from 2001 – 2005 before this award was discontinued, and the new Aditama Award in 2009.

	2008	2009	2010	
	Actual	Actual	Actual	Plan
LTI	14	23	15	17
LTIFR	0.49	0.65	0.36	0.5



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Iswan Sujarwo

DEPUTY GENERAL MANAGER - ADMINISTRATIVE AND EXTERNAL AFFAIRS

Iswan graduated from UPN Yogyakarta with a degree in Mining. He joined Adaro in 1991, after previously working for KPC. He has held a variety of positions in Adaro including Mine Superintendent, Road Superintendent, and SHE Division Head. Currently, he serves as Deputy GM for Administration & External Affairs.

Environmental Management

by Iswan Sujarwo

Management of Adaro's mining areas to ensure that **environmental impact is minimised** is a key priority of the company and a comprehensive environmental management plan is in place to ensure that all aspects of environmental management are carried out, not only to **international standards** but in accordance with Indonesian Government regulations which are strictly enforced by the Ministry of Energy and Mineral Resources.



LAND RECLAMATION

Reclamation of land throughout areas affected by the mining operation is carried out in a number of phases before, during and after mining operation ceases in each area.

Initially top soil is removed prior to mining and either used to provide initial cover to overburden dumps on a progressive basis or is stored in topsoil banks for later placement. As overburden dumps are progressively built they are contoured to minimize slope levels and to follow the original contours as close as possible. During this period, drop structures and extensive water drainage systems are incorporated into the reclaimed areas to assist in erosion control as well as to direct water run-off into settling ponds to allow sediment separation and pH control prior to release into surrounding waterways.

As soon as the filling and contouring work is completed planting is carried out, either manually or by using truck mounted seed spraying systems called hydro-seeding. This seeding work is carried out as soon as possible as this cover is essential in minimizing erosion while second stage planting is undertaken.

Manual planting is only for fast growing seedlings while hydro-seeding uses the seeds of grasses, covercrops (legumes) and fast growing plants mixed in containers with fertilizer, other additional material and water, and then sprayed on the surface of reclamation area ready for planting.

Once the revegetation process is stable and there is sufficient cover to minimise the chance of erosion, slower growing secondary vegetation is planted including various timber species and crops which can enhance the soil while at the same time continuing to eliminate erosion through continued spreading of roots.

In some areas Adaro has provide rehabilitated land to local communities for agricultural purposes and to date Adaro has worked with these communities on a number of projects including cultivation of vegetables, orchards and other commercial crops. The company is also invoved in a number of research and development projects for better management of environmental rehabilitation particularly in developing various crops for the production of biodiesel. The largest of these is with Komatsu of Japan where 10 hectares of rehabilitated land has been planted with Jatropa whose seeds can be processed into biodiesel. A pilot scale refining plant is already under construction and will be producing biodiesel by mid 2011. This will be mixed with diesel fuel and used in heavy equipment in the mining operation.

	2009	2010	Project to Date
Rehabilitation (ha)	293	270	1,475
Land Disturbed - Mine (ha)	459	595	2,368
Land Disturbed - Other (ha)	687	1,019	4,616
Net Land Disturbed (ha)	853	1,344	5,509

WATER MANAGEMENT

Water quality and run-off control is a critical part of the environmental management of the mining operations to ensure that local streams and rivers are not contaminated and that soil erosion is eliminated. Adaro has implemented a comprehensive system of water run-off control and treatment to ensure that processed water meets the required environmental quality level.

Waste water from rainfall and ground water in the open cut mine areas is drained into specially prepared sumps and is continuously pumped from these into a permanent drainage system which feeds into high capacity ponds for containment before chemical processing. From there water is fed to a whole series of settling and treatment ponds which surround the mine area and now have a total land area exceeding 450 hectares with a water management capacity of 6 million cubic meters and are designed to handle the drainage water into the open cut mining areas that is generated by an annual rainfall of 3,000 mm.

In the main settling ponds, the water is is treated with flocculants and coagulants to remove suspended solids which separate and sink

a comprehensive system of water run-off control and treatment is ensured **to meet the required environmental quality level**

to the bottom of the ponds. The clear water from this process then passes through treatment ponds where it is chemically treated to ensure correct chemical and pH balance before being released into local waterways.

Waste water which originates from coal stockpiles around the mining operations is fed into fine coal traps to release coal solids after which this water enters the main waste water treatment system for final processing.

Water quality monitoring is carried out through all phases of treatment with specific emphasis on pH, biochemical oxygen demand, turbidity, and iron sulphates.

Adaro has taken this water processing a step further by the establishment of an additional water treatment plant that is now producing drinking quality water and which is not only being used as drinking water by the company and contractors but is also being pumped through a pipeline installed by Adaro to a number of surrounding communities.

AIR QUALITY CONTROL

Adaro undertakes extensive and continuous air monitoring around the mining operations and along the entire length of the coal haul road to Kelanis to ensure that methods being used to control dust levels are effective at meeting all required regulations up to international standards and minimizing the impact on the local communities surrounding the operations.

Dust control within the mine and areas where coal is stockpiled is carried out primarily through water spraying from mobile tankers and fixed spraying points with frequency of watering being adjusted to take into account seasonal differences in rainfall. Additionally, agglomerating agents in solution are sprayed onto the static coal stockpiles at Kelanis as an additional form of dust control.

Since the sealing of the 75 kilometer coal haul road between the mine and Kelanis water dust levels have been effectively reduced to the

point that no water spraying is required, however strict monitoring is still undertaken

WASTE MANAGEMENT

Waste management focuses primarily on the handling and disposal of used oils, grease and other hydrocarbon products from workshops involved in any equipment maintenance and overhaul.

Each workshop has a concrete drainage system to carry these spilt oils to the oil trap system which holds them until they start to thicken. At this point, the lighter oils such as the kerosene and diesel are separated into a special tanks before being pumped into specially marked drums. Used oils including engine, gear and hydraulic oils are immediately collected and drummed after replacement and these

drums together with drums containing oil from the drainage system are placed in covered storage before being sold to third parties licensed by the Government to handle these wastes.

Solid wastes and garbage is collected from the operations in special containers and segregated into organic and recyclable waste and delivered to the local Government for disposal.

AN OUTSTANDING RECORD

In 2010, Adaro received the PROPER Award with Green Rating for the third consecutive year from the Ministry of the Environment in recognition of Adaro's management of its mining areas in an environmentally sensitive manner while prioritizing safety. This is the highest rating ever received by a coal mining company and is a testament to the Company's priority in maintaining the highest level of environmental management.

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Adaro, Komatsu and United Tractors Execute a Basic Agreement Regarding Indonesian Bio Diesel Fuel Project

Jakarta, November 5th, 2009 — PT Adaro Energy Tbk (President Director: Garibaldi Thohir) ("Adaro"), Komatsu Ltd. (President & CEO: Kunio Noji) ("Komatsu") and PT United Tractors Tbk (President Director: Djoko Pranoto) ("UT") have executed a basic agreement to jointly advance the Bio Diesel Fuel Pilot Project in Indonesia (the "Project").

In March 2010, Adaro, Komatsu, and UT will start the Project to produce Bio Diesel Fuel*1 ("BDF") from Jatropha*2 and other feedstock plants and operate Komatsu mining dump trucks (payload: 90-tonnes) class, "Komatsu Dump Trucks" fueled by the BDF at the Adaro coal mine in Kalimantan, Indonesia.

Komatsu will establish a BDF plant (production capacity: 1 to 2 tonnes/day) and a laboratory to ensure quality of the produced BDF on the Adaro coal mine. As a manufacturer, Komatsu will also render the standard warranty to Komatsu Dump Trucks fueled by the BDF produced from the Project.

Adaro will plant Jatropha and other feedstock plants on its reclamation areas and produce BDF from their seeds or fruits to be used by the Komatsu Dump Trucks operating at the Adaro coal mine.

UT, as the Komatsu distributor in Indonesia, will provide product support for the Komatsu Dump Trucks fueled by the BDF.

Notes:

*1 BDF is an alternative fuel to mineral diesel oil, produced from vegetable oil or waste food oil. Popular feedstock plants are soybeans, rapeseed and palm. It is regarded that BDF will not increase the amount of CO2 in the air because the feedstock plants absorb CO2 from the air while they are growing.

*2 Jatropha is considered as one of ideal feedstock plants that produces oil from its inedible seeds and grows even on dry and less fertile soil.

Progress in 2010

The construction of BDF Plant was completed in February 2010 and the operation of biodiesel project has started since then.



Clean Water from The Mine to The Community

Adaro's commitment to the environment is mirrored in its commitment in maintaining strict standards and complying with current regulations to minimize the impact of its operational activities on the environment while maintaining strong relationships as a partner and a good neighbor towards the communities surrounding its operations.

In a new innovative measure that not only enhances its environmental management but also benefits a number of local villages, Adaro is processing mine waste water to clean drinking water standards and distributing this resource to village households through a 10 kilometer piping system and also by tank truck.

Waste water primarily from rainfall has to be continually pumped from the mine to adjacent settling ponds where primary treatment is carried out to ensure that its quality meets the required standards prior to release into local waterways.

While it has always met international standards for its waste water processing, the Company has long recognized that this water could be utilized for other purposes so in 2009 under the concept of Reduce, Reuse and Recycle it constructed and commissioned a treatment plant that produces clean drinking water for distribution to local communities and Adaro's own employees.

The main beneficiaries of the project, the villages of Padang Panjang and Dahai, are located in a low lying area so it has been difficult for them to obtain clean ground water. With this breakthrough provided by Adaro, these two villages need for clean water has been fulfilled.

Initially water was supplied to the villages and Adaro operations by tank truck from the treatment plant however since August 2010, this is now distributed through pipelines built by Adaro with a total length of 10 kilometers.

Two other villages, Bata in Balangan Regency and Trans Laburan in Tabalong continue to be supplied by tank truck as the distances to these two locations is too far to consider piped supply.

In order to be sustainable and avoid dependency on the company, this clean water project is being managed directly by the communities through a Clean Water Management Board which was elected through village meetings and which is responsible for pipeline management. Board members have been trained on procedures relating to water supply management by PT Adaro Indonesia and industry experts.

The customers or beneficiaries of clean water will be subject to payment at rates based on the economic levels of the communities. It is intended that this will give people a sense of responsibility



towards the system with the funds collected being used for village development.

Recently, in December 2010, the company was selected as the Green Leadership Winner for its water program from Enterprise Asia, a non governmental organisation in Asia, with its head office in Malaysia and registered in Hongkong. While, in November 2010, the Company was awarded the top environmental award "ADITAMA Trophy" from the Department of Energy and Mineral Resources in addition to the Green PROPER rating from the Ministry of Environment which is the highest level yet achieved by a mining company.

This clean water program for the community is one illustration of a number of programs where Adaro combines environmental management and rehabilitation with community development projects and is an example of the efforts Adaro is making in achieving sustainability in all its CSR activities.



David Tendian
DIRECTOR OF FINANCE

Mr. Tendian graduated with the Honors and Distinction in Economics and Marketing in 1989 and earned his MBA in Economics and Finance from the University of Illinois in 1991. He is PT Adaro Energy's Director of Finance, Chief Financial Officer and Director in PT Adaro Indonesia, PT Alam Tri Abadi, PT Jasa Power Indonesia, and PT Indonesia Bulk Terminal. He has worked in the coal industry in Indonesia since 2003 with several CCA first generation companies. He formerly held senior level positions in international banks and private equity in the US and Indonesia from 1991 to 2002 and from 2005 to 2006.

Financial REVIEW

"Our hard work to continue to exercise financial discipline and strengthening our balance sheet post 2005 LBO puts us in a solid position to capture opportunities such as acquisition of new reserves and moving further downstream into power by partnering with international, blue chip power companies. We expect the funding for power projects to be project finance non recourse to Adaro Energy."

by **David Tendian**

Net Revenue

As Adaro Energy's business is almost entirely conducted in US Dollars, it would be relevant to discuss Adaro's 2010 financial performance in US Dollar terms as it better represents and reflects the performance of the company.

Adaro Energy's net revenue in full year 2010 increased 5% to US\$2,718 million from US\$2,591 million. However, due to the strengthening of Rupiah (Rp) in 2010, Adaro Energy's net revenue declined 8% to Rp24.7 trillion. During 2010, the average Rupiah/US\$ exchange rate strengthened 13% from Rp10,398 per US\$ to Rp9,085 per US\$.

The growth in net revenue in 2010 is attributable to the 4% and 6% increase in production and sales volume despite unseasonably wet weather patterns throughout the year at the site. The 6% increase in sales volumes is more than offset by the 3% decline in ASP to US\$57.18 per tonne.

Initially, Adaro expected its 2010 ASP to be similar with 2009 as the continuing global economic recovery in the 4Q09 was anticipated to further boost Adaro's 4Q10 ASP. However, Adaro's 4Q10 ASP of US\$58.26 did not follow the positive ASP trend of previous quarters due to two main reasons. With the wet weather condition restricting coal supply from the mine, Adaro was only able to deliver some of the higher-end priced contracts at the beginning of 2011 impacting the 4Q10 ASP. In addition, the heavy rainfall also had the impact of increasing total moisture content of the coal, thus some of the Envirocoal products incurred a discount adjustment as a result of the lower energy content on an "as received" basis. Further, the seemingly lower ASP was also due to the inclusion of the price of Envirocoal-4000.



The year 2010 was notable as it was the first year of commencement of production of Envirocoal-4000, a lower calorific value and higher moisture coal compared to Envirocoal-5000, thereby commanding a lower ASP. This new product continues to receive strong demand from countries such as India, China, South Korea and Indonesia. Adaro sold 2.05 million tonnes of Envirocoal-4000 and that will be the key in Adaro's goal of reaching 80 million tonnes a year in the medium term, with 25-30 million tonnes being expected from this coal by 2014.

Coal Mining and Trading: Adaro Indonesia and Coaltrade

In the 2010, the combined revenues from coal mining and trading segment, which were substantially all from Adaro Indonesia, slightly increased 3% to US\$2.5 billion (or 10% decrease to Rp23 trillion). As a result of increased revenue contribution from Adaro Energy's other business units, the contribution of coal mining and trading division accounted for 92% of Adaro Energy's total revenues in full year 2010, slightly less compared to 94% contribution in the previous year.

In line with Adaro's strategy of reducing customer concentration risk, Adaro maintains a geographically diversified customer base by supplying no more than 10% of its sales volume to any single customer. To capitalize and take

Summary of Full Year 2010 Financial Performance (in billion IDR)

	2009	2010	Increase (Decrease)
Operational			
Production volume (million tonnes)	40.6	42.2	4%
Sales volume (million tonnes)	41.4	43.8	6%
Financials (Rp bn)			
Net revenue	26,938	24,689	-8%
Cost of revenue	(15,900)	(16,957)	7%
Gross profit	11,038	7,732	-30%
Gross margin	41%	31%	-10%
Operating income	9,928	6,774	-32%
Operating margin	37%	27%	-10%
Net income	4,367	2,207	-49%
EBITDA	11,017	8,034	-27%
EBITDA margin	41%	33%	-8%
Total Assets	42,360	40,601	-4%
Total Liabilities	24,848	21,970	-12%
Shareholders Equity	17,445	18,576	6%
Interest bearing debt	15,751	14,316	-9%
Cash and cash equivalent	11,275	5,460	-52%
Net debt	4,476	8,856	98%
Net debt to equity	0.26x	0.48x	-
Net debt to EBITDA	0.4x	1.1x	-
Earnings per share (EPS) in Rupiah full amount	136.5	69.0	-49%

Adaro Energy had its **best year ever in terms of revenues**, which increase to US\$2.7 billion due to 4% production growth **despite the unprecedented and unusually wet weather**

advantage of the geographical proximity to customers located in the region, Adaro has focused on developing its customer base in Asia as shown by the proportion of Adaro's sales volumes to Asia including Indonesia further rising to 86% in 2010 compared to 84% in 2009. In addition, Adaro continued to be the largest supplier to the domestic market with 10.4 million tonnes being sold domestically during the year.

Mining Services: SIS

Adaro mining services division, conducted by Adaro Energy's mining contractor SIS, generated revenues of US\$304 million, a 15% increase over 2009 (or 1% to Rp2.8 trillion). After elimination of inter-company transactions, SIS generated revenue of US\$141 million, a 26% increase due to increased volumes, reflecting improving economic condition and continuing firm demand for coal in spite of challenging operating conditions throughout the year due to bad weather.

Revenue from the mining service segment remained the second largest revenue contributor after coal mining and trading segment at 5% of Adaro Energy's total revenues.

Summary of Full Year 2010 Financial Performance (in million US\$)

	2009	2010	Increase (Decrease)
Average Exchange rates (IDR/US\$)	10,398	9,085	-13%
Exchange rates at Balance Sheet Date (IDR/US\$)	9,400	8,991	-4%
Net revenue	2,591	2,718	5%
Cost of revenue	(1,529)	(1,867)	22%
Gross profit	1,062	851	-20%
Gross margin	41%	31%	-10%
Operating income	955	746	-22%
Operating margin	37%	27%	-10%
Net income	420	243	-42%
EBITDA	1,059	884	-17%
EBITDA margin	41%	33%	-8%
Total Asset	4,506	4,516	0%
Total Liabilities	2,643	2,444	-8%
Shareholders Equity	1,856	2,066	11%
Interest bearing debt	1,676	1,592	-5%
Cash and cash equivalent	1,199	607	-49%
Net debt	476	985	107%
Net debt to equity	0.26x	0.48x	-
Net debt to EBITDA	0.4x	1.1x	-



Others (Adaro Logistics): Coal terminal, Barging, Ship Loading, Dredging and Fuel trading

Adaro Energy's other independent subsidiaries make up the Others segment which includes Adaro Energy's port facility and coal terminal operation run by IBT, the barging and ship loading division operated by OML, HBI and MBP, the dredging company run by SDM, and fuel trading managed by ATA.

Total revenue from Adaro logistics segment increased 37% to US\$204 million (or 20% to Rp1.9 trillion). After elimination of inter-company transactions, this translates to net revenue of US\$69 million, a 50% increase from the previous year (or 31% to Rp628 billion).

The barging and shiploading division increased coal transported and loaded by 12% and 11% to 11.59 million tonnes and 12.65 million tonnes respectively.

Meanwhile, total coal shipped at IBT port increased 34% to 6.23 million tonnes and the number of vessels loaded increased to 95 vessels from 72 vessels compared to last year due to increased marketing efforts and the opening of IBT's fuel tank terminal operated in cooperation with Shell at the Pulau Laut terminal in August 2010.

Cost of Revenue

Adaro Energy's cost of revenue for the year ended December 31st, 2010 increased 22% to US\$1,867 million (or 7% to Rp16,957 billion) attributable to a 4% increase in production volume, increase in planned stripping ratio, longer hauling distances and additional weather related costs. Higher than normal demurrage fees also contributed to the cost of revenue increase. As a result, Adaro Energy's cash cost excluding royalties increased 17% to US\$35.29 per tonne in 2010 compared to US\$30.26 in 2009.

Coal Mining and Processing

Coal mining cost increased 21% to US\$826 million (or 6% to Rp7,501 billion), reflecting longer hauling distances and the increase to the stripping ratio at Tutupan pit from 5.0x to 5.5x. Adaro also incurred additional weather related costs during 4Q10 due to pit dewatering efforts, construction of pipelines as well as settling ponds. Despite record-setting high volume of rainfall and number of raindays, Adaro was able to increase overburden removal and coal production by 8% and 4% respectively.

2010	
NET SALES	
24,689,333	
2009	26,938,020
2008	18,092,502
2007	11,592,640
2006	9,748,068

2010	
TOTAL ASSETS	
40,600,921	
2009	42,360,347
2008	33,720,170
2007	14,688,683
2006	13,343,393

2010	
TOTAL EBITDA	
8,033,953	
2009	11,016,576
2008	4,454,673
2007	2,423,080
2006	2,036,075

2010	
TOTAL LIABILITIES	
21,970,369	
2009	24,848,413
2008	19,692,546
2007	11,979,726
2006	13,106,173

2010	
TOTAL EQUITY	
18,576,441	
2009	17,444,891
2008	14,009,245
2007	2,150,554
2006	(34,297)

Similarly due to production increase, coal processing costs also increased 28% to US\$125 million (or 12% to Rp1,136 billion). Coal processing costs largely consisted of coal crushing at Kelanis as well as other costs not borne by the mining contractor including cost for repair and maintenance of the hauling road.

The costs of coal mining and coal processing increased 22% to US\$ 951 million (or 6% to Rp8,637 billion) and accounted for nearly half of Adaro Energy's total cost of revenue at 51%.

Freight and Handling

Cost of freight and handling, which accounts for 15% of total cost of revenue, increased 6% to US\$274 million (or 8% decrease to Rp2,489 billion).

All barging and shiploading contractors' cycle time improved during 4Q10 due to the shipment schedule being better matched with production which helped reducing the average demurrage rate per vessel compared to the previous quarter. In 4Q10, freight and handling costs increased 39% to US\$78 million or Rp698 billion compared to 3Q10 as demurrage fees was accounted for as part of freight and handling cost. Unlike 3Q10, demurrage fees incurred during 4Q10 were not recorded as an extraordinary item since fourth quarter has traditionally and historically been the wet season of the year. Adaro incurred demurrage fees of US\$10.8 million, US\$4.8 million and US\$2.5 million in the months of October, November and December respectively, totaling to US\$18 million during 4Q10.

In addition to the higher demurrage fees incurred in 2010, the 3% increase in total coal transported during the year to 42.44 million tonnes and 5% increase in total coal loaded using floating crane to 23.06 million tonnes also contributed to the increase in cost of freight and handling.

As part of executing Adaro's strategy of continuously improving the efficiency of its coal supply chain, on November 18th 2010, Adaro Indonesia signed three new innovative long term barging contracts which would improve flexibility and efficiency of the barging operation. It is expected that freight rates will decrease by up to 15% on the associated tonnages covered by the new contract due to higher utilization of the existing and future barge fleets.

Royalties to the Government

Royalties paid to the Government of Indonesia slightly increased 1% to US\$264 million (or 11% decrease to Rp2,399 billion), in line with the 3% increase in net revenue of coal mining. In accordance with the agreements specified in the Coal Cooperation Agreement (CCA), royalties are to be calculated using a rate of 13.5% levied against the net sales price at Kelanis River Terminal, Adaro's final coal processing facility.

Purchases of Coal

Purchases made by Coaltrade to buy third party coal for either blending or marketing purposes rose by 382% to US\$86 million (or 321% to Rp778 billion), partly conducted to help Adaro's customers affected by shortfalls at Adaro's Tutupan mine, Coaltrade's third party coal purchases rose 305% to 1.39 million tonnes.

Mining Services: SIS

Adaro Energy's mining services division is associated with the company's mining contractor, SIS. The cost of revenue from this segment increased 36% to US\$121 million (or 19% to Rp1,101 billion) due to increased third-party business and hence higher consumables, employee cost, repair and maintenance costs.

Depreciation and amortization of SIS' heavy equipment also increased 35% to US\$29 million (18% to Rp263 billion) as SIS continued to purchase newer and larger sized fleets of heavy equipment as part of its growth plans.

Others (Adaro Logistics): Coal Terminal, Barging, Ship Loading, Dredging and Fuel Trading

The costs associated with the other businesses account for 3% of the total cost of revenues. Largely due to the 93% increase in consumables to US\$45 million (or 69% to Rp407 billion) for fuels purchased by ATA. Adaro Energy's cost of revenue for the Others segment increased 62% to US\$57 million (or 41% to Rp521 billion).



Operating Expenses and Operating Income

Total operating expenses in 2010 slightly declined 1% to US\$105 million (or down 14% to Rp958 billion). This is due to the decrease in selling and marketing expenses, despite being slightly offset by the increase in general and administrative cost.

Selling and marketing expenses declined 11% to US\$55 million (or 22% to Rp498 billion) due to the restructuring of Coaltrade's sales agents' contracts

2010	RATIOS (%)
GROSS MARGIN	
31	
2009	41
2008	27
2007	22
2006	20

2010	RATIOS (%)
RETURN ON ASSET	
5.4	
2009	10.3
2008	2.6
2007	0.6
2006	-0.5

2010	RATIOS (%)
RETURN ON EQUITY	
11.9	
2009	25.0
2008	6.3
2007	4.1
2006	n/a

which reduced sales commission fee by 12% to US\$52 million in 2010.

General and administration expenses increased 12% to US\$51 million (or decrease 3% to Rp460 billion) due to the 38% increase of employee costs to US\$28 million in 2010. Adaro Energy and its subsidiaries continuously recruits highly skilled and qualified people to support the growth and has increased its permanent workforce to 6,242 people in 2010 from 6,004 in 2009.

Operating income declined 22% to US\$746 million (or 32% to Rp6.7 trillion) due to the 20% drop in gross profit. Subsequently, operating margin declined to 27% in 2010 from 37% the previous year as the 22% rate of growth in cost of revenue outpaced the 5% growth in net revenue due to higher mining costs, longer overburden hauling distances, increased stripping ratio, additional weather related costs and higher demurrage fees incurred.

Other Income / Expenses

Adaro Energy's Other Expenses increased 46% in 2010 to US\$190 million (or 28% to Rp1,724 billion). The increase is mainly due to the higher finance costs and foreign exchange losses recorded during the year.

Finance costs increased 31% during the year from US\$88 million in 2009 to US\$115 million in 2010 (or 14% to Rp1.1 trillion), attributable to the first full year impact of the interest expense of the US\$800 million 10-year senior notes Adaro Indonesia issued in October 2009 which were the first 10-year US dollar private sector corporate bond out of Indonesia after the Asian Financial crisis and the country's largest ever 10-year US Dollar bond.

Due to the strengthening of the Rupiah and the weakening of the Euro against the US Dollar, Adaro Energy recorded a foreign exchange loss of US\$3 million or Rp28 billion. The intention of Adaro's Euro-cash holdings is to cover foreign exchange exposure related to equipment purchases for the mine-mouth power plant project and to protect Adaro's budget. Due to the timing of the transaction, foreign exchange losses were also recorded as Adaro bought Rupiah to make the budgeted annual dividend payment. Furthermore, Adaro also provided (accounting losses while presenting accounts in IDR) a foreign exchange loss due to funds held in escrow for the acquisition of Adaro's 25% share in the IndoMet Coal Project (ICP).

Loss on disposal of fixed assets increased 782% to US\$5.6 million due to the sales of older heavy equipments made by SIS as the company purchased and utilized more of the new and larger sized fleets of heavy equipment.

Adaro and its Bond Recognized by FinanceAsia

Adaro's US\$800 million 10-year bond was voted as the winner by FinanceAsia in two categories:

- the most professional non investment-grade corporate bond in Asia and
- the best borrower in Indonesia.

Amortization of goodwill increased 11% to US\$54 million (or 3% decrease to Rp490 billion). Adaro Energy's goodwill reflects the acquisition activities carried out to complete Adaro's vertically integrated coal supply chain, and the differences between the acquisition price and the book value of various subsidiaries which were acquired.

Extraordinary Item

Unseasonably high amounts of rainfall and raindays, especially between July and September 2010 adversely affected production and delayed coal loading and shipment. Due to long vessel queues, Adaro Energy incurred extraordinary demurrage charges, net of tax of US\$19 million (or Rp172 billion). Before tax, Adaro expensed US\$34 million (or Rp312 billion) for the higher than normal demurrage charges incurred during 3Q10. In 2010, Adaro Indonesia incurred total demurrage charges of US\$63 million (with US\$34 million accounted for as extraordinary) due to long vessel queues at Taboneo anchorage.

Adaro began sending letters to notify its customers to delay shipments of their vessels since 3Q10 and the queue had gradually shrunk by the end of the year. Average waiting times per vessel in the months of October, November and December were 11 days, 8 days and 5 days respectively, all higher than the average waiting time during normal conditions, but better than the average waiting times in the months of 3Q10 as some shipments had been pushed back and rescheduled for 2011 deliveries.

Net Income

Despite being slightly offset by the 6% higher sales volume in 2010, the 3% decline in Adaro's average ASP as well as higher mining costs resulted in 20% lower gross profit for the year to US\$851 million.

The decline in gross profit coupled with higher finance costs, increased amortization of goodwill following the acquisition of OML, as well as extraordinary demurrage charges incurred during the year have resulted in Adaro Energy's net profit to decline 42% to US\$243 million (or 49% to Rp2,207 billion) in 2010.

Adaro Energy's effective tax rate rose to 53% compared with 48% last year. This is largely due to the non-deductibility of amortization of goodwill, which grew relative to the declining pretax income, as well as the non-deductible tax adjustment of ATA and IBT.

BALANCE SHEET

Total Assets

Adaro Energy's total assets remained flat at US\$4,516 million by the end of 2010 (or 4% decrease to Rp40.6 trillion) due to the 20%, or US\$556 million increase in total non-current assets being offset by the 33%, or US\$547 million decrease in total current assets.

Total non-current assets increased 20% to US\$3.4 billion (or 14% to Rp30.4 trillion) largely due to investments for the 25% stake Adaro made in May 2010 which was reflected in the increase of investments in associates. Additionally, advances and prepayments also increased due to remaining advances of US\$47.1 million as at the end of 2010 placed by ATA for the ICP project for use as an initial capital outlay.

Total current assets declined 33% to US\$1.1 billion (or 35% to Rp10.2 trillion) due to the utilization of cash and cash equivalents by half from US\$1.2 billion at the end of 2009 to US\$607 million at the end of 2010.

Cash and Cash Equivalents

Adaro Energy's cash and cash equivalents at the end of 2010 decreased by 49% to US\$607 million (or 52% to Rp5.5 trillion) compared to the same period last year. The decline in the amount of cash was due to the payment for the 25% stake in the ICP project, capital expenditure, repayment of bank loan and dividend payment.

As most of Adaro Energy's business operations are conducted in US Dollars, Adaro held the majority or 82% of its cash and cash equivalents in US Dollars, with the remaining 10% held in Rupiah, 7% held in Euro and 1% held in Singapore Dollars.

Combined with an undrawn US\$460 million committed standby amortizing revolving credit facility, which will help Adaro to maintain ample liquidity, Adaro Energy had access to cash of more than US\$1 billion as at the end of 2010, allowing Adaro to seize on strategic investments opportunities that may arise in the future.

Trade Receivables

In 2010, trade receivables declined 10% to US\$275 million (or 14% to Rp2.5 trillion). These receivables are largely associated with Adaro Indonesia's customers and SIS' domestic third party customers from different industries ranging from cement, pulp and paper as well as blue chip power utilities.

Owing to a strong and loyal customer base Adaro Indonesia had built over the years, Adaro had minimal issues with regards to payments from

2010	RATIOS
QUICK RATIO	
1.4x	
2009	1.8x
2008	0.9x
2007	0.9x
2006	0.5x

2010	RATIOS
TOTAL DEBT TO ASSETS	
0.4x	
2009	0.4x
2008	0.3x
2007	0.5x
2006	0.7x

2010	RATIOS
NET DEBT TO EQUITY	
0.5x	
2009	0.3x
2008	0.5x
2007	2.3x
2006	n/a

“With outlook for coal remaining more robust than ever, we look forward to deliver a **strong performance** and **solid EBITDA margin in 2011**. The acquisition of a 25% stake in the IndoMet Coal Project enables us to **diversify** our product portfolio with **metallurgical coal**.”

Garibaldi Thohir, President Director

customers as evidenced by 98% of the total trade receivables being current or less than 30 days overdue as at December 31st, 2010 and even for the remaining amount, the management remains comfortable on its collectability.

Advances and Prepayments

Advances and prepayments for both current and non-current portions rose 141% to US\$119 million (or 131% to Rp1,067 billion) largely due to advances for investments in associates, which refer to remaining funds placed by ATA for future development of ICP's coking coal project amounting to US\$47 million or Rp423 billion as at the end of 2010.

Advances to suppliers also increased 60% to US\$36 million (or 53% to Rp325 billion) due to advance payments for the steam turbine generators for the mine-mouth power plant, which had been ordered from Siemens and was on delivery to the site, as well as for heavy equipments. MSW's 2x30 megawatt (MW) power plant was on track to commence by 2012 and is expected to consume approximately 300,000 tonnes of Envirocoal-4000 per year.

Fixed Assets

Adaro Energy's fixed assets grew 24% to US\$980 million (or 19% to Rp8.8 trillion) during the year. In 2010, Adaro Energy spent US\$119 million (Rp1,080 billion) on purchases of new heavy equipments, machineries and vehicles, US\$30 million (Rp274 billion) to upgrade its crushing and processing facility at Kelanis, and US\$42 million (Rp385 billion) for additional leased operational equipments.

As part of its risk management effort, Adaro Energy's fixed assets were adequately insured from all risks for damage with total coverage of approximately US\$1 billion (Rp9.1 trillion), which also included the mine mouth power plant project being constructed by MSW. The exception was for certain fixed assets that could not be insured such as land, Barito channel dredging and parts of construction in progress.

2010	RATIOS
NET DEBT TO EBITDA	
1.1x	
2009	0.4x
2008	1.7x
2007	2.0x
2006	4.3x

2010	000 TONNES
CONSOLIDATED SALES VOLUME	
43,839	
2009	41,424
2008	41,098
2007	37,550
2006	34,720

2010	000 TONNES
PRODUCTION VOLUME	
42,199	
2009	40,590
2008	38,524
2007	36,078
2006	34,285

Investments in Associates

In executing one of Adaro's main strategies to continually increase its reserves and resources by investing in large quality deposits of coal in Indonesia, Adaro Energy, through its subsidiary, PT Alam Tri Abadi (ATA) finalized the acquisition of 25% of the IndoMet Coal Project (ICP) in May 2010 following confirmation of Government approval, with the remaining 75% held by BHP Billiton. The ICP comprises seven joint venture companies, each holding a Coal Cooperation Agreement (CCA) across Central/East Kalimantan.

This deal allowed Adaro to diversify its asset portfolio to include metallurgical coal operations. Adaro Energy, together with BHP Billiton continued the study phase to determine development options of this world class coking coal asset, which is expected to generate significant shareholder value.

Adaro Energy continues to look for potential acquisitions and investments of coal deposits within Indonesia using three selection criteria: size, location and quality of assets.

Liabilities

Adaro Energy's total liabilities declined 8% to US\$2,444 million by the end of 2010 (or 12% to Rp22 trillion), which is equivalent to 54% of total assets. Current liabilities declined 24% to US\$644 million (or 27% to Rp5.8 trillion) due to the reduction in taxes payable and full repayment of short-term bank loans despite being slightly offset by increase in accrued expenses, while non-current liabilities remained flat at US\$1.8 billion or Rp16.2 trillion.

Trade Payables

Adaro Energy third party trade payables grew 19% to US\$256 million (or 14% to Rp2.3 trillion), while related party trade payables declined 20% to US\$12 million (or 24% to Rp109 billion). Most of the trade payables arose from purchases of fuel, coal mining services, coal transportation services, spare parts as well as repair and maintenance services.

Accrued Expenses

Accrued expenses rose 155% to US\$82 million (or 144% to Rp738 billion) due to an increase in excess of five times in accrued freight cost to US\$54 million (or Rp482 billion). This was a result of demurrage charges incurred especially during 3Q10 when there were long queues of customers' vessels as a result of production constraint affected by wet weather.

Short-term Bank Loans

Adaro fully repaid its US\$80 million syndicated short-term loan facility on its maturity in February 2010, and as at the end of 2010 Adaro had no short-term bank loans on its balance sheet.

Taxes Payable

Adaro Energy's taxes payable declined significantly by 94% to US\$15 million compared to 2009 (or 94% to Rp136 billion), due to the decline in Adaro's corporate income tax as a result of the lower net profit.

By the end of 2010, Adaro and its subsidiaries had paid US\$555 million or Rp5.0 trillion of income taxes, which included the final payment of 2009 corporate income taxes as well as provisional payments for 2010. Adaro Indonesia pays a 45% income tax rate in accordance with its Coal Cooperation Agreement (CCA).

Current Maturities of Long-term Borrowings

By the end of 2010, Adaro Energy's current maturities of long-term borrowings declined 17% to US\$191 million (or 21% to Rp1.7 trillion) compared to the end of 2009. This is a result of the 23% reduction in current maturity of long-term bank loans to US\$150 million (or Rp1.3 trillion) after the increase in the maturity profiles of Adaro Indonesia and Coaltrade's syndicated bank loan.

Effective October 7th 2010, Adaro Indonesia and Coaltrade successfully extended the maturity profile and amortization schedule of its US\$750 million facility from December 2012 to December 2015 after receiving lenders' consent. With this extension, the outstanding term loan of US\$412.5 million and revolving credit facility of US\$100 million have been converted into a term loan and the combined outstanding amount of the term loan is now US\$487.5 million per December 31st 2010.

SIS also refinanced its existing US\$300 million five-years term loan entered in 2008 with a US\$400 million seven-year loan effective February

Group Facilities as of 31 December 2010

Debt	Borrower	Outstanding Amount	Maturity	Interest	Repayment Installment
Long-term Debt					
Senior Notes * (US\$ mn)	AI	800		7.625%	Bullet payment, due in 2019
Syndicated Loan (US\$ mn)	AI, CT	487.5	Dec.'15	LIBOR + spread	2011 : US\$100mn 2012 : US\$100mn 2013 : US\$100mn 2014 : US\$100mn 2015 : US\$87.5mn
Senior Credit Facility (US\$ mn)	SIS	224.2	Jun '13	LIBOR + spread	2011 : US\$50.85mn 2012 : US\$53.25mn 2013 : US\$120.1mn
Term Loan (US\$ mn)	SDM	13.7	2014	SIBOR+ spread	2011 : US\$2.25mn 2012 : US\$3.0mn 2013 : US\$3.5mn 2014 : US\$5.0mn
Lease Payables (US\$ mn)	SIS	88.8			2011 : US\$41.0mn 2012 : US\$27.9mn 2013 : US\$13.5mn 2014 : US\$6.4mn
Total Debt (US\$ mn)		1,614.2			
Total Debt (Rp bn)		14,513			



Ariya Somanatta
GENERAL MANAGER - CORPORATE
INTERNAL AFFAIRS

Ariya earned his Master of Science in Accounting majoring in Taxation from the University of Indonesia. Prior to joining the Adaro Group, he gained experiences from the big four accounting firms as a Senior Auditor and a Tax Manager. He also has acquired over 10 years of extensive experience as a registered tax consultant in Indonesia and as a public practice as an accountant in Australia. Moreover, he is also a member of National Institute Accountants of Australia and Associate Taxation Institute of Australia

18th, 2011. The loan consists of US\$300 million term loan and US\$100 million step down revolving facility and is secured by Adaro's mining contract with SIS. This long-term source of funding is guaranteed by Adaro Energy and will be used for capital expenditure needs and refinancing all SIS's existing loans. The transaction was supported by 12 banks. Banks involved in this new financing include existing lenders such as Oversea-Chinese Banking Corporation Ltd., The Hongkong and Shanghai Banking Corporation Ltd., DBS Bank Ltd., Sumitomo Mitsui Banking Corporation, PT Bank UOB Buana, The Bank of Tokyo-Mitsubishi UFJ, Ltd., PT Bank Mandiri (Persero) Tbk, PT ANZ Panin Bank, Credit Agricole Corporate and Investment Bank, Standard Chartered Bank, (all as Mandated Lead Arrangers) and Chinatrust Commercial Co., Ltd., and Societe Generale (as Lead Arrangers).

Long-term Borrowings

Adaro Energy's long term borrowings declined 4% to US\$1.6 billion (or 8% to Rp14.3 trillion). This is due to the repayment of bank loans by Adaro. Adaro Energy's outstanding bank loans as at the end of 2010 declined 9% to US\$717 million (or 13% to Rp6.5 trillion) compared to the end of 2009.

Derivative Liabilities

Adaro Energy's derivative liabilities for both current and non-current portions declined 9% to US\$16 million (or 13% to Rp146 billion), due to the decline in derivative liabilities from interest rate swap for syndicated loan.

To minimize interest rate exposure and ensure Adaro's financing costs were fixed within the pre-determined budget, Adaro entered into an interest rate swaps from variable to fixed rates with its relationship banks. For instances, Adaro entered

into interest rate swap in March 2008 with US\$750 million syndicated loan facility and in January 2009 with US\$300 million senior credit facility as the underlying assets to lock into a fixed interest rate payment to hedge against fluctuation of a floating LIBOR rate.

Accrued Stripping Costs

Adaro Indonesia's planned stripping ratio at Tutupan had been increased from 5.0x at the end of 2009 to 5.5x in 2010 as Adaro directed its five mining contractors to excavate from deeper areas of the Tutupan pit.

In 2010, Adaro Indonesia increased overburden removal 8% to 225 million bank cubic meter (Mbcm). Accordingly, actual average stripping ratio at Tutupan increased from 5.13x in 2009 to 5.52x in 2010. Despite the rise in stripping ratio, it was still well below the average of Indonesian coal mines, which is one of the reasons Adaro had been able to maintain its position as one of the lowest cost coal producers.

As the actual average stripping ratio in 2009 and 2010 were both higher than the planned stripping ratio, this had the effect of gradually reducing Adaro's accrued stripping costs and as at December 31st, 2010, Adaro Energy's accrued stripping costs declined 12% to US\$34 million (or 16% to Rp308 billion) compared to the previous year.

CASH FLOWS

Cash Flows from Operating Activities

In 2010, net cash flows provided by operating activities decreased 58% to US\$285 million (or 64% to Rp2.6 trillion) due to the increase in payment for income taxes, finance costs, royalties payment and payment to suppliers, despite being partly offset by the increased receipts from customers.

Payments to suppliers increased 21% to US\$1.6 billion (or 6% to Rp14.1 trillion) attributed to higher production volume and increased purchase of third party coal by Coaltrade. The demurrage fee related payment caused by unprecedented wet weather also contributed to the increase in payment to suppliers.

Due to the addition of new employees and salary increases as Adaro continued its business expansion, payments to employees increased 35% to US\$82 million (or 18% to Rp741 billion).

Payments of royalties increased 23% to US\$165 million (or 7% to Rp1.5 trillion) due to royalties made based on the combination of a portion of 2009's net revenues which were at a historical high, as well the majority of 2010's net revenue. Similarly, payments of corporate income taxes doubled to US\$555 million (or up 76% to Rp5.0 trillion), partly due to high 2009 income taxes that were paid in 2010.

Payments of finance costs increased 68% to US\$118 million (or 47% to Rp1.0 trillion) due to coupon payments of the senior notes which are paid on 22nd April and 22nd of October every year, the first of which was paid in April 2010. As of December 31st, 2010 Adaro had made two coupon payments for its senior notes.

Combined with higher net revenues from SIS and other Adaro Energy's businesses, the 6% increase in sales volume generated by Adaro Indonesia had resulted in 11% increase in receipts from customers to US\$2.8 billion, despite being slightly offset by a lower ASP.

Cash Flows from Investing Activities

Net cash used in investing activities soared 465% in 2010 to US\$656

million (or 394% to Rp6 trillion) due to investments made to BHP Billiton for the 25% shareholding in the IndoMet Coal Project (ICP), and payment made for initial capital expenditure needs on ICP's undeveloped coking coal project in Central/East Kalimantan, and 133% increase in capital expenditure in 2010.

Capital expenditure for the full year 2010 amounted to US\$297 million or Rp2.7 trillion, which is more than double 2009 total capital expenditure of US\$137 million or Rp1.4 trillion. This amount included spending for purchases made for new heavy equipments to support Adaro's expansion plans, and maintenance of Kelanis crushing facility as well as maintenance of Adaro's 80-kilometers privately owned hauling road connecting Adaro's mining site at Tanjung and the Kelanis crushing river terminal.

Cash Flows from Financing Activities

Net cash used in financing activities in 2010 amounted to US\$225 million or Rp2.0 trillion, in contrast with proceeds of US\$349 million or Rp3.6 trillion generated from financing activities from the previous year. The decrease is due to the 79% or US\$154 million decrease in receipt from bank loans as well as the issuance of the 10-year bond which generated proceeds of US\$785 million or Rp7.4 trillion in October 2009, later to be used for Adaro's coal supply chain improvement projects.

In 2010, SIS withdrew US\$40 million (Rp363 billion) from the existing US\$300 million SIS syndicated bank loan facility to fund SIS' heavy equipment purchases.

In 2010, Adaro had increased its dividend payment by 29% to US\$95 million (or 13% to Rp859 billion), which were paid on 18th June 2010 (final dividend of Rp543 billion paid for the year 2009) and 10th December 2010 (interim dividend payment of Rp315 billion for the year 2010).

These cash outflows were partly offset by the 65% decrease in repayment of bank loans in 2010 and the payment of notes redemption in 2009. On 21st October 2009, Adaro made full repayment for OML's senior credit facility amounting to US\$85 million, as well as full repayment for OML's \$40 million notes, which reflected the payment of notes redemption in 2009 of US\$40 million or Rp395 billion and repayment of bank loans of US\$380 million or Rp3.9 trillion in 2009.

To order reprint go to www.adaro.com

ADDITIONAL INFORMATION

To download Adaro's financial press releases please go to:
http://www.adaro.com/investor_relations/press-release

To download our investor presentations please go to:
http://www.adaro.com/investor_relations/investment-presentations

Financial Ratios and Quality of Earnings

Adaro Energy Tbk	2009	2010
Liquidity analysis		
Cash	1.41x	0.94x
Current Asset	1.98x	1.76x
AR days	39	37
Inventory days (all inventories)	6	6
AP days	50	52
Profitability analysis		
ROA	10%	5%
ROE	25%	12%
ROIC	18.50%	9.6%
Financial structure		
Net debt to EBITDA	0.42x	1.1x
Net debt to Equity	0.26x	0.48x
Quality earnings calculation (Rp bn)		
Net income	4,367	2,207
Extraordinary item	-	172
Amortisation mining properties - net of tax	349	372
Amortisation goodwill	507	490
Partial redemption of AFS Investment	(37)	-
Gain on forex - net of tax	(72)	21
Pre-acquisition income	43	-
Quality earnings	5,157	3,262
Margin	19%	13%
weighted average # of shares (in thousand)	31,985,962	31,985,962
EPS	136.5	69

Free cash flow (excl. cash balance) (Rp Million)

Debt	2006	2007	2008	2009	2010
EBITDA	2,038,675	2,423,080	4,454,673	11,016,576	8,033,953
Changes in working capital (excl. cash)	1,235,075	(466,619)	317,535	2,123,637	(2,380,578)
Tax - current	(810,338)	(722,215)	(1,634,481)	(4,162,623)	(2,599,063)
Capex (excl. leasing)	(662,613)	(650,770)	(1,463,972)	(1,106,262)	(2,250,548)
Free cash flow	1,800,799	583,476	1,673,755	7,871,328	803,764

SUMMARY

- Despite the record-setting high volume of rainfall and number of raindays, Adaro Energy's production volume increased 4% to 42.2 million tonnes in 2010, with 2.5 million tonnes coming from the new Wara pit, and sales volume increased 6% to 43.84 million tonnes. As a result, net revenue increased 5% to US\$2.7 billion.
- Adaro's average selling price (ASP) in the fourth quarter of 2010 was US\$58.26. As a result, Adaro's ASP for the full year 2010 slightly decreased 3% over full year 2009 to US\$57.18 per tonnes due to the rescheduling of some higher-end priced contracts and quality adjustment to 2011. The rescheduling was a result of unable to produce enough to meet the strong demand.
- Cash cost excluding royalties for the full year 2010 increased 17% over full year 2009 to US\$35.29 per tonne due to the increase in planned stripping ratio, longer hauling distances, additional weather related costs and higher than normal demurrage fee.
- Demurrage charges for the full year 2010 accounted for US\$63 million, of which US\$34 million was accounted for as an extraordinary item.
- Net profit for the year of 2010 decreased 42% over 2009 to US\$243 million (or 49% to Rp2.2 trillion) mainly due to lower ASP, higher cash cost and demurrage charges. Earnings per share was Rp69.0 compared to Rp136.5 the previous year. The earnings per share excluding mining rights (Rp496 billion) and goodwill amortization (Rp490 billion) was Rp 99.8.
- Effective 18th February 2011, SIS successfully refinanced its existing US\$300 million five-years term loan with US\$400 million seven-years loan with twelve relationship banks.



Andris Pauls Svilans

DEPUTY GENERAL MANAGER - STRATEGIC PLANNING

Andris Svilans has been with Adaro's mining operations since 2004 and has held a number of senior management operational positions since then, currently being Division Head - Mining and Hauling. He has had over 30 years of experience in open cut mining within the mining industry, predominantly in coal but also in iron ore, lead-zinc-silver and gold. He is a graduate of the University of Melbourne with a degree in Mining Engineering.

Exploration and Reserves

by **Andris Pauls Svilans**

GEOLOGY

Regional Geology

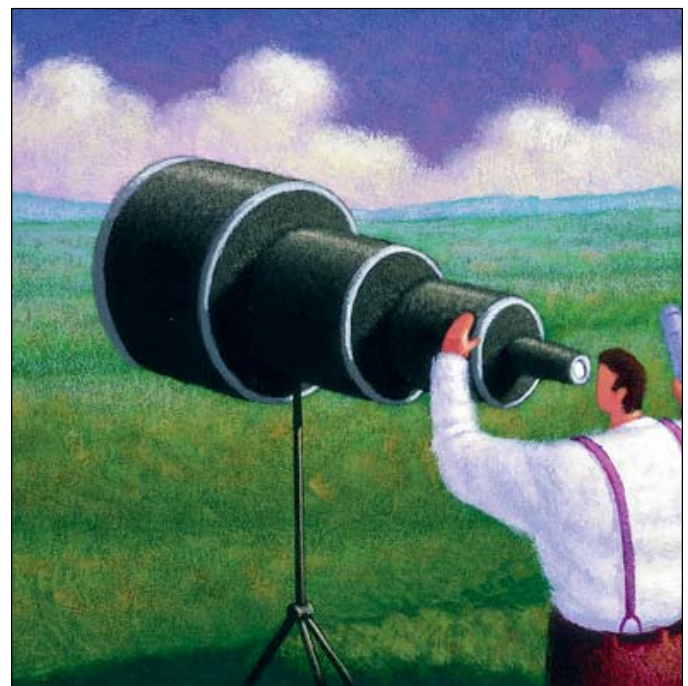
The Adaro coal deposit is located on the northeastern border of the Barito Basin, a broad cratonic depression up to 250 kilometers wide, of Eocene to Pliocene age in the Tertiary period. The basin occupies much of the province of Central Kalimantan and the western part of South Kalimantan and is bordered to the west by the Sunda Shield and to the east by an upthrust belt of basement rocks which form the Meratus Range.

The main coal bearing sequence in the Adaro area is the Warukin Formation which is divided into three sub units with the principal coal horizons occurring in the uppermost sub-unit.

Local Geology

Up to 13 seams can be recognised within a single deposit which are lenticular in development but which also vary in thickness due to converging and splitting. Individual seams may be up to 50m thick. Although the coals are characteristically low in ash there is regional and stratigraphic variation in rank and therefore in calorific value.

The coals with the higher CV (+ 5000 Kcal as received) occur in the Tutupan area with highest values occurring in the lower seams in the



sequence. The coals in the Wara deposits to the west and south west have higher moisture (+35% adb) and consequently lower calorific values.

Coal Deposits

The Tutupan coal deposit stretches for a length of 20 kilometers along a ridge in the north eastern part of the Adaro area. No major faults are known to disrupt the coal. The deposit contains thirteen individual seams with the majority of the coal occurring in the T100, T200 and T300 seam groups. The thickest coal (50 meters) occurs in the T100 seam in the southern part of the deposit. The T200 seam is the principal seam in the north where it is also up to 50 meters thick.

The Wara 1 coal deposit is located 5 kilometers west of the Tutupan Central area. It is separated from the Tutupan deposit by the Dahai thrust. The deposit stretches in a north-easterly direction over a distance of 12 kilometers and dips to the south-east at 45°. The Wara 1 deposit is composed of three major seams which are characteristically low in ash (less than 3%) but with moisture contents of around 40%.

The North Paringin coal deposit lies to the southeast of Tutupan and around 1 kilometers north of the old Paringin Pit. The deposit forms an asymmetrical anticline of 4 kilometers strike length with the eastern limb dipping at 30° and the western limb at 60°. It is also a multi-seam deposit consisting of over 40 seams ranging in thickness from less than 5 meters to greater than 20 meters. The quality of North Paringin is similar to Tutupan with ash around 3% and CV gar of around 4800 kcal. The Paringin coal deposit extends south of the Balangan River.

RESERVES AND RESOURCES

Below is an excerpt from the Independent Statement on the Coal Reserves and Resources by Terence Willsteed & Associates:

Terence Willsteed & Associates (TWA) have been requested by PT Adaro Indonesia to provide an Independent Statement of Coal Reserves and Resource as at 31 December 2010, located at the Adaro Coal Operations in Kalimantan to be submitted to the Jakarta Stock Exchange (JSX).

TWA have previously reported on the Adaro operations and coal assets in the Independent Technical Report on the Coal Assets of PT Adaro Indonesia dated 29 February 2008, in the Independent Technical Review of the Coal Assets of New Hope Corporation, 31 July 2003 and in the Independent Statement on the Coal Reserves and Resources of PT Adaro Indonesia, December 2008, dated 13 March 2009.

The Statement has been prepared independently and in accordance with the Code for Reporting Mineral Resources and Ore Reserves (JORC Code 2004) of the Australasian Institute of Mining and Metallurgy (AusIMM). This Code sets out the principles and guidelines, which should be followed in the preparation of an expert report concerning mineral resources and reserves. We believe all material facts are presented and that our analysis is sufficient to meet the transparency requirements of the Code.

The Statement is required to assess that sufficient Reserves exist to meet the long-term production plans and to confirm the overall resource estimates by Adaro and determine that the mines have geological and structural conditions, which can be operated successfully.

The Coal Resources and Reserves of PT Adaro Indonesia are based on a report from Terence Willsteed & Associates dated 5 April 2011 and are estimated as at December 2010 as follow:

(in million tonnes)

LOCATION	RESOURCES			
	Measured	Indicated	Inferred	Total
Tutupan	775	814	865	2,455
North Paringin	117	96	85	299
Wara 1	492	366	449	1,307
Wara 2	133	134	100	368
Total	1,518	1,410	1,500	4,428

LOCATION	Run Of Mine (ROM) RESERVES		
	Probable	Proven	Total
Tutupan	141	410	552
Wara 1	98	289	386
Total	239	699	938



Coal Samples for Quality Control

In-fill drilling and collection of core samples for quality analysis continues in the Tutupan pit.

EXPLORATION ACTIVITIES IN 2010

Exploration drilling activities were conducted in 5 areas in 2010: Wara 1, Tutupan Pit, South Tutupan, North Paringin and South Paringin.

Exploration drilling continued in Wara 1. Additional cored holes were also drilled to augment the quality database for Wara 1 especially down dip.

At Tutupan Pit, in-fill drilling was conducted to refine the coal model especially down dip. In South Tutupan, additional drilling was conducted to check the geologic structure and core samples were collected for coal quality analyses.

At North Paringin, the exploration program covered most of the low dipping eastern limb of an asymmetrical anticline defining the structure Stratigraphy core samples were collected for coal quality. Inclined holes were also drilled into the steeper dipping western limb. This activity will continue in 2011.



Exploration Drilling

Exploration drilling continued throughout the year with increased activity in the Paringin area.

Location	No. of Holes			Meters		
	Open Hole	Cored	Total	Open Hole	Cored	Total
Wara I	20	14	34	2,574	3,008	5,582
Wara II	10	2	12	886	212	1,098
Tutupan Pit	10	3	13	2,737	918	3,655
North Paringin	134	36	170	20,082	3,925	24,017
South Paringin	79	19	98	11,929	1,439	13,368
Total	253	74	327	38,208	9,513	47,721

Location	No. of Holes			Meters		
	Open Hole	Cored	Total	Open Hole	Cored	Total
Wara I	26	4	30	1,899	508,5	2,408
North Tutupan	178		178	24,600		24,600
Total	204	4	208	26,499	508,5	27,008

At South Paringin, reconnaissance drilling was conducted at 1 kilometers sections and 200 meter spacing to define the structure and coal stratigraphy. Core samples were also taken for analyses. A preliminary model will be made and the economic viability of the deposit shall be assessed to determine whether further detailed drilling shall be carried out.

During the year, geotechnical core drilling was also conducted in Wara 1 and North Tutupan to collect rock samples for strength analyses. The results will be used in the pit wall designs in these new areas. Piezometers, inclinometers and water wells were also drilled as part of the geotechnical monitoring and groundwater depressurization programs at Tutupan and Wara pits.

Exploration and geotechnical drilling activities are outsourced to PT Asia Drill Bara Utama and PT Trikarya Intidrill Persada under close supervision and monitoring by Adaro Indonesia’s Geology Department.

During 2010 the total cost of exploration activities was US\$2.15 million which is detailed as follow:

Location	Total (US\$)
Wara I	251.808
Wara II	49.550
South Tutupan	164.881
North Tutupan	1.083.439
North Paringin	603.053
Land Compensation	23.871
Total	2.152.731

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Alastair Grant

DIRECTOR OF BUSINESS DEVELOPMENT

Mr. Grant earned his B.E. (Mining) and M.E. (Mining Engineering) from Otago University (Dunedin, New Zealand) in 1963 and 1965 respectively, and a B.A. (Economics) from the University of New England (N.S.W., Australia) in 1982. He is a Director of PT Adaro Energy, and was responsible for marketing and sales of Adaro's coal as well as the negotiation of coal supply contracts. He is now responsible for the business development of the group. He has over 41 years of experience working in the energy and minerals industries. Within the Indonesian coal industry, he previously worked for PT Arutmin Indonesia (BHP) and Utah International Inc. on coal projects, before joining Adaro as General Manager in March 1990.

Growing and Expanding

“The focus in 2010 was on executing infrastructure projects to further improve efficiency and lower costs as well as seeking investment opportunities and acquisition of new coal deposits in Indonesia”

by Alastair Grant

In order to achieve its objective, Adaro is continuing its long standing business strategy of 1) annual organic growth, 2) improving the efficiency and integration of its coal supply chain, 3) acquiring quality coal deposits within Indonesia and 4) evaluating the use of coal enhancement technology.

Adaro continues to explore initiatives to increase annual coal production capacity to 80 million tonnes a year in the medium term. The focus in 2010 was on executing infrastructure projects to further improve efficiency and lower costs as well as seeking investment opportunities and acquisition of new coal deposits in Indonesia. Adaro is on track to implement the next phase of its integration and efficiency plan to build a bigger and better Adaro. After acquiring barging and shiploading firm OML to become fully integrated from “pit to port” in 2009, Adaro aims to move further downstream and complete the vertical integration of its coal supply chain from “pit to power” by investing in Indonesia’s rapidly growing coal-fired power sector.



Adaro's strategy to improve the efficiency of its coal supply chain and lower costs through infrastructure development projects remains in place. The Pulau Laut fuel terminal project was officially opened, and helped lower fuel supply cost and increase traffic at the IBT terminal. Other infrastructure projects such as the mine-mouth power plant and Kelanis expansion progressed well. In addition, as overburden hauling and handling becomes more difficult than originally anticipated, Adaro decided to advance the plan to install an overburden crushing and conveying system. Adaro's strong financial structure with good access to funds allows the company to be in solid position to secure the financial requirements to support the next phase of its expansion plans.

PROJECT DEVELOPMENT

Adaro Signed Three New Barging Contracts to Improve Efficiency and Lower Costs

On November 18th 2010, Adaro signed three new innovative long-term barging contracts to support growth, improve efficiency and reliability and lengthen the maturity of contracted barging volumes.

Following a tender process and negotiations, Adaro simultaneously signed contracts using the same terms and conditions, with three of its six existing contractors, PT Pulau Seroja Jaya ("PSJ"), a subsidiary of SGX-listed Seroja Investments Pte Ltd, PT Mitra Bahtera Segara Sejati ("MBSS") and PT Mandiri Abadi Maritim ("MAM").

PSJ is partly owned by two of Adaro Energy's group of four key shareholders, Edwin Soeryadjaya and Sandiaga Uno, which both own a minority interest in Adaro Energy. Both MAM and MBSS are not related parties.

The arrangement will optimize the utilization of the existing and future barge fleet. Rather than select a single winner to fulfill Adaro's anticipated additional barging tonnage, Adaro split the volumes amongst the three winning bidders, and structured a competitive environment, where additional future tonnages will only be awarded to the best performing contractor.

To get additional future tonnages the contractors must demonstrate progressive reduction in annual fuel consumption and cycle times, and improved availability, while simultaneously maintaining high and sustainable safety standards. Due to the competitive terms of the new barging contracts, Adaro expects the freight rate of those coal tonnages will decrease by up to 15%

This deal follows the acquisition in 2009 of Adaro's barging and ship loading contractor, Orchard Maritime Logistics Pte Ltd ("OML"), which



Adrian Lembong
GENERAL MANAGER - BUSINESS DEVELOPMENT

Prior to joining Adaro Adrian was employed with Sudchemie AG, a German based manufacturer of specialty chemicals with his last position being responsible for the Marketing and Technical Application in the Asia Pacific Region. He started with them in 1998 as a process engineer handling projects in Germany, Indonesia and Mexico before assuming the post of site manager of their production site in Indonesia.

completed Adaro's long planned goal to vertically integrate the coal supply chain from 'pit to port'. Acquiring OML, a 15 year contractor of Adaro, helped lower freight and handling costs by 6% in 2009. The majority of the assets of OML have been restructured to PT Maritim Barito Perkasa ("MBP"), a national shipping carrier bearing domestic license, to comply with the cabotage law. The deal was also done in order to enable Adaro to better understand the barging business to improve reliability, to lower risk and to negotiate better deals.

Pulau Laut Fuel Terminal

The Pulau Laut Fuel Terminal Project is aimed at ensuring a guaranteed and lower cost fuel supply for Adaro's operations, while at the same time developing liquid bulk-based traffic for IBT from fuel storage and delivery.

On September 1st, 2009, Adaro Energy through its subsidiary, IBT, signed a BOOT (Build-Own-Operate-Transfer) agreement with PT Shell Indonesia. The Pulau Laut Fuel Terminal project was completed during the first quarter of 2010 with total investment of US\$40 million which was borne by both Shell and IBT. Shell financed US\$24 million to build a fuel storage terminal with capacity of up to 80,000 kiloliters while IBT financed the remaining US\$16 million to build other shared facilities such as fuel tanker inloading and fuel barge outloading systems. PT Shell Indonesia selected Lloyd Pte Ltd Singapore as its EPC contractor to construct the fuel tanks, and IBT selected Inti-Duta Consortium to modify the existing jetty facility and piping for fuel loading and unloading. Shell will own, maintain and operate the Fuel Storage Facility until it is transferred to IBT in 2022, or earlier if agreed by both parties.

On May 3rd 2010, the first Adaro fuel barge



Pulau Laut Fuel Terminal

To ensure a guaranteed and lower cost fuel supply for Adaro's operations, while at the same time developing liquid bulk-based traffic for IBT from fuel storage and delivery.

berthed and loaded fuel successfully from IBT terminal for transport to Adaro's river port at Kelanis on the Barito River. The fuel jetty can accommodate vessels of up to 48,000 DWT with an installed terminal capacity to load vessels or barges at a maximum rate of 4x250 m³/hour which will be adjusted depending on the capability of the vessels or barges.

The Pulau Laut Fuel Terminal was officially opened by Shell, in co-operation with IBT, on August 27th, 2010. This project is an example of Adaro's continual efforts to further integrate and improve efficiency of its coal supply chain as it reduced procurement cost in 2010, mainly due to lower transportation cost. In addition, the completion of Pulau Laut Terminal project also helped boost vessel traffic by 32% to 95 vessels in 2010 as fuel tankers and fuel barges began using the terminal.

Overburden Crushing and Conveying System

One of the key challenges and major input costs to economically and reliably boost production at the Tutupan pit is the overburden hauling and handling. Overburden removal becomes more expensive, both for contractors and Adaro, as the pit gets deeper and hauling distances increase. Therefore, Adaro initiated a program to install a crushing and conveying system to move overburden which will reduce the fleet of trucks necessary to transport overburden and at the same time lower fuel consumption.

After continuing to work on the preliminary design of the system during 2010, Adaro Energy through its subsidiary, PT Adaro Indonesia, signed a contract with FLSmidth worth in excess of US\$135 million (DKK 700million) on March 25th 2011. The contract comprises an out of pit crushing and conveying system entailing FLSmidth ABON sizers, RAHCO overland conveyors, and RAHCO mobile stacking conveyors. The system has a capacity of 12,000 tonnes per hour and an annual overburden volume of 40 million bank cubic meter. The contractual elements regarding construction, supervision and management as well as field service will be supplied by FLSmidth Indonesia. The overburden crushing and conveying system is expected to commence by the first quarter of 2013 to secure Adaro's unbroken track record of continuous growth.

Adaro is also reviewing the potential of installing additional conveyors as part of its overall strategy to further increase efficiency and lower dependency on oil. Meanwhile, the Over Land Conveyor (OLC) project was put on hold. The OLC project was expected to reduce operating costs by US\$1-2 per tonne compared to the use of trucking, however this project becomes less significant as E 4000 (Wara) continues to receive robust demand in the markets and deliver healthy margins.



2X30 MW Mine-Mouth Power Plant

To power the overburden crushing and conveying system and other parts of the mining operations as part of Adaro's strategy to lower dependency on oil and increase operational efficiencies.



Ari Hariadi
GENERAL MANAGER -
PROJECT DEVELOPMENT

Ari joined Adaro in October 2008 as Deputy General Manager of Project/ Business Development Department, and has more than 10 years of project management experience. He is currently engaged in Adaro's various continuous improvement projects with the vision of optimizing Adaro's productivity and operational efficiency. Prior to joining Adaro, Ari successfully spearheaded numerous operation performance improvement projects within the automotive industry. Ari completed a degree in Mechanical Engineering from Institut Teknologi Sepuluh November (ITS) Surabaya in 1997.

2X30 MW Mine-mouth Power Plant

Adaro's 2X30 megawatt (MW) mine-mouth power plant is owned and will be operated by Adaro's subsidiary, MSW, to power the overburden crushing and conveying system and other parts of the mining operation. The plant is expected to bring cost savings by electrifying key parts of the operation through coal-fired power which will lower dependency on oil and increase operational efficiencies.

In 2008, MSW selected PT Punj Lloyd Indonesia and Punj Lloyd Pte Ltd Singapore as the Engineering, Procurement and Construction (EPC) contractor, and Siemens Industrial Turbomachinery S.R.O, Czech Republic to provide the steam turbine generators. The construction work at the site progressed well and is on track to be completed by 2012, in parallel with the completion of the overburden crushing and conveying system project. As of February 2011, the Siemens steam turbine had been delivered and installed in the plant.

The project is expected to cost US\$160 million, and MSW had spent US\$59 million as at the end of 2010. The remaining amount is expected to be spread out equally for the next two years. It is planned that the plant will be fueled by approximately 300,000 tonnes of E 4000 (Wara) per year.

Boosting Capacity at Kelanis River Terminal

Adaro's coal crushing, stockpiling and barge loading facilities are handled at the Kelanis River Terminal with capacity in excess of 50 million tonnes a year. To support Adaro's plan to increase production to 80 million tonnes a year, a new set of barge loaders at South Kelanis will be built adjacent to the existing facilities. Adaro had completed land



Boosting Capacity at Kelanis River Terminal

A new set of barge loaders at South Kelanis will be added to support Adaro's plan to increase production to 80 million tonnes a year.

acquisitions and neared completion of the design as at the end of 2010, and plans to commence the operations of the facility during the second half quarter of 2012.

In addition, during 2010 a new crushing system became operational which provided strategic backup to the existing systems. The additional conveyor installations are expected to provide additional 1,500 tonnes per hour of crushing capacity.

BUSINESS DEVELOPMENT

IndoMet Coal Project ("ICP") with BHP Billiton

On March 31st, 2010, BHP Billiton announced it had entered into binding agreements to create a new joint venture for its Indonesian Coal Project (ICP) with PT Alam Tri Abadi, a wholly owned subsidiary of Adaro Energy. Adaro agreed to acquire a 25% interest in the ICP joint venture for US\$350 million inclusive of tax, while BHP Billiton holds the remaining 75%. The ICP covers seven Coal Contracts of Work (CCoWs) located in East and Central Kalimantan in Indonesia where undeveloped metallurgical and thermal coal resources are estimated at 774 million tonnes. The formation of this new joint venture was approved by the Indonesian Government in May 2010.

Effective June 11th 2010, Mr. Garibaldi Thohir was appointed a Commissioner and Mr. Chia Ah Hoo and Mr. M. Syah Indra Aman were appointed Directors to the existing Boards of each of the 7



Tongchai Lemkanitchat
GENERAL MANAGER POWER GENERATION

Tongchai holds a master's degree in Engineering Business Management from University of Warwick, UK. Prior to joining Adaro Energy, he was employed for 16 years with Electricity Generating Authority of Thailand (EGAT), Thailand's leading utility state-owned enterprise responsible on power generating and distribution and GDF Suez Energy International, one of the leading power utility companies in the world.

concession companies that comprise the IndoMet Coal Project. The work to identify development options made good progress and Adaro will inform the market of the results of the study phase at the appropriate time.

Moving Further Downstream: Pit to Power

With the current power supply shortage and huge growth expected in the Indonesian power sector, Adaro aims to create sustainable value from Indonesian coal by moving further downstream into power. According to PLN's blueprint of National Energy Management for 2010-2019, coal, and specifically low rank coal, is expected to continue to play a dominant role to contribute 59% of total energy production by 2019, growing from 46% in 2010. By moving into power, Adaro intends to make investments that will provide healthy returns, a steady source of reliable cash flow and create significant base demand for low rank coals.

As at the end of 2010, Adaro had evaluated three IPP (Independent Power Producer) projects located in Java and Kalimantan. Adaro agreed to take a stake in consortiums with international recognized, power companies for these projects and plans to submit bids in 2011. Together with its consortium partners, Adaro intends to build supercritical power plants which typically have higher construction costs but have higher efficiency and produce less pollution emissions compared to subcritical power plants, when fueled by lower rank sub bituminous coals such as E 4000 (Wara).

Adaro aims to **create sustainable value from Indonesian coal** by moving further downstream into power.

Coal Deposits Acquisitions

As part of its overall strategy to achieve long-term and sustainable growth from Indonesian coal, Adaro was actively on the lookout for potential acquisition of coal deposits in Indonesia in 2010. As a resource based company, Adaro recognizes that the quantity of coal reserves are finite and non-renewable. Although the company will continue to focus on organic growth and improving the efficiency and integration of the coal supply chain, Adaro foresees opportunities to diversify from a single-site operation by expanding its reserves base through acquisition. Future production growth through acquisition may also play a role and help Adaro to increase coal production capacity to 80 million tonnes a year in the medium term. Adaro uses three selection criteria when selecting investments of coal deposits: size, location and quality of assets.

According to the Directorate General of Mineral, Coal and Geothermal presentation during Coaltrans 2010, Indonesia has abundant coal resources and reserves of 104 billion tonnes and 20 billion tonnes respectively, the majority of which are medium



Leonard Lembong
CHIEF OF COAL UPGRADING

Leonard had a distinguished business career with the Astra Group, including being Executive Vice President of PT. Astra Otoparts Tbk. He joined Adaro's coal mining contractor company in May 2010, and has accepted the appointment to head up Adaro's coal upgrading business program since January 2011.

and low rank. Adaro aims to apply its specialized knowledge and expertise gained from developing its existing deposit to develop other inland low rank coal deposits and turn these into profitable operations. By the end of 2010, Adaro had identified several potential acquisition targets of coal deposits located in Kalimantan and South Sumatra.

Coal Enhancement

As the Tutupan mine's future production growth will be constrained, with only moderate levels of growth, Adaro's plan to reach 80 million tonnes a year is largely dependent upon production growth from the Wara deposit. Coal from Wara has a lower heat value and higher moisture, although still high quality, thermal coal. Adaro recognizes if the moisture can be permanently removed, the market for E 4000 (Wara) coal and other similar low rank coals would be increased. As at the end of 2010, Adaro continued to research the best technology and methods to enhance, or more accurately, dry the coal.

Coal Bed Methane (CBM)

CBM could be used to fuel a portion of the trucking fleet, improve efficiency and sustainability and reduce Adaro's dependency on oil. During 2010, Adaro further considered the feasibility of developing a CBM facility at the mining concession area and has had discussions with several key players in this sector on project

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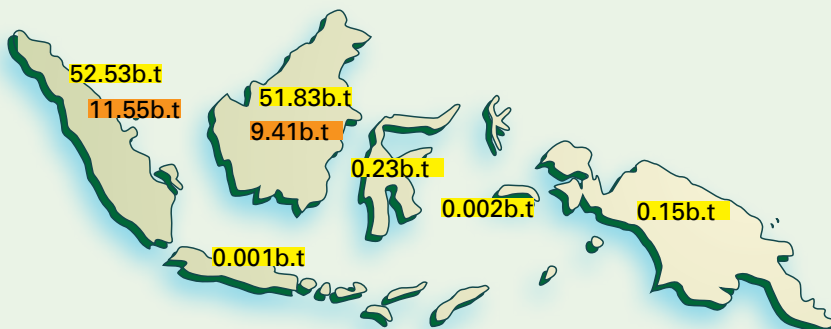


Coal Briquetting

Adaro continued to research the best technology and methods to enhance, or more accurately, dry the coal.

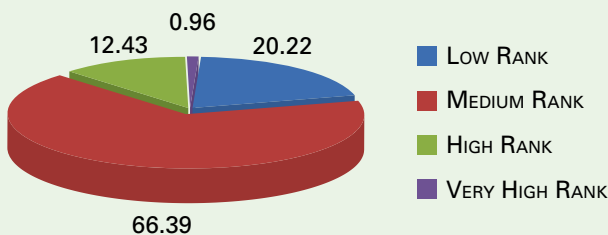
Coal Resources and Reserves in Indonesia

Source: Geological Agency of MEMR, December 2008



Resource:
104,756bt

Reserve:
20,990bt





Devindra Ratarwin
CORPORATE SECRETARY

Before joining Adaro, Devindra was the Corporate Secretary of PT Darma Henwa Tbk (November 2006-August 2008). He has more than 10 years experience in the financial industry: PT Perusahaan Pengelola Aset (Persero) as Deputy General Manager (April 2004 - November 2006), member of Indonesian Bank Restructuring Agency's (IBRA) Small Taskforce (March - April 2004), Assistant Vice President at IBRA (July 2000 - February 2004), and PT Bank Permata Tbk (formerly PT Bank Bali Tbk) as Commercial Business Development Manager (April 1996 - June 2000). He earned a Bachelor of Science in Business Administration majoring in Finance from the University of Louisiana at Lafayette (accredited by American Assembly Collegiate Schools of Business - AACSB), USA (1994) and a Master of Business Administration from McNeese State University (accredited by AACSB), USA (1995).

Shareholders

INFORMATION

by Devindra Ratarwin

IPO Proceeds Realization

The IPO proceeds (after deducting total IPO cost) of Rp11,846,595,741,289 were entirely spent as of May 29th, 2009. In regards to this, the Management has reported to the shareholders in the Annual General Meeting of Shareholders (AGMS) conducted on June 3rd, 2009.

Indonesian Stock Exchange (IDX) and ADRO Shares

The Jakarta Composite Index (JCI) significantly improved by 46% to 3,704 in December 2010 compared to the previous year. ADRO share price also increased by 47% to Rp2,550.

In addition, ADRO shares are distinctly and consistently inducted in several IDX indices namely Main Board Index, Mining, Jakarta Islamic Index, LQ45, Kompas100, and Bisnis-27 and SRI-Kehati.

Dividend Payment and Policy

Dividend Payment

The 2010 AGMS approved the use of Company's 21.24% Net Profit for the fiscal year 2009 of Rp927,592,898,000 for final dividend payment. In December 2010, the BOC and BOD approved to distribute interim dividend in the amount of Rp315,061,725,700 based on the unaudited financial statements as of September 2010. The following exhibits the detail of the dividends distributions:

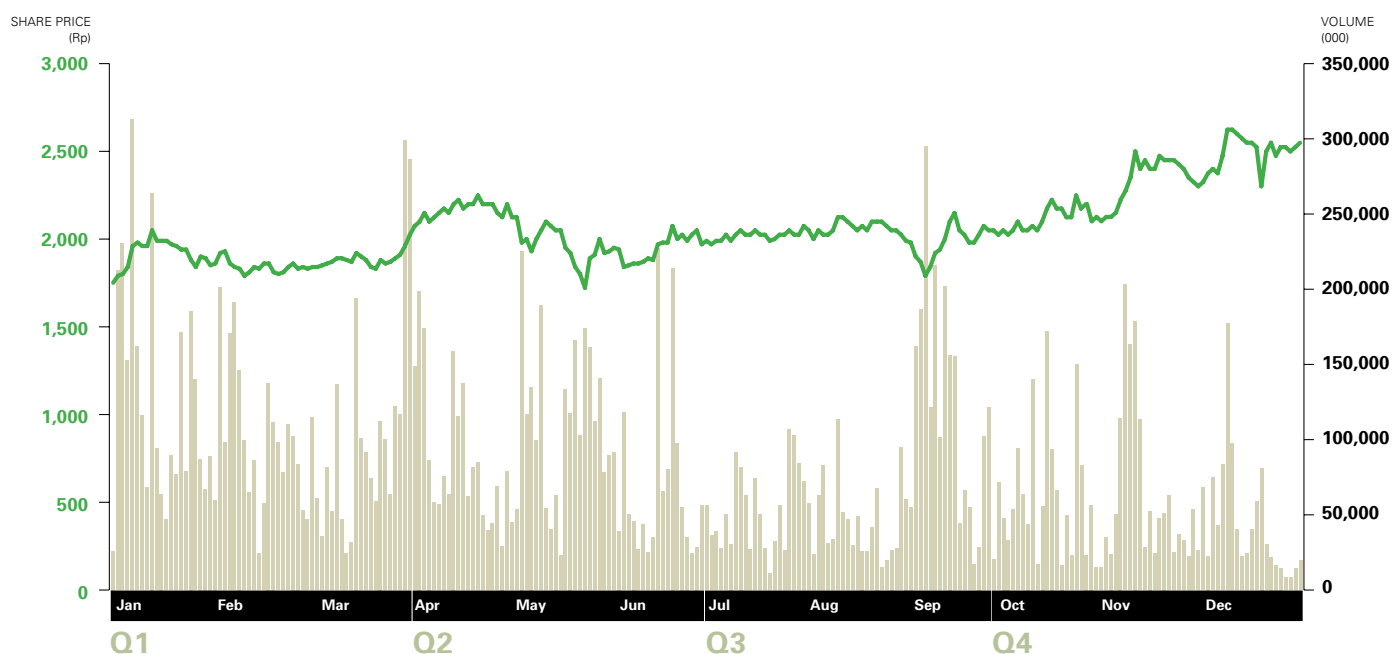
Shareholders as of 30 December 2010

Investors	Shares	Ownership
Domestic		
• Retail	5,513,377,537	17.24
• Corporation	16,453,882,973	51.44
• Pension Fund	177,207,000	0.55
• Others	7,381,000	0.02
Sub-Total	22,151,848,510	69.25
Foreign		
• Retail	15,999,000	0.05
• Corporation	9,818,114,490	30.70
• Pension Fund	-	-
• Others	-	-
Sub-Total	9,834,113,490	30.75
TOTAL	31,985,962,000	100.00

Shareholders Holding > 5% as of 30 December 2010

Shareholder	Number of Shares	Ownership
PT Adaro Strategic Investments	14,045,425,500	43.91%
Garibaldi Thohir	1,967,600,654	6.15%
Sub-Total	16,013,026,154	50.06%
Public	15,972,935,846	49.94%
Total	31,985,962,000	100.00%

Share Price Movement in 2010



Share Price Per Quarter For the Last 3 Years

Description	2008				2009				2010			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Open	-	-	1,100	1,400	490	900	1,190	1,430	1,730	1,960	1,990	2,025
Highest	-	-	1,730	1,210	1,000	1,450	1,520	1,780	2,075	2,250	2,150	2,650
Lowest	-	-	1,320	470	485	880	1,070	1,370	1,730	1,700	1,760	2,000
Close	-	-	1,400	485	880	1,200	1,430	1,730	1,960	1,990	2,025	2,550

IPO Highlights

Effective date	July 4, 2008
IPO Date	July 16, 2008
IPO Price	Rp 1,100
End of First Day Price	Rp 1,730
% Increase of First Day	57.27%
Number of Listed Shares	31,985,962,000
New Shares Issued	11,139,331,000
% of IPO Shares	34.83%

Proceeds from Public Offering 12,253,264,100,000

Public Offering Fees 406,668,358,711

Net Proceeds 11,846,595,741,289

Projected Use of IPO Proceeds

Additional Investments in ATA	10,852,298,400,000	91.61%
Share Purchase of ATA	356,000,124,700	3.01%
Share Purchase of SIS	158,775,676,000	1.34%
Additional Investments in SIS	365,940,000,000	3.09%
Working Capital	113,581,540,589	0.96%
Total	11,846,595,741,289	100.00%

IPO Proceeds Realization

Additional Investments in ATA	10,852,298,400,000	91.61%
Share Purchase of ATA	356,000,124,700	3.01%
Share Purchase of SIS	158,775,676,000	1.34%
Additional Investments in SIS	365,940,000,000	3.09%
Working Capital	113,581,540,589	0.96%
Total	11,846,595,741,289	100.00%
Remaining Proceeds from Public Offering	-	-

SHAREHOLDERS INFORMATION

International Indices

Description	ADRO	IDX Composite	DJIA	S&P 500	FTSE 100	NIKEI
Open - July 16 2008	1,100	2,215	10,963	1,245	5,172	12,755
Close - Dec 31 2009	1,730	2,534	10,428	1,115	5,413	10,546
Close - Dec 31 2010	2,550	3,704	11,125	1,258	5,900	10,229
% Change	47%	46%	7%	13%	9%	-3%

Description	ADRO	IDX Mining	Bloomberg Mining	Bloomberg Coal	HSBC Mining	HSBC Coal
Open - July 16 2008	1,100	2,215	405	903	5,172	12,755
Close - Dec 31 2009	1,730	2,203	338	485	1,267	1,329
Close - Dec 31 2010	2,550	3,274	429	498	1,620	1,688
% Change	47%	49%	27%	3%	28%	27%

Dividend Policy

Based on the provisions of Adaro Energy's Articles of Association, if the company books a net profit, than Adaro Energy may distribute dividends to its shareholders based on the Board of Directors' recommendation after obtaining approval from the General Meeting of Shareholders.

Adaro Energy will declare dividends with respect to:

- operating income, cash flow, capital adequacy and the financial condition of Adaro Energy and its subsidiaries as regards reaching optimum growth in the future;
- The required fulfilment of reserve funds;

- Adaro Energy and its subsidiaries' obligations based on agreements with third parties (including creditors); and
- Compliance to the prevailing laws and regulations and GMS approval.

Due to the terms of the lending agreements, Adaro Energy's operating companies can only distribute dividends of up to 50% of net profit.

The interim dividend can be paid based on the BOD decision after having obtained the approval of the BOC.

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Dividend Payment

Dividend Type	Final Dividend	Interim Dividend	Dividend Final	Dividend Interim
Fiscal Year	Dec-08	Sep-09	December 2009	September 2010
Net Income (Rp)	887,198,605,378	3,514,636,491,535	4,367,251,806,020	1,696,285,109,013
Date Announcement	Aug 5 2009	Nov 23 2009	May 12 2010	Nov 8 2010
	cum			
Regular and Negotiated Markets	Aug 25 2009	Dec 11 2009	June 2 2010	Nov 26 2010
Cash Market	Aug 28 2009	Dec 16 2009	June 7 2010	Dec 1 2010
	ex			
Regular and Negotiated Markets	Aug 26 2009	Dec 14 2009	June 3 2010	Nov 29 2010
Cash Market	Aug 31 2009	Dec 17 2009	June 8 2010	Dec 2 2010
Recording Date	Aug 28 2009	Dec 16 2009	June 7 2010	Dec 1 2010
Dividend Distribution	Sept 11 2009	Dec 30 2009	June 18 2010	Dec 10 2010
Dividend per Share (Rp)	11,80	12,00	17,00	9,85
Number of Shares	31,985,962,000	31,985,962,000	31,985,962,000	31,985,962,000
Total Dividend (Rp)	377,434,351,600	383,831,544,000	543,761,354,000	315,061,725,700
Percentage of Net Income	42,54%		21,24%	

At the end of 2010 we paid an interim dividend of Rp315.06 billion, and we plan to pay final dividend of Rp655.71 billion (subject to AGM approval). Therefore **our dividend payout ratio from the net income of 2010 would be 43.98%**



Cameron Tough
HEAD OF INVESTOR RELATIONS

Cameron has over 12 years experience working in the mining sector in Indonesia in the areas of finance and investor relations for firms listed on both the Indonesia and Australia Stock Exchanges, and private equity firms. A member of investor relations association in Canada and the US, Cameron is a regular speaker, panelist and contributor to international IR blogs and IR conferences. Cameron has a bachelor degree majoring in Pacific and Asian Studies and Economics from the University of Victoria and completed his graduate studies in International Management from the McRae Institute at Capilano University.

Investor Relations

“As a part of the finance division, the overriding goal of the IR function is to help lower the cost of capital of Adaro Energy by building understanding in the capital markets through timely and balanced disclosures.”

by **Cameron Tough**

With various tools at its disposal, Adaro Energy’s team members actively seek to engage in ongoing dialogues with key members of the investing public.

IR has active support from many different information sources and leaders within the group, including the Corporate Secretary, Finance, Legal, Marketing, Operations, and Project Development. Reporting to the CFO, Investor Relations is part of the Finance Department but as the main liaison between the company and the capital market, IR makes contact with all the members of the BOD, and many different parts of the company.

Adaro Energy participated in several international and domestic conferences and meetings and conducted a number of international roadshows, minesite visits and quarterly results conference calls. In 2010, Adaro’s IR held an average of fifty one external meetings with investors and analysts per month, conducted eight non-deal roadshows and participated in nineteen conferences. Adaro’s IR also hosted quarterly conference calls and three mine site visits.

Adaro Energy issued a detailed Quarterly Activities Report, which is not required by the compliance rules, and made regular press releases. All information once lodged to the Stock Exchange, is put onto Adaro Energy’s website at www.adaro.com and then distributed to a recipient list by email.

Mine Site Visit to Adaro Operations



A group of investors at the Tutupan mine viewpoint



Adaro IR conducted mine site tours during 2010 with capital market participants.

Contact our Investor Relations department at investor.relations@ptadaro.com to learn more about this.

Adaro Energy continues to institutionalize the IR task in order to keep the market informed in a timely and balanced manner.

DISCLOSURE POLICY

The disclosure policy was developed in 2008 and subsequently a disclosure team was formed, comprising of senior level managers from Investor Relations, Corporate Secretary, Legal, Operations and Marketing. Although the policy was recently formalized at end of 2009 after undergoing a thorough review by the BOD and legal counsel, it has been put to use by Adaro Energy since its listing in mid 2008 and has provided clear guidance on the disclosure of material information and regular disclosure activities.

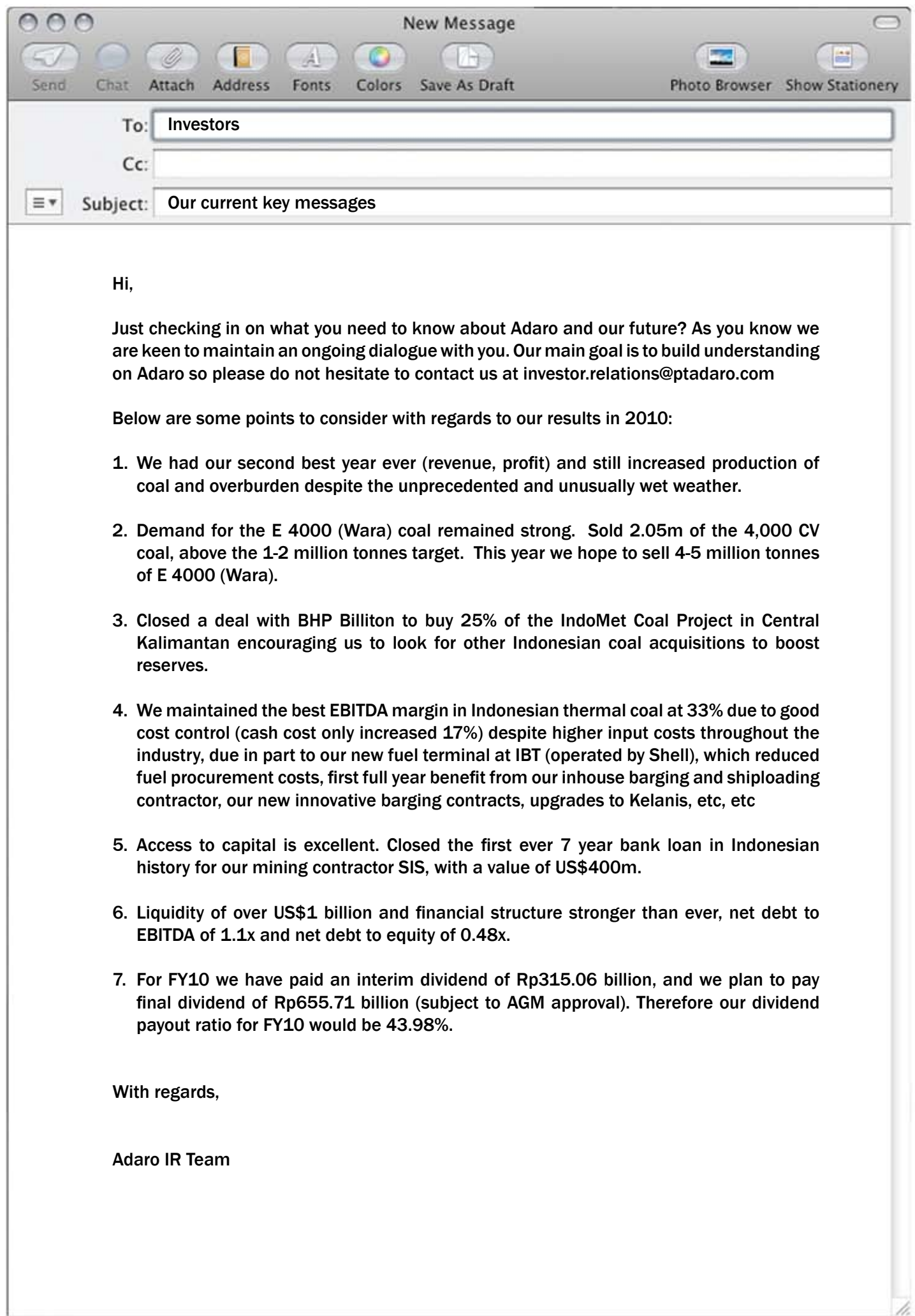
The launching of the disclosure policy reaffirmed Adaro Energy's commitment to provide timely, orderly, consistent and credible information in line with prevailing regulatory requirements to enable orderly behaviour in the market.

Adaro Energy believes its disclosure activities in support of corporate governance went beyond what is required by the market regulations in 2010. Examples of progress made include a regular Adaro Energy Quarterly Activities Report, presentations and meetings during non-deal roadshows and investor forums, and the disclosure of fair and balanced information in a symmetrical way to the capital market.

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Investor Relations Calendar 2011

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To: Investors
Cc:
Subject: Our current key messages

Hi,

Just checking in on what you need to know about Adaro and our future? As you know we are keen to maintain an ongoing dialogue with you. Our main goal is to build understanding on Adaro so please do not hesitate to contact us at investor.relations@ptadaro.com

Below are some points to consider with regards to our results in 2010:

1. We had our second best year ever (revenue, profit) and still increased production of coal and overburden despite the unprecedented and unusually wet weather.
2. Demand for the E 4000 (Wara) coal remained strong. Sold 2.05m of the 4,000 CV coal, above the 1-2 million tonnes target. This year we hope to sell 4-5 million tonnes of E 4000 (Wara).
3. Closed a deal with BHP Billiton to buy 25% of the IndoMet Coal Project in Central Kalimantan encouraging us to look for other Indonesian coal acquisitions to boost reserves.
4. We maintained the best EBITDA margin in Indonesian thermal coal at 33% due to good cost control (cash cost only increased 17%) despite higher input costs throughout the industry, due in part to our new fuel terminal at IBT (operated by Shell), which reduced fuel procurement costs, first full year benefit from our inhouse barging and shiploading contractor, our new innovative barging contracts, upgrades to Kelanis, etc, etc
5. Access to capital is excellent. Closed the first ever 7 year bank loan in Indonesian history for our mining contractor SIS, with a value of US\$400m.
6. Liquidity of over US\$1 billion and financial structure stronger than ever, net debt to EBITDA of 1.1x and net debt to equity of 0.48x.
7. For FY10 we have paid an interim dividend of Rp315.06 billion, and we plan to pay final dividend of Rp655.71 billion (subject to AGM approval). Therefore our dividend payout ratio for FY10 would be 43.98%.

With regards,

Adaro IR Team





Andre J. Mamuaya
DIRECTOR OF CORPORATE AFFAIRS

Mr. Mamuaya completed his engineering education at the department of Industrial Mechanical Engineering of Tokyo Denki University (Japan) in 1994 and graduated from the American College, Los Angeles (USA) in Business Administration in 1996. He is the Director of Corporate Affairs of PT Adaro Energy, President Director of PT Jasa Power Indonesia, PT Maritim Barito Perkasa, PT Harapan Bahtera Internusa and PT Adaro Power, and is a Director of PT Alam Tri Abadi, PT Satya Mandiri Persada, PT Makmur Sejahtera Wisesa and Dianlia. He is also the Commissioner of PT Saptaindra Sejati, PT Pandu Alam Persada and PT Tri Nur Cakrawala. He has served as a Director of PT Anugrahtimur Sejatiperdana from 1997 to 2000.

STATUS OF Corporate Governance PRACTICES

by **Andre J. Mamuaya**

Adaro Energy is fully aware and committed to implementing throughout the entire Group, governance standards that conform to best practices. As part of our corporate culture we engage and interact with all of our stakeholders in a way that promotes mutual trust, better understanding and good faith. In doing so, we are required to be transparent, accountable, responsible, independent and fair in all aspects of engagement with our stakeholders.

The main scope of Adaro Energy's good corporate governance policies encompasses the following key elements; clear segregation of duties and responsibilities among the Board of Directors and Board of Commissioners, checks and balances, clear business roles and strategies within the Company and its subsidiaries, ethical business conduct, engagements with stakeholders through risk mitigation, and operational oversight by the Board of Commissioners through Audit Committee and Internal Audit, upholding corporate social responsibility in sustaining good corporate citizenship as well as disclosure of material information in a timely and accurate manner.

STATUS OF CORPORATE GOVERNANCE PRACTICES

No.	Principles and Recommendations	Adaro's Practices	No.	Principles and Recommendations	Adaro's Practices
1	Good Corporate Governance Principles	<p>GCG principles need to be implemented at each business facet and within the entire company, and includes transparency, accountability, responsibility, independency and fairness.</p> <p>The essence of corporate governance has been consistently applied by the management and the formal system to support the implementation of the GCG has continuously improved in 2010 through the following initiatives:</p> <ul style="list-style-type: none"> • Development of charters for the BOC and BOD, expected to be finalized in 2011 • Procurement systems were enhanced and formalized in 2010 and expected to go live in 2011. • The disclosure committee currently meets on a regular basis, at least monthly and as required. 	4	The Rights and Role of the Shareholders	<p>Shareholders as owners of share capital have certain rights and responsibilities within the company in accordance with the laws and regulations and the Articles of Associations of the company</p> <p>Adaro's Articles of Association comply with both Indonesian Company Law No. 40 Year 2007 and with Bapepam-LK regulation.</p> <p>While conducted in the spirit of achieving mutual consensus, GMS decisions are made by voting. Voting is only valid if cast by more than half of the attendees, following the stated quorum.</p> <p>Management invites shareholders to attend the GMS through the publication of the invitation in 2 nationally circulated media which include detailed information of the GMS.</p> <p>Since its IPO, the Company has regularly distributed both final dividends and interim dividends. The announcements of those dividends distributions have been published in 2 national circulated daily media.</p> <p>Adaro regularly reports changes in the shareholdings of the BOC and BOD.</p> <p>Adaro's AOA stipulates that all material transactions where there may be a conflict of interest must have GMS approval whereas ultimate shareholders with conflicts of interest must cast their votes in an agreement with independent shareholders. The quorum required for this exercise is at least half of total independent shareholders and the vote is valid only if approved by more than half of the attending independent shareholders.</p>
2	Business Ethics and Code of Conduct	<p>To attain long-term success, GCG implementation needs to be based on high levels of integrity. Sets of values need to be developed that describe the morals of the company in conducting its business, which are then further elaborated into a code of conduct.</p> <p>The Company has developed a set of core values for the entire Adaro Group. A part of the code of conduct was formalized such as gratification policy and had been disseminated and distributed to all employees.</p> <p>The procurement system employing advanced IT system application is expected to create a more transparent and accountable systems for procurement of goods and services. This system will go live in 2011.</p>	5	The Rights and Role of Stakeholders	<p>Stakeholders including employees, resource providers, and communities particularly in which the company operates, have an interest in the company and are directly affected by the strategic and operational decisions of the company. Therefore, the relationship between the company and its stakeholders needs to be fair and equal, in accordance with the prevailing laws and regulations, and should be based on mutual arrangements applicable to each respective party.</p> <p>Adaro maintains a register of shareholder through the Company's Shares Registrar (PT Ficomindo Buana Registrar) in accordance with prevailing laws and regulations and the AOA. Adaro regularly provides information updates to its stakeholders through disclosures listed in IDX website and press releases. Resolutions of the Company's GMS are published in 2 nationally circulated publications, the IDX website as well as the Company's website.</p> <p>Adaro will continually enhance its human resources practices, monitor the implementation of its code of conduct, improve labor agreements and systems. A Human Resources Information System (HRIS) system was finalized and effectively installed in 2010. Through the HRIS system, the Company expects to have better tools to manage its human resources.</p> <p>Since its inception in 2009, Adaro Bangun Negeri has spearheaded the Company's corporate social responsibilities programs and community development, which greatly contributed to the overall betterment in the key aspects of economic development, educational enhancement, health improvement and social and cultural promotion.</p>
3	Organs of the Organization	<p>The GMS, the BOD, and the BOC have an important role in implementing GCG effectively. By carrying out their respective functions based on the principles that each organ is independent in carrying out its duty, they function in the sole interest of the company.</p> <p>The BOD currently consists of 7 Directors who are in charge of managing Adaro and its subsidiaries. A board manual that assigns the rules and responsibilities of each Director is currently being finalized to ensure the accountability of all directors' actions. This is scheduled for completion in 2011.</p> <p>The BOC consists of 6 members 4 of whom are representatives of the ultimate shareholders and 2 being independent commissioners. One of the independent commissioners is the Head of Audit Committee.</p> <p>In support of its oversight function of the Company's subsidiaries, the Company in 2010 appointed Dr. Ir. Kusmayanto Kadiman- former Minister of Research and Technology (2004-2008) – as Commissioner of PT Jasapower Indonesia and Erry Fimansyah, former President Director of PT Bursa Efek Indonesia (BEI) as Commissioner of PT Makmur Sejahtera Wisesa.</p> <p>The diverse background of the members of the BOC and BOD provides the necessary expertise and qualifications.</p> <p>In the decision making process, a risk management approach has been implemented at both the senior management and executive levels. Going forward, formal sets of committees and policies will be established.</p> <p>Management has declared its vision and mission statements. These statements and objectives have been disseminated throughout the Adaro Group particularly during the Company's President's Message event held once a year attended by all level of employees and the Company's BOC and BOD.</p>			

No.	Principles and Recommendations	Adaro's Practices
6	Statement of GCG Implementation	
	A statement regarding the implementation of GCG shall be made a part of the company's annual report. In the event that GCG has not been fully implemented, the company shall disclose the non-conforming aspects and the reasons for such. The statement shall comprise the structure and working mechanism of the BOC and the BOD, and other pertinent information regarding the implementation of GCG.	The BOC and BOD as well as the Company's committees conduct regular meetings. The attendance and the minutes of the Boards meetings are recorded and documented. In the future, Management expects to employ independent third parties to audit and provide attestations on the corporate governance statements.
7	Institutionalization of GCG Practices	
	GCG shall be implemented in a systematic and continuous manner. Accordingly, it is necessary to have practical guidelines to be used as a reference in implementing GCG.	Adaro has made notable progress in improving its overall governance practices in a relatively short time as can be seen in the establishment and implementation of governance since its IPO and as stated in the abovementioned points.

In 2008, we became a public listed company, which bolstered our level of corporate governance, particularly in the way of governing the corporate structure and engagement with our stakeholders. Adaro Energy takes into account existing regulations, best practices and corporate culture in exercising good corporate governance to ensure smooth implementation. In the subsequent years, we have made notable progress in governance practices.

We established an audit committee in January 2009 as required by regulators. Furthermore, an internal audit unit was also established in the same period, which also fulfils Bapepam-LK regulations. Both of these units have formalized their charters to define their roles and serve as a guidance for best governance practices.

The key shareholders of Adaro Energy restructured some of their holdings of stock of the Company into a single entity, called PT Adaro Strategic Investments, which directly owns 43.91% shares of the Company. This initiative was made in July 2009 to further increase the efficiency and cohesiveness of decision making and to strengthen the continuity and commitment of the key shareholders to create a bigger and better Adaro.

In further strengthening the implementation of its governance, the Company developed the charters for both the Board of Commissioners and Board of Directors in 2010 which are expected to be finalized in early 2011. These charters clearly define the supervisory and management functions and roles of the BOC and BOD in order for them to effectively perform their duties and responsibilities.

In 2010, the Company proactively enhanced its procurement system to create a more speedy, efficient, accountable process in support of the Company's logistics and supplies. This enhanced procurement system is expected to strengthen the Company's corporate-wide governance and is expected to roll out in 2011.

The following narratives further exhibit the policies and implementation of the Company's good corporate comparisons with the Indonesian Principles of Good Corporate Governance.

General Meeting of Shareholders (GMS)

Adaro Energy conducted its Annual General Meeting of Shareholders (AGMS) on April 23rd, 2010, with a quorum of attending shareholders represented by valid voting shares reaching 22,943,539,206 shares or of 71.73% total issued shares in attendance. This was well above the quorum requirement (more than 50%). The AGMS approved the subsequent agenda:

Agenda 1

The AGMS approved the Company's annual report for the fiscal year ending December 31st, 2009 and ratified the Company's Balance Sheet and Profit & Loss for the fiscal year ending December 31st, 2009 which was audited by Public Accountant, Tanudiredja, Wibisana dan Rekan (a member firm of PricewaterhouseCoopers), as stipulated in the Independent Auditor Report dated March 22nd, 2010, No. A100322005/DC2/DWD/III/2010.B with unqualified opinion and explanation paragraphs.

With the approval of the Management Report as well as the ratification of the Company's Balance Sheet and Profit and Loss for the fiscal year ending December 31st, 2009, acquit et de charge was granted to the Board of Directors and the Board of Commissioners over the management and supervision of the Company during 2009.

Agenda 2

The use of Company's Net Profit for the fiscal year 2009 of Rp4,367,251,806,020 was agreed with the following appropriations:

- Rp218,362,590,301 to be set aside for general reserve fund stipulated in article 70 of Company Law No. 40 Year 2007.
- Final Dividend payment of Rp927,592,898,000 which constituted 21.24% of the Company's Net Profit in 2009. In disbursing its dividend payment, the Company incorporated the interim dividend of Rp383,831,544,000 which was distributed on December 30th 2009, and the remaining of Rp543,761,354,000 to be appropriated as final dividend payment. Board of Director is authorized with substitution rights:
 - to determine the list of shareholders for dividend payment eligibility;
 - to determine the dividend payment method;
 - to carry out all necessary actions related to such issue including setting the dividend payment schedule. The dividend payment schedule will be published on 2 nationally circulated publications taking into account prevailing laws and regulations.
- Rp3,221,296,317,719 will be appropriated for Retained Earnings.

Agenda 3

The AGMS authorized the Company's Board of Commissioners to appoint a Public Accountant registered with Bapepam-LK to audit the Company's financial statements for the current on-going fiscal year and the fiscal year ending December 31st, 2010 and also authorised the Board of Commissioners to determine the honorarium of such Public Accountant Firm as well as other requirements.

Agenda 4

The AGMS has approved to determine the honorarium/salaries and other allowances for the Company's Board of Commissioners and the Board of Directors to a maximum of 40% increase from the previous honorarium/salaries excluding incentives in the form of MSOP (Management Stock Option Plan) and authorized the Board of Commissioners to determine the composition of the Board of Directors' salaries and other allowances.

Agenda 5

The Board of Directors reported the following:

- Appointment of new commissioners to the Boards to the Company's subsidiaries. Dr. Ir. Kusmayanto Kadiman, former Minister of Research and Technology (2004-2008), was appointed the

Commissioner of PT Jasapower Indonesia and Mr. Erry Fimansyah, former President Director of PT Bursa Efek Indonesia (BEI) was appointed the Commissioner of PT Makmur Sejahtera Wisesa.

- On 31 March 2010, PT Alam Tri Abadi, a wholly-owned subsidiary of the Company, and BHP Minerals Holdings Pty. Ltd. and BHP Minerals International Exploration Inc. entered into a binding agreements to create a new joint venture in relation to BHP Billiton's Indonesian Coal Project. The Company will purchase a



Dr. Ir. Kusmayanto Kadiman
Commissioner of JPI



Erry Firmansyah
Commissioner of MSW

25% interest in the joint venture by acquiring 25% of shares in each of PT Maruwai Coal, PT Juloi Coal, PT Kalteng Coal, PT Sumber Barito Coal, PT Lahai Coal, PT Ratah Coal and PT Pari Coal. The completion of this transaction is subject to approvals from the Indonesian Government. This purchase is in line with the Company strategy to enhance growth and improve efficiency, thus paving the way to meet the Company's vision to be the largest and most efficient integrated coal mining and energy company in South East Asia.

Extraordinary General Meeting of Shareholders (EGMS) Resolution:

Subsequently after the closure of its AGMS, the Company continued and completed its EGMS with the following resolution:

- The sole agenda of the EGMS approved the appointment of Dr. Ir. Raden Pardede as the Company's new Independent Commissioner replacing Mr. Djoko Suyanto with the effective term of office commencing from closure of the General Meeting of Shareholders (GMS) until the end of the Company's General Meeting of Shareholders for 2013 fiscal year to be held in 2014. Therefore, the Company's Board of Commissioners is as follow:

President Commissioner : Edwin Soeryadjaya
 Vice President Commissioner : Theodore Permadi Rachmat
 Commissioner : Ir. Subianto
 Commissioner : Lim Soon Huat
 Independent Commissioner : Ir. Palgunadi Tatit Setyawan
 Independent Commissioner : Dr. Ir. Raden Pardede

The above EGMS & AGMS resolutions were published on April 27th, 2010 in Investor Daily Indonesia and Republika daily.

Board of Commissioners and Board of Directors

Members of the Board of Commissioners (BOC) and the Board of Directors (BOD) are appointed during the GMS. The BOC and the BOD each have clear authority and responsibilities based on their respective functions, as mandated by the Articles of Association

and laws and regulations, and further elaborated in the charters for each respective board. Both have the responsibility to operate the Company to be sustainable for the long term. Accordingly, the BOC and the BOD must have the same perception regarding the Company's vision, mission and values. In 2010, the BOC and BOD charters were developed and expected to be finalized by 2011.

The Board of Commissioners

The BOC is responsible for overseeing and providing advice to the BOD. BOC members are authorized to gain access to the Company's premises, books and records, to review Company's financials, and to obtain information on the Company's operations.

Throughout 2010, the BOC of Adaro Energy held a total of four formal meetings, to review quarterly performance as presented by the BOD.

Name	Attendance (Out of 4 Meetings)
Edwin Soeryadjaya	3
Theodore Permadi Rachmat	4
Ir. Subianto	4
Lim Soon Huat	4
Dr. Ir. Raden Pardede*	3
Ir. Palgunadi Tatit Setyawan*	2
* Independent Commissioner	

The roles and responsibilities of the BOC are aligned with those stated in the Company's Articles of Association, and include:

- Oversight of the management of the Company by the BOD;
- Review of the Company's financial statements and annual report;
- Review of the annual planning and budget;
- Preparation of the oversight report on the Company's operation for GMS;
- Approve distribution of any interim dividend;
- Approve the use of excess in the Company's general reserves;
- Perform directors' duties when BOD members relinquish their posts.

Audit Committee

The Audit Committee is appointed by and is responsible to the BOC. The main duty of the Audit Committee is to assist the BOC in fulfilling their responsibility to monitor and evaluate financial reporting, the implementation of risk management and internal controls auditing as well as the implementation of good corporate governance. The Audit Committee was established in January 2009 with members as follow:

Chairman	Ir. Palgunadi Tatit Setyawan*
Members	<ul style="list-style-type: none"> Dr. Ir. Irwandy Arif, MSc Mamat Ma'mun, SE
* Independent Commissioner	

The Audit Committee is supported by the Internal Audit Unit in identifying key risk areas and effectiveness of controls within these areas. Reports focus on process and controls improvement, safeguarding assets, and quality financial information.

The membership of the Audit Committee represents diverse skills and knowledge of management, finance and accounting, and the mining industry. Adaro Energy's Audit Committee members are individuals whose track records include experience with respectable

organizations. In 2009 the Audit Committee completed the Audit Committee charter.

Audit Committee Biographies – Excluding Member of the Board of Commissioners

Dr. Ir. Irwandy Arif, MSc – Member

Graduated from Ecole des Mines de Nancy, France with his doctoral degree and from the Institut Teknologi Bandung with his mining and industrial degree. He is a well-known expert in the Indonesian mining industry. Working experience includes providing advisory services to highly regarded Indonesian mining companies such as PT Berau Coal, PT Freeport Indonesia, and PT Tambang Batubara Bukit Asam. He was also a Head of the Audit Committee for state mining company PT Aneka Tambang Tbk. He has published scientific journals and students handbooks on mining, geology, and geotechnical.

Mamat Ma'mun, SE – Member

Graduated from Universitas Padjadjaran Bandung with an Economics degree. He has over thirty years working experience in the Astra group, the respected Indonesian conglomerate known for its proven management systems. He was also a trustee to the Astra Group Pension Fund. His experience as an audit committee member began in 2001. Currently, he is Commissioner in PT Duta Oto Prima, PT Daya Anugrah Mandiri, and PT Dharma Group.

The Board of Directors

The BOD functions and is responsible collectively for the management of the company. However, each member of the BOD carries out his duties in accordance with his respective assignments and authorities.



From left to right:

Dr. Irwandy Arif, MSc., Ir. Palignadi Setyawan, Mamat Ma'mun, SE

Currently Adaro Energy's BOD consists of seven Directors in charge of managing Adaro Energy and its subsidiaries. All members have been assigned duties in accordance with their competency and experience (for details see each Director's profile).

Board of Directors Meetings

BOD meetings are conducted on a regular formal basis, as well as when required. Based on the Articles of Association, one director can request a meeting to discuss specific issues. Issues related to operational and financial performance, project progress and other issues that require board attention and decisions are addressed.

The following table indicates attendance of BOD in regular formal meetings. The total of nine BOD formal meetings were held in 2010.

Name	Attendance (Out of 9 Meetings)
Garibaldi Thohir	9
Christian Ariano Rachmat	9
Sandiaga S. Uno	6
Andre J. Mamuaya	6
David Tendian *	7
Chia Ah Hoo *	7
Alastair Grant *	8

* Indicates Non-Affiliated Director

Nomination of Members of the Boards

Candidacy for membership on either of the Boards (BOC and BOD) is based on proposals and nominations from shareholders who own at least 10% of the total shares outstanding with valid voting rights. Proposals and nominations must be received by the existing BOD at least seven days before the date of any GMS. The term is limited to five years.

Members of the Boards may be terminated for the following reasons:

1. Resignation;
2. Non-compliance with regulatory requirements;
3. Deceased;
4. Termination based on GMS decision.

Corporate Secretary

As a public listed entity, Adaro Energy has appointed a Corporate Secretary who is responsible directly to the Company's Board of Directors. The duties and responsibilities of the Corporate Secretary are to ensure smooth and regular communications between the Company and the Capital Market Authority, Bourse Authority and public.

In addition, the Corporate Secretary is also responsible for ensuring the Company complies with prevailing rules and regulations, conducting General Meetings of Shareholders (GMS), and conducting Public Expose.



Corporate Secretary Division (from left to right)
Perry B Slangor, Devindra Ratzarwin and Retno Rini

Change of Corporate Secretary

Adaro Energy's Board of Directors Decree dated January 28th, 2011, appointed Mr. Devindra Ratzarwin as the Company's new Corporate Secretary which was previously held by Mr. Andre J. Mamuaya, Adaro's Director.

Internal Audit

The role and responsibility of Adaro Energy’s Internal Audit Unit is to carry out internal audits based on an annual audit plan that has been approved by the President Director and the Audit Committee.

The Internal Audit Unit is responsible directly to the President Director but also reports its audit findings to the Audit Committee, which then passes on the information to the BOC. The BOD is responsible for remedial work on any aspects that need to be corrected.

External Auditor

Adaro Energy has appointed the Certified Public Accounting firm of Tanudiredja, Wibisana dan Rekan (a member firm of PricewaterhouseCoopers) to audit Adaro Energy’s consolidated financial statements for fiscal year 2010. The external auditor performs its duties in accordance with professional standards and ethics.

Remuneration of the Boards

Adaro Energy’s policy is that remuneration should be merit based. Therefore, the Company’s bonus system is directly linked to performance. This system ensures that performance is assessed objectively and prevents moral hazard issues caused by subjective assessments. The remuneration for BOD and BOC must be approved by the GMS.



Hendry Chandra
GENERAL MANAGER - INTERNAL AUDIT

Hendry earned his Bachelor Degree in Accounting from the University of Trisakti. Prior to joining Adaro Group, he gained experiences from one of the big four accounting firms as an auditor. He started his career with PT Adaro Indonesia in 1999 and left in 2002 as a Manager of Finance & Accounting. He rejoined the Adaro Group in 2009 as the Head of Internal Audit Division.

The Board of Directors and Board of Commissioners are remunerated in Indonesian Rupiah.

The Boards of Commissioners and Directors of Adaro Energy and its subsidiaries, which include members from Adaro Energy’s Boards, received remuneration amounting to Rp50.5 billion for the year ended December 31st, 2010.

Remuneration of the Boards 2010 and 2009
(in millions of Rupiah)

	2010	2009
Board of Directors	43,068	32,549
Board of Commissioners	7,455	7,093
Total Remuneration	50,523	39,642

Share Ownership of the Boards 2010

Board of Commissioners	Number of Shares	Percentage of Ownership
Edwin Soeryadjaya	1,359,777,646	4.25%
Theodore Permadi Rachmat	707,420,430	2.21%
Ir. Subianto	416,932,620	1.30%
Sub-Total	2,484,130,696	7.76%

Board of Directors	Number of Shares	Percentage of Ownership
Garibaldi Thohir	1,967,600,654	6.15%
Sandiaga S. Uno	633,338,202	1.98%
Chia Ah Hoo	4,815,500	0.01%
Andre J. Mamuaya	7,545,000	0.02%
Alastair Grant	1,414,500	0.004%
Sub-Total	2,614,713,856	8.16%
Total	5,098,844,552	15.92%

Adaro Energy always aims to present fair and balanced information in a symmetrical way to the capital Market. A number of public disclosure activities were completed in support of implementing good corporate governance practices including the required public expose. During the year the Company completed and distributed the disclosure of information as listed below.

1 Monthly Exploration Activities Report

- December 2009
- January 2010
- February 2010
- March 2010
- April 2010
- May 2010
- June 2010
- July 2010
- August 2010
- September 2010
- October 2010
- November 2010

2 Quarterly Operational Activities Report

- December 2009
- March 2010
- June 2010
- September 2010

3 Consolidated Financial Statements

- Annual as of 31 December 2009
 - Audited Financial Statements
 - Press Release : Adaro Energy's Net Profit Increases 392% To A Record Rp4.4 Trillion
 - Proof of Advertisement (in 3 National Media)
- Interim
 - March : 31 March 2010
 - Unaudited Financial Statements
 - Press Release : Adaro Energy Records Strong 1Q10 Production and Sales Volume Increases
 - June : 30 June 2010
 - Intention to Conduct Limited Review
 - Limited Review Financial Statements
 - Press Release : AE's Net Revenue Increase 12% US\$ 1.3 Billion
 - Proof of Advertisement (in 2 National Media)
 - September : 30 September 2010
 - Unaudited Financial Statements
 - Press Release : AE Recorded 6% Increase in Net Revenue to US\$2 billion due to 12% Production Growth

4 Annual Report 2009

- Revision of Annual Report 2009

5 AGM & EGM

- AGM & EGM Notification
- Proof of Advertisement : AGM & EGM Notification (in 2 National Media)
- AGM & EGM Invitation
- Proof of Advertisement : AGM & EGM Invitation (in 2 National Media)
- AGM & EGM Resolutions
- Proof of Advertisement : AGM & EGM Resolutions (in 2 National Media)
- Notarial Deed : AGM & EGM Resolutions
- AGM & EGM Resolutions (Notarial Resume)
- Republish Consolidated Audited Financial Statements as of 31 Dec '09 (in 1 National Media) (approved by AGM)
- Proof of Advertisement : Consolidated Audited Financial Statements as of 31 Dec '09 (in 1 National Media) (approved by AGM)

6 Dividend Distribution

- Final Dividend Notification
- Proof of Advertisement : Final Dividend Distribution and Schedule
- Interim Dividend Notification
- Proof of Advertisement : Interim Dividend Distribution and Schedule

7 Information Disclosures

- Change of BOD's Share Ownership (Share Sale) - Alastair Bruce Grant
- 25% Shares Acquisition of Maruwai Project - BHP Billiton
- Change of BOC's Share Ownership (Share Sale - Edwin Soeryadjaya)
- ADRO & BHP Finalize Joint Venture Arrangements for The Indonesian Coal Project (Maruwai)(Including Press Release)
- Change of BOC's Share Ownership (Share Sale - Edwin Soeryadjaya)
- Change of BOD's Share Ownership (Share Sale - Andre J. Mamuaya)
- Shares Divestment Transaction
- Change of BOD's Share Ownership (Share Sale - David Tendian)
- Change of BOC's Share Ownership (Share Sale - T. Permadi Rachmat)
- Change of BOD's Share Ownership (Share Sale - Chia Ah hoo)
- ADRO signs bargaining contracts (including press release)
- Change of BOD's Share Ownership (Share Sale - Alastair Bruce Grant)
- Shareholding More Than 5%
- Change of BOD's Share Ownership (Share Sale - Garibaldi Thohir)
- Change of BOD's Share Ownership (Share Sale - Sandiaga S. Uno)

8 Response to IDX Inquiries

- News on Media Regarding Bakrie's Tax Deferred
- News on Media Regarding BHP selects Adaro in Maruwai
- News on Media Regarding Bhakti Energi Acquisition
- News on Media Regarding ADRO Shares Issuance

9 Establishment of Internal Audit Unit

10 Public Expose

- Schedule Submission
- Materials Submission
- Report : Lists of Participants and Questions & Answers

11 Investor Summit and Capital Market Expo

- Material Submission

Audit Committee Report

The Audit Committee operates pursuant to a charter which outlines the Audit Committee's duties and responsibilities to support the BOC in its oversight functions, primarily of the Adaro Energy's financial and business operations.

The duties and responsibilities of the Audit Committee are, amongst others, to provide professional and independent opinions to the Board of Commissioners over the reports or other issues submitted by the Board of Directors to the Board of Commissioners and discharges other related duties of the Board of Commissioners. To ensure the Audit Committee operates effectively and efficiently, the holistic duties and responsibilities include review of the financials, selection appointment and supervision of the Independent Auditor, pre-approval of non-audit services, effective internal control, compliance of the laws and regulations, risk management practices and reporting, audit the Board of Directors meetings resolutions, review third party complaints, special assignment, sustain confidential document, and conduct self assessment of the Audit Committee duties.

STATUS OF CORPORATE GOVERNANCE PRACTICES

Substantial programs were completed in 2010 while upholding the Audit Committee's underlying principles of enhancing added value to Adaro Energy's oversight function and mitigating the Adaro Energy's risks. During the year, the Audit Committee developed the BOC and BOD charters to serve as guidelines for oversight and management functions. In line with its charter, the Audit Committee discharges its obligation in the selection process of Adaro Energy's External Auditor to audit Adaro Energy's 2010 financials. Furthermore, the Audit Committee continuously assessed Adaro Energy's quarterly financials as well year end audit and reviewed the Company's legal compliance practices. In addition, the Audit Committee reviews Adaro Energy's CSR and risk management practices. In 2010, the Audit Committee held 23 meetings with the following details:

Name	Attendance (Out of 23 Meetings)
Ir. Palgunadi Tatit Setyawan *	20
Dr. Ir. Irwandy Arif, MSc **	23
Mamat Ma'mun, SE **	23
* Ketua	
** Anggota	

Internal Audit Unit Report

The Internal Audit Unit performs internal audit functions of auditing, assessing and investigating operational activities as well as compliance with the prevailing policies, regulations, and other regulatory requirements. In addition to reporting audit findings, the Internal Audit Unit also provides recommendation, outlooks, and reviews that can be used by the Board of Directors as input in decision making and for developing policies and regulations.

The objective of the Internal Audit is to review and evaluate the process of management control, operations, finance, and risk management in order to apply Good Corporate Governance principles. In performing its functions, the Internal Audit Unit can access all information, functions, and personnel relevant to its assignments.

In 2010 the Internal Audit had performed 6 audit activities. The annual work plan was set up by applying risk-based audit methods and focusing on the riskier segments. This work plan s obtained the approval of the President Director and Audit Committee.

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Mohammad Effendi

CHIEF CSR OFFICER ADARO ENERGY AND DIRECTOR OF ADARO BANGUN NEGERI FOUNDATION

Effendi joined Adaro in January 2010 with the main responsibility to strengthen the CSR programs of Adaro and its subsidiaries. His roles include developing Adaro Bangun Negeri Foundation to create and execute the economic, social, educational and health programs for the surrounding communities during and after Adaro's operations. Effendi was formerly the Supply Chain Director of Unilever Indonesia responsible for the operations of purchasing, planning, manufacturing, and delivery. He graduated with Electrical Engineering degree from ITB in 1978.

CORPORATE Social Responsibility

by **Mohammad Effendi**



The presence of PT Adaro Indonesia in South Kalimantan has influenced the current economic, social and natural environment of the province down to village level and the company recognizes that there is a responsibility to give back to these local communities to ensure the development of a better life in the surrounding areas and also expand the community's potential towards becoming an independent, environmentally sound and sustainable society.

To support this goal, the company carries out CSR programs that encompass four key areas of community development comprising economic development, educational enhancement, health improvement, and social cultural promotion with the ultimate goal of creating sustainable and independent post-mine communities

Funding for the CSR programs has been increasing each year and reflects the potential needs of each area around the operational location that covers 6 regencies within the provinces of South Kalimantan and Central Kalimantan. For the year 2010, Adaro Energy and its mining contractors allocated Rp 53.2 billion for these programs.

PT Adaro Indonesia's commitment to the community through its CSR programs have gained both national and international recognition.



School Libraries Provided by Adaro



Happy Children From Adaro's Scholarship Program



Commercial Honey Project Funded by Adaro's Micro-financing

In 2010, Adaro received several awards, such as the KSN Award from the Ministry of Social Welfare, GKPM Award from the Coordinating Minister for People's Welfare, and Asia Responsible Entrepreneurship Award (AREA) from Enterprise Asia, a non-profit organization based in Malaysia and registered in Hong Kong.

PROGRAM IMPLEMENTATION

The CSR programs are designed to take into account participation by the community in all the activities, starting from planning and implementation up to monitoring and evaluation. Usually a village conference is conducted in the planning stage and the plan is implemented through a participation scheme.

The CSR programs are also developed with regard to local policies and other potential that is in line with corporate strategies. Through a dialogue mechanism with the development team, the balance between the CSR programs and local governments' development programs are ensured and avoids overlap in the implementation of the programs.

ADARO'S CSR PROGRAMS

Adaro has many programs underway that cover all aspects of the key community development areas of economic development, educational enhancement, health improvement, and social cultural promotion. Highlights of projects that Adaro has recently implemented include:

1. Adaro Model Village

The Adaro Model Village is a program implemented to achieve post-mining communities that are independent in the economic, management and academic aspects. This program is a combination of all areas within the scope of Adaro's CSR programs.

Under this program, Adaro provides the communities with training to improve the quality and mindset of the community members and village officials, and to set up the community's productive business by utilizing the existing potential, with the ultimate goal to fulfill the criteria of an independent village. The criteria include aspiring leader, synergistic village institutions that mutually support rural

Adaro is committed to become a **responsible partner** and a **good neighbour** toward the community surrounding its operations area

In carrying out such activities, the needs of the community are also investigated by performing an assessment on the need for proposed projects in cooperation with top state universities in Indonesia and by carrying out a direct constructive dialogue mechanism between Adaro Indonesia and the local communities. Through these dialogues it is expected that the community's initiatives can be stimulated through consideration of the local potential for support of projects in specific areas.

Results of the assessment and bilateral dialogues are used as the prime basis for designing the Company's medium term plan, whose implementation can be adjusted by ongoing review of the development progress of the local communities. Adaro also coordinates with the local regency governments on program implementation to ensure the avoidance of overlap between the company and government programs, results of which are published in writing as the annual regent decrees. This coordination also includes active participation in the discussion on the Local Development Planning in the six partner regencies.

development, well-managed rural administration, short, medium, and long term agenda, and community businesses that support the economy of an independent community.

Adaro Model Village has been implemented since 2009. The pilot project was implemented in Dahai village, Balangan regency and Padang Panjang village, Tabalong regency of South Kalimantan. With the collaboration of the team from the Center For Alternative Dispute Resolution, Regulation & Policy, and Empowerment (CARE) of Lembaga Penelitian dan Pengabdian Masyarakat (LPPM), Adaro expects that within 3 years these villages will have independent village administrations, sound rural development, good layout, with the residents running the programs through their own ability and independence. Going forward, the two villages are expected to be a model for the development of other villages.

After only one year of implementation, the Model Village program won the Platinum KSN Award from the Ministry of Social Welfare in 2010.



Processing Rubber at Rubber Smoking Stations



Rubber Plantation Development



Prawn Breeding



Adaro's Microfinance Program

2. Rural Economic Movement for Islamic Students (Gema Desa Santri)

Adaro implemented the award winning Rural Community Economic Movement program with the aim of stimulating the economic development of rural communities. To ensure more effective implementation, this program is managed under cooperation with Islamic boarding schools, NGOs, Youth Pioneer Groups, and the local military command (Kodim).

For Gema Desa Santri, Adaro utilizes boarding schools as economic stimulators for the communities, with the expectation that other community groups will follow. The Darul Mustafa Islamic Boarding School is among those chosen by Adaro since this boarding school is a social institution that has strong roots in the Tabalong regency in particular, and in South Kalimantan province in general.

Infrastructure development, horticulture and cattle rearing are examples of the activities carried out within the Gema Desa Santri program.

Other programs carried at in cooperation with NGO's Pioneer Groups and Kodim include development of fish farming, craft industry and multipurpose cooperatives.

3. SME Development Program

One of the goals of the CSR programs conducted by Adaro is to create economic independence for its communities. Micro, Small and Medium Enterprise development is one sector that has great potential to ultimately build a society that is economically independent.

The problems faced by small entrepreneurs in developing their business are generally related to lack of capital, skills and marketing.

One of the SMEs that have been coached by Adaro is "Riser Service" Electrical Workshop. This workshop was founded in 1996 by Mr. Noor Syamsu Zauhar. Initially, it only had 1 employee, and due to the lack of funds and skills, Riser Service could not expand the business. In 2005, Adaro started to support its funding with a loan from the Microfinance Institution, and also provided training through its Business Development Institute.

As of the end of 2010, Riser Service employed 16 employees and its monthly turnover is continually increasing. Riser Service now operates in 3 business locations, 2 in Tabalong and 1 in Barito Timur.

4. Suka Maju Women Farmer Group

Initiated by the perspective on the important roles of women in family welfare, in which other than nurturing the children, women can also help their husband in supplementing family income, a number of housewives founded a womens farmer group called Kelompok Wanita Tani Suka Maju which has the dream to improve the welfare of their families.

A cooperative was established by the Agricultural Department of Tabalong regency in 2005 and now 25 people are listed as its members. The cooperative has also set up a savings and loan cooperative with most of its funding supported by Adaro's micro financing institution. Although still in its early stages, this cooperative has already given benefit to its members.

Besides supporting the funding, the Finance Institute also coaches its members by acting as a mediator in support of the members' business of vegetable farming and group partnership, as well as their development as vegetable farmers.

5. Rubber Smoking Stations

The Rubber Smoking Station project is part of Adaro's CSR program that is an extension of the high-yield rubber plantations development that has been underway for a number of years and is designed to increase the income of rubber farmers and thus provide incentives to continued small holder rubber plantation development.

Since 2005, Adaro has been giving funding support for the building of rubber smoking stations which produce higher quality semi processed rubber sheets, a higher value product which increases the selling price and revenue of rubber farmers. Adaro also founded a business development institute named Lembaga Pengembangan Bisnis (LPB) and through this institution, Adaro provides various training for the communities such as group dynamic training, post-harvest business training for farmers, and the training on the calculation of dry rubber content.

There are currently a total of 5 rubber smoking stations in Balang regency (in Babayau and Tamiyang village), 2 stations in Tabalong regency (Balida and Banyu Tajun village) and 1 station in Warukin village.

6. Clean water distribution to the communities through pipelines

Adaro has distributed clean water to local communities since 2002 out of the awareness that it is a basic necessity of life needed by the surrounding communities.

Since 2007, Adaro has been utilizing the abundant mine water and

processing it into clean water using a Potable Water Treatment Plant which has the capacity to produce 20 liters of water per second. Currently, this potable drinking quality water is being distributed through a 10-kilometer pipeline to two local villages.

The water treatment is handled by a team called Badan Pengelola Air Bersih (BAPEL – AB) that consists of members of the communities. Adaro and Perusahaan Daerah Air Minum participate as the team’s supervisory board.

Clean water distribution from the mine water has gained a number of awards, and in 2010 this activity won 2 awards, national and international. For the national scope, it won the Platinum Trophy of GKPM Award from the Coordinating Minister of People’s Welfare, while in the Asian scope, Adaro won Asia Responsible Entrepreneurship Award (AREA)’s recognition of Green Leadership Award from Enterprise Asia.

7. Scholarship Program for Less Fortunate Students and High Achieving Students

Adaro’s dedication to education is confirmed by its scholarship program which has been maintained since the year 2000. Scholarships are given to less fortunate students and also to outstanding students at all educational levels from elementary schools until doctorate programs and are currently carried out in 5 regencies, Tabalong, Balangan, South Barito, East Barito and Barito Kuala, as well as in Banjarmasin, the capital of South Kalimantan.

As of the end of 2010 scholarships had been provided for around 11,246 students. The details are:

THE NUMBER OF SCHOLARSHIP RECIPIENTS					
Year	Elementary	Junior High	Senior High	S1-S3 (Bachelor to Doctorate)	Total
2000	360	42	24	0	426
2001	386	82	28	0	496
2002	524	100	51	0	675
2003	534	120	42	0	696
2004	546	123	59	33	761
2005	729	197	106	53	1,085
2006	689	188	118	44	1,039
2007	701	183	135	48	1,067
2008	1,037	466	180	86	1,769
2009	1,316	430	140	134	2,020
2010	684	115	107	306	1,212
TOTAL	7,506	2,046	990	704	11,246

In addition to these highlighted projects, Adaro continues to support and expand many other multi year programs in all aspects of the four key development areas. These include the following :

Economic Development	
Small holder rubber plantations	Animal husbandry
Poultry and duck rearing	Honey processing and retailing
Soy and vegetable cultivation	Fish and prawn farming
Padi farming	Cottage and light industries
Education Enhancement	
Multi year teacher training programs	Development of pilot schools
Mobile libraries	Tutorial programs
School construction and rehabilitation	Providing teaching aids in schools
Health Improvement	
Cataract screening and surgery	Maternal and infant health care
Social and Cultural Promotion	
Renovating and developing houses of worship	Providing sports facilities
Funding sports events	Promoting local arts and culture

OTHER SOCIAL ACTIVITIES

In addition to the regular CSR programs conducted surrounding the operational location, Adaro also makes contributions to the communities outside of its location. The contributions are given as donations:

“ITB For Everyone” scholarship. In 2010, Adaro continued to make donation for the scholarship of 5 students attending the Institute of Technology Bandung for the period of 2010 / 2014 in the amount of Rp 550 million. For the previous period of 2009/2013, Adaro also made a donation of Rp 500 million.

Donation for handicapped children Olympics through SOINA (Special Olympic for Indonesia) to prepare for the Special Olympic World Summer Games Athens 2011 (SOWSG) in the amount of Rp 500 million.

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“Learning Our World Today, Leading Our World Tomorrow”

Adaro’s Scholarships Program -

A number of top students from six regencies in Central and South Kalimantan have been able to pursue their degrees at leading public universities in Indonesia thanks to scholarships provided by Adaro.

One of these students was Dessy Prihatiningsih Eka Putri or Puput for short, a native of Tabalong regency in South Kalimantan and now a graduate of the veterinary medicine school of the Bogor Agricultural Institute which is situated close to Jakarta and is the premier agricultural institute in Indonesia.

Puput became interested in veterinary sciences in senior high school as she saw that there was a lack of support for livestock development as compared with plantation industries such as rubber and palm oil in Tabalong Regency, a predominantly rural area.

Puput applied for entrance to the Bogor Institute through their selective admission invitation program, and thanks to her brightness and excellent academic record she was accepted. She relied solely on her father who worked as a teacher to pay her tuition however this was expensive. Upon entering the second semester, she applied for a scholarship from Adaro, a company she hardly knew of at that time.

After reviewing her case, Adaro granted her the scholarship as she was able to meet all the selection criteria. The company viewed Puput as a young lady with great potential and deserving of support in reaching her goal of a higher education. The impressive academic achievement in her first semester and, more importantly, her aspiration to return to her hometown and become involved in agricultural developments in the area after completing her degree as a veterinarian and gaining work experience were the key factors to Adaro’s decision to support her education by providing the scholarship.



With the support of Adaro’s scholarship, Puput was able to successfully complete her studies and graduated with a Bachelor’s degree in veterinarian sciences in 2008. After a further two year’s study she also successfully passed examinations to become a fully licensed veterinary doctor.

Puput is now working for a very large agricultural feed group in West Java specializing in quality assurance of food from animal products and she is waiting for the day when she feels that she is sufficiently experienced enough to return to Tabalong and put her talents to work in helping to develop the livestock industry there.



Adaro Bangun Negeri

Adaro's commitment to set a high standard in the community development program is an important factor in its uninterrupted production growth.

Adaro Bangun Negeri ("YABN"), a non-profit foundation, was founded in April 2009 with the aim of carrying out a set of development programs that will create a self-sufficient community during and after Adaro's operations. Since mining is a temporary business by nature, Adaro goes beyond what is required by the government with regards to corporate social responsibility to create a long-term impact in four main areas: economic independence, education enhancement, health improvement and social promotion.

Going forward, Adaro Bangun Negeri will manage and administer the corporate social responsibility programs of Adaro group. Some of YABN programs include the following:

Smallholders Plantation

Adaro recognizes that local communities need substitutable income to ensure sustainable economic welfare post mining operations. To promote this idea, YABN conducted a survey in 2010 to identify agricultural potential at Tabalong and Balangan. The survey has indicated that rubber plantations have high potential for use as substitutable income. With 200,000 hectares of land available for planting, the potential substitutable income for the local communities is estimated around Rp14 trillion per year. YABN also held a workshop to validate the survey and identify problems that constrain its development such as land issues, land certificate, seed, skilled workers, marketing and quality enhancement. YABN plans to further enhance the development of this program in 2011.

Education

YABN also aims to further improve its existing model schools program by enhancing the quality of education to meet international standards. Some of the programs include improving English competency of the teachers and progressively enhancing scientific intellectuality of students up to high school level, for example by experimenting with disposed goods easily found in an urban environment.

Residential Learning

Due to limited entertainment activities for the urban youth of Tanjung, YABN dedicates special attention through an activity called residential learning to allow them to utilize their leisure time constructively. Some of the activities include watching educational movies, free and controlled



internet browsing, vocational training during school holidays, and leadership training.

Anti-Narcotics

According to National Narcotics Association (Badan Narkotika Nasional - BNN), South Kalimantan is ranked fifth in the number of narcotics cases in Indonesia which usually correlates to high HIV infection rates. To create awareness on the danger of narcotics, YABN collaborated with BNN to initiate an anti-narcotics campaign by producing a movie about the problems arising from the addiction to narcotics and use it as a campaign media. The target audience for this movie is students as well as adults.

Tabalong Islamic Center

To further support the Islamic ministry and intellectual development of Tabalong community, YABN will establish the Tabalong Islamic Center on land owned by the municipal government. The construction of this project will start in 2011 and is expected to be completed by the end of 2012 with an estimated cost of Rp50 billion. The Islamic Center will consist of a mosque, libraries, offices, training rooms, and banking and other facilities.



Garibaldi Thohir viewing the construction design of the Tabalong Islamic Center

PT ADARO ENERGY Tbk
AND SUBSIDIARIES



CONSOLIDATED FINANCIAL

STATEMENTS

31 DECEMBER 2010 AND 2009

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**DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

PT ADARO ENERGY Tbk AND SUBSIDIARIES

On behalf of the Board of Directors, we, the undersigned:

- | | | |
|---------------------|---|--|
| 1. Name | : | Garibaldi Thohir |
| Office address | : | Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta |
| Address of domicile | : | GD. Peluru Blok E/139, Tebet, Jakarta Selatan |
| Telephone | : | +62 21 5211265 |
| Position | : | President Director |
| | | |
| 2. Name | : | David Tendian |
| Office address | : | Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta |
| Address of domicile | : | Jl. Gunung Balong II/15, Lebak Bulus, Jakarta |
| Telephone | : | +62 21 5211265 |
| Position | : | Director |

declare that:

1. The Board of Directors are responsible for the preparation and presentation of the consolidated financial statements of PT Adaro Energy Tbk and its subsidiaries (the "Group");
2. The Group's consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts; and
4. The Board of Directors are responsible for the Group's internal control systems.

This statement is made truthfully.

For and on behalf of the Board of Directors

	
	
Garibaldi Thohir President Director	David Tendian Director

JAKARTA
15 March 2011



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF**

PT ADARO ENERGY Tbk

We have audited the accompanying consolidated balance sheets of PT Adaro Energy Tbk (the "Company") and subsidiaries as at 31 December 2010 and 2009 and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Adaro Energy Tbk and subsidiaries as at 31 December 2010 and 2009, and the results of their operations, and their cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

As disclosed in Note 32b to the consolidated financial statements, PT Adaro Indonesia, a 100% indirectly owned subsidiary, has a receivable balance relating to Value Added Tax ("VAT") input and vehicle fuel tax amounting to Rp 255,858 million (US\$28.5 million) and Rp 299,149 million (US\$33.4 million), respectively. Further, PT Adaro Indonesia has offset VAT input totalling Rp 4,000,426 million (US\$417.5 million) against royalty payments to the Government. The Government has not yet made any decision regarding this treatment. The consolidated financial statements do not include any adjustments that might ultimately result from the decision made by the Government regarding this matter.

JAKARTA
15 March 2011

Yantty, S.E., Ak., M.Ak., CPA
License of Public Accountant No. 09.1.1054

NOTICE TO READERS

The accompanying consolidated financial statements are not intended to present the financial position, results of operation and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilized to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

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**CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, except for par value and share data)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents	2a, 4	5,459,971	11,274,623
Trade receivables, net of provision for impairments of Rp nil (2009: Rp nil)			
- Third parties	2d, 6	2,476,369	2,882,459
Advances and prepayments - current portion	7	595,131	393,629
Inventories, net of provision for obsolete stock of Rp nil (2009: Rp nil)	2e, 8	288,732	250,450
Prepaid taxes	2r, 32a	643,190	304,782
Recoverable taxes	2r, 32b	705,007	653,329
Other receivables - third parties		27,966	21,160
Restricted cash and time deposits - current portion	2a, 5	2,534	-
Other current assets		<u>1,390</u>	<u>23,515</u>
Total current assets		<u>10,200,290</u>	<u>15,803,947</u>
NON-CURRENT ASSETS			
Restricted cash and time deposits - non-current portion	2a, 5	9,099	9,484
Deferred exploration and development expenditure, net of accumulated amortisation of Rp 258,569 (2009: Rp 263,978)	2l, 9	71,408	81,010
Advances and prepayments - non-current portion	7	471,567	68,561
Fixed assets, net of accumulated depreciation of Rp 3,386,721 (2009: Rp 2,633,331)	2i, 2j, 10	8,810,252	7,415,677
Investments in associates	2f, 11	3,212,904	4,776
Mining properties, net of accumulated amortisation of Rp 1,210,851 (2009: Rp 721,198)	2b, 12	9,245,886	9,791,657
Goodwill, net of accumulated amortisation of Rp 1,387,451 (2009: Rp 922,548)	2b, 13	8,462,275	9,091,776
Deferred tax assets	2r, 32e	44,293	37,587
Other non-current assets		<u>72,947</u>	<u>55,872</u>
Total non-current assets		<u>30,400,631</u>	<u>26,556,400</u>
TOTAL ASSETS		<u>40,600,921</u>	<u>42,360,347</u>

The accompanying notes form an integral part of these consolidated financial statements

**CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, except for par value and share data)

	Notes	2010	2009
CURRENT LIABILITIES			
Trade payables			
- Third parties	2k, 14	2,303,985	2,025,321
- Related parties	2k, 14, 33	109,144	142,783
Accrued expenses	2s, 15	737,982	302,161
Short-term bank loans	16	-	188,000
Taxes payable	2r, 32c	135,857	2,252,058
Royalties payable	17	682,473	738,044
Current maturity of long-term borrowings:			
- Finance lease payables	2m, 18	368,641	335,803
- Bank loans	2g, 19	1,346,980	1,823,127
Derivative liabilities - current portion	2t, 21	90,810	127,163
Other current liabilities		17,659	28,654
Total current liabilities		5,793,531	7,963,114
NON-CURRENT LIABILITIES			
Long-term borrowings, net of current maturities:			
- Finance lease payables	2m, 18	429,406	475,755
- Bank loans	2g, 19	5,102,587	5,548,196
Senior Notes	2g, 20	7,068,256	7,379,848
Derivative liabilities - non-current portion	2t, 21	55,127	40,505
Accrued stripping costs	2o, 22	308,425	365,980
Deferred tax liabilities	2r, 32f	2,981,363	2,933,399
Amounts due to related parties	33	4,495	4,700
Provision for employee benefits	2q	142,191	90,419
Provision for mine reclamation	2n	46,354	27,784
Provision for mine closure	2n	38,634	18,713
Total non-current liabilities		16,176,838	16,885,299
MINORITY INTEREST	2b, 23a	54,111	67,043
EQUITY			
Share capital - authorised 80,000,000,000 shares; issued and fully paid 31,985,962,000 shares with par value of Rp 100 per share	2w, 24	3,198,596	3,198,596
Additional paid-in-capital	2w, 25	10,732,663	10,732,663
Exchange difference due to financial statement translation	2b, 2c	(440,097)	(214,163)
Difference in value from restructuring transactions of entities under common control	2x, 26	(191,843)	(191,843)
Difference from equity changes in subsidiaries and associates		4,188	4,188
Fair value reserve		(103,683)	(112,677)
Retained earnings			
- Appropriated	28	262,723	44,360
- Unappropriated		5,113,894	3,983,767
Total equity		18,576,441	17,444,891
TOTAL LIABILITIES AND EQUITY		40,600,921	42,360,347

The accompanying notes form an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, except for basic earnings per share)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Revenue	2s, 29	24,689,333	26,938,020
Cost of revenue	2s, 30	<u>(16,957,291)</u>	<u>(15,900,123)</u>
Gross profit		7,732,042	11,037,897
Operating expenses			
Selling and marketing	2s, 31a	(497,646)	(637,457)
General and administrative	2s, 31b	<u>(460,118)</u>	<u>(471,993)</u>
Total operating expenses		<u>(957,764)</u>	<u>(1,109,450)</u>
Operating income		<u>6,774,278</u>	<u>9,928,447</u>
Other income/(expenses)			
Finance costs		(1,048,252)	(915,813)
Finance income		42,377	68,185
Loss on disposal of fixed assets	2i, 10	(51,235)	(6,650)
Foreign exchange (loss)/gain, net	2c	(28,286)	100,215
Share in net loss of associates	2f, 11	(13,485)	(19)
Gain on sale of available-for-sale investments	2g	-	37,409
Amortisation of goodwill	2b, 13	(490,045)	(507,117)
Other expenses, net		<u>(135,434)</u>	<u>(126,276)</u>
		<u>(1,724,360)</u>	<u>(1,350,066)</u>
Profit before income tax		5,049,918	8,578,381
Income tax expense	2r, 32d	<u>(2,668,668)</u>	<u>(4,119,101)</u>
Profit from ordinary activity		2,381,250	4,459,280
Extraordinary item, net of tax	41	<u>(171,544)</u>	<u>-</u>
Profit before pre-acquisition loss/(income)		2,209,706	4,459,280
Pre-acquisition loss/(income)	2b, 3	<u>200</u>	<u>(43,469)</u>
Profit before minority interest		2,209,906	4,415,811
Minority interest in net income of subsidiaries	2b, 23b	<u>(2,593)</u>	<u>(48,559)</u>
Net income		<u>2,207,313</u>	<u>4,367,252</u>
Basic earnings per share	2u, 34	<u>69.0</u>	<u>136.5</u>

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

	Share capital	Additional paid-in-capital	Exchange difference due to financial statement translation	Difference in value from restructuring transactions of entities under common control	Difference from equity changes in subsidiaries and associates	Fair value reserve	Retained earnings		Total
							Appropriated	Unappropriated	
Balance at 1 January 2009	3,198,596	10,732,663	39,926	(191,843)	4,188	(196,426)	-	422,141	14,009,245
Net income for the year	-	-	-	-	-	-	-	4,367,252	4,367,252
Appropriation of retained earnings	-	-	-	-	-	-	44,360	(44,360)	-
Payment of cash dividend	-	-	-	-	-	-	-	(761,266)	(761,266)
Changes in equity of subsidiaries related to exchange difference due to financial statement translation	-	-	(254,089)	-	-	-	-	-	(254,089)
Changes in equity of subsidiaries related to realised gain from available-for-sale investments and unrealised loss from cash flow hedges	-	-	-	-	-	83,749	-	-	83,749
Balance at 31 December 2009	3,198,596	10,732,663	(214,163)	(191,843)	4,188	(112,677)	44,360	3,983,767	17,444,891

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**
(Expressed in million Rupiah, unless otherwise stated)

	Share capital	Additional paid-in-capital	Exchange difference due to financial statement translation	Difference in value from restructuring transactions of entities under common control	Difference from equity changes in subsidiaries and associates	Fair value reserve	Retained earnings		Total
							Appropriated	Unappropriated	
Net income for the year	-	-	-	-	-	-	-	2,207,313	2,207,313
Appropriation of retained earnings	-	-	-	-	-	-	218,363	(218,363)	-
Payment of cash dividend	-	-	-	-	-	-	-	(858,823)	(858,823)
Changes in equity of subsidiaries related to exchange difference due to financial statement translation	-	-	(225,934)	-	-	-	-	-	(225,934)
Changes in equity of subsidiaries related to unrealised loss from cash flow hedges	-	-	-	-	-	8,994	-	-	8,994
Balance at 31 December 2010	3,198,596	10,732,663	(440,097)	(191,843)	4,188	(103,683)	262,723	5,113,894	18,576,441

The accompanying notes form an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED
31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, unless otherwise stated)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from customers	25,056,231	25,865,653
Payments to suppliers	(14,134,714)	(13,353,699)
Payments to employees	(740,775)	(627,951)
Receipts of finance income	33,876	67,295
Payments of royalties	(1,496,687)	(1,395,926)
Payments of income taxes	(5,039,939)	(2,867,312)
Payments of finance costs	(1,068,719)	(729,260)
Other receipts	99,382	138,475
Net cash flows provided from operating activities before extraordinary item	<u>2,708,655</u>	<u>7,097,275</u>
Payments for extraordinary demurrage	(119,027)	-
Net cash flows provided from operating activities	<u>2,589,628</u>	<u>7,097,275</u>
Cash flows from investing activities		
Purchase of fixed assets	(2,250,548)	(1,106,262)
Purchase of additional interest in subsidiary	(94,000)	(170,832)
Payments of deferred expenses	-	(8,079)
Net cash outflow from acquisition of subsidiary	(352)	(1,017,893)
Payments for investment in associates	(3,203,195)	-
Payment of advances for investments in associates	(449,544)	-
Proceeds from disposal of fixed assets	34,518	6,286
Proceeds from sales of investments in associates	83	-
Proceeds from sale of available-for-sale investments	-	1,088,814
Net cash flows used in investing activities	<u>(5,963,038)</u>	<u>(1,207,966)</u>
Cash flows from financing activities	(1,180,632)	(3,904,703)
Repayments of bank loans	363,400	2,013,300
Receipts from bank loans	-	(109,068)
Payments of finance charges	-	7,440,270
Receipts from issuance of Notes, net of issuance cost	-	(395,000)
Payments of Notes redemption	-	2,318
Receipts from issuance of new shares, net of share issuance cost	-	-
Transfer to restricted cash	(2,534)	-
Payments of dividend	(858,823)	(761,266)
Payments of obligations under finance leases	(361,763)	(656,978)
Net cash flows (used in)/provided from financing activities	<u>(2,040,352)</u>	<u>3,628,873</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,413,762)</u>	<u>9,518,182</u>
Cash and cash equivalents at the beginning of the year	11,274,623	2,415,853
Effect of exchange rate changes on cash and cash equivalents	<u>(400,890)</u>	<u>(659,412)</u>
Cash and cash equivalents at the end of the year (refer to Note 4)	<u>5,459,971</u>	<u>11,274,623</u>
Non-cash activities:		
Acquisition of assets under finance leases	384,805	347,640
Addition of investment in associates through conversion of advance for investments	26,068	-

The accompanying notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment of the Company and other information

PT Adaro Energy Tbk (the "Company") was established by Notarial Deed No. 25 dated 28 July 2004 of Sukawaty Sumadi, S.H., Notary in Jakarta. The Deed was published in State Gazette of the Republic of Indonesia No. 59, dated 25 July 2006, State Gazette Supplementary No. 8036 and was approved by the Minister of Justice of the Republic of Indonesia in Decree No. C-21493 HT.01.01.TH.2004 dated 26 August 2004. The latest amendment was made to the Articles of Association of the Company based on Notarial Deed No. 65 dated 31 October 2008 of Humbert Lie, S.H., S.E., M.Kn., to conform with the requirements of the Regulations of the Capital Market and Financial Institution Supervisory Board ("Bapepam-LK") No. IX.J.1 dated 14 May 2008 for Principles of Articles of Association of Companies which Conduct Public Offering of Equity Securities and Public Companies. The amendment of the Articles of Association was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-AH.01.10-24501, dated 1 December 2008 and No. AHU-AH.01.10-24502, dated 1 December 2008.

In July 2008, the Company conducted an Initial Public Offering ("IPO") of 11,139,331,000 shares or 34.8% of 31,985,962,000 shares issued and fully paid. The shares offered to the public in the IPO were listed on the Indonesian Stock Exchange on 16 July 2008.

In accordance with Article 3 of the Articles of Association, the Company is engaged in trading, services, industry, coal hauling, workshop activities, mining and construction. The Company's subsidiaries are engaged in coal mining, coal trading, mining contractor services, infrastructure, coal logistics and power plant services.

The Company commenced its commercial operations in July 2005. The Company's head office is domiciled in Jakarta and located at Menara Karya Building, 23rd floor, Jl. H.R. Rasuna Said Block X-5, Kav. 1-2, South Jakarta.

The Company's Boards of Commissioners and Directors were as follows:

31 December 2010

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto Lim Soon Huat
Independent Commissioners	:	Ir. Palgunadi Tatit Setyawan Dr. Ir. Raden Pardede
President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Directors	:	Sandiaga Salahuddin Uno Andre Johannes Mamuaya David Tendian Chia Ah Hoo Alastair Bruce Grant

31 December 2009

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto Lim Soon Huat
Independent Commissioners	:	Ir. Palgunadi Tatit Setyawan
President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Directors	:	Sandiaga Salahuddin Uno Andre Johannes Mamuaya David Tendian Chia Ah Hoo Alastair Bruce Grant

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)**a. Establishment of the Company and other information** (continued)

The composition of the Company's Audit Committee as at the date of these consolidated financial statements was as follows:

Chairman	:	Ir. Palgunadi Tatit Setyawan
Members	:	Prof. Dr. Ir. Irwandy Arif, MSc Mamat Ma'mun, SE.

The Boards of Commissioners and Directors of the Company and its subsidiaries (collectively the "Group") received remuneration amounting to Rp 50,523 for the year ended 31 December 2010 (2009: Rp 39,642).

As at 31 December 2010, the Group had 6,242 employees (2009: 6,004 employees) (unaudited).

b. Subsidiaries

The Company has direct and indirect ownerships in the following subsidiaries:

Subsidiaries	Business activity	Domicile	Commencement of commercial operations	Year of acquisition	Percentage of ownership (%)		Total assets (in billion Rupiah, before elimination)	
					2010	2009	2010	2009
Direct								
PT Alam Tri Abadi ("ATA") ⁴⁸	Trading and service	Indonesia	2007	2005	100%	100%	37,626	37,659
PT Saptalindra Sejati ("SIS") ⁴⁹	Mining services	Indonesia	2002	2005	100%	97%	4,330	4,333
PT Makmur Sejahtera Wisesa ("MSW")	Trading and power plant service	Indonesia	-	2005	100%	100%	736	375
Indirect								
PT Adaro Indonesia ("Adaro")	Mining	Indonesia	1992	2005	100%	100%	16,948	21,652
PT Dianlia Setyamukti ("Dianlia")	Investment	Indonesia	1995	2005	100%	100%	164	142
PT Jasapower Indonesia ("JPI") ⁴⁹	Trading	Indonesia	-	2007	100%	100%	469	580
PT Biscayne Investments ("Biscayne") ⁴⁹	Investment	Indonesia	-	2007	100%	100%	880	903
PT Indonesia Bulk Terminal ("IBT")	Coal handling	Indonesia	1997	2007	100%	100%	848	1,683
PT Satya Mandiri Persada ("SMP")	Service	Indonesia	2006	2006	100%	97%	53	53
Rach (Mauritius) Ltd ("Rach (M)")	Investment	Mauritius	-	2007	100%	100%	-	-
Rachpore Investments Pte Ltd ("Rachpore") ⁴⁹	Investment	Singapore	-	2007	100%	100%	217	236
Arindo Holdings (Mauritius) Ltd ("Arindo Holdings") ⁴⁹	Investment	Mauritius	-	2008	100%	100%	3,665	4,058
Vindoor Investments (Mauritius) Ltd ("Vindoor") ⁴⁹	Investment	Mauritius	-	2008	100%	100%	1,513	2,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries (continued)

Subsidiaries	Business activity	Domicile	Commencement of commercial operations	Year of acquisition	Percentage of ownership (%)		Total assets (in billion Rupiah, before elimination)	
					2010	2009	2010	2009
<i>Indirect (continued)</i>								
Coaltrade Services Internasional Pte Ltd ("Coaltrade")	Coal trading	Singapore	2001	2008	100%	100%	1,513	2,152
PT Viscaya Investments ("Viscaya") ⁴⁰	Investment	Indonesia	-	2008	100%	100%	1,562	2,372
Ariane Investments Pty Ltd ⁵¹	Investment	Australia	-	2008	100%	100%	-	473
Indonesia Coal Pty Ltd ⁵¹	Investment	Australia	-	2008	100%	100%	-	473
Rachmalta Investment Ltd ("Rachmalta")	Investment	Malta	-	2008	100%	100%	60	63
PT Sarana Daya Mandiri ("SDM")	Service	Indonesia	2009	2008	51%	51%	481	560
Coronado Holdings Pte Ltd ("Coronado")	Investment	Singapore	-	2009	86%	86%	37	46
Orchard Maritime Logistics Pte Ltd ("OML") ⁴⁰	Coal handling and barging	Singapore	2006	2009	95%	95%	269	465
Orchard Maritime Netherlands B.V. ("OMN")	Investment	Netherlands	-	2009	95%	95%	3	3
PT Sarana Multi Persada ("Sarana") ⁴⁰	Investment	Indonesia	-	2009	100%	100%	1,221	1,261
PT Maritim Barito Perkasa ("MBP")	Coal handling and barging	Indonesia	2004	2009	100%	100%	1,212	1,244
PT Harapan Bahtera Internusa ("HBI")	Coal handling and barging	Indonesia	2004	2009	100%	100%	9	13
PT Maritim Indonesia ("Marindo")	Service	Indonesia	-	2009	72%	72%	6	6
Joyce Corner International Ltd ("JCI")	Investment	Seychelles	-	2009	100%	80%	450	94
PT Adaro Power ("Adaro Power")	Service	Indonesia	-	2010	100%	-	-	-
PT Puradika Bongkar Muat Makmur ("PBMM")	Service	Indonesia	-	2010	100%	-	-	-

⁴⁰ and subsidiaries
⁵¹ have been liquidated

c. Coal Cooperation Agreement

Adaro's activities are governed by the provision of the Coal Cooperation Agreement (the "CCA") which was entered into by Adaro and PT Tambang Batubara Bukit Asam (Persero) Tbk ("PTBA"), formerly Perusahaan Negara Tambang Batubara, on 16 November 1982. Based on Presidential Decree No. 75/1996 dated 25 September 1996 and the amendment to the CCA No. J2/Ji.DU/52/82 between PTBA and Adaro on 27 June 1997, all rights and obligations of PTBA under the CCA were transferred to the Government of the Republic of Indonesia (the "Government") represented by the Minister of Mines and Energy, effective from 1 July 1997.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Coal Cooperation Agreement (continued)

Under the terms of the CCA, Adaro acts as a contractor for the Government which is responsible for coal mining operations in an area located in South Kalimantan. Adaro commenced its 30-year operating period on 1 October 1992 with coal produced from the Paringin area of interest. Adaro is entitled to 86.5% of the coal produced with the remaining 13.5% being the Government's share of production. Commencing on 1 July 1999, Adaro adopted the sales-based cash royalty method in accordance with government regulations to satisfy the Government's production entitlement.

Adaro's sales reflect 100% of the revenue generated from coal sales and the government royalty expense is recorded as a cost of revenue.

d. Cooperation Agreement

On 25 August 1990, IBT entered into a Basic Agreement with PT (Persero) Pelabuhan Indonesia III (formerly Perum Pelabuhan III) ("Pelindo III") for the construction, development and operation of a Public Coal Port in Pulau Laut, South Kalimantan. On 10 November 1994, IBT and Pelindo III amended the Basic Agreement to become the Cooperation Agreement. Under the terms of the Cooperation Agreement, IBT commenced a 30-year operating period on 21 August 1997.

According to the Cooperation Agreement, IBT has an obligation to pay royalties to Pelindo III based on a certain percentage of revenue from coal bulk terminal management services. As at 31 December 2010, the rate charged to IBT was 4% (2009: 4%).

On 18 August 2009, IBT and Pelindo III amended the Cooperation Agreement in relation to the expansion of IBT's business to include management of the liquid bulk terminal. Based on the agreement, IBT has an obligation to pay to Pelindo III a share of the handling fee for the management of the liquid bulk terminal services for a certain amount per tonnes for unloading and loading activities.

On 9 February 2011, IBT and Pelindo III agreed to change the royalty for the management of the coal bulk terminal services from percentage of revenue to fixed amount per tonnes. The new rate is effective from 1 January 2010 up to 31 August 2012.

e. Barito Channel Cooperation Agreement

On 28 August 2007, PT Ambang Barito Nusapersada ("Ambapers") appointed SDM as the partner to execute Barito Channel dredging, which includes the activity of river mouth dredging, maintenance dredging and financing the channel dredging project. On 25 March 2008, SDM entered into a Cooperation Agreement with Ambapers to execute such an appointment. The term of the agreement is 15 years commencing on the date on which the channel utilisation service fee is charged by Ambapers. Afterwards, SDM will be given the first right to consider extension or refusal to extend for the next five years, with a guarantee from Ambapers that the terms and conditions of the agreement will be mutual for SDM.

Ambapers will charge the channel fee for every ship which passes through the Barito Channel based on the regulations determined by the local government. Revenue from channel fees will be distributed to the local government, Ambapers and SDM in the determined proportions on the fifth day of the following month.

f. Coal reserves

Based on the report from Terence Willstead & Associates dated 13 March 2009, the coal reserves of Adaro as at 31 December 2008, were as follows (in million tonnes):

<u>Coal reserves</u>	<u>Proven reserves</u>	<u>Probable reserves</u>	<u>Total</u>
Tutupan	432	156	588
Wara	198	84	282
	<u>630</u>	<u>240</u>	<u>870</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)

g. Exploitation/development area

Name of Location	Exploration Licence Acquisition Date	Due Date	Total Proven Reserves as at 31 December 2009 (Tonnes)	Total Production (Tonnes)		Total Proven Reserves as at 31 December 2010 (Tonnes)
				Current Year	Accumulated	
Wara	PKP2B - 16 November 1982	1 October 2022	198,000,000	2,548,126	2,548,126	195,451,874
Tutupan			391,409,811	39,650,482	369,769,505	351,759,329
Total			589,409,811	42,198,608	372,317,631	547,211,203

Adaro does not have any new exploration areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated financial statements were prepared and finalised by the Board of Directors on 15 March 2011.

Presented below are the significant accounting policies adopted in preparing the consolidated financial statements of the Group, which are in conformity with accounting principles generally accepted in Indonesia. The consolidated financial statements are also prepared in conformity with Bapepam-LK No. VIII.G.7 for Guidance on Financial Statement Presentation and Circular Letter of Bapepam-LK No. SE-02/BL/2008 dated 31 January 2008 for Guidance on the Preparation and Disclosure of Financial Statements of an Issuer or Public Company in the General Mining Industry.

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the basis of historical cost, except for available-for-sale financial assets and financial assets and financial liabilities (including derivative instrument) measured at fair value through profit or loss statement.

The consolidated statement of cash flows has been prepared based on the direct method by classifying the cash flows on the basis of operating, investing and financing activities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, cash in banks and short-term investments with a maturity of three months or less, net of overdrafts.

Figures in the consolidated financial statements are expressed in million Rupiah, unless otherwise stated.

b. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which the Company directly or indirectly has ownership of more than 50% of voting rights, or if equal to or less than 50%, the Company has the ability to control the subsidiaries. The subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date of disposal.

The effect of all transactions and balances between companies in the Group has been eliminated in preparing the consolidated financial statements.

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the subsidiaries unless otherwise stated.

The accounts of the foreign operations that are integral to the Company are translated as if the foreign operations' transactions were the Company's own transactions.

For domestic and foreign subsidiaries that are not integral to the Company's operation and for which the functional currency is not Rupiah, the assets and liabilities are translated into Rupiah at the exchange rates prevailing at the balance sheet date. The equity is translated at historical exchange rates. The revenue and expenses are translated at average exchange rates for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

The net difference in the translation of the subsidiaries' financial statements is presented as an "exchange difference due to financial statement translation" under the equity section in the consolidated balance sheet.

The exchange rates of United States Dollars ("US Dollars") to Rupiah (Rupiah full amount) used in respect of the consolidation process of domestic and foreign subsidiaries which are not integral to the Company's operations for 31 December 2010 and 2009 were as follows:

	Exchange rates at the balance sheet date		Average exchange rates	
	2010	2009	2010	2009
US Dollars 1/Rupiah	8,991	9,400	9,085	10,398

Exchange differences arising from a monetary item that, in substance, forms part of the Group's net investment in a foreign entity are presented as an "exchange difference due to financial statement translation" under the equity section in the Group's consolidated balance sheet until the disposal of the net investment, at which time an exchange difference is recognised as income or expense.

The proportionate share of minority shareholders in the net assets of subsidiaries is presented as "minority interest" in the consolidated balance sheet.

Minority interest is not recognised in respect of subsidiaries with a deficit in equity, unless the minority shareholders have a contractual obligation to fund the deficit.

The proportionate share of minority shareholders in net income/(loss) prior to acquisition is recorded as pre-acquisition (income)/loss in the consolidated statement of income.

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill is amortised over a period of 5 - 20 years using the straight-line method. Management determines the estimated useful life of goodwill based on its evaluation at the time of the acquisition, considering inherent factors of the acquired companies.

Mining properties represent the fair value adjustment of mining properties acquired at the date of acquisition of Adaro and are stated at cost. Mining properties are amortised over the life of the property using the units of production method from the date of the acquisition based on estimated proven reserves. Changes in estimated proven reserves are accounted for on a prospective basis, from the beginning of the period in which the change occurs.

c. Foreign currency translation

Transactions denominated in currencies other than Rupiah are converted into Rupiah at the exchange rate prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities in currencies other than Rupiah are translated at the exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities in currencies other than Rupiah are recognised in the consolidated statement of income.

At the balance sheet date, the exchange rates used, based on the middle rates published by Bank Indonesia, were as follows (Rupiah full amount):

	2010	2009
US Dollars ("US\$")	8,991	9,400
Great Britain Pound Sterling ("£")	13,894	15,114
Hong Kong Dollars ("HK\$")	1,155	1,212
Malaysian Ringgit ("RM")	2,916	2,747
Singapore Dollars ("S\$")	6,981	6,699
Australian Dollars ("A\$")	9,143	8,432
Euro ("€")	11,956	13,510
Japanese Yen ("¥")	110	102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**d. Trade receivables**

Trade receivables are amounts due from customers for coal sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

e. Inventories

Coal inventory is valued at the lower of cost or net realisable value. Cost is determined based on the average cost basis and includes an appropriate portion of fixed and variable overheads. Net realisable value is the estimated sales amount in the ordinary course of business less the costs of completion and selling expenses.

Spare parts, fuel, lubricants and supplies are valued at cost, determined on an average cost basis, less provision for obsolete and slow moving inventory. A provision for obsolete and slow moving inventory is determined on the basis of estimated future usage or sale of individual inventory items. Supplies of maintenance materials are charged to production costs in the period in which they are used.

f. Investments in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and initially recognised at cost. The Group's investment in associates includes mining properties identified at acquisition, net of any accumulated impairment loss. See Note 2j for the impairment of non-financial assets including mining properties.

Under the equity method, the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the investee or to recognise share of movement in reserves of the investee after the date of acquisition. Profit distributions (except stock dividends) received from the investee reduce the carrying amount of the investment. The Group's share of profit or losses is recognised in the consolidated statement of income and its share of movement in reserves after the date of acquisition is recognised in equity.

Under the equity method, if the Group's share of losses in an associate equal or exceed the carrying amount of the investment, the investment will be reported at zero value. Subsequent losses will be accrued by the Group if a liability has arisen or if the Group pays the associate's liabilities guaranteed by the Group. If the associate subsequently reports profits, the Group will recognise income only after its share of the profits equals the share of net losses not recognised.

When there is a permanent decline in the value of an investment in an associate, the carrying amount is reduced to recognise the decline. As many investments in associates are of individual importance to the Group, the carrying amount is determined for each associate individually.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates will be changed where necessary to ensure consistency with the policies adopted by the Group.

g. Financial assets and liabilities

On 1 January 2010, the Group has adopted Statement of Financial Accounting Standards ("SFAS") No. 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures" and SFAS No. 55 (Revised 2006) "Financial Instruments: Recognition and Measurement", which are applicable for financial statements covering periods beginning on or after 1 January 2010. As disclosed in Note 43, the adoption of SFAS No. 50 (Revised 2006) and SFAS No. 55 (Revised 2006) has affected only the reclassification of accounts for the 2009 consolidated financial statements.

g.1. Financial assets

The Group classifies its financial assets into the categories of: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**g. Financial assets and liabilities** (continued)**g.1. Financial assets** (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial assets is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are financial guarantee contracts or designated and effective hedging instruments. Gain or losses arising from changes in fair value of the financial assets are presented in the consolidated statement of income within "other gains/(losses)-net" in the period in which they arised. Dividend income from the financial assets is recognised in the consolidated statement of income as part of other income when the Group's right to receive payment is established.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income, and subsequently carried at fair value.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determined payments and fixed maturities that the Group has the positive intention and ability to hold the financial assets to its maturity, except for:

- (a) investments that upon initial recognition are designated as financial assets at fair value through profit or loss;
- (b) investments that are designated in the category of available-for-sale; and
- (c) investments that meet the definition of loans and receivables.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Held-to-maturity investments are initially recognised at fair value including directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

Interest on the investments calculated using the effective interest method is recognised in the consolidated statement of income as part of other income.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments and not quoted in an active market. They are included in current assets, except for maturities more than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and receivables are initially recognised at fair value including directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans or receivables, held-to-maturity investments and financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, including directly attributable transaction costs. Subsequently, the financial assets are carried at fair value, with gains or losses recognised in equity, except for impairment losses and foreign exchange gains or losses, until the financial assets are derecognised. If the available-for-sale financial assets are impaired, the cumulative gain or loss previously recognised in equity, is recognised in the consolidated statement of income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of income as part of other income. Dividend on available-for-sale equity instruments are recognised in the consolidated statement of income as part of other income when the Group's right to receive the payment is established.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**g. Financial assets and liabilities** (continued)**g.2. Financial liabilities**

The Group classifies its financial liabilities into the categories of: (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities carried at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition. Financial liabilities are derecognised when it is extinguished which is the obligation specified in the contract is discharged or cancelled or expires.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liabilities is classified in this category if incurred principally for the purpose of repurchasing it in the short-term.

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value, with gains or losses recognised in the consolidated statement of income.

(ii) Financial liabilities carried at amortised cost

Financial liabilities that are not classified as financial liabilities carried at fair value through profit or loss, are initially recognised at fair value, including directly attributable transaction costs. Subsequently, the financial liabilities are carried at amortised cost using the effective interest method. They are included in current liabilities, except for maturities more than 12 months after the end of reporting period. These are classified as non-current liabilities.

Gains and losses are recognised in the consolidated statement of income when the financial liabilities are derecognised or impaired, as well as through the amortisation process.

g.3. Fair value estimation

The Group uses widely recognised valuation models for determining fair values of nonstandardised financial instruments of lower complexity, such as fuel hedging and foreign exchange forward contracts. For these financial instruments, inputs into models are generally market observable.

g.4. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

h. Impairment of financial assets**h.1. Assets carried at amortised cost**

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lenders, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lenders would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Impairment of financial assets (continued)

h.1. Assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss will be reversed either directly or by adjusting an allowance account. The reversal will not result in carrying of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment reversed. The reversal amount will be recognised in the consolidated statement of income.

h.2. Assets classified as available-for-sale

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the assets are impaired, the cumulative loss that had been recognised in the equity will be reclassified from equity to profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is reclassified from equity to consolidated statement of income will be the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income.

The impairment losses recognised in the consolidated statement of income for an investment in an equity instrument classified as available-for-sale will not be reversed through profit and loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

i. Fixed assets and depreciation

Land is recognised at cost and not depreciated.

Fixed assets, are initially recognised at cost and subsequently, except for land, carried at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets, except land and fixed assets of Adaro, are depreciated to their estimated residual value using the straight-line method over the expected useful lives as follows:

	<u>Years</u>
Buildings	20
Infrastructure	5 - 30
Operational equipment	6 - 10
Vessels	5 - 20
Project equipment	4
Mining equipment	4
Vehicles	4
Office equipment	4 - 5

The fixed assets of Adaro are depreciated using the straight-line method to their estimated residual value, over the lesser of the estimated useful lives of the assets, the life of the mine or the term of the CCA, stated as follows:

	<u>Years</u>
Buildings	10 - 20
Machinery, operational equipment and vehicles	3 - 10
Office equipment	10
Crushing and handling facilities	13 - 30
Roads and bridges	13 - 30
Stockpile facilities	17 - 20
Dock facilities	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed assets and depreciation (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

The assets' useful lives and residual values shall be reviewed, and adjusted if appropriate, at least at the financial year-end. The effects of any revisions are recognised in the consolidated statement of income, prospectively.

For assets which are no longer utilised or sold or surrendered to the Government, the carrying amounts are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the consolidated statement of income.

The accumulated costs of the construction of buildings and plants and the installation of machinery are capitalised as construction in progress. These costs are reclassified to the fixed asset accounts when the construction or installation is completed. Depreciation is charged from that date.

Interest and other borrowing costs, such as discount fees on loans either directly or indirectly used in financing the construction of a qualifying asset, are capitalised up to the date when construction is complete. For borrowings directly attributable to a qualifying asset, the amount to be capitalised is determined as the actual borrowing costs incurred during the year, less any income earned on the temporary investment of such borrowings. For borrowings that are not directly attributable to a qualifying asset, the amount to be capitalised is determined by applying a capitalisation rate to the amount expended on the qualifying asset. The capitalisation rate is the weighted-average of the borrowing costs applicable to the total borrowings outstanding during the period, excluding borrowings directly attributable to financing the qualifying asset under construction.

j. Impairment of non-financial assets

At the balance sheet date, the Group undertakes a review to determine whether there is any indication of asset impairment.

Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Reversal of impairment is recorded as income in the period when the reversal occurs.

k. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

l. Deferred exploration and development expenditure

Deferred exploration expenditure represents the accumulated costs relating to general investigation, permission and administrative, geology and geophysical, exploration drilling and evaluation, that is incurred to search, discovery and evaluation of proven reserves in a specific mining area during a specific time period in accordance with statutory regulations.

Exploration expenditure incurred is capitalised and carried forward, on an area of interest basis, provided one of the following conditions is met:

- (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- (ii) exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area of interest are continuing.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Derivative financial instruments and hedging activities (continued)

(i) fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated statement of income, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to the effective portion of such fair value hedge is recognised in the consolidated statement of income in the similar line of changes in the fair value of the hedge items being charged to. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

(ii) cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within the "fair value reserve" account. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the cash flow hedge is recognised in the consolidated statement of income in the similar line of the hedged items usually being charged to. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of income within "other gains/(losses)-net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income within "other gains/(losses)-net".

Changes in the fair value of any derivative instruments that are not designated or do not qualify for hedge accounting are recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

u. Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income adjusted for interest expense and foreign exchange gains or losses on convertible bonds, and its related tax effects, by the weighted-average number of issued and fully paid up shares during the period, assuming that all options have been exercised and all convertible bonds have been converted.

v. Segment reporting

A business segment is a distinguishable component in providing a product or service which is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group segments its financial reporting as follows:

- (i) business segments (primary), where the Group's business activities are classified into coal mining and trading, mining services and others (coal handling and barging services, power producer, channel dredging and maintenance and building management); and
- (ii) geographical segments (secondary) in which sales are classified based on target market areas.

w. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Environmental obligations (continued)

A liability for asset retirement obligation is incurred over more than one reporting period when the events that create the obligation occur over more than one reporting period. For example, if a facility is permanently closed but the closure plan is developed over more than one reporting period, the cost of the closure of the facility is incurred over those reporting periods when the closure plan is finalised. Any incremental liability incurred in a subsequent reporting period is considered to be an additional layer of the original liability. Each layer is initially measured at fair value. A separate layer will be measured, recognised and accounted for prospectively. The obligations consist primarily of costs associated with mine reclamation, decommissioning and demobilisation of facilities and other closure activities.

Provision for environmental issues that may not involve the retirement of an asset, where the Group is a responsible party are recognised when:

- the Group has a present legal or constructive obligations as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provision is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

o. Stripping costs

Stripping costs are recognised as production costs based on the annual planned stripping ratio. The annual planned stripping ratio is determined based on current knowledge of the disposition of coal resources and is estimated not to be materially different from the long term planned stripping ratio. If the actual stripping ratio exceeds the planned ratio, the excess stripping costs are recorded in the consolidated balance sheet as deferred stripping costs. If the actual stripping ratio is lower than the planned stripping ratio, the difference is adjusted against the amount of deferred stripping costs carried forward from prior periods or is recognised in the consolidated balance sheet as accrued stripping costs. Changes in the planned stripping ratio are considered as changes in estimates and are accounted for on a prospective basis. The beginning balance of accrued or deferred stripping costs are amortised using a straight-line basis over the remaining mine life or the remaining term of the CCA, whichever is shorter.

p. Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method for fixed interest rate borrowings and the straight-line method for floating rate borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawdown. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawdown, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

q. Provision for employee benefits

(i) Post-retirement benefit obligations

Post-retirement benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a post-retirement benefit plan under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Provision for employee benefits (continued)

(i) Post-retirement benefit obligations (continued)

The Group is required to provide a minimum amount of pension benefit in accordance with Labour Law No. 13/2003 or the Group's Collective Labour Agreement (the "CLA"), whichever is higher. Since the Labour Law or the CLA sets the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law or the CLA represent defined benefit plans.

The liability recognised in the consolidated balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality government bonds (considering currently there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating the terms of the related pension liability.

Expense charged to the consolidated statement of income includes the current service cost, interest expense, amortisation of past service cost and actuarial gains and losses.

Past-service costs are recognised immediately in the consolidated statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, when exceeding 10% of the present value of the defined benefit obligation (before deducting any plan assets) or 10% of the fair value of any plan assets at the balance sheet date, are charged or credited to the consolidated statement of income over the average remaining service lives of the employees participating in the plan.

For a defined contribution plan, when an employee has rendered service to the Group during a period, the Group will recognise the contribution payable to a defined contribution plan in exchange of that service:

- as liability after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the balance sheet date, the Group will recognise that excess as an asset to the extent that the asset will lead to a reduction in future payments or a cash refund; and
- as an expense, unless accounting standard requires or permits the inclusion of the contribution in the cost of an asset.

(ii) Termination benefits

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises the termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

r. Taxation

The tax expense comprises current and deferred income tax. The tax expense is recognised in the consolidated statement of income, except to the extent that it relates to items recognised directly in equity. In this case the tax expense is also recognised directly in equity.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The tax rate used to calculate the deferred income tax by the Company and its subsidiaries, except for Adaro, is the current or substantially enacted tax rate. The tax rate used by Adaro is, according to the CCA, 35% for the first ten years from the date of the agreement and 45% for the subsequent years.

Deferred tax assets relating to future tax benefits and the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the future tax benefits and unused tax losses can be utilised.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Taxation (continued)

For income which is subject to final tax, income tax expense is recognised proportionally with revenue recognised in the current period. The difference between the amount of final tax payable and the amount charged as current tax for calculation of profit or loss is recognised as prepaid tax or accrued tax.

Amendments to taxation obligations are recorded when an assessment letter is received or, if objected to or appealed against, when the results of the objection or appeal are determined.

s. Revenue and expense recognition

Revenue is recognised from the sale of the Group's products and services, net of returns, trade allowances, duties and Value Added Tax ("VAT").

Revenue from sales of goods is recognised when all the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred with respect to the sales transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction, can be measured reliably.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Advances from customers are recognised when the proceeds are received, but the coal has not been delivered or the service has not been rendered yet. Advances from customers are subsequently reduced when the Group recognises the revenue. Advances from customers are classified as current liability, except for the amount which is not expected to be earned within 12 months from the balance sheet date.

Expenses are recognised as incurred on an accrual basis.

t. Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss (fair value hedge); or (2) a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Derivative financial instruments and hedging activities (continued)

(i) fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated statement of income, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to the effective portion of such fair value hedge is recognised in the consolidated statement of income in the similar line of changes in the fair value of the hedge items being charged to. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

(ii) cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within the "fair value reserve" account. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the cash flow hedge is recognised in the consolidated statement of income in the similar line of the hedged items usually being charged to. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of income within "other gains/(losses)-net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income within "other gains/(losses)-net".

Changes in the fair value of any derivative instruments that are not designated or do not qualify for hedge accounting are recognised immediately in the consolidated statement of income within "other gains/(losses)-net".

u. Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income adjusted for interest expense and foreign exchange gains or losses on convertible bonds, and its related tax effects, by the weighted-average number of issued and fully paid up shares during the period, assuming that all options have been exercised and all convertible bonds have been converted.

v. Segment reporting

A business segment is a distinguishable component in providing a product or service which is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group segments its financial reporting as follows:

- (i) business segments (primary), where the Group's business activities are classified into coal mining and trading, mining services and others (coal handling and barging services, power producer, channel dredging and maintenance and building management); and
- (ii) geographical segments (secondary) in which sales are classified based on target market areas.

w. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Difference in value from restructuring transactions of entities under common control

Restructuring transactions among entities under common control are accounted for using the pooling-of-interests method.

The difference between the transfer price and the book value of each restructuring transaction among entities under common control is recorded under the account "difference in value from restructuring transactions of entities under common control" in the equity section of the consolidated balance sheet.

The balance of the account "difference in value from restructuring transactions of entities under common control" can change when:

- (i) there are reciprocal transactions between entities under common control;
- (ii) there is quasi-reorganisation;
- (iii) under common control status is lost between transacting entities; or
- (iv) there is a transfer of the assets, liabilities, share or other ownership instruments that has caused the difference from restructuring transactions of entities under common control to another party that is not under common control.

When changes in the balance of this account result from point (i), the existing balance is netted-off with the new transaction, hence creating a new balance for the account.

When changes in the balance of the account come from point (ii), the balance is used to eliminate or add to the negative retained earnings balance.

When changes in the balance of the account come from points (iii) or (iv), the balance is recognised as realised gain or loss.

y. Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared.

z. Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results could differ from those estimates.

3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES

a. Acquisition of Joyce Corner International Ltd

On 9 November 2009, ATA acquired a 80% interest in JCI for US\$40,000,000. JCI owns 14.08% interest in SIS. From this transaction, the Company's direct and indirect interest in SIS and SMP increased from 85.92% to 97.18%. The details of the net assets acquired and goodwill are as follows:

	<u>2009</u>
Purchase consideration through cash payment	381,800
Fair value of net assets acquired	<u>(62,187)</u>
Goodwill	<u>319,613</u>

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3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES (continued)

a. Acquisition of Joyce Corner International Ltd (continued)

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2009</u>
Investment in equity securities	95,450
Net assets	95,450
Interest acquired	<u>80%</u>
Net assets acquired	76,360
Adjustment to the net assets acquired due to recognition of carrying value of investment using equity method	(14,173)
Goodwill	<u>319,613</u>
Purchase consideration through cash payment	381,800
Cash and cash equivalents in JCI	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u>381,800</u>

From this transaction, the Group recognised pre-acquisition income amounting to Rp 18,667 in the consolidated financial statements for the year ended 31 December 2009.

On 27 January 2010, ATA acquired an additional 20% interest in JCI for US\$10,000,000. From this transaction, the Company's direct and indirect interest in SIS and SMP increased from 97.18% to 100%. The details of the net assets acquired and goodwill are as follows:

	<u>2010</u>
Purchase consideration through cash payment	94,000
Fair value of net assets acquired	<u>(15,721)</u>
Goodwill	<u>78,279</u>

b. Acquisition of PT Makmur Sejahtera Wisesa

On 16 July 2009, PT Makmur Sejahtera Wisesa ("MSW") increased its issued and paid in capital through the issuance of 824,960 new shares with a par value of Rp 50,000 (full amount) per share. The Company acquired 824,960 of the new shares issued amounting to Rp 41,248, and the Company's interest in MSW increased from 99.92% to 99.93%.

	<u>2009</u>
Purchase consideration through cash payment	41,248
Fair value of net assets acquired	<u>(41,247)</u>
Goodwill	<u>1</u>

On 1 October 2009, ATA purchased a 0.07% interest in MSW from PT Akarya International for Rp 192. From this transaction, the Company owns 100% direct and indirect interest in MSW.

	<u>2009</u>
Purchase consideration through cash payment	192
Fair value of net assets acquired	<u>(163)</u>
Goodwill	<u>29</u>

From this transaction, the Group recognised pre-acquisition loss amounting to Rp 26 in the consolidated financial statements for the year ended 31 December 2009.

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3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES (continued)

c. Acquisition of PT Sarana Daya Mandiri

On 29 May 2009, SDM increased its issued and paid in capital through the issuance of 4,750 new shares with a par value of Rp 1,000,000 (full amount) per share. ATA acquired 2,432 shares from 4,750 of the new shares issued amounting to Rp 2,432. This transaction resulted in no changes to the ownership of the Group.

	<u>2009</u>
Purchase consideration through cash payment	2,432
Fair value of net assets acquired	<u>(2,432)</u>
Goodwill	<u>-</u>

d. Acquisition of Coronado Holdings Pte Ltd and Orchard Maritime Logistics Pte Ltd

On 30 April 2009, JPI acquired a 86% interest in Coronado, a 43.2% interest in OML and Coronado's previous shareholder receivables amounting to US\$2,237,124, for a total cost of US\$78,550,000. Coronado owns a 36% interest in OML (which has ownership in OMN of 100%). Through these transactions, JPI owns direct and indirect interest in OML of 74.16%. As such, OML was consolidated in the Group's consolidated financial statements for the year ended 31 December 2009.

i. Acquisition of Coronado Holdings Pte Ltd

	<u>2009</u>
Purchase consideration through cash payment	352,015
Assignment of receivables from previous shareholders	<u>(23,966)</u>
Purchase consideration	328,049
Book value of net assets acquired	(12,767)
Adjustment related to fair value of OML's fixed assets	<u>(100,694)</u>
Goodwill	<u>214,588</u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2009</u>
Cash and cash equivalents	58
Prepayments	12
Investment in equity securities	42,677
Accrued expenses	(89)
Loans from shareholders	<u>(27,813)</u>
Net assets	14,845
Adjustment due to difference between OML's net assets and Coronado's:	
- Investment in OML	9,067
- Negative goodwill	<u>(9,067)</u>
Interest acquired	<u>86%</u>
Net assets acquired	12,767
Goodwill	214,588
Adjustment related to fair value of OML's fixed assets	100,694
Assignment of receivables from previous shareholders	<u>23,966</u>
Purchase consideration through cash payment	352,015
Cash and cash equivalents in Coronado	<u>(58)</u>
Net cash outflow from acquisition of subsidiary	<u>351,957</u>

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3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES (continued)

d. Acquisition of Coronado Holdings Pte Ltd and Orchard Maritime Logistics Pte Ltd (continued)

ii. Acquisition of Orchard Maritime Logistics Pte Ltd

	<u>2009</u>
Purchase consideration through cash payment	491,184
Investment in OML through acquisition of Coronado	152,438
Book value of net assets acquired	(113,835)
Adjustment to fair value of fixed assets	<u>(237,736)</u>
Goodwill	<u>292,051</u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2009</u>
Cash and cash equivalents	200,772
Trade receivables	148,999
Prepayments and other receivables	9,874
Inventories	24,229
Deferred expenses	795
Amounts due from related parties	6,682
Fixed assets, net	1,134,854
Goodwill	337,538
Investment in equity securities	3,634
Trade payables	(6,530)
Accrued expenses	(14,409)
Amounts due to related parties	(6,437)
Taxes payable	(2,175)
Finance lease payables	(258,916)
Bank loans	(911,141)
Notes	<u>(524,038)</u>
Net assets	143,731
Interest acquired	<u>79.2%</u>
Net assets acquired	113,835
Goodwill	292,051
Adjustment to fair value of fixed assets	237,736
Investment in OML through acquisition of Coronado	<u>(152,438)</u>
Purchase consideration through cash payment	491,184
Cash and cash equivalents in OML	<u>(200,772)</u>
Net cash outflow from acquisition of subsidiary	<u>290,412</u>

On 22 October 2009, ATA acquired a 20.8% interest in OML for US\$18,000,000. Through this transaction, ATA owns direct and indirect interest in OML of 94.96%.

	<u>2009</u>
Purchase consideration through cash payment	170,640
Book value of net assets acquired	(37,870)
Adjustment to fair value of fixed assets	<u>(59,004)</u>
Goodwill	<u>73,766</u>

By consolidating the financial statements of Coronado and the consolidated financial statements of OML, the Group recorded pre-acquisition income of Rp 22,840 in the consolidated financial statements for the year ended 31 December 2009.

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3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES (continued)

e. Acquisition of PT Sarana Multi Persada

On 5 October 2009, ATA and JPI acquired a 100% interest in Sarana for Rp 250. Sarana owns a 99.99% interest in HBI, 99.83% interest in MBP and 25.50% interest in Marindo.

	<u>2009</u>
Purchase consideration through cash payment	250
Fair value of net assets acquired	<u>(1,548)</u>
Negative goodwill	<u>(1,298)</u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2009</u>
Cash and cash equivalents	5,082
Trade receivables	5,076
Other receivables	11,376
Prepayments	1,523
Fixed assets, net	16,799
Investment in equity securities	1,540
Other assets	102
Trade payables	(5,295)
Other payables	(28,483)
Taxes payable	(702)
Amounts due to related parties	(3,549)
Finance lease payables	(1,081)
Provision for employee benefits	(823)
Minority interest	(17)
Net assets acquired	1,548
Negative goodwill	<u>(1,298)</u>
Purchase consideration through cash payment	250
Cash and cash equivalents in Sarana	<u>(5,082)</u>
Net cash inflow from acquisition of subsidiary	<u>(4,832)</u>

From this transaction, the Group recognised pre-acquisition income amounting to Rp 1,988 in the consolidated financial statements for the year ended 31 December 2009.

Through its ownership in Sarana, ATA has indirect ownership of 99.83% in MBP and 99.99% in HBI.

Through its ownership in OML and Sarana, ATA has indirect ownership of 72% in Marindo and consolidated Marindo's financial statement, which has cash and cash equivalents amounting to Rp 1,444 in the consolidated financial statements for the year ended 31 December 2009.

On 8 December 2009, Sarana increased its authorised shares from Rp 1,000 to Rp 13,800 and issued new shares amounting to Rp 3,200. The issuance of Rp 3,200 new shares were acquired by ATA. There were no changes to the ownership of the Group.

The details of the net assets acquired and goodwill are as follows:

	<u>2009</u>
Purchase consideration through cash payment	3,200
Fair value of net assets acquired	<u>(3,190)</u>
Goodwill	<u>10</u>

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3. ACQUISITIONS, DISPOSALS AND LIQUIDATION OF SUBSIDIARIES (continued)

f. Liquidation Adaro Finance B.V., MEC Indo Coal B.V. and Arindo Global (Netherland) B.V.

On 16 and 19 October 2009, the registration of Adaro Finance and MEC, respectively, on the Netherlands Chamber of Commerce were terminated in connection with the liquidation of both companies, which was effective from 2 October 2009. All the assets and liabilities of the liquidated companies have been transferred to their shareholders.

On 18 August 2009, Arindo Global was liquidated and all assets and liabilities were transferred to its shareholders. However, the registration of Arindo Global on the Netherlands Chamber of Commerce was terminated effectively from 10 February 2010.

g. Liquidation of Ariane Investments (Australia) Pty Ltd and Indonesia Coal Pty Ltd

On 22 October 2010, Ariane Investments (Australia) Pty Ltd and Indonesia Coal Pty Ltd have been deregistered effectively from Australian Securities & Investments Commission, in relation to the liquidation on both companies.

h. Establishment of PT Adaro Power

On 17 December 2010, the Company and ATA established PT Adaro Power with each ownership of 50%, from the capital injection of Rp 30, respectively. The establishment deed has been approved by Minister of Law and Human Rights of the Republic of Indonesia on 28 December 2010.

i. Acquisition of PT Puradika Bongkar Muat Makmur

On 30 November 2010, Sarana and ATA acquired a 100% interest in PBMM for Rp 400.

	<u>2010</u>
Purchase consideration through cash payment	400
Fair value of net assets acquired	<u>(50)</u>
Goodwill	<u>350</u>
Details of the assets and liabilities arising from the acquisition are as follows:	
	<u>2010</u>
Cash and cash equivalents	48
Other asset	<u>2</u>
Net assets acquired	50
Goodwill	<u>350</u>
Purchase consideration through cash payment	400
Cash and cash equivalents in PBMM	<u>(48)</u>
Net cash outflow from acquisition of subsidiary	<u>352</u>

From this transaction, the Group recognised pre-acquisition loss amounting Rp 200 in the consolidated financial statements for the year ended 31 December 2010.

4. CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
Cash on hand		
Others	<u>843</u>	<u>790</u>
Total cash on hand	<u>843</u>	<u>790</u>

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4. CASH AND CASH EQUIVALENTS (continued)

	<u>2010</u>	<u>2009</u>
Cash in banks		
Rupiah		
Others (each below Rp 500,000)	423,135	176,261
Total Rupiah accounts	<u>423,135</u>	<u>176,261</u>
US Dollars		
PT Bank Sumitomo Mitsui Indonesia	913,804	34,254
Oversea-Chinese Banking Corporation Ltd	657,386	1,167,418
Sumitomo Mitsui Banking Corporation	639,230	1,370,757
DBS Bank Ltd	504,577	878,061
PT Bank DBS Indonesia	9,700	951,253
Others (each below Rp 500,000)	231,797	98,725
Total US Dollars accounts	<u>2,956,494</u>	<u>4,500,468</u>
Singapore Dollars		
Others (each below Rp 500,000)	34,250	6,026
Total Singapore Dollars accounts	<u>34,250</u>	<u>6,026</u>
Euro		
Others (each below Rp 500,000)	143,236	347,747
Total Euro accounts	<u>143,236</u>	<u>347,747</u>
Total cash in banks	<u>3,557,115</u>	<u>5,030,502</u>
Deposits		
Rupiah		
Others (each below Rp 500,000)	144,438	96,780
Total Rupiah deposits	<u>144,438</u>	<u>96,780</u>
US Dollars		
PT Bank UOB Indonesia	594,888	1,582,856
Oversea-Chinese Banking Corporation Ltd	-	2,209,000
PT ANZ Panin Bank	-	1,150,336
Others (each below Rp 500,000)	926,393	1,204,359
Total US Dollars deposits	<u>1,521,281</u>	<u>6,146,551</u>
Euro		
Others (each below Rp 500,000)	236,294	-
Total Euro deposits	<u>236,294</u>	<u>-</u>
Total deposits	<u>1,902,013</u>	<u>6,243,331</u>
Total cash and cash equivalents	<u>5,459,971</u>	<u>11,274,623</u>

There are no cash and cash equivalents with related parties.

The interest rates of the above deposits were as follows:

	<u>2010</u>	<u>2009</u>
Rupiah	5.0% - 11.0%	6.9% - 9.5%
US Dollars	0.1% - 2.0%	0.2% - 3.5%
Euro	0.7%	-

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5. RESTRICTED CASH AND TIME DEPOSITS

	<u>2010</u>	<u>2009</u>
Bank		
US Dollars		
PT Bank OCBC NISP Tbk	2,534	-
Deposits		
US Dollars		
The Hongkong and Shanghai Banking Corporation Ltd	5,398	5,643
PT Bank DBS Indonesia	3,701	3,841
	<u>9,099</u>	<u>9,484</u>
Total restricted cash and time deposits	11,633	9,484
Less: current portion	(2,534)	-
Non-current portion	<u>9,099</u>	<u>9,484</u>

There are no restricted cash and time deposits with related parties.

The interest rates of the above deposits were as follows:

	<u>2010</u>	<u>2009</u>
US Dollars	0.15% - 2.0%	0.1% - 2.0%

The above deposits in The Hongkong and Shanghai Banking Corporation Ltd and PT Bank DBS Indonesia are placed as security for bank guarantees issued by these banks as described in Note 37e.

The balance in PT Bank OCBC NISP represents the placement of sinking fund by SDM to pay installments of the principal and interest that will be due, in relation to the bank loan to PT OCBC NISP Tbk (refer to Note 19c).

6. TRADE RECEIVABLES

	<u>2010</u>	<u>2009</u>
Third parties:		
PT Paiton Energy	506,669	355,772
PT Berau Coal	298,259	262,455
Castle Peak Power Co Ltd	185,410	108,408
Zhushui International Pty Ltd (formerly International Energy Group Ltd)	146,523	392,233
PT Sumber Segara Primadaya	65,170	177,194
Others (each below Rp 150,000)	1,274,338	1,586,397
	<u>2,476,369</u>	<u>2,882,459</u>

The aging analysis of trade receivables is as follows:

	<u>2010</u>	<u>2009</u>
Current and overdue by 1 - 30 days	2,417,521	2,705,963
Overdue by 31 - 60 days	310	25,380
Overdue by 61 - 90 days	11,886	85,503
Overdue by more than 90 days	46,652	65,613
	<u>2,476,369</u>	<u>2,882,459</u>

Details of trade receivables based on currencies are as follows:

	<u>2010</u>	<u>2009</u>
US Dollars	1,677,311	2,090,029
Rupiah	799,058	792,430
	<u>2,476,369</u>	<u>2,882,459</u>

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6. TRADE RECEIVABLES (continued)

As at 31 December 2010, the trade receivables of SIS amounting to Rp 763,887 (including receivables from Adaro amounting to Rp 253,639 that had been eliminated), were pledged as collateral for the Senior Credit Facility (refer to Note 19b).

As at 31 December 2010, the trade receivables of SDM amounting to Rp 23,260 were pledged as collateral for a loan from PT Bank OCBC NISP Tbk (refer to Note 19c).

Based on a review of the status of the individual receivable accounts at the end of the period, the Group's management is of the opinion that these receivables will be collected in full, and therefore a provision for impairment is not considered necessary.

7. ADVANCES AND PREPAYMENTS

	<u>2010</u>	<u>2009</u>
Advances for investments in associates	423,476	-
Advances to suppliers	325,218	213,126
Advances for purchase of fuel	90,714	105,567
Prepayment for liquidity services	65,578	86,844
Prepaid rent and insurance	26,522	24,341
Others	<u>135,190</u>	<u>32,312</u>
Total advances and prepayments	1,066,698	462,190
Less: current portion	<u>(595,131)</u>	<u>(393,629)</u>
Non-current portion	<u>471,567</u>	<u>68,561</u>

Advances to suppliers mostly represent advance payments for purchase of fixed assets and advance payments for construction of the Coal Fired Power Plant and steam turbine generators.

Advances for investments in associates represent the fund placement by ATA for the future development of coal mining project. These funds will be reclassified as investments in associates when these funds are used by associates through issuance of new shares.

8. INVENTORIES

	<u>2010</u>	<u>2009</u>
Coal inventory	113,909	76,520
Spare parts	79,255	63,803
Tools and supplies	57,362	71,007
Fuel and lubricants	<u>38,206</u>	<u>39,120</u>
Total inventories	<u>288,732</u>	<u>250,450</u>

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8. INVENTORIES (continued)

The Group's management is of the opinion that the inventories can be either used or sold, and therefore a provision for obsolete stock is not considered necessary.

As at 31 December 2010, Group's inventories were covered by insurance against the risk of material damage with total coverage of Rp 151,314. The Group's management is of the opinion that inventories are adequately insured for cover the risk of loss and damage.

9. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	<u>2010</u>	<u>2009</u>
Acquisition costs		
South Paringin, North Paringin and Tutupan		
Carrying amount - beginning balance	299,912	349,365
Exchange difference due to financial statement translation	<u>(13,050)</u>	<u>(49,453)</u>
	<u>286,862</u>	<u>299,912</u>
Wara		
Carrying amount - beginning balance	45,076	52,509
Exchange difference due to financial statement translation	<u>(1,961)</u>	<u>(7,433)</u>
	<u>43,115</u>	<u>45,076</u>
	<u>329,977</u>	<u>344,988</u>
Accumulated amortisation		
South Paringin, North Paringin and Tutupan		
Carrying amount - beginning balance	(263,978)	(304,223)
Amortisation	(2,724)	(3,118)
Exchange difference due to financial statement translation	<u>11,515</u>	<u>43,363</u>
	<u>(255,187)</u>	<u>(263,978)</u>
Wara		
Carrying amount - beginning balance	-	-
Amortisation	(3,417)	-
Exchange difference due to financial statement translation	<u>35</u>	<u>-</u>
	<u>(3,382)</u>	<u>-</u>
	<u>(258,569)</u>	<u>(263,978)</u>
	<u>71,408</u>	<u>81,010</u>

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10. FIXED ASSETS

	2010				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals/ reclassification</u>	<u>Exchange difference due to financial statement translation</u>	<u>Ending balance</u>
Acquisition costs					
Direct ownership					
Land	591,583	400	84	(155)	591,912
Buildings	203,145	25,877	8,096	(5,944)	231,174
Infrastructure	670,544	-	113,019	(9,990)	773,573
Machinery, operational equipment and vehicles	3,031,637	1,079,676	35,938	(142,028)	4,005,223
Vessels	1,427,807	14,351	(1,263)	(11,555)	1,429,340
Mining equipment	3,394	5,592	(6)	(205)	8,775
Project equipment	27,519	11,529	8,839	(1,165)	46,722
Office equipment	79,060	9,496	(8,979)	(2,705)	76,872
Crushing and handling facilities	934,856	274,060	125,163	(44,808)	1,289,271
Roads and bridges	936,348	635	139,722	(42,194)	1,034,511
Stockpile facilities	57,346	-	-	(2,495)	54,851
Dock facilities	20,436	-	2,587	(917)	22,106
	<u>7,983,675</u>	<u>1,421,616</u>	<u>423,200</u>	<u>(264,161)</u>	<u>9,564,330</u>
Construction in progress	578,274	891,166	(408,660)	(12,954)	1,047,826
Leased assets					
Operational equipment	1,486,983	384,805	(220,571)	(66,400)	1,584,817
Vehicles	76	-	(74)	(2)	-
	<u>1,487,059</u>	<u>384,805</u>	<u>(220,645)</u>	<u>(66,402)</u>	<u>1,584,817</u>
	<u>10,049,008</u>	<u>2,697,587</u>	<u>(206,105)</u>	<u>(343,517)</u>	<u>12,196,973</u>
Accumulated depreciation					
Direct ownership					
Buildings	(37,190)	(11,386)	297	1,320	(46,959)
Infrastructure	(107,284)	(41,811)	-	3,545	(145,550)
Machinery, operational equipment and vehicles	(1,197,398)	(491,502)	8,540	56,648	(1,623,712)
Vessels	(200,878)	(72,086)	(998)	584	(273,378)
Mining equipment	(2,496)	(810)	6	116	(3,184)
Project equipment	(9,910)	(9,180)	84	455	(18,551)
Office equipment	(41,907)	(13,437)	1,310	1,697	(52,337)
Crushing and handling facilities	(299,028)	(66,248)	-	13,696	(351,580)
Roads and bridges	(354,793)	(48,906)	-	15,944	(387,755)
Stockpile facilities	(37,059)	(2,777)	-	1,641	(38,195)
Dock facilities	(16,934)	(1,124)	-	748	(17,310)
	<u>(2,304,877)</u>	<u>(759,267)</u>	<u>9,239</u>	<u>96,394</u>	<u>(2,958,511)</u>
Leased assets					
Operational equipment	(328,443)	(226,353)	111,103	15,483	(428,210)
Vehicles	(11)	-	10	1	-
	<u>(328,454)</u>	<u>(226,353)</u>	<u>111,113</u>	<u>15,484</u>	<u>(428,210)</u>
	<u>(2,633,331)</u>	<u>(985,620)</u>	<u>120,352</u>	<u>111,878</u>	<u>(3,386,721)</u>
Net book value	<u>7,415,677</u>				<u>8,810,252</u>

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10. FIXED ASSETS (continued)

	2009					
	Beginning balance	Additions	Acquisition	Disposals/ reclassification	Exchange difference due to financial statement translation	Ending balance
Acquisition costs						
Direct ownership						
Land	605,283	36,218	3,188	(53,234)	128	591,583
Buildings	147,350	24,465	7,409	36,075	(12,154)	203,145
Infrastructure	240,967	-	-	463,687	(34,110)	670,544
Machinery, operational equipment and vehicles	2,913,592	300,993	11,794	(18,983)	(175,759)	3,031,637
Vessels	-	98,993	1,125,770	356,488	(153,444)	1,427,807
Mining equipment	4,235	517	-	(1,519)	161	3,394
Project equipment	12,396	16,307	828	-	(2,012)	27,519
Office equipment	60,011	14,169	10,951	(697)	(5,374)	79,060
Crushing and handling facilities	860,584	151,567	-	65,343	(142,638)	934,856
Roads and bridges	1,073,106	3,089	-	13,663	(153,510)	936,348
Stockpile facilities	66,802	-	-	-	(9,456)	57,346
Dock facilities	23,805	-	-	-	(3,369)	20,436
	<u>6,008,131</u>	<u>646,318</u>	<u>1,159,940</u>	<u>860,823</u>	<u>(691,537)</u>	<u>7,983,675</u>
Construction in progress	<u>652,280</u>	<u>435,578</u>	<u>58,270</u>	<u>(528,624)</u>	<u>(39,230)</u>	<u>578,274</u>
Leased assets						
Operational equipment	1,228,448	304,190	-	(20,947)	(24,708)	1,486,983
Vessels	-	43,450	339,602	(356,488)	(26,564)	-
Vehicles	276	-	-	(282)	82	76
	<u>1,228,724</u>	<u>347,640</u>	<u>339,602</u>	<u>(377,717)</u>	<u>(51,190)</u>	<u>1,487,059</u>
	<u>7,889,135</u>	<u>1,429,536</u>	<u>1,557,812</u>	<u>(45,518)</u>	<u>(781,957)</u>	<u>10,049,008</u>
Accumulated depreciation						
Direct ownership						
Buildings	(30,723)	(9,818)	(752)	307	3,796	(37,190)
Infrastructure	(84,492)	(35,433)	-	-	12,641	(107,284)
Machinery, operational equipment and vehicles	(954,200)	(355,752)	(2,620)	21,077	94,097	(1,197,398)
Vessels	-	(53,082)	(147,960)	(20,362)	20,526	(200,878)
Mining equipment	(3,332)	(548)	-	1,519	(135)	(2,496)
Project equipment	(5,032)	(4,572)	(811)	-	505	(9,910)
Office equipment	(33,495)	(12,835)	(710)	1,385	3,748	(41,907)
Crushing and handling facilities	(290,311)	(55,100)	-	-	46,383	(299,028)
Roads and bridges	(360,793)	(49,856)	-	-	55,856	(354,793)
Stockpile facilities	(39,824)	(3,178)	-	-	5,943	(37,059)
Dock facilities	(18,535)	(1,130)	-	-	2,731	(16,934)
	<u>(1,820,737)</u>	<u>(581,304)</u>	<u>(152,853)</u>	<u>3,926</u>	<u>246,091</u>	<u>(2,304,877)</u>
Leased assets						
Operational equipment	(144,170)	(209,634)	-	8,239	17,122	(328,443)
Vessels	-	(6,010)	(15,570)	20,362	1,218	-
Vehicles	(44)	(7)	-	55	(15)	(11)
	<u>(144,214)</u>	<u>(215,651)</u>	<u>(15,570)</u>	<u>28,656</u>	<u>18,325</u>	<u>(328,454)</u>
	<u>(1,964,951)</u>	<u>(796,955)</u>	<u>(168,423)</u>	<u>32,582</u>	<u>264,416</u>	<u>(2,633,331)</u>
Net book value	<u>5,924,184</u>					<u>7,415,677</u>

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10. FIXED ASSETS (continued)

Depreciation expense was allocated as follows:

	<u>2010</u>	<u>2009</u>
Cost of revenue	925,040	775,872
General and administrative expenses	<u>60,580</u>	<u>21,083</u>
	<u>985,620</u>	<u>796,955</u>

The calculation of loss on disposals of fixed assets was as follows:

	<u>2010</u>	<u>2009</u>
Acquisition costs	206,105	45,518
Accumulated depreciation	<u>(120,352)</u>	<u>(32,582)</u>
Carrying value of fixed assets	85,753	12,936
Proceeds from disposals of fixed assets	<u>34,518</u>	<u>6,286</u>
Loss on disposal of fixed assets	<u>(51,235)</u>	<u>(6,650)</u>

In accordance with the CCA, the fixed assets of Adaro as at 31 December 2010 amounting to Rp 2,531,704 (2009: Rp 1,431,539) remain the property of the Government. However, Adaro has an exclusive right to use these assets over the contract period, or their useful lives, whichever is shorter.

In accordance with the Cooperation Agreement, the fixed assets of IBT as at 31 December 2010 amounting to Rp 644,880 (2009: Rp 690,681), in the coal port operation become the property of Pelindo III at the end of the 30-year operation period.

The Group owns 27 plots of land with "Hak Guna Bangunan" titles ("Building-Use Titles" or "HGB") with remaining useful lives of between 10 and 29 years. The Group's management believes that there will be no difficulty in extending the land rights as the land was acquired legally and this is supported by sufficient evidence of ownership.

In August 2008, ATA paid land compensation amounting to US\$60,000,000 to PT Cakung Permata Nusa ("Cakung"), PT Cakradenta Agung Pertiwi ("Cakradenta") and PT Astra Agro Lestari Tbk ("AAL") to settle the status of overlapping land plots between the mining area owned by Adaro and the plantation areas owned by Cakung and Cakradenta of 7,163 hectares. Currently, the land title is in the process of being transferred to ATA.

As at 31 December 2010, the Group's fixed assets were insured from all risks for damage with total coverage of approximately Rp 9,084,833, which also includes construction of Tanjung Tabalong coal fired power plant project by MSW, except for fixed assets that could not be insured such as land, Barito channel dredging and parts of construction in progress. Management believes that the fixed assets as at 31 December 2010 were adequately insured.

The moveable fixed assets owned by SIS and the land and building owned by SMP were pledged as collateral for the Senior Credit Facility (refer to Note 19b).

Change of estimated useful lives and residual value

Effective from 1 January 2010, SIS changed the estimated useful lives and residual value of some operational equipments. The details of the changes in estimated useful lives and residual value are as follows:

<u>Assets</u>	<u>Before changes</u>	<u>After changes</u>
Changes of estimated useful lives	8 years	6 years
Changes of residual value	0.0%	5.0% - 12.5%

The changes were based on the engineering department's review and comparison with similar industry's practices. The changes were applied prospectively and resulted in an increase in depreciation expense by US\$10.7 million for the year ended 31 December 2010.

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10. FIXED ASSETS (continued)

Construction in progress

Construction in progress represents projects that have not been completed at the balance sheet date as follows:

<u>Construction in progress</u>	<u>2010</u>		
	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion</u>
Power plant	49%	624,698	January - March 2012
Conveyor belt	10%	154,507	-
Vessels	98%	116,505	March 2011
Crushing and handling facilities	3% - 98%	93,991	February - May 2011
Others (each below Rp 40,000)	1% - 90%	<u>58,125</u>	2011 - 2012
		<u>1,047,826</u>	
<u>Construction in progress</u>	<u>2009</u>		
	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion</u>
Power plant	28%	159,518	November 2011
Vessels	40% - 50%	78,787	July 2010
Roads and bridges	13% - 98%	72,126	January 2010 - 2011
Infrastructure	75%	77,104	April 2010
Conveyor belt	10%	102,122	December 2011
Others (each below Rp 40,000)	10% - 98%	<u>88,617</u>	January - July 2010
		<u>578,274</u>	

Borrowing costs capitalised as fixed assets for the year ended 31 December 2010 amounting to Rp 79,496 (2009: Rp nil).

11. INVESTMENTS IN ASSOCIATES

	<u>2010</u>	<u>2009</u>
<u>PT Juloi Coal</u>		
Percentage of interest	25.00%	-
Initial investment	1,281,278	-
Addition of investment	15,731	-
Share in net loss of associate	(14,623)	-
Exchange difference due to financial statement translation	<u>(2,924)</u>	-
	<u>1,279,462</u>	-
<u>PT Kalteng Coal</u>		
Percentage of interest	25.00%	-
Initial investment	672,671	-
Addition of investment	3,371	-
Share in net loss of associate	(3,521)	-
Exchange difference due to financial statement translation	<u>(1,552)</u>	-
	<u>670,969</u>	-

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11. INVESTMENTS IN ASSOCIATES (continued)

	<u>2010</u>	<u>2009</u>
<u>PT Maruwai Coal</u>		
Percentage of interest	25.00%	-
Initial investment	480,479	-
Addition of investment	5,618	-
Share in net income of associate	982	-
Exchange difference due to financial statement translation	(1,122)	-
	<u>485,957</u>	<u>-</u>
<u>PT Lahai Coal</u>		
Percentage of interest	25.00%	-
Initial investment	384,383	-
Share in net income of associate	8,074	-
Exchange difference due to financial statement translation	(928)	-
	<u>391,529</u>	<u>-</u>
<u>PT Sumber Barito Coal</u>		
Percentage of interest	25.00%	-
Initial investment	256,256	-
Share in net loss of associate	(3,400)	-
Exchange difference due to financial statement translation	(584)	-
	<u>252,272</u>	<u>-</u>
<u>PT Pari Coal</u>		
Percentage of interest	25.00%	-
Initial investment	64,064	-
Addition of investment	674	-
Share in net loss of associate	(719)	-
Exchange difference due to financial statement translation	(146)	-
	<u>63,873</u>	<u>-</u>
<u>PT Ratah Coal</u>		
Percentage of interest	25.00%	-
Initial investment	64,064	-
Addition of investment	674	-
Share in net loss of associate	(274)	-
Exchange difference due to financial statement translation	(149)	-
	<u>64,315</u>	<u>-</u>
<u>PT Rachindo Investments</u>		
Percentage of interest	50.00%	50.00%
Carrying amount - beginning balance	4,737	5,554
Share in net loss of associate	(4)	(19)
Exchange difference due to financial statement translation	(206)	(798)
	<u>4,527</u>	<u>4,737</u>
<u>PT Karunia Barito Sejahtera</u>		
Percentage of interest	-	32.80%
Carrying amount - beginning balance	39	39
Sales of investment	(39)	-
	<u>-</u>	<u>39</u>
	<u>3,212,904</u>	<u>4,776</u>

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11. INVESTMENTS IN ASSOCIATES (continued)

Details of the share in the net (loss)/income of associates for the years ended 31 December 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
PT Juloi Coal	(14,623)	-
PT Kalteng Coal	(3,521)	-
PT Maruwai Coal	982	-
PT Lahai Coal	8,074	-
PT Sumber Barito Coal	(3,400)	-
PT Pari Coal	(719)	-
PT Ratah Coal	(274)	-
PT Rachindo Investments	<u>(4)</u>	<u>(19)</u>
	<u>(13,485)</u>	<u>(19)</u>

In May 2010, after being approved by Directorate General of Mineral, Coal and Geothermal ("DGoMCG"), ATA acquired 25% ownership in PT Juloi Coal, PT Kalteng Coal, PT Maruwai Coal, PT Lahai Coal, PT Sumber Barito Coal, PT Pari Coal and PT Ratah Coal.

12. MINING PROPERTIES

	<u>2010</u>	<u>2009</u>
Acquisition cost		
Carrying amount - beginning balance	10,512,855	10,725,530
Exchange difference due to financial statement translation	<u>(56,118)</u>	<u>(212,675)</u>
	<u>10,456,737</u>	<u>10,512,855</u>
Accumulated amortisation		
Carrying amount - beginning balance	(721,198)	(255,349)
Amortisation	(496,214)	(485,178)
Exchange difference due to financial statement translation	<u>6,561</u>	<u>19,329</u>
	<u>(1,210,851)</u>	<u>(721,198)</u>
	<u>9,245,886</u>	<u>9,791,657</u>

Mining properties represent the balance arising from the acquisition of ownership in Adaro, as a result of the fair valuation of the assets acquired at the date of acquisition.

13. GOODWILL

	<u>2010</u>	<u>2009</u>
Acquisition cost		
Carrying amount - beginning balance	10,014,324	9,554,051
Addition	78,629	898,760
Acquisition	-	391,704
Deduction	(64)	(29)
Exchange difference due to financial statement translation	<u>(243,163)</u>	<u>(830,162)</u>
	<u>9,849,726</u>	<u>10,014,324</u>

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13. GOODWILL (continued)

	<u>2010</u>	<u>2009</u>
Accumulated amortisation		
Carrying amount - beginning balance	(922,548)	(425,632)
Acquisition	-	(63,233)
Amortisation	(490,045)	(500,506)
Deduction	64	26
Exchange difference due to financial statement translation	25,078	66,797
	<u>(1,387,451)</u>	<u>(922,548)</u>
	<u>8,462,275</u>	<u>9,091,776</u>

For the year ended 31 December 2009, amortisation of goodwill amounting to Rp 6,611 was the amortisation before the acquisition of OML.

14. TRADE PAYABLES

	<u>2010</u>	<u>2009</u>
Third parties:		
PT Pamapersada Nusantara	614,073	690,491
PT Batuah Abadi Lines	179,437	207,885
PT United Tractor Tbk	179,218	81,011
PT Shell Indonesia	154,550	190,563
PT Bukit Makmur Mandiri Utama	151,430	182,720
Others (each below Rp 150,000)	1,025,277	672,651
	<u>2,303,985</u>	<u>2,025,321</u>
Related parties:		
PT Rahman Abdijaya	59,475	95,365
PT Pulau Seroja Jaya	41,006	29,592
PT Anugerah Buminusantara Abadi	5,744	4,831
PT Pulau Seroja Jaya Pratama	2,919	12,995
	<u>109,144</u>	<u>142,783</u>
	<u>2,413,129</u>	<u>2,168,104</u>

Details of trade payables based on currencies are as follows:

	<u>2010</u>	<u>2009</u>
US Dollars	1,977,394	1,787,941
Rupiah	390,237	353,074
Euro	41,266	23,499
Australian Dollars	2,008	859
Japanese Yen	1,240	1,244
Singapore Dollars	928	1,302
Great Britain Pound Sterling	56	185
	<u>2,413,129</u>	<u>2,168,104</u>

The aging analysis of trade payables is as follows:

	<u>2010</u>	<u>2009</u>
Current and overdue by 1 - 30 days	2,346,916	2,157,837
Overdue by 31 - 60 days	47,784	1,340
Overdue by 61 - 90 days	1,380	542
Overdue by more than 90 days	17,049	8,385
	<u>2,413,129</u>	<u>2,168,104</u>

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14. TRADE PAYABLES (continued)

Trade payables balances mainly arose from the purchase of fuel, spare parts, repair and maintenance services, coal transportation services and coal mining services.

Refer to Note 33 for details of related party transactions and balances.

15. ACCRUED EXPENSES

	<u>2010</u>	<u>2009</u>
Freight cost	481,726	77,308
Accrued interest	130,484	141,228
Others	<u>125,772</u>	<u>83,625</u>
	<u>737,982</u>	<u>302,161</u>

Accrued freight cost mainly arose from demurrage expense.

16. SHORT-TERM BANK LOANS

	<u>2010</u>	<u>2009</u>
US Dollars		
Syndicated Short-term Loan	<u>-</u>	<u>188,000</u>

The interest rates on the short-term bank loans were as follows:

	<u>2010</u>	<u>2009</u>
US Dollars	2.0%	2.0% - 3.0%

On 29 February 2008, Adaro entered into a syndicated loan facility with several banks (the "Lenders") which consisted of DBS Bank Ltd and United Overseas Bank Ltd (the "WHT Lenders") and PT ANZ Panin Bank and Standard Chartered Bank (Jakarta branch) (the "WHT Neutral Lenders") whereby DBS Bank Ltd acted as the facility agent. Under this agreement, the Lenders agreed to provide a revolving loan facility amounting to US\$80 million which expired on 28 February 2009. This facility was charged with interest rates at the London Interbank Offered Rate ("LIBOR") plus a certain percentage. On 24 February 2009, this loan was extended until 25 February 2010.

This loan has the same significant terms and conditions as the long-term Syndicated Loan (refer to Note 19a).

Based on the amended agreement dated 24 February 2009, IBT, Coaltrade and the Company are the guarantors of this facility.

As at 31 December 2009, the outstanding balance from this loan was US\$20,000,000. In February 2010, this loan had been fully paid by Adaro.

17. ROYALTIES PAYABLE

	<u>2010</u>	<u>2009</u>
Government royalties payable, net	<u>682,473</u>	<u>738,044</u>

Since 1 July 1999, Adaro has adopted a sales-based cash royalty method to satisfy the Government's production entitlement (refer to Note 1c). Payments of the Government's entitlement are based on Adaro's calculation of the net sales price, which is subject to audit by the Directorate of Mineral and Coal Business Supervision, Ministry of Energy and Mineral Resources ("MoEMR"). Part of the settlement of the royalty is offset by Adaro with the VAT input (refer to Note 32b).

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18. FINANCE LEASE PAYABLES

	<u>2010</u>	<u>2009</u>
PT Komatsu Astra Finance	588,925	741,987
PT Austindo Nusantara Jaya Finance	171,474	-
PT Caterpillar Finance Indonesia	25,328	35,821
VFS International AB	12,320	31,563
Others (each below Rp 30,000)	-	2,187
	<u>798,047</u>	<u>811,558</u>
Less:		
Portion due within one year	<u>(368,641)</u>	<u>(335,803)</u>
Non-current portion	<u>429,406</u>	<u>475,755</u>

The future minimum lease payments under the finance lease agreements are as follows:

	<u>2010</u>	<u>2009</u>
Payable not later than 1 year	392,410	361,373
Payable later than 1 year and not later than 5 years	<u>446,354</u>	<u>494,231</u>
	838,764	855,604
Less:		
Future financing charges	<u>(40,717)</u>	<u>(44,046)</u>
Present value of minimum finance lease payments	<u>798,047</u>	<u>811,558</u>

The significant general terms and conditions of the finance leases are as follows:

- the Group is restricted from selling, lending, leasing, or otherwise disposing of or ceasing to exercise direct control over the leased assets;
- the Group is restricted from creating or allowing any encumbrance to all or any part of the leased assets; and
- all leased assets are pledged as collateral for the underlying finance lease payables.

19. LONG-TERM BANK LOANS

	<u>2010</u>	<u>2009</u>
US Dollars		
Syndicated Loan, net of unamortised financing cost of Rp 39,829 (2009: Rp 57,557)	4,343,284	5,112,442
Senior Credit Facility (syndicated loan), net of unamortised financing cost of Rp 32,756 (2009: Rp 47,503)	1,982,666	2,117,881
PT Bank OCBC NISP Tbk	<u>123,617</u>	<u>141,000</u>
	<u>6,449,567</u>	<u>7,371,323</u>
Less:		
Portion due within one year	<u>(1,346,980)</u>	<u>(1,823,127)</u>
Non-current portion	<u>5,102,587</u>	<u>5,548,196</u>

The interest rates on the long-term bank loans are as follows:

	<u>2010</u>	<u>2009</u>
US Dollars	1.4% - 4.8%	1.5% - 6.7%

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19. LONG-TERM BANK LOANS (continued)

a. Syndicated Loan

On 2 November 2007, Adaro and Coaltrade, as the Borrowers, entered into a syndicated loan facility agreement with several foreign banks (the "Lenders"), which consisted of DBS Bank Ltd, Standard Chartered Bank (Singapore branch), Sumitomo Mitsui Banking Corporation (Singapore branch) ("SMBC"), the Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch) and United Overseas Bank Ltd (Singapore and Labuan branch), wherein DBS Bank Ltd acted as the facility agent. Based on the agreement, the Lenders agreed to grant bank loan facilities of US\$750 million, of which Adaro and Coaltrade obtained facilities of US\$550 million and US\$200 million, respectively. These facilities consisted of a term loan facility of US\$650 million and a revolving loan facility of US\$100 million with interest rates at LIBOR plus a certain percentage. These facilities were used to refinance certain of Adaro's existing loans.

The term loan facility is payable quarterly with the first installment on 7 March 2008. The term loan facility has a maturity date on the fifth anniversary from the date of the loan agreement. The revolving loan facility of US\$100 million should be repaid in full on the third anniversary of the date of the loan agreement, at which point Adaro and Coaltrade may request to extend the facility up to 7 December 2012.

Based on the amended agreement dated 25 March 2010, the Company, IBT and the Borrowers (collectively hereinafter referred to as the "Guarantors"), act as the guarantors of this syndicated loan.

On 30 September 2010, the Borrowers, the Guarantors and DBS Bank Ltd, as the facility agent, entered into an amendment agreement to amend maturity date of the term loan facility to 7 December 2015 and all amounts outstanding under the revolving loan facility shall be deemed to be amounts outstanding under the term loan facility. The margin of interest is increased by a certain percentage. The effective date of this amendment agreement is 7 October 2010.

The remaining payment schedule for the outstanding term loan, after the amendment agreement, is as follows:

Year	Adaro US\$	Coaltrade US\$	Total US\$
2011	73,078,664	26,921,336	100,000,000
2012	73,078,664	26,921,336	100,000,000
2013	73,078,664	26,921,336	100,000,000
2014	73,078,664	26,921,336	100,000,000
2015	<u>65,864,755</u>	<u>21,635,245</u>	<u>87,500,000</u>
	<u>358,179,411</u>	<u>129,320,589</u>	<u>487,500,000</u>

In accordance with the loan agreements, Adaro, IBT and Coaltrade (the "Primary Operating Companies") are required to maintain certain financial ratios, with which the Primary Operating Companies were in compliance as at 31 December 2010. The Primary Operating Companies are also required to comply with certain terms and conditions with regard to its Articles of Association, the nature of business, dividends, corporate actions, financing activities and others.

b. Senior Credit Facility (syndicated loan)

On 13 August 2008, SIS (the "Borrower"), and the Company (the "Guarantor"), entered into a Senior Credit Facility agreement of US\$300 million with a syndicate of banks consisting of ANZ Banking Group Ltd, Calyon, Standard Chartered Bank, DBS Bank Ltd, SMBC, United Overseas Bank Ltd, the Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch), Oversea-Chinese Banking Corporation Ltd, PT Bank Ekspor Indonesia, PT Bank Mandiri (Persero) Tbk (Singapore branch) as Mandated Lead Arrangers, SMBC as Facility Agent, PT ANZ Panin Bank as Common Security Agent and DBS Bank Ltd and PT Bank DBS Indonesia as account banks.

This facility has a final maturity date of 30 June 2013 and is payable on a quarterly basis. This facility bears interest at LIBOR plus a certain percentage.

This credit facility was used for the purpose of refinancing all the bank and other third party loans, and to finance the capital expenditures, working capital and acquisition of shares in SMP.

Under this senior credit facility agreement, SIS is required to maintain certain financial ratios, with which SIS was in compliance as at 31 December 2010. SIS is also required to comply with certain terms and conditions with regard to its Articles of Association, the nature of business, corporate actions, financing activities and others.

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19. LONG-TERM BANK LOANS (continued)

b. Senior Credit Facility (syndicated loan) (continued)

In August 2010, SIS has made additional drawdown of US\$40 million. As at 31 December 2010, the outstanding balance of this facility was US\$224,160,000 (2009: US\$230,360,000), which is repayable according to the following schedule:

Payment schedule (year)	Payment amount (US\$)
2011	50,850,000
2012	53,250,000
2013	<u>120,060,000</u>
	<u>224,160,000</u>

This loan is collateralised by:

- all trade receivables owned by SIS;
- all equipments, machinery, vehicles and other moveable goods owned by SIS;
- insurance claims on all equipment, machinery, vehicles and other moveable goods owned by SIS;
- all Principal Agreements owned by SIS;
- land and buildings owned by SMP; and
- a corporate guarantee from the Company.

c. PT Bank OCBC NISP Tbk

On 3 December 2009, SDM obtained a term loan facility of US\$15 million from PT Bank OCBC NISP Tbk. This credit facility was used for the purpose of refinancing a portion of Barito Channel project cost which was previously financed by ATA. The facility has a final maturity date of five years after first withdrawal and is payable on a semester basis. The loan bears interest at 3-month Singapore Interbank Offered Rate ("SIBOR") plus a certain percentage and is payable on a quarterly basis.

Under the loan agreement, SDM is required to maintain certain financial ratios, with which SDM was in compliance as at 31 December 2010. SDM is also required to comply with certain terms and conditions with regards to its Articles of Association, the nature of business, corporate actions, financing activities and others.

The loan is collateralised by:

- all trade receivables owned by SDM at the maximum of US\$15,000,000;
- insurance claim which covers the risk of operating loss; and
- Letter of Comfort from Adaro.

As at 31 December 2010, the outstanding balance of this facility was US\$13,749,000 (2009: US\$15,000,000) which is repayable according to the following schedule:

Payment schedule (year)	Payment amount (US\$)
2011	2,250,000
2012	3,000,000
2013	3,499,500
2014	<u>4,999,500</u>
	<u>13,749,000</u>

20. SENIOR NOTES

	<u>2010</u>	<u>2009</u>
Face value	7,192,800	7,520,000
Discount and issuance cost	(136,316)	(142,518)
Amortisation of discount and issuance cost	12,226	2,617
Exchange difference due to financial statement translation	<u>(454)</u>	<u>(251)</u>
	<u>7,068,256</u>	<u>7,379,848</u>

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20. SENIOR NOTES (continued)

On 22 October 2009, Adaro issued Guaranteed Senior Notes (the "Senior Notes") amounting to US\$800,000,000, with a selling price of 99.141%. The Senior Notes will mature in 2019. The Senior Notes bear a fixed interest rate of 7.625% and are payable semi-annually in arrears on 22 April and 22 October of each year commencing on 22 April 2010. The Senior Notes are unconditionally and irrevocably guaranteed by the Company.

The Senior Notes were issued under an indenture between Adaro, the Company and The Bank of New York Mellon, as the trustee.

The Senior Notes have been rated "Ba1" by Moody's and "BB+" by Fitch. The ratings reflect the rating agencies assessments of the likelihood of timely payment of the principal and interest on the Senior Notes.

The proceeds of the Senior Notes will be used primarily to finance the expansion of the Group's infrastructure to support the expansion of Adaro's coal production capacity.

The Senior Notes and the guarantee of the Senior Notes are unsecured and rank equally with all existing and future unsecured senior debt of Adaro and the Company, respectively. The Senior Notes and the guarantee of the Senior Notes are effectively subordinated to all of Adaro's and the Company's existing and future secured debt to the extent of the assets securing the debt. The Company's guarantee of the Senior Notes are structurally subordinated to all liabilities (including trade payables) of all of the Company's other subsidiaries, which are not initially issuing guarantees for the Senior Notes. The Company may in the future designate its subsidiaries to guarantee the Senior Notes.

The Senior Notes were listed on the Singapore Exchange Securities Trading.

Adaro and the Company are required to comply with certain terms and conditions on incurrence of indebtedness and issuance of disqualified stock, designation of Subsidiary's Guarantor, merger, consolidation and sales of assets, certain transactions with affiliates, business activities and others.

21. DERIVATIVE INSTRUMENT

As at 31 December 2010 and 2009, the derivative contracts had fair value as follows:

	2010		2009	
	Asset	Liabilities	Asset	Liabilities
Interest rate swap - Syndicated Loan	-	122,307	-	150,659
Interest rate swap - Senior Credit	-	23,630	-	8,778
Fuel swap	-	-	-	8,231
	-	145,937	-	167,668
Less: current portion	-	(90,810)	-	(127,163)
Non-current portion	-	55,127	-	40,505

a. Interest rate swap

On 19 March 2008, Adaro entered into an interest rate swap contract with DBS Bank Ltd, with notional amounts of US\$600 million. The transaction underlying this contract is the Syndicated Loan facility agreement amounting to US\$750 million (refer to Note 19a). Based on this contract, DBS Bank Ltd receives payments of quarterly fixed interest at a rate of 2.945% per annum and pays to Adaro a floating interest rate of US\$-LIBOR. This contract will be due on 7 December 2012. This transaction is an effective cash flow hedge for purposes of the accounting standards. On 30 September 2010, the Syndicated Loan agreement has been amended. The maturity date of the term loan has been extended to 7 December 2015 (refer to notes 19a). As such, the hedging becomes ineffective and the hedge accounting has been ceased since the loan amendment. The fluctuation of the marked to market value of the interest swap has been recorded directly to profit and loss and the ending balance of fair value reserve in equity at the date will be recognised to profit and loss gradually in accordance with the life of interest rate swap.

As at 31 December 2010, this contract had an unfavourable fair value of US\$13,603,304 (2009: unfavourable fair value of US\$16,027,619).

In January 2009, SIS entered into several interest rate swap contracts with United Overseas Bank Ltd and PT Bank OCBC Indonesia, with notional amounts of US\$208,305,000. The underlying transaction is the Senior Credit Facility (refer to Note 19b). Based on these contracts, United Overseas Bank Ltd and PT Bank OCBC Indonesia receive payments of quarterly fixed interest at rate of 1.850% - 1.865% per annum and pay a floating interest rate of three-month US\$-LIBOR to SIS. These contracts will be due on 28 June 2013. These transactions are effective cash flow hedge for the purpose of the accounting standards.

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21. DERIVATIVE INSTRUMENT (continued)

a. Interest rate swap (continued)

As at 31 December 2010, this contract had an unfavourable fair value of US\$2,628,179 (2009: unfavourable fair value of US\$933,851).

b. Fuel swap

On 30 November 2009, Adaro entered into fuel swap contracts with Standard Chartered Bank, with total notional quantity of 2,160,000 barrels. Based on this contract, Standard Chartered Bank receives monthly payments using a fixed price and gives monthly payments to Adaro at a floating price based on the price on GAS OIL - 0.5 SINGAPORE - PLATTS ASIA-PACIFIC. This contract was due on 31 December 2010. This transaction is an effective cash flow hedge for purposes of the accounting standards.

As at 31 December 2009, this contract had an unfavourable fair value of US\$875,587.

22. ACCRUED STRIPPING COSTS

	<u>2010</u>	<u>2009</u>
Carrying amount - beginning balance	365,980	596,391
Amortisation	(27,829)	(41,187)
Exchange difference due to financial statement translation	<u>(15,636)</u>	<u>(80,468)</u>
	<u>322,515</u>	<u>474,736</u>
Movement of accrued stripping costs:		
Movement	(14,237)	(120,303)
Exchange difference due to financial statement translation	<u>147</u>	<u>11,547</u>
	<u>(14,090)</u>	<u>(108,756)</u>
	<u>308,425</u>	<u>365,980</u>

For the year ended 31 December 2010, the actual average stripping ratio for the Tutupan area and Wara area were 5.52:1 (2009: 5.13:1) and 2.70:1 (2009: nil), respectively. As at 31 December 2010, the planned stripping ratio for the Tutupan area and Wara area were 5.50:1 (2009: 5.00:1) and 2.67:1 (2009: nil), respectively.

23. MINORITY INTEREST

a. Minority interest in equity of subsidiaries

	<u>2010</u>	<u>2009</u>
SDM		
Percentage of minority interest	48.80%	48.80%
Carrying amount - beginning balance	46,661	-
Increase due to issuance of new shares	-	2,318
Share in net income of subsidiary	4,085	51,156
Reversal of deficit minority interest by the Group	<u>-</u>	<u>(6,813)</u>
	<u>50,746</u>	<u>46,661</u>
Coronado		
Percentage of minority interest	14.00%	14.00%
Carrying amount - beginning balance	3,048	-
Minority interest at acquisition	-	2,078
Increase due to change in equity of subsidiary	308	2,183
Share in net loss of subsidiary	(1,397)	(970)
Exchange difference due to financial statement translation	<u>(111)</u>	<u>(243)</u>
	<u>1,848</u>	<u>3,048</u>

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23. MINORITY INTEREST (continued)

a. Minority interest in equity of subsidiaries (continued)

	<u>2010</u>	<u>2009</u>
Marindo		
Percentage of minority interest	25.50%	25.50%
Carrying amount - beginning balance	1,610	-
Minority interest at acquisition	-	1,636
Share in net loss of subsidiary	(95)	(26)
	<u>1,515</u>	<u>1,610</u>
SMP		
Percentage of minority interest	0.01%	0.01%
Carrying amount - beginning balance	2	2
Share in net loss of subsidiary	-	-
	<u>2</u>	<u>2</u>
JCI		
Percentage of minority interest	-	20%
Carrying amount - beginning balance	15,722	-
Minority interest at acquisition	-	15,547
Share in net income of subsidiary	-	453
Exchange difference due to financial statement translation	-	(270)
Decrease due to loss on fair value from cash flow hedges	-	(8)
Decrease due to acquisition of minority interest by the Group	(15,722)	-
	<u>-</u>	<u>15,722</u>
SIS		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	17,254
Share in net income of subsidiary before the additional acquisition by the group	-	23,335
Decrease due to loss on fair value from cash flow hedges	-	(888)
Exchange difference due to financial statement translation	-	38,033
Decrease due to acquisition of minority interest by the group	-	(77,734)
	<u>-</u>	<u>-</u>
OML		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	-
Minority interest at acquisition	-	29,896
Share in net income of subsidiary	-	(4,240)
Exchange difference due to financial statement translation	-	12,214
Decrease due to acquisition of minority interest by the Group	-	(37,870)
	<u>-</u>	<u>-</u>
Arindo Global		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	935
Liquidation of subsidiary	-	(935)
Share in net loss of subsidiaries	-	-
Exchange difference due to financial statement translation	-	-
	<u>-</u>	<u>-</u>

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23. MINORITY INTEREST (continued)

a. Minority interest in equity of subsidiaries (continued)

	<u>2010</u>	<u>2009</u>
MSW		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	188
Share in net loss of subsidiaries	-	(26)
Increase due to change in equity of subsidiary	-	1
Decrease due to acquisition of minority interest by the Group	-	(163)
	-	-
MBP		
Percentage of minority interest	-	0.17%
Carrying amount - beginning balance	-	-
Minority interest at acquisition	-	17
Share in net income of subsidiary	-	92
Decrease due to change in equity of subsidiary	-	(547)
Recognition of deficit minority interest by the Group	-	438
	-	-
Total	<u>54,111</u>	<u>67,043</u>

b. Minority interest in net income of subsidiaries

	<u>2010</u>	<u>2009</u>
SDM	4,085	44,343
Coronado	(1,397)	(970)
Marindo	(95)	(26)
SIS	-	4,667
JCI	-	453
MBP	-	92
	<u>2,593</u>	<u>48,559</u>

24. SHARE CAPITAL

All shares in the Company have been listed on the Indonesian Stock Exchange since 16 July 2008. The Company's shareholders as at 31 December 2010 and 2009 based on the records maintained by PT Kustodian Sentral Efek Indonesia ("KSEI"), the share administrator, were as follows:

Shareholders	<u>2010</u>		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
PT Adaro Strategic Investments	14,045,425,500	43.91	1,404,543
Garibaldi Thohir (President Director)	1,967,600,654	6.15	196,760
Edwin Soeryadjaya (President Commissioner)	1,359,777,646	4.25	135,978
Theodore Permadi Rachmat (Vice President Commissioner)	707,420,430	2.21	70,742
Sandiaga Salahuddin Uno (Director)	633,338,202	1.98	63,334
Ir. Subianto (Commissioner)	416,932,620	1.30	41,693
Andre J. Mamuya (Director)	7,545,000	0.02	754
Chia Ah Hoo (Director)	4,815,500	0.01	482
Alastair Bruce Grant (Director)	1,414,500	0.00	141
Public	<u>12,841,691,948</u>	<u>40.17</u>	<u>1,284,169</u>
	<u>31,985,962,000</u>	<u>100.00</u>	<u>3,198,596</u>

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24. SHARE CAPITAL (continued)

Shareholders	2009		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
PT Adaro Strategic Investments	14,045,425,500	43.91	1,404,543
Garibaldi Thohir (President Director)	2,065,100,654	6.46	206,510
GSCO - Adcorp Holdings	1,656,321,073	5.18	165,632
Edwin Soeryadjaya (President Commissioner)	1,377,777,646	4.31	137,778
Theodore Permadi Rachmat (Vice President Commissioner)	724,420,430	2.27	72,442
Sandiaga Salahuddin Uno (Director)	660,838,202	2.07	66,084
Ir. Subianto (Commissioner)	416,932,620	1.30	41,693
Andre J. Mamuaya (Director)	8,545,000	0.03	854
Alastair Bruce Grant (Director)	6,764,500	0.02	676
Chia Ah Hoo (Director)	6,315,500	0.02	632
David Tendian (Director)	2,250,000	0.01	225
Public	<u>11,015,270,875</u>	<u>34.42</u>	<u>1,101,527</u>
	<u>31,985,962,000</u>	<u>100.00</u>	<u>3,198,596</u>

25. ADDITIONAL PAID-IN-CAPITAL

	2010	2009
Additional paid-in-capital from IPO	11,139,331	11,139,331
Share issuance costs	<u>(406,668)</u>	<u>(406,668)</u>
Additional paid-in-capital	<u>10,732,663</u>	<u>10,732,663</u>

The additional paid-in-capital represents the balance from initial public offering in 2008.

26. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL

	2010	2009
Acquisition of SIS		
Cost of acquisition	336,272	336,272
Book value of net assets acquired	<u>(387,642)</u>	<u>(387,642)</u>
Difference in value from restructuring transactions of entities under common control	<u>(51,370)</u>	<u>(51,370)</u>
Acquisition of ATA		
Cost of acquisition	12,719,438	12,719,438
Book value of net assets acquired	<u>(12,478,478)</u>	<u>(12,478,478)</u>
Difference in value from restructuring transactions of entities under common control	<u>240,960</u>	<u>240,960</u>
Acquisition of MSW		
Cost of acquisition	45,450	45,450
Book value of net assets acquired	<u>(43,197)</u>	<u>(43,197)</u>
Difference in value from restructuring transactions of entities under common control	<u>2,253</u>	<u>2,253</u>
	<u>191,843</u>	<u>191,843</u>

The difference in value from restructuring transactions of entities under common control represents the difference between the acquisition cost and net book value of net assets acquired, incurred through restructuring transactions among entities under common control.

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27. DIVIDENDS

At the Company's Annual General Meeting of Shareholders held on 3 June 2009, a total cash dividend for 2008 of Rp 377,434 (Rp 11.8/share - full amount) was approved. The cash dividend was paid on 11 September 2009.

At the Company's Board of Commissioners and Directors Meeting held on 19 November 2009, a total interim cash dividend for 2009 of Rp 383,832 (Rp 12/share - full amount) was approved. The cash dividend was paid on 30 December 2009.

At the Company's Annual General Meeting of Shareholders held on 23 April 2010, a total cash dividend for 2009 of Rp 927,593 (Rp 29/share - full amount) was approved. This included an interim cash dividend for 2009 of Rp 383,832, paid on 30 December 2009. The remaining Rp 543,761 final cash dividend for 2009 was paid on 18 June 2010.

At the Company's Board of Commissioners and Directors Meeting held on 4 November 2010, a total interim cash dividend for 2010 of Rp 315,062 (Rp 9.85/share - full amount) was approved. The cash dividend was paid on 10 December 2010.

28. APPROPRIATED RETAINED EARNINGS

Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in March 1995, and amended by Law No. 40/2007, issued in August 2007, requires the establishment of a general reserve from net income amounting to at least 20% of a company's issued and paid up capital. There is no time limit on the establishment of that reserve.

At the Company's Annual General Meeting of Shareholders held on 3 June 2009, an appropriation of the statutory reserve was approved amounting to Rp 44,360 from 2008 consolidated net income.

At the Company's Annual General Meeting of Shareholders held on 23 April 2010, an appropriation of the statutory reserve was approved amounting to Rp 218,363 from 2009 consolidated net income.

29. REVENUE

	<u>2010</u>	<u>2009</u>
Coal mining and trading		
Export		
- Third parties	16,758,655	19,276,055
Domestic		
- Third parties	<u>6,019,169</u>	<u>6,015,047</u>
	<u>22,777,824</u>	<u>25,291,102</u>
Mining services		
Domestic		
- Third parties	<u>1,283,460</u>	<u>1,167,642</u>
Others		
Export		
- Third parties	58,797	100,112
Domestic		
- Third parties	<u>569,252</u>	<u>379,164</u>
	<u>628,049</u>	<u>479,276</u>
Total revenue	<u>24,689,333</u>	<u>26,938,020</u>

There is no customers having transactions of more than 10% of total consolidated net revenue.

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30. COST OF REVENUE

	<u>2010</u>	<u>2009</u>
Coal mining and trading		
Mining	7,500,990	7,093,391
Coal processing	<u>1,136,067</u>	<u>1,016,982</u>
Total production costs	<u>8,637,057</u>	<u>8,110,373</u>
Freight and handling costs	2,488,609	2,691,722
Royalties to Government	2,398,823	2,706,940
Purchase of coal	777,695	184,696
Depreciation and other amortisation	577,825	458,934
Amortisation of mining properties	496,214	485,178
Coal inventory:		
Beginning balance	76,520	54,979
Ending balance	(113,909)	(76,520)
Exchange difference due to financial statements translation	<u>(3,753)</u>	<u>(10,896)</u>
Increase in coal inventory	<u>(41,142)</u>	<u>(32,437)</u>
Total cost of revenue - coal mining and trading	<u>15,335,081</u>	<u>14,605,406</u>
Mining services		
Depreciation and amortisation	262,595	223,033
Consumables	261,004	215,778
Repair and maintenance	223,843	197,613
Employee costs	169,915	129,457
Subcontractors	101,511	97,933
Other costs (each below Rp 40,000)	<u>81,894</u>	<u>62,270</u>
Total cost of revenue - mining services	<u>1,100,762</u>	<u>926,084</u>
Others		
Consumables	406,652	240,986
Depreciation and amortisation	65,288	81,405
Other costs (each below Rp 30,000)	<u>49,508</u>	<u>46,242</u>
Total cost of revenue - others	<u>521,448</u>	<u>368,633</u>
Total cost of revenue	<u>16,957,291</u>	<u>15,900,123</u>

Details of the suppliers having transactions of more than 10% of total consolidated cost of revenue:

	<u>2010</u>	<u>2009</u>
Third parties:		
PT Pamapersada Nusantara	2,392,312	2,466,768
PT Shell Indonesia	<u>1,968,039</u>	<u>529,585</u>
	<u>4,360,351</u>	<u>2,996,353</u>

Refer to Note 33 for details of related party transactions and balances.

31. OPERATING EXPENSES

a. Selling and marketing

	<u>2010</u>	<u>2009</u>
Sales commission	473,112	615,790
Others	<u>24,534</u>	<u>21,667</u>
	<u>497,646</u>	<u>637,457</u>

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31. OPERATING EXPENSES (continued)

b. General and administrative

	<u>2010</u>	<u>2009</u>
Employee costs	254,843	211,073
Others	<u>205,275</u>	<u>260,920</u>
	<u>460,118</u>	<u>471,993</u>

32. TAXATION

a. Prepaid taxes

	<u>2010</u>	<u>2009</u>
Company		
Corporate income tax	12,139	7,378
VAT	<u>-</u>	<u>118</u>
	<u>12,139</u>	<u>7,496</u>
Subsidiaries		
Corporate income tax	586,326	228,631
Income tax article 15	15,261	17,635
VAT	28,394	50,709
Final income tax article 4(2)	<u>1,070</u>	<u>311</u>
	<u>631,051</u>	<u>297,286</u>
	<u>643,190</u>	<u>304,782</u>

b. Recoverable taxes

	<u>2010</u>	<u>2009</u>
VAT input	255,858	295,856
Vehicle fuel tax receivable	299,149	207,473
Deposit to Government	<u>150,000</u>	<u>150,000</u>
	<u>705,007</u>	<u>653,329</u>

Receivable relating to VAT input represents the balance of VAT input to be offset against the royalty payable due to the Government of Indonesia.

According to Government Regulation No. 144/2000 which has been effective from 1 January 2001, raw coal prior to processing to briquettes is no longer subject to VAT. Since that date, Adaro has been unable to seek restitution for VAT input. The Coordinating Minister for Economics has requested that the Minister of Finance postpone the implementation of this regulation. The final decision regarding this matter cannot be predicted at present.

For the year ended 31 December 2010, Adaro has offset the claim for recoverable VAT input amounting to US\$102 million (31 December 2009: US\$100.2 million, 2008: US\$50.9 million, 2007: US\$39.7 million, 2006: US\$36.4 million, 2005: US\$20.6 million, 2004: US\$22.4 million, 2003: US\$18.9 million, 2002: US\$25.5 million and 2001: US\$0.9 million) against royalty payments due to the Government of Indonesia. Until 31 December 2010, Adaro was offsetting the claim for recoverable VAT input against royalty payments totalling US\$417.5 million or equivalent to Rp 4,000,426.

Based on the CCA, Adaro was subject to sales tax on services received, in accordance with prevailing laws and regulations. However, with the enforcement of Law No. 8 of 1983 regarding VAT, the regulations on sales tax were no longer valid.

Adaro is of the opinion that the sales tax is different from VAT in both form and substance, and therefore VAT is a new tax. According to the provisions of the CCA, the Government will pay and assume and hold Adaro harmless from this new tax. As such, management believes that Adaro can recover its VAT input in this manner and expects that the outstanding balance will be recovered in full. These consolidated financial statements do not include any adjustments that might ultimately result from the decision made by the Government regarding this matter. Refer to Note 37c for further details.

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32. TAXATION (continued)

b. Recoverable taxes (continued)

In 2008, the Government of Indonesia through the Financial and Development Supervisory Board ("BPKP") commenced an audit to resolve this dispute on VAT paid offsetting royalties payable for the period from 2001 to 2007. However, as at the date of this report, the formal result of this audit had not been issued by the Government of Indonesia. In September 2008, Adaro has placed a fund amounting to Rp 150,000 as a deposit in relation to the settlement of this dispute.

In August 2009, BPKP continued its audit in relation to VAT and sales tax for the fiscal periods prior to 2001, as well as the 2008 fiscal period. As at the date of this report, the audit is still ongoing. Management is of the opinion that the audit result will not have a material impact on the Groups financial position and cash flow.

Vehicle fuel tax (Pajak Bahan Bakar Kendaraan Bermotor/"PBBKB") receivable represents the balance of PBBKB that can be compensated by the Government of Indonesia, since PBBKB is a new tax according to the provisions of the CCA.

c. Taxes payable

	<u>2010</u>	<u>2009</u>
The Company		
Income tax articles 23 and 26	22,272	9,103
Final income tax article 4(2)	1,743	2,011
Income tax article 21	825	197
VAT	485	-
	<u>25,325</u>	<u>11,311</u>
Subsidiaries		
Corporate income tax	85,634	2,183,082
Income tax articles 23 and 26	11,741	20,075
Income tax article 21	9,262	9,049
VAT	3,458	28,105
Final income tax article 4(2)	437	436
	<u>110,532</u>	<u>2,240,747</u>
	<u>135,857</u>	<u>2,252,058</u>

d. Income tax expense

	<u>2010</u>	<u>2009</u>
The Company		
Current	-	-
Deferred	39,114	9,293
	<u>39,114</u>	<u>9,293</u>
Subsidiaries		
Current	2,599,063	4,162,623
Deferred	30,491	(52,815)
	<u>2,629,554</u>	<u>4,109,808</u>
Consolidated		
Current	2,599,063	4,162,623
Deferred	69,605	(43,522)
	<u>2,668,668</u>	<u>4,119,101</u>

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32. TAXATION (continued)

d. Income tax expense (continued)

The reconciliation between profit before income tax and estimated taxable income is as follows:

	<u>2010</u>	<u>2009</u>
Consolidated profit before income tax	5,049,918	8,578,381
Profit before income tax - subsidiaries	(5,013,795)	(8,607,008)
Adjusted for consolidation elimination	<u>2,131,133</u>	<u>4,403,541</u>
Profit before income tax - the Company	<u>2,167,256</u>	<u>4,374,914</u>
Temporary difference:		
Provision for employee benefit	<u>4,165</u>	<u>4,026</u>
Permanent difference:		
Income subject to final tax	(3,119)	(11,586)
Income from investments in subsidiaries and associates	(2,191,723)	(4,398,839)
Non-deductible expenses	<u>25,710</u>	<u>27,622</u>
	<u>(2,169,132)</u>	<u>(4,382,803)</u>
Taxable income/(tax losses) - the Company before use of tax losses carried forward	2,289	(3,863)
Tax losses used	<u>(2,289)</u>	<u>-</u>
Tax losses - the Company	<u>-</u>	<u>(3,863)</u>
Current income tax - the Company	-	-
Current income tax - subsidiaries	<u>2,599,063</u>	<u>4,162,623</u>
Consolidated current income tax	<u>2,599,063</u>	<u>4,162,623</u>

Current income tax of subsidiaries as at 31 December 2010, after accounting for extraordinary item (refer to Note 41), was as follows:

	<u>2009</u>	<u>2010</u>
Current income tax from ordinary activity	2,599,063	-
Current income tax - extraordinary item	<u>(140,355)</u>	<u>-</u>
Total current income tax	<u>2,458,708</u>	<u>-</u>

Current income tax computations are based on estimated taxable income. The amounts may be adjusted when Annual Tax Returns are filed with the tax office.

The Company's tax losses carried forward, which can be offset against future taxable income for periods of five years, were incurred in the following fiscal periods:

<u>Year</u>	<u>Total</u>
2006	635
2007	26,533
2009	<u>3,701</u>
	<u>30,869</u>

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32. TAXATION (continued)

d. Income tax expense (continued)

The reconciliation between income tax expense and the theoretical tax amount on the Company's profit before income tax using currently enacted tax rates is as follows:

	<u>2010</u>	<u>2009</u>
Consolidated profit before income tax	5,049,918	8,578,381
Profit before income tax - subsidiaries	(5,013,795)	(8,607,008)
Adjusted for consolidation elimination	<u>2,131,133</u>	<u>4,403,541</u>
Profit before income tax - the Company	<u>2,167,256</u>	<u>4,374,914</u>
Income tax calculated at prevailing tax rate	541,814	1,224,976
Income subject to final tax	(780)	(3,244)
Non-deductible expenses	6,428	7,734
Income from investments in subsidiaries and associates	(547,931)	(1,231,675)
Prior year adjustment	828	-
Capitalised borrowing cost	38,755	-
Adjustment related to the changes of income tax rate	-	(1,115)
Unrecognised tax loss carryforward	<u>-</u>	<u>12,617</u>
Income tax expense - the Company	39,114	9,293
Income tax expense - subsidiaries	<u>2,629,554</u>	<u>4,109,808</u>
Consolidated income tax expense	<u>2,668,668</u>	<u>4,119,101</u>

e. Deferred tax assets

	<u>2010</u>	<u>2009</u>
The Company		
Tax loss carried forward	7,717	9,117
Provision for employee benefits	<u>2,048</u>	<u>1,007</u>
Deferred tax assets at the end of the year	<u>9,765</u>	<u>10,124</u>
Deferred tax assets at the beginning of the year	10,124	19,417
Charged to consolidated statement of income	<u>(359)</u>	<u>(9,293)</u>
Deferred tax assets at the end of the year	<u>9,765</u>	<u>10,124</u>
Subsidiaries		
Tax loss carried forward	232,174	370,292
Provision for employee benefits	1,606	833
Loss from changes in fair value of derivative instruments	<u>5,697</u>	<u>6,830</u>
Unrecognised deferred tax assets	<u>239,477</u>	<u>377,955</u>
	<u>(204,949)</u>	<u>(350,492)</u>
Deferred tax assets at the end of the period	<u>34,528</u>	<u>27,463</u>
Deferred tax assets at the beginning of the year	27,463	24,407
Charged to equity	(835)	6,830
Charged to consolidated statement of income	8,198	14,096
Exchange difference due to financial statement translation - charged to equity	(298)	-
Adjustment related to changes of reporting currency of the subsidiary - charged to equity	<u>-</u>	<u>(17,870)</u>
Deferred tax assets at the end of the year	<u>34,528</u>	<u>27,463</u>

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32. TAXATION (continued)**e. Deferred tax assets (continued)**

	<u>2010</u>	<u>2009</u>
Consolidated		
Tax loss carried forward	239,891	379,409
Provision for employee benefits	3,654	1,840
Loss from changes in fair value of derivative instruments	<u>5,697</u>	<u>6,830</u>
	249,242	388,079
Unrecognised deferred tax assets	<u>(204,949)</u>	<u>(350,492)</u>
Deferred tax assets at the end of the year	<u>44,293</u>	<u>37,587</u>
Deferred tax assets at the beginning of the year	37,587	43,824
Charged to equity	(835)	6,830
Charged to consolidated statement of income	7,839	4,803
Exchange difference due to financial statement translation - charged to equity	(298)	-
Adjustment related to changes of reporting currency of the subsidiary - charged to equity	<u>-</u>	<u>(17,870)</u>
Deferred tax assets at the end of the year	<u>44,293</u>	<u>37,587</u>

Due to the fact that several subsidiaries are in a loss position and only function as a head office, there is a limitation on the future use of tax loss carry forwards and uncertainty as to whether the deferred tax assets will be realised. Thus, a portion of deferred tax assets relating to tax losses carried forwards have not been recognised in these consolidated financial statements.

f. Deferred tax liabilities

	<u>2010</u>	<u>2009</u>
The Company		
Capitalised borrowing costs	<u>38,755</u>	<u>-</u>
Deferred tax liabilities at the end of the year	<u>38,755</u>	<u>-</u>
Deferred tax liabilities at the beginning of the year	-	-
Charged to consolidated statement of income	<u>38,755</u>	<u>-</u>
Deferred tax liabilities at the end of the year	<u>38,755</u>	<u>-</u>
Subsidiaries		
Provision for employee benefits	(15,852)	(10,307)
Mining properties	2,311,188	2,444,658
Loss from changes in fair value of derivative instruments	(47,381)	(55,616)
Difference between commercial and tax net book value of fixed assets	572,216	445,588
Tax loss carried forward	(106,400)	(116,270)
Difference in fixed assets under finance lease and lease instalments	90,303	74,336
Deferred exploration and development expenditure	<u>32,134</u>	<u>36,455</u>
	2,836,208	2,818,844
Unrecognised deferred tax assets	<u>106,400</u>	<u>114,555</u>
Deferred tax liabilities at the end of the year	<u>2,942,608</u>	<u>2,933,399</u>
Deferred tax liabilities at the beginning of the year	2,933,399	3,144,306
Charged to equity	5,815	(55,616)
Charged to consolidated statement of income	38,689	(38,719)
Exchange difference due to financial statement translation - charged to equity	<u>(35,295)</u>	<u>(116,572)</u>
Deferred tax liabilities at the end of the year	<u>2,942,608</u>	<u>2,933,399</u>

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32. TAXATION (continued)

f. Deferred tax liabilities (continued)

	<u>2010</u>	<u>2009</u>
Consolidated		
Provision for employee benefits	(15,852)	(10,307)
Mining properties	2,311,188	2,444,658
Loss from changes in fair value of derivative instruments	(47,381)	(55,616)
Difference between commercial and tax net book value of fixed assets	572,216	445,588
Tax loss carried forward	(106,400)	(116,270)
Difference in fixed assets under finance lease and lease instalments	90,303	74,336
Capitalised borrowing costs	38,755	-
Deferred exploration and development expenditure	<u>32,134</u>	<u>36,455</u>
	2,874,963	2,818,844
Unrecognised deferred tax assets	<u>106,400</u>	<u>114,555</u>
Deferred tax liabilities at the end of the year	<u>2,981,363</u>	<u>2,933,399</u>
Deferred tax liabilities at the beginning of the year	2,933,399	3,144,306
Charged to equity	5,815	(55,616)
Charged to consolidated statement of income	77,444	(38,719)
Exchange difference due to financial statement translation - charged to equity	<u>(35,295)</u>	<u>(116,572)</u>
Deferred tax liabilities at the end of the year	<u>2,981,363</u>	<u>2,933,399</u>

g. Administration

Under the taxation laws of Indonesia, the companies within the Group which are domiciled in Indonesia calculate and pay tax on the basis of self assessment. The Directorate General of Tax ("DGT") may assess or amend taxes within ten years of the time the tax becomes due, or until the end of 2013, whichever is earlier. There are new rules applicable to the fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years of the time the tax becomes due.

h. Tax assessment letter

Management of SIS disagreed with the tax assessments of corporate income tax and income tax article 23 that were received in 2008 and therefore filed objection letters with the DGT against the tax assessment amounting to Rp 3,421 (US\$363,829). On 21 April 2009, the DGT accepted the objection on income tax article 23 of Rp 142 (US\$15,106) and rejected the objection to corporate income tax of Rp 3,279 (US\$348,723). On 3 June 2009, SIS filed an appeal for the rejection amounting to Rp 3,279 (US\$348,723). As at the date this report is issued, SIS has not received any result for this appeal.

As at the date of this report, the Company is being audited for all taxes for the fiscal years 2009, JPI is being audited for all taxes for fiscal year 2009, IBT is being audited for all taxes for fiscal year 2009 and Viscaya is being audited for all taxes for fiscal period of January 2006 to March 2006 and period of April 2007 to December 2007. The Company, JPI, IBT and Viscaya have not yet received the audit results. Management is of the opinion that the audit results will not have a material impact on the Company's, JPI's, IBT's and Viscaya's financial position and cash flows.

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33. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the balances and transactions with related parties are as follows:

	<u>2010</u>	<u>2009</u>
Trade payables (refer to Note 14)	109,144	142,783
Amounts due to related parties:		
US Dollars		
- PT Rachindo Investments	<u>4,495</u>	<u>4,700</u>
	<u>113,639</u>	<u>147,483</u>
As a percentage of total liabilities	<u>0.52%</u>	<u>0.59%</u>
Cost of revenue		
Mining service:		
- PT Rahman Abdijaya	557,419	527,291
Coal barging services:		
- PT Pulau Seroja Jaya	173,286	100,484
- PT Pulau Seroja Jaya Pratama	48,444	60,827
Rental:		
- PT Anugerah Buminusantara Abadi	<u>25,962</u>	<u>33,906</u>
	<u>805,111</u>	<u>722,508</u>
As a percentage of total cost of revenue	<u>4.75%</u>	<u>4.54%</u>

Refer to Note 37 for further description of the mining service transactions.

The nature of relationships with related parties:

<u>Related parties</u>	<u>Relationship with related parties</u>
PT Anugerah Buminusantara Abadi	Associates
PT Rachindo Investments	Associates
PT Pulau Seroja Jaya	Affiliate
PT Pulau Seroja Jaya Pratama	Affiliate
PT Rahman Abdijaya	Affiliate

The Group's pricing policy related to the transactions with related parties is set based on contracted prices, which are in the range of contracted fees charged to third parties.

34. BASIC EARNINGS PER SHARE

	<u>2010</u>	<u>2009</u>
Net income attributable to shareholders	2,207,313	4,367,252
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u>31,985,962</u>	<u>31,985,962</u>
Basic earnings per share (full amount)	<u>69.0</u>	<u>136.5</u>

The Group does not have any dilutive ordinary shares at 31 December 2010 and 2009.

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35. MONETARY ASSETS AND LIABILITIES

As at 31 December 2010, the Group had monetary assets and liabilities denominated in foreign currencies as follows:

		<u>Foreign currency</u>	<u>Equivalent Rupiah</u>
Monetary assets			
Cash and cash equivalents	US\$	498,031,433	4,477,803
	S\$	4,908,672	34,266
	€	31,744,525	379,530
Restricted cash and time deposits	US\$	1,293,822	11,633
Trade receivables	US\$	186,554,410	1,677,311
Prepaid taxes	US\$	64,171,934	576,969
Other non-current assets	US\$	<u>4,678,120</u>	<u>42,061</u>
Total monetary assets			<u>7,199,573</u>
Monetary liabilities			
Trade payables	US\$	219,930,264	1,977,394
	S\$	132,987	928
	€	3,451,508	41,266
	¥	11,242,976	1,240
	A\$	219,666	2,008
	£	4,052	56
Accrued expenses	US\$	78,068,200	701,911
	€	1,349,716	16,137
Taxes payable	US\$	6,292,123	56,572
Royalties payable	US\$	75,906,270	682,473
Long-term loans:			
- Finance lease payables	US\$	88,760,658	798,047
- Bank loans	US\$	717,335,840	6,449,567
Senior Notes	US\$	786,147,920	7,068,256
Derivative payable	US\$	16,231,483	145,937
Amounts due to related parties	US\$	<u>500,000</u>	<u>4,495</u>
Total monetary liabilities			<u>17,946,287</u>
Net monetary liabilities			<u>10,746,714</u>

If assets and liabilities in foreign currencies as at 31 December 2010 are translated using the exchange rate as at 14 March 2011, the total net foreign currency liabilities will decrease by approximately Rp 278,767.

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36. SEGMENT REPORTING

Based on the financial information used by management in evaluating the performance of segments and in the allocation of resources, management considers their primary segments to be three major business operations consisting of coal mining and trading, mining services and others. All transactions between segments have been eliminated.

Information concerning the business segments which are considered the primary segments are as follows:

	2010				
	Coal mining and trading	Mining service	Others	Eliminations	Consolidated
Revenue					
External revenue	22,777,823	1,283,461	628,049	-	24,689,333
Inter-segment Revenue	<u>1,764,066</u>	<u>1,481,596</u>	<u>1,222,608</u>	<u>(4,468,270)</u>	<u>-</u>
Net revenue	<u>24,541,889</u>	<u>2,765,057</u>	<u>1,850,657</u>	<u>(4,468,270)</u>	<u>24,689,333</u>
Gross profit	7,609,338	394,330	522,429	(794,055)	7,732,042
Selling and marketing expenses	(762,656)	-	-	265,010	(497,646)
General and administrative expenses	<u>(21,156)</u>	<u>(207,285)</u>	<u>(245,830)</u>	<u>14,153</u>	<u>(460,118)</u>
Operating income	6,825,526	187,045	276,599	(514,892)	6,774,278
Finance costs	(983,102)	(137,390)	(74,421)	146,661	(1,048,252)
Finance income	85,219	2,145	22,178	(67,165)	42,377
Other expenses, net	<u>(46,246)</u>	<u>(21,226)</u>	<u>(71,732)</u>	<u>(579,281)</u>	<u>(718,485)</u>
Profit before income tax	5,881,397	30,574	152,624	(1,014,677)	5,049,918
Income tax expense	(2,612,594)	(7,166)	(131,246)	82,338	(2,668,668)
Extraordinary item, net of tax	(171,544)	-	-	-	(171,544)
Pre-acquisition loss	-	-	200	-	200
Minority interest in net income of subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,593)</u>	<u>(2,593)</u>
Net income	<u>3,097,259</u>	<u>23,408</u>	<u>21,578</u>	<u>(934,932)</u>	<u>2,207,313</u>
Segment assets	18,466,093	4,277,932	11,656,012	6,200,884	40,600,921
Segment liabilities	16,137,330	3,432,863	9,667,712	(7,267,536)	21,970,369
Capital expenditure	1,383,176	670,515	750,652	(106,758)	2,697,585
Depreciation and amortisation	186,899	622,558	136,411	1,006,599	1,952,467

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36. SEGMENT REPORTING (continued)

	2009				Consolidated
	Coal mining and trading	Mining service	Others	Eliminations	
Revenue					
External revenue	25,291,102	1,167,642	479,276	-	26,938,020
Inter-segment revenue	<u>1,888,982</u>	<u>1,579,909</u>	<u>1,065,464</u>	<u>(4,534,355)</u>	<u>-</u>
Net revenue	<u>27,180,084</u>	<u>2,747,551</u>	<u>1,544,740</u>	<u>(4,534,355)</u>	<u>26,938,020</u>
Gross profit	10,743,086	570,038	626,131	(901,358)	11,037,897
Selling and marketing expenses	(1,029,383)	-	-	391,926	(637,457)
General and administrative expenses	<u>(17,406)</u>	<u>(186,890)</u>	<u>(281,150)</u>	<u>13,453</u>	<u>(471,993)</u>
Operating income	9,696,297	383,148	344,981	(495,979)	9,928,447
Finance costs	(549,487)	(188,687)	(232,231)	54,592	(915,813)
Finance income	85,539	5,943	31,295	(54,592)	68,185
Other Income/(expenses), net	<u>20,755</u>	<u>44,946</u>	<u>443,523</u>	<u>(1,011,662)</u>	<u>(502,438)</u>
Profit before income tax	9,253,104	245,350	587,568	(1,507,641)	8,578,381
Income tax expense	(4,110,520)	(63,913)	(80,169)	135,501	(4,119,101)
Pre-acquisition income	-	-	-	(43,469)	(43,469)
Minority interest in net income of subsidiaries	-	-	-	(48,559)	(48,559)
Net income	<u>5,142,584</u>	<u>181,437</u>	<u>507,399</u>	<u>(1,464,168)</u>	<u>4,367,252</u>
Segment assets	23,804,355	4,280,488	5,542,569	8,732,935	42,360,347
Segment liabilities	18,980,950	3,409,252	10,260,201	(7,801,990)	24,848,413
Capital expenditure	326,961	659,266	1,282,036	(838,727)	1,429,536
Depreciation and amortisation	78,343	541,470	129,582	1,004,629	1,754,024

Information concerning the Group's geographical segments for the years ended 31 December 2010 and 2009 is as follows:

	2010				Total
	Indonesia	Asia	Europe	America	
Revenue					
Coal mining and trading	6,019,169	14,113,438	1,963,395	681,821	22,777,823
Mining services	1,283,461	-	-	-	1,283,461
Others	<u>569,252</u>	<u>58,797</u>	<u>-</u>	<u>-</u>	<u>628,049</u>
Revenue	<u>7,871,882</u>	<u>14,172,235</u>	<u>1,963,395</u>	<u>681,821</u>	<u>24,689,333</u>
Segment assets	36,552,474	4,048,447	-	-	40,600,921
Capital expenditure	2,654,463	43,122	-	-	2,697,585
	2009				Total
	Indonesia	Asia	Europe	America	
Revenue					
Coal mining and trading	6,015,047	14,966,410	2,949,503	1,360,142	25,291,102
Mining services	1,167,642	-	-	-	1,167,642
Others	<u>379,165</u>	<u>100,111</u>	<u>-</u>	<u>-</u>	<u>479,276</u>
Revenue	<u>7,561,854</u>	<u>15,066,521</u>	<u>2,949,503</u>	<u>1,360,142</u>	<u>26,938,020</u>
Segment assets	37,703,991	4,656,356	-	-	42,360,347
Capital expenditure	1,313,572	115,964	-	-	1,429,536

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Coal mining, transportation, barging, transshipment and other agreements

Adaro, as a coal producer, has entered into a number of coal mining agreements. Based on the agreements, Adaro is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal and overburden mined and transported. The contractors will provide all equipment, machinery, appliances and other supplies necessary for performing the mining and transportation services, and are required to meet certain minimum production requirements.

Adaro has also entered into coal barging, transport and transshipment agreement with contractors to provide coal transportation services from Adaro's main area to certain port destinations. Adaro is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of coal transported.

In addition, Adaro has also entered into a fuel supply agreement with PT Shell Indonesia ("Shell"). Adaro is required to pay Shell a price, based on a formula which includes the amount of fuel supplied and the market price of fuel. Adaro is also required to purchase a certain minimum yearly volume of fuel.

<u>Contractor</u>	<u>Agreement type</u>	<u>Agreement date</u>	<u>Contract period end</u>
PT Pamapersada Nusantara	Coal mining and transportation	7 September 2009	31 July 2013
PT Bukit Makmur Mandiri Utama	Coal mining and transportation	13 November 2008	31 December 2013
PT Rahman Abdijaya	Coal mining and transportation	14 December 2008	31 December 2013
PT Rante Mutiara Insani	Coal mining and transportation	22 February 2010	22 February 2015
PT Pulau Seroja Jaya	Coal barging	1 October 2010	31 October 2017
PT Batuah Abadi Lines	Coal barging	18 February 2000	30 June 2012
PT Mitra Bahtera Segara Sejati	Coal barging	1 October 2010	31 October 2017
PT Meratus Advance Maritim	Coal barging	1 December 2010	31 October 2017
PT Shell Indonesia	Fuel supply	8 December 2009	1 October 2022

SIS provides mining contractor services to various coal producers. Under the agreements, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling, and is required to meet certain minimum production requirements for these activities. SIS receives a service fee calculated on a monthly basis, based on a formula which includes several adjustment clauses.

<u>Coal producer</u>	<u>Agreement date</u>	<u>Contract period or production level (metric tonnes/MT)</u>
PT Berau Coal (Binungan H4)	27 December 2004	31 December 2013
PT Berau Coal (Binungan Blok 1-4)	1 March 2007	31 December 2015
PT Berau Coal (Sambarata)	25 February 2004	31 December 2011
PT Berau Coal (Sambarata Blok B-1)	21 January 2008	14 July 2012
PT Sumber Kurnia Buana	10 May 2005	9 May 2013 or certain production level
PT Borneo Indobara	17 October 2006	31 August 2014 or certain production level
PT Indomining	14 August 2007	13 August 201 or certain production level
PT Tunas Muda Jaya	8 April 2009	2013 or certain production level

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

a. Coal mining, transportation, barging, transshipment and other agreements (continued)

The receivables arising from coal mining contract between SIS and the coal producers were pledged under the Senior Credit Facility (refer to Note 19b).

All of these agreements are pledged against the Senior Credit Facility (refer to Note 19b).

b. Land-Use Cooperation Agreement

On 4 November 2009, MSW and the Government of Tabalong Regency entered into a land-use cooperation agreement for the cooperation to use 100.2 hectares of land from the Government of Tabalong Regency, located in Mabu'un village, Murung Pudak Sub-District, Tabalong Regency, in relation to the construction and operation of a Coal fired Power Plant. The Government of Tabalong Regency will provide the right to use the land, which subsequently the Group could apply for land rights for 30 years and this could be extended according to the prevailing law.

As a compensation for the land rights, MSW will supply electricity of 1.5 Mega Watts for regency street lighting.

c. Royalty claim

In May 2006, MoEMR alleged that Adaro had underpaid the royalties due from coal sales for the period from 2001 and demanded payment. Adaro strongly rejected the allegation because it had discharged its obligation to pay such royalties by way of offsetting it against the Government's obligation to reimburse Adaro for its VAT payment as prescribed under the CCA. In May 2006, Adaro filed an objection with the Jakarta Administrative Court against MoEMR. Upon Adaro's application, in May 2006, the Jakarta Administrative Court granted an order restricting MoEMR from taking any further administrative steps on the issue until a final and binding judgment was delivered.

In September 2006, the Jakarta Administrative Court issued a decision in favour of Adaro. The Jakarta High Administrative Court concurred with the Jakarta Administrative Court in February 2007. On 26 September 2008, the Indonesian Supreme Court concurred with the decision of the Jakarta High Administrative Court and the decision of the Indonesian Supreme Court is final and binding.

In June 2006, MoEMR granted authority to the Committee for State Claim Affairs (the "Committee") to pursue alleged underpayment on its behalf. In July 2007, the Committee issued a demand for payment to Adaro. As this is an industry-wide problem, similar demands have been made by the Committee to other first-generation companies.

In September 2007, Adaro filed an objection with the Jakarta Administrative Court against the Committee. Upon Adaro's application, in September 2007 the Jakarta Administrative Court granted an order restricting the Committee from taking any further administrative steps on the issue until a final and binding judgment was delivered. On 15 February 2008, the Jakarta Administrative Court issued a decision in favour of Adaro. The Jakarta High Administrative Court concurred with the Jakarta Administrative Court on 1 July 2008. On 22 July 2009, the Indonesian Supreme Court concurred with the decision of the Jakarta High Administrative Court and the decision of the Indonesian Supreme Court is final and binding. On 29 January 2010, the Committee filed a civil review (*Peninjauan Kembali*) on the decision of the Indonesian Supreme Court. On 31 January 2011, the Jakarta Administrative Court delivered the decision on civil review (*Peninjauan Kembali*), where the Supreme Court decided to reject the request of civil review (*Peninjauan Kembali*) from the Committee, based on decision No.47PK/TUN/2010 dated 20 July 2010.

As management believes that Adaro has strong grounds supporting the case and the recent court decision was in favour of Adaro, no provision has been booked to the consolidated financial statements.

d. Capital expenditures

As at 31 December 2010, Adaro has outstanding purchase orders for mining equipment amounting to US\$183.8 million and SIS for operational equipment amounting to US\$46.4 million.

e. Banking facility

On 5 September 2007, Adaro entered a bank facility agreement with HSBC to issue a bank guarantee. This agreement has been amended several times and the last amendment was to extend the maturity date of this agreement to 31 July 2011. The total limit of this facility is US\$30 million which includes the issuing of Standby Documentary Credit amounting to US\$20 million, performance bonds amounting to US\$15 million and tender bonds amounting to US\$15 million. This facility is not bound by any collateral.

On 20 August 2008, Adaro entered into a banking facility amendment agreement with PT Bank DBS Indonesia for the banking facility in bank guarantee, bid bonds, performance bonds and standby letters of credit, with a total limit of US\$15 million. This agreement has been amended several times and the last amendment was to extend the maturity date of this agreement to 14 July 2011. This facility is not bound by any collateral.

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

e. Banking facility (continued)

The use of certain banking facilities require Adaro to maintain time deposits (refer to Note 5).

As at 31 December 2010, the total bank facilities used by Adaro which were obtained from HSBC and PT Bank DBS Indonesia and from other financial institutions (obtained without any facility) in various currencies were equal to US\$59.5 million (2009: US\$26.4 million). Those facilities had been issued in relation to sales contracts and reclamation guarantees.

f. Sales commitment

As at 31 December 2010, Adaro had various commitments to deliver 259 million metric tonnes of coal to various buyers, subject to price agreement. The coal will be periodically delivered from 2011 until 2022.

g. Forestry fee

Based on Government Regulation No. 2 dated 4 February 2008, all companies that have activities in production and protected forest areas but not related to forestry will have an obligation to pay a forestry fee ranging from Rp 1,200,000 (full amount) to Rp 3,000,000 (full amount) per hectare. This fee is effective from 2008. The Group has recognised this fee on an accrual basis.

h. Engineering, Procurement and Construction Agreement

PT Punj Llyod Indonesia

On 23 April 2008, MSW entered into an Engineering, Procurement and Construction ("EPC") Agreement with PT Punj Llyod Indonesia ("Punj Llyod Indonesia"). Under this agreement, Punj Llyod Indonesia will provide construction services for the Project Tanjung Tabalong 2x30 MW coal fired power plant project, located in Kalimantan, Indonesia.

Under the agreement, MSW is required to pay a 15% advance to Punj Llyod Indonesia and installments upon the achievement of project milestones.

Punj Llyod Pte Ltd

On 23 April 2008, MSW entered into an EPC Agreement with Punj Llyod Pte Ltd ("Punj Llyod"). Under this agreement, Punj Llyod will supply equipment for the Tanjung Tabalong 2x30 MW coal fired power plant project, located in Kalimantan, Indonesia.

Under the agreement, MSW is required to pay Punj Llyod a 15% advance and installments upon the achievement of project milestones.

i. Agency fees

Adaro have various agency agreements with third party agents to market their coal for certain customers. The agents will receive commission based on a percentage of sales to those customers.

j. Customer Claims

In 2008, MoEMR requested that Indonesian coal producers renegotiate existing term coal supply contracts to match then current market prices. Those Indonesian coal producers were instructed by MoEMR that they would be required to suspend shipments if they failed to comply with the request.

Adaro declared force majeure and suspended deliveries to three customers. One of these customers later agreed with Adaro a renegotiated price under their contract in line with the Government requirement. The remaining two customers have asserted separate claims against Adaro seeking amounts by way of compensation totaling US\$399 million. Both of these claims have been referred to arbitration. At the end of 2010, one of the arbitration case was withdrawn. Although Adaro believes that it has meritorious defense to the outstanding claim, there can be no assurance that this defense will be successful. Adaro will continue to defend against this claim. As the outcome to the remaining arbitration case is uncertain and no reliable estimate can be made at this point, the Group did not recognise any provision in the consolidated financial statements.

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

k. Legal proceedings

From time to time, the Group is involved in various legal proceedings as a normal incident to the Group's business. The Group is of the opinion that adverse decisions in any pending or threatened proceeding, or that any amounts it may be required to pay by reason thereof will not have a material adverse effect on its financial condition or the results of its operations.

l. DBS Bilateral Facility

On 24 February 2009, Adaro entered into a Multicurrency Revolving Credit Facility agreement with DBS Bank Ltd which acted as Original Lender and Facility Agent. Under this agreement, DBS Bank Ltd agreed to provide a multicurrency revolving credit facility in an aggregate amount of US\$40 million for a period of 36 months after the date of the agreement. This facility will be charged with interest rates at LIBOR plus a certain percentage. Coaltrade, IBT and the Company act as guarantors of this loan facility. As at 31 December 2010, Adaro had not made any drawdown on this facility.

In accordance with the terms of the agreement, Adaro is required to maintain certain financial ratios.

This loan has similar significant terms and conditions to the long-term Syndicated Loan (refer to Note 19a).

m. Amortising Revolving Credit Facility

On 2 October 2009, Adaro entered into an Amortising Revolving Credit Facility with a syndicate of banks consisting of Oversea-Chinese Banking Corporation Ltd, DBS Bank Ltd, Sumitomo Mitsui Banking Corporation (Singapore branch), BNP Paribas (Singapore branch), The Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch), United Overseas Bank Ltd (Labuan branch), Chinatrust Commercial Bank Co Ltd (Singapore branch), PT ANZ Panin Bank, PT Bank Mandiri (Persero) Tbk (Singapore branch), Standard Chartered Bank (Jakarta branch) and The Hongkong and Shanghai Banking Corporation Ltd, in an aggregate amount of US\$500 million for capital expenditure purposes.

The availability of the loan will be stepped down as set forth in the table below:

<u>Amortising period</u>	<u>Maximum available facility</u>
the date falling 12 months after the date of this agreement	US\$460,000,000
the date falling 24 months after the date of this agreement	US\$420,000,000
the date falling 36 months after the date of this agreement	US\$380,000,000
the date falling 48 months after the date of this agreement	US\$230,000,000
final maturity date	US\$0

This facility will be charged with interest rates at LIBOR plus a certain percentage and has a maturity date on the date falling five years after the date of this loan agreement. The Company acted as the guarantor for this loan facility. On 21 October 2009, Adaro made a US\$160 million drawdown from this facility and made a full repayment of this drawdown on 23 November 2009. As at 31 December 2010, there is no amount outstanding under this facility.

n. Overland Conveyor Construction Contract

On 29 December 2009, JPI, Sandvik Asia Ltd and PT Tripatra Engineers and Constructors, entered into contracts for the construction of an Overland Conveyor, for the purpose of supporting Adaro's increasing of its coal production capacity with total contract amounts (including provisional sums) of approximately US\$237 million. The construction is planned to be completed within two years from the date of the commencement of the project.

Until 31 December 2010, there had been no spending related to this contract and the project had been put on hold.

o. Fuel Facilities Agreement

On 1 September 2009, IBT entered into a Fuel Facilities Agreement with Shell. Based on the agreement, Shell agreed to build a fuel storage facility with a minimum capacity of 60,000 tons of diesel over the land of IBT and IBT agreed to build shared facilities within the terminal for unloading and loading of the diesel. For the use of the shared facilities, Shell agreed to pay a handling fee with a certain amount per barrel of the loaded quantities of diesel. The agreement will expire on 31 December 2022. At the end of the agreement period, Shell will transfer the ownership of the fuel storage facility to IBT.

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

p. Mining Law No. 4/2009

On 16 December 2008, the Indonesian Parliament passed a new Law on Mineral and Coal Mining (the "Law"), which received the assent of the President on 12 January 2009, becoming Law No. 4/2009. The CCA system under which Adaro, one of the Group's subsidiaries, operates, will no longer be available to investors. However, the Law indicates that existing CCAs, such as those held by Adaro, will be honoured. There are a number of issues which existing CCA holders, including Adaro, are currently analysing. Among others these include:

- the Law notes that existing CCAs will be honoured until their expiration. However, it also states that existing CCAs must be amended within one year to conform to the provisions of the Law (other than terms relating to State revenue - which is not defined, but presumably includes royalties and taxes); and
- the requirement for CCA holders which have already commenced some form of activity to, within one year of enactment of the Law, submit a mining activity plan for the entire contract area. If this plan is not fulfilled, the contract area may be reduced to that allowed for mining business licences under the Law.

In February 2010, the Government of Indonesia released two implementing regulations for Mining Law No. 4/2009, i.e. Government Regulation No. 22/2010 and 23/2010 ("GR No. 22" and "GR No. 23"). GR No. 22 deals with the establishment of the mining areas under the new mining business license ("*Ijin Usaha Pertambangan*" or "IUP"). GR No. 23 provides clarifications surrounding the procedures to obtain the new IUP. GR No. 23 indicates that existing CCAs will be honoured by the Government although any extension of existing CCAs will be through the issuance of an IUP.

The Group is closely monitoring the progress of the implementing regulations for the Law, and will consider the impact on its operation, if any, once these regulations are issued.

q. Ministerial Regulation No. 28/2009

In September 2009, the Minister of Energy and Mineral Resources issued Ministerial Regulation No. 28/2009, which, among others, requires the Directorate General's approval to use an affiliate as a mining service contractor. The regulation provides the definition of affiliates and provides exception only when there are no similar mining services companies in the regency/city and/or province, or when there are no other capable mining service companies operating in the area. The regulation requires mining concession companies under its existing contract to conduct all coal extraction activities themselves within three years of the issuance of the regulation, except to the new contract the obligation is effective on the date of the contract. Accordingly, Adaro will be required to develop its own extraction capabilities in lieu of relying on third party contractors.

The regulation provides a three year transition period for changes to existing arrangements. The Group is currently considering the implications of this regulation, given that SIS provides mining services to Adaro.

Director General of Mineral, Coal and Geothermal has recently issued Director General Regulation No. 376.K/30/DJB/2010 dated 10 May 2010 on the procedures and requirements of a request for approval to involve subsidiary and/or an affiliate in mining services activities ("*Dirgen Regulation*"). The Dirgen Regulation regulates further Ministerial Regulation No. 28/2009, specifically on the procedures and requirements to involve a subsidiary and/or an affiliate in mining services activities.

Management believes that carrying out coal extraction activity by Adaro will not substantially change the operating structure of Adaro's operations or SIS's (as a result of changes at Adaro or similar other customers of SIS), since SIS may provide rental equipment service in relation to the coal extraction activity subject to obtaining license/register from MoEMR.

r. Ministerial Regulation No. 34/2009

In December 2009, the Minister of Energy and Mineral Resources issued another regulation, Ministerial Regulation No. 34/2009, which provides a legal framework to require mining companies to sell a portion of their output to domestic customers ("*Domestic Market Obligation*" or "DMO"). Subsequently, on 19 April 2010, the MoEMR issued Ministerial Decree No. 1604 K/30/MEM/2010 which sets a minimum DMO percentage of 24.75%.

The Group is closely monitoring the progress of the implementing regulations for the Law, and will consider the impact on its operations, if any, when one of these implementing regulations is issued.

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37. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

s. Ministerial Regulation No. 17/2010

In September 2010, Minister of Energy and Mineral Resources issued Ministerial Regulation No. 17/2010 on The Procedure for the Setting of Benchmark Prices For Mineral and Coal Sales, which regulates that the sale of coal shall be conducted with reference to the benchmark price as issued by the Government, which will be regulated by a regulation issued by the Director General of Mineral, Coal and Geothermal. In the Ministerial Regulation, existing spot and term contracts which have been signed prior to the date of the Ministerial Regulation must conform its provisions with the provisions under Ministerial Regulation within 6 months for spot contracts and 12 months for term contracts. Those contracts whose coal sales prices have been renegotiated under and in accordance with the instruction of the Minister or Director General are exempted.

The Group is considering the impact of the above regulation on its operation.

t. Forward foreign exchange contract

As at 31 December 2010 Adaro has a foreign exchange forward contract outstanding amounting to US\$75 million with several counterparties with the following details:

Party	Notional amount	Periods
The Hongkong and Shanghai Banking Corporation	US\$10,000,000	16 November 2010 - 31 May 2011
Australian and New Zealand Banking Group	US\$15,000,000	16 November 2010 - 31 May 2011
PT Bank DBS Indonesia	US\$25,000,000	18 November 2010 - 31 May 2011
Standard Chartered Bank	US\$25,000,000	13 December 2010 - 1 December 2011

38. RECLAMATION GUARANTEE

On 29 May 2008, the Minister of Energy and Mineral Resources announced a new regulation regarding mine reclamation and mine closure as detailed in Ministerial Regulation No. 18/2008. It is stated that a company is required to provide mine reclamation and mine closure guarantees which may be in the form of a time deposit, bank guarantee or insurance, all of which with a duration according to the reclamation schedule. The mine reclamation guarantee may also be in the form of an accounting reserve, if the company is either a publicly listed company or the company has paid up capital of at least US\$25,000,000 as stated in the audited financial statements. If a time deposit, the mine closure guarantee may be placed in Rupiah or US\$ funds, with a state owned bank in Indonesia on behalf of the Minister of Energy and Mineral Resources, Governor or Mayor of the relevant company with a duration according to the mine closure schedule.

Based on Decree of the DGoMCG No. 882/37.06/DJB/2010 dated 26 March 2010 and No. 272/87/DJB/2010 dated 26 January 2010, Adaro is required to provide a Reclamation Guarantee in the form of performance bonds. As at the balance sheet date, Adaro had placed reclamation guarantees in the form of performance bonds amounting to Rp 46,194 (2009: Rp 30,515).

On 20 December 2010, the Government of Indonesia released an implementing regulation for Mining Law No.4/2009, i.e. Government Regulation No.78/2010 ("GR No.78") that deals with reclamations and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. This regulation updates Ministerial Regulation No.18/2008 issued by the Minister of Energy and Mineral Resources on 29 May 2008.

An IUP-Exploration holder, among other requirements, must include a reclamation plan in its exploration work plan and budget and provide a reclamation guarantee in the form of a time deposit placed at a state-owned bank.

An IUP-Production Operation holder, among other requirements, must prepare (1) a 5-year reclamation plan; (2) a post-mining plan; (3) provide a reclamation guarantee which may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or an accounting provision (if eligible); and (4) provide a post-mine guarantee in the form of a time deposit at a state-owned bank.

The requirement to provide reclamation and post-mine guarantees does not release the IUP holder from the requirement to perform reclamation and post-mine activities.

The transitional provisions in GR No.78 make it clear that CCA holders are also required to comply with this regulation.

In 2009, Adaro has submitted its mine closure plan to the MoEMR. Adaro is still discussing the mine closure plan with MoEMR. The form of guarantee for mine closure will be decided once the MoEMR approved Adaro's mine closure plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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39. FINANCIAL ASSETS AND LIABILITIES

The information given below relates to the Group's financial assets and liabilities by categories:

	<u>Total</u>	<u>Loans and receivables</u>	<u>Derivatives used for hedging</u>	
Financial assets				
31 December 2010				
Cash and cash equivalents	5,459,971	5,459,971	-	
Trade receivables	2,476,369	2,476,369	-	
Other receivables	27,966	27,966	-	
Restricted cash and time deposits	11,633	11,633	-	
Recoverable taxes	705,007	705,007	-	
Other current assets	1,390	1,390	-	
Other non-current assets	72,947	72,947	-	
Total financial assets	8,755,283	8,755,283	-	
31 December 2009				
Cash and cash equivalents	11,274,623	11,274,623	-	
Trade receivables	2,882,459	2,882,459	-	
Other receivables	21,160	21,160	-	
Restricted cash and time deposits	9,484	9,484	-	
Recoverable taxes	653,329	653,329	-	
Other current assets	23,515	23,515	-	
Other non-current assets	55,872	55,872	-	
Total financial assets	14,920,442	14,920,442	-	
	<u>Total</u>	<u>Derivatives used for hedging</u>	<u>Fair value through profit and loss</u>	<u>Other financial liabilities at amortised cost</u>
Financial liabilities				
31 December 2010				
Trade payables	2,413,129	-	-	2,413,129
Accrued expenses	737,982	-	-	737,982
Royalties payable	682,473	-	-	682,473
Derivative liabilities	145,937	23,630	122,307	-
Other current liabilities	17,659	-	-	17,659
Amounts due to related parties	4,495	-	-	4,495
Finance lease payables	798,047	-	-	798,047
Long-term bank loans	6,449,567	-	-	6,449,567
Senior Notes	7,068,256	-	-	7,068,256
Total financial liabilities	18,317,545	23,630	122,307	18,171,608
31 December 2009				
Trade payables	2,168,104	-	-	2,168,104
Accrued expenses	302,161	-	-	302,161
Short-term bank loans	188,000	-	-	188,000
Royalties payable	738,044	-	-	738,044
Derivative liabilities	167,668	167,668	-	-
Other current liabilities	28,654	-	-	28,654
Amounts due to related parties	4,700	-	-	4,700
Finance lease payables	811,558	-	-	811,558
Long-term bank loans	7,371,323	-	-	7,371,323
Senior Notes	7,379,848	-	-	7,379,848
Total financial liabilities	19,160,060	167,668	-	18,992,392

Energy, effective from 1 July 1997.

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40. RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, commodity prices and interest rates. The objectives of the Group's risk management are to identify, measure, monitor and manage basic risks in order to safeguard the Group's long term business continuity and to minimise potential adverse effects on the financial performance of the Group.

a. Market risk

(i) Foreign exchange risk

The financing and the majority of revenue and operating expenditures of the operating subsidiaries of the Company are denominated in US Dollars, which indirectly represents a natural hedge on exposure to the fluctuation in foreign exchange rates. However, since the reporting currency of the Company is Rupiah, the Group has a significant exposures to fluctuations in foreign exchange rates on the Group's revenue, cost of revenue and operating expenses for financial reporting purposes due to the translation of financial statements for consolidation purposes.

(ii) Price risk

The Group faces commodity price risk because coal is a commodity product traded in the world coal markets. Prices for Adaro's coal ("Envirocoal") are based on global coal prices, which tend to be highly cyclical and subject to significant fluctuations. As a commodity product, global coal prices are principally dependent on the supply and demand dynamics of coal in the world export market. The Group did not engage in trading coal contracts and has not entered into long-term coal pricing agreements to hedge its exposure to fluctuations in the coal price but may do so in the future. Instead, the Group entered into a one-year fixed price coal contracts with some of its customers to safeguard a portion of its revenue for each year.

The Group also faces commodity price risk relating to its purchases of fuel necessary to run its coal mining operations. The Group enters into fuel hedge contracts to hedge against the fluctuation in fuel prices for approximately 80% of the estimated annual fuel usage. Besides, for mining services provided to its customers, to manage the price risk, the Group entered into a long-term contract with its customers (maximum five years) which also allows price adjustments when the fuel price increased.

(iii) Interest rate risk

In order to reduce the risks caused by fluctuations in interest rates which increase the uncertainty of the cash flow for interest payments in the future, the Group entered into an interest rate swap contract, under which the Group will pay a fixed interest rate and receive payments at a floating interest rate.

The following table represents a breakdown of the Group's financial assets and liabilities which are impacted by interest rates:

	2010					Total
	Floating rate		Fixed rate		Non interest bearing	
	Less than one year	More than one year	Less than one year	More than one year		
Financial assets						
Cash and cash equivalents	3,557,115	-	1,902,013	-	843	5,459,971
Trade receivables	-	-	-	-	2,476,369	2,476,369
Other receivables	-	-	-	-	27,966	27,966
Restricted cash and time deposits	-	-	2,534	9,099	-	11,633
Recoverable taxes	-	-	-	-	705,007	705,007
Other current assets	-	-	-	-	1,390	1,390
Other non-current assets	-	-	-	-	72,947	72,947
Total financial assets	3,557,115	-	1,904,547	9,099	3,284,522	8,755,283

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40. RISK MANAGEMENT (continued)

a. Market risk (continued)

(iii) Interest rate risk (continued)

	2010					Total
	Floating rate		Fixed rate		Non interest bearing	
	Less than one year	More than one year	Less than one year	More than one year		
Financial liabilities						
Trade payables	-	-	-	-	2,413,129	2,413,129
Accrued expenses	-	-	-	-	737,982	737,982
Royalties payable	-	-	-	-	682,473	682,473
Derivative liabilities	-	-	-	-	145,937	145,937
Other current liabilities	-	-	-	-	17,659	17,659
Amounts due to related parties	-	-	-	-	4,495	4,495
Finance lease payables	368,641	429,406	-	-	-	798,047
Long-term bank loans	1,346,980	5,102,587	-	-	-	6,449,567
Senior Notes	-	-	-	7,068,256	-	7,068,256
Total financial liabilities	1,715,621	5,531,993	-	7,068,256	4,001,675	18,317,545

b. Credit risk

As at 31 December 2010, total maximum exposure from credit risk was Rp 8,680,946. Credit risk arises from cash in bank, time deposits, trade receivables, recoverable taxes and other receivables.

As at 31 December 2010, the balance of trade receivables that had been overdue more than 30 days amounted to Rp 58,848, which represented 2.4% of total trade receivables (2009: Rp 176,496, which represented 6.1% of total trade receivables). The Group does not hold collateral as security for any trade receivables.

Management is confident in its ability to continue to control and maintain minimal exposure of credit risk given that the Group has clear policies on selection of customers, legally binding agreements in place for coal sales transactions and mining services and other services rendered and historically low levels of bad debts. The Group's general policies for coal sales and rendering services to new and existing customers are as follows:

- selecting customers (mostly are blue chip power plant companies) with strong financial condition and good reputation.
- acceptance of new customers and sales of coal and rendering service are approved by the authorised personnel according to the Group's delegation of authority policy.

c. Liquidity risk

Liquidity risk is defined as a risk that arises in situations where the Group's cash flow indicates that the cash inflow from short-term revenue is not enough to cover the cash outflow of short-term expenditure. To manage its liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operational activities and to mitigate the effect of fluctuation in cash flows. The Group's management also regularly monitor the projected and actual cash flows, including their loan maturity profiles, and continuously assess condition in the financial markets for opportunities to pursue fund-raising. In addition, the Group also manages to have stand-by loan facility which can be withdrawn upon request to fund its operations when needed.

d. Fair Value

Fair value is the amount for which an assets could be exchanged or liability settled between knowledgeable and willing parties in an arm's length transaction.

The table below describe carrying amount and fair value of financial assets and liabilities that are not presented by the Group at fair value:

	Carrying amount	Fair value
Finance lease payables	798,047	787,412
Long-term bank loans	6,449,567	6,522,152
Senior Notes	7,068,256	7,854,825

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40. RISK MANAGEMENT (continued)

d. Fair Value (continued)

Fair value of finance lease payables and long-term bank loans are measured using discounted cash flows based on the interest rate on the latest finance lease payable and the latest bank loan facility entered by the Group. Fair value of Senior Notes are estimated using the quoted market price at balance sheet date.

41. EXTRAORDINARY ITEM

	<u>2010</u>	<u>2009</u>
Demurrage	311,899	-
Income tax expense	<u>(140,355)</u>	<u>-</u>
Net loss after tax	<u>171,544</u>	<u>-</u>

The amounts represent the demurrage which was incurred beyond normal activity of Adaro due to the bad weather in July to September 2010, which affects production and delayed coal loading and shipment.

42. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

The Indonesian Institute of Accountants has issued the following revised accounting standards that may be applicable to the Group's consolidated financial statements covering periods beginning on or after 1 January 2011:

- SFAS 1 (Revised 2009) - Presentation of Financial Statements;
- SFAS 2 (Revised 2009) - Statement of Cash Flows;
- SFAS 3 (Revised 2010) - Interim Financial Reporting;
- SFAS 4 (Revised 2009) - Consolidated and Separate Financial Statements;
- SFAS 5 (Revised 2009) - Operating Segments;
- SFAS 7 (Revised 2009) - Related Party Disclosures;
- SFAS 8 (Revised 2009) - Events after the Reporting Period;
- SFAS 12 (Revised 2009) - Interest in Joint Ventures;
- SFAS 15 (Revised 2009) - Investments in Associates;
- SFAS 19 (Revised 2010) - Intangible Assets;
- SFAS 22 (Revised 2010) - Business Combinations;
- SFAS 23 (Revised 2010) - Revenue;
- SFAS 25 (Revised 2009) - Accounting Policies, Changes in Accounting Estimates and Errors;
- SFAS 48 (Revised 2009) - Impairment of Assets;
- SFAS 57 (Revised 2009) - Provisions, Contingent Liabilities and Contingent Assets;
- SFAS 58 (Revised 2009) - Non-current Assets Held for Sale and Discontinued Operations;
- Interpretation of Financial Accounting Standard ("IFAS") 7 - Consolidation of Special Purpose Entities;
- IFAS 9 - Changes in Existing Decommissioning, Restoration and Similar Liabilities;
- IFAS 10 - Customer Loyalty Program;
- IFAS 11 - Distributions of Non-Cash Assets to Owners;
- IFAS 12 - Jointly Controlled Entities-Non-monetary Contributions by Venturers;
- IFAS 14 - Intangible Assets: Website Costs;
- IFAS 17 - Interim Financial Reporting and Impairment.

The Indonesian Institute of Accountants has also issued the following revised accounting standard that may be applicable to the Group's consolidated financial statements covering periods beginning on or after 1 January 2012:

- SFAS 10 (Revised 2009) - The Effects of Changes in Foreign Exchange Rates;
- SFAS 18 (Revised 2010) - Accounting and Reporting by Retirement Benefit Plans;
- SFAS 24 (Revised 2010) - Employee Benefits;
- SFAS 34 (Revised 2010) - Construction Contract;
- SFAS 46 (Revised 2010) - Income Taxes;
- SFAS 50 (Revised 2010) - Financial Instruments: Presentation;
- SFAS 53 (Revised 2010) - Share-based Payment;
- SFAS 60 - Financial Instruments: Disclosures;
- SFAS 61 - Accounting for Government Grants and Disclosure of Government Assistance;
- IFAS 13 - Hedges of a Net Investment in a Foreign Operation;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

42. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS (continued)

- IFAS 15 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFAS 16 - Service Concession Arrangements;
- IFAS 18 - Government Assistance - No Specific Relation to Operating Activities;
- IFAS 20 - Income Taxes - Changes in the Tax Status of an Entity or its Shareholders.

43. RECLASSIFICATION OF ACCOUNTS

Comparative figures in the consolidated financial statements for the year ended 31 December 2009 have been amended to conform to the basis on which the consolidated financial statements for the year ended 31 December 2010 have been presented.

	<u>Before Reclassification</u>	<u>After Reclassification</u>
Deferred financing costs, net - current portion	51,195	-
Deferred financing costs, net - non-current portion	140,710	-
Advances and prepayments - current portion	375,346	393,629
Advances and prepayments - non-current portion	-	68,561
Deferred expenses, net	4,265	-
Other non - current assets	51,607	55,872
Current maturity of long-term borrowings:		
- Bank loans	1,856,039	1,823,127
Long-term borrowings, net of current maturities:		
- Bank loans	5,620,345	5,548,196

This reclassification was made in relation to the adoption of SFAS 50 (Revised 2006) and SFAS 55 (Revised 2006).

44. SUBSEQUENT EVENTS

Facility Agreement of US\$400,000,000

On 18 February 2011, SIS, as Borrower, entered into a Facility Agreement of US\$400,000,000 with a syndicate of banks consisting of The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited, PT Bank UOB Buana, DBS Bank Ltd, Sumitomo Mitsui Banking Corporation (Singapore Branch), PT Bank Mandiri (Persero) Tbk (Singapore Branch), The Bank of Tokyo-Mitsubishi UFJ Ltd (Jakarta Branch), PT ANZ Panin Bank, PT Bank OCBC NISP Tbk, Credit Agricole Corporate and Investment Bank and Standard Chartered Bank (Jakarta Branch) as Mandated Lead Arrangers, Chinatrust Commercial Bank Co Ltd (Singapore Branch) and Societe Generale (Singapore Branch) as Lead Arrangers, The Hongkong and Shanghai Banking Corporation Limited as Facility Agent, PT DBS Bank Indonesia as Security Agent and Oversea-Chinese Banking Corporation Limited and PT Bank OCBC NISP Tbk as Account Banks. The Company, under this Facilities Agreement provide corporate guarantee.

This loan facility was used for the purpose of refinancing the Senior Credit facility, to finance the capital expenditure, payment of transaction costs and expenses associated with the facility and other general corporate purpose.

This loan facility has a final maturity date of 18 February 2018 and is payable on a quarterly basis. This facility bears interest at LIBOR plus a certain percentage.

Under this senior credit facility agreement, SIS is required to maintain certain financial ratios. SIS is also required to comply with certain terms and conditions with regard to its Articles of Association, the nature of business, corporate actions, financing activities and others.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009**

(Expressed in million Rupiah, unless otherwise stated)

40. RISK MANAGEMENT (continued)**d. Fair Value** (continued)

Fair value of finance lease payables and long-term bank loans are measured using discounted cash flows based on the interest rate on the latest finance lease payable and the latest bank loan facility entered by the Group. Fair value of Senior Notes are estimated using the quoted market price at balance sheet date.

41. EXTRAORDINARY ITEM

	<u>2010</u>	<u>2009</u>
Demurrage	311,899	-
Income tax expense	<u>(140,355)</u>	<u>-</u>
Net loss after tax	<u>171,544</u>	<u>-</u>

The amounts represent the demurrage which was incurred beyond normal activity of Adaro due to the bad weather in July to September 2010, which affects production and delayed coal loading and shipment.

42. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

The Indonesian Institute of Accountants has issued the following revised accounting standards that may be applicable to the Group's consolidated financial statements covering periods beginning on or after 1 January 2011:

- SFAS 1 (Revised 2009) - Presentation of Financial Statements;
- SFAS 2 (Revised 2009) - Statement of Cash Flows;
- SFAS 3 (Revised 2010) - Interim Financial Reporting;
- SFAS 4 (Revised 2009) - Consolidated and Separate Financial Statements;
- SFAS 5 (Revised 2009) - Operating Segments;
- SFAS 7 (Revised 2009) - Related Party Disclosures;
- SFAS 8 (Revised 2009) - Events after the Reporting Period;
- SFAS 12 (Revised 2009) - Interest in Joint Ventures;
- SFAS 15 (Revised 2009) - Investments in Associates;
- SFAS 19 (Revised 2010) - Intangible Assets;
- SFAS 22 (Revised 2010) - Business Combinations;
- SFAS 23 (Revised 2010) - Revenue;
- SFAS 25 (Revised 2009) - Accounting Policies, Changes in Accounting Estimates and Errors;
- SFAS 48 (Revised 2009) - Impairment of Assets;
- SFAS 57 (Revised 2009) - Provisions, Contingent Liabilities and Contingent Assets;
- SFAS 58 (Revised 2009) - Non-current Assets Held for Sale and Discontinued Operations;
- Interpretation of Financial Accounting Standard ("IFAS") 7 - Consolidation of Special Purpose Entities;
- IFAS 9 - Changes in Existing Decommissioning, Restoration and Similar Liabilities;
- IFAS 10 - Customer Loyalty Program;
- IFAS 11 - Distributions of Non-Cash Assets to Owners;
- IFAS 12 - Jointly Controlled Entities-Non-monetary Contributions by Venturers;
- IFAS 14 - Intangible Assets: Website Costs;
- IFAS 17 - Interim Financial Reporting and Impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010 AND 2009

(Expressed in million Rupiah, unless otherwise stated)

42. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS (continued)

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“Creating Sustainable Value from Indonesian Coal”



adaro

PT Adaro Energy Tbk
Menara Karya 23rd Floor
Jl. H.R. Rasuna Said Blok X - 5
Kav 1-2 Jakarta 12950
Indonesia
Tel. +62-21 521 1265
www.adaro.com
IDX : ADRO

Key Personnel & Business Units

PT Adaro Energy, Tbk ("AE") and Adaro Indonesia ("AI")

Board of Commissioners

Edwin Soeryadjaya	- President Commissioner (AE,AI)
Theodore Permadi Rachmat	- Vice President Commissioner (AE,AI)
Ir. Subianto	- Commissioner (AE,AI)
Lim Soon Huat	- Commissioner (AE)
Ir. Palgunadi T. Setyawan	- Independent Commissioner (AE)
Dr. Ir. Raden Pardede	- Independent Commissioner (AE)

Board of Directors

Garibaldi Thohir	- President Director (AE,AI)
Christian Ariano Rachmat	- Vice President Director (AE), Director (AI)
Sandiaga S. Uno	- Director (AE,AI)
Andre J. Mamuaya	- Director of Corporate Affairs (AE,AI)
David Tendian	- Director of Finance (AE,AI)
Chia Ah Hoo	- Director of Operations (AE,AI)
Alastair Grant	- Director of Business Development (AE)
Edwin Tsang	- Director of Marketing (AI)

Legal

M. Syah Indra Aman	- Chief Legal Officer
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General Managers of the Adaro Group

Adrian Lembong - Business Development (AE)
Ariya Somanatta - Corporate Internal Affairs (AE)
Bambang Susanto - External Relations (AE)
Cameron Tough - Investor Relations (AE)
Devindra Ratarwin - Corporate Secretary (AE)
Djohan Nurjadi - Human Resources and IT (AE)
Hendry Chandra - Internal Audit (AE)
Heri Gunawan - Corporate Finance (AE)
Mohammad Effendi - Yayasan Adaro Bangun Negeri (AE)
Salim Wibowo Halim - Corporate Planning (AE)
Susanti - Finance & Accounting (AE)
Geoffrey John Palmer - Marketing (AI)
Jamie Michael Frankcombe - Operations (AI)
Priyadi - Operations (AI)
Ari Hariadi - Project (ATA)
Richard Tampi - Project (ATA)
Terry Ng - Supply Chain (ATA)
Ary Wibowo - Accounting & Budget (SIS)
Asep Kusmana - Technical Support (SIS)
Sonny Sidjaja - Terminal Service (IBT)
Chong Swee Choon - Operations (MSW)
Tongchai Lemkanitchat - Power Generation (MSW)

Address

Menara Karya Lantai 23
Jalan H.R. Rasuna Said Block X-5, Kav. 1-2
Jakarta, 12950, Indonesia
Phone: +6221-521-1265
Fax: +6221-5794-4687

OPERATING SUBSIDIARIES

PT Saptaindra Sejati ("SIS")

Board of Commissioners (other than members of PT Adaro Energy, Tbk)

Tjahyono Imawan	- President Commissioner
Kardinal A. Karim	- Commissioner
Ir. Budiardjo Sosrosukarto	- Commissioner

Board of Directors (other than members of PT Adaro Energy, Tbk)

Ir. Anis Sulistiadi	- President Director
Budi Rachman	- Vice President Director
Bimantoro Adisanyoto	- Director of Human Capital & General Affairs
Christina Hiu	- Director of Finance
Ateng Kurnia	- Director of Plant

Address

Graha Saptaindra Sejati
Jalan T.B. Simatupang Kav. 18
Jakarta 12430, Indonesia
Phone: +6221-769-3378
Fax: +6221-769-3379

Orchard Maritime Logistics ("OML") / Maritim Barito Perkasa ("MBP") / Harapan Bahtera Internusa ("HBI")

Board of Commissioners (other than members from PT Adaro Energy, Tbk)

Pepen Handianto	
Danuatmadja	- Commissioner (HBI, MBP)

Board of Directors (other than members of PT Adaro Energy, Tbk)

Pepen Handianto	
Danuatmadja	- Director (OML)
Goh Khoon Teen Paul	- Director (OML)
Yim Foon Kuan	- Director (HBI, MBP)
Chick Sik Cheon	- Director (HBI, MBP)
Susanti	- Director (HBI, MBP)

Address

115 Amoy Street #02-00, Singapore 069935

PT Makmur Sejahtera Wisesa ("MSW")

Board of Commissioners (other than members of PT Adaro Energy, Tbk)

Erry Firmansyah	- Commissioner
-----------------	----------------

Board of Directors (other than members of PT Adaro Energy, Tbk)

Joseph Francis Chong	- President Director
Fakhrol Azmi Bin Harun	- Director

PT Jasapower Indonesia ("JPI")

Board of Commissioners (other than members of PT Adaro Energy, Tbk)

Dr. Ir. Kusmayanto Kadiman	- Commissioner
----------------------------	----------------

PT Sarana Daya Mandiri ("SDM")

Board of Commissioners (other than members of PT Adaro Energy, Tbk)

Max Tamaela	- Commissioner
Wiranata Halim	- Commissioner

Board of Directors (other than members of PT Adaro Energy, Tbk)

Fakhrol Azmi Bin Harun	- President Director
Ceri Wibisono	- Director
Ade Mohammad Yusuf	- Director
Ir. Sonny Sidjaja	- Director

PT Indonesia Bulk Terminal ("IBT")

Board of Directors (other than members of PT Adaro Energy, Tbk)

Adrian Lembong	- Director
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Coaltrade International Pte. Ltd ("Coaltrade")

Board of Directors (other than members of PT Adaro Energy, Tbk)

Edwin Tsang	- Director
Chong Siong Siang Peter	- Director

Address

No. 1 Finlayson Green #16-01, Singapore 049246
Phone: (+65) 6336-8989
Fax: (+65) 6226-7082

Corporate Identity



Name of Corporation

PT Adaro Energy Tbk

Founded

July 28, 2004

Authorized Capital

Rp 8,000 billion

Issued and Fully Paid Capital

Rp 3,198.60 billion

Ownership

PT Adaro Strategic Investments	43.91%
Garibaldi Thohir	6.15%
Public*	49.94%

*includes the remaining ownership held by key shareholders.

Line of Business

Integrated Coal Mining through subsidiaries

Address

Jl. H.R. Rasuna Said, Blok X-5, Kav. 1-2
Jakarta 12950
Indonesia
Tel. : 6221 – 5211265
Fax. : 6221 – 57944687
Email : investor.relations@ptadaro.com

For more information please visit our website www.adaro.com

Additional Information

Stock Exchange

The common stock of PT Adaro Energy Tbk (trading symbol ADRO) is listed on the Indonesia Stock Exchange (IDX)

Public Accountant

Tanudiredja, Wibisana & Rekan
(a member of PricewaterhouseCoopers global network)
Jl. H.R. Rasuna Said Kav. X-7 No.6
Jakarta 12940
Indonesia
Tel : (021) 521 2901
Fax : (021) 529 0555

Share Registrar

PT Ficomindo Buana Registrar
Mayapada Tower 10th Floor, Suite 2b
Jl. Jenderal Sudirman Kav. 28
Jakarta 12920
Indonesia
Tel : (021) 521 2316/17
Fax : (021) 521 2320

Annual General Meeting of Shareholders

AGMS to be held on Wednesday, 20 April 2011 at the Four Seasons Hotel, Ballroom 2 Jl. Lingkar Mega Kuningan, Jakarta 12950

For further information please contact:

Devindra Ratzarwin, Corporate Secretary
Cameron Tough, Head of Investor Relations
Tel. : (021) 521 1265
Fax : (021) 5794 4685
Email : corsec@ptadaro.com
cameron.tough@ptadaro.com

We want to begin an ongoing dialogue with you. For more information or to join our email distribution list, please contact us or visit our website at www.adaro.com

Investor Calendar 2011

31 January 2011 - 4Q10 Quarterly Activities Report
31 March 2011 - FY10 Financial Press Release
31 March 2011 - FY10 Audited Financial Statements
28 April 2011 - 1Q11 Quarterly Activities Report
28 April 2011 - 1Q11 Financial Press Release
28 April 2011 - 1Q11 Unaudited Financial Statements and Notes
28 July 2011 - 2Q11 Quarterly Acticities Report
25 August 2011 - 1H11 Limited Review Financial Statements and Notes
25 August 2011 - 1H11 Financial Press Release
31 October 2011 - 3Q11 Quarterly Activities Report
31 October 2011 - 9M11 Financial Press Release
31 October 2011 - 9M11 Unaudited Financial Statements & Notes

Quarterly conference calls will be held after the release of financial statements and notes, normally within a week.

The company will regularly participate in international investments conferences and conducts at least two international roadshows per year to the major global financial centers.

Disclaimer:

This report contains certain statements that may be considered "forward looking statements", the Company's actual results, performance or achievements could differ materially from those projected in the forward looking statements as a results, among other factors, of changes in general, national or regional economic and political conditions, changes in foreign exchange rates, changes in the prices and supply and demand on the commodity markets, changes in the size and nature of the Company's competition, changes in legislation or regulations and accounting principles, policies and guidelines and changes in the assumptions used in making such forward looking statements.

Management's Responsibility for Annual Report

Annual Report 2010

The Board of Commissioners and The Board of Directors of PT Adaro Energy Tbk herewith state that we are fully responsible for the contents of the Annual Report 2010 of PT Adaro Energy Tbk.

Board of Commissioners



Edwin Soeryadjaya
President Commissioner



Theodore Permadi Rachmat
Vice President Commissioner

Ir. Subianto
Commissioner



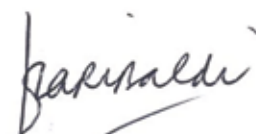
Lim Soon Huat
Commissioner



Ir. Palgunadi Tatit Setyawan
Independent Commissioner

Dr. Ir. Raden Pardede
Independent Commissioner

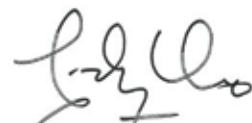
Board of Directors



Garibaldi Thohir
President Director



Christian Ariano Rachmat
Vice President Director



Sandiaga Salahuddin Uno
Director



Andre Johannes Mamuaya
Director



David Tendian
Director



Chia Ah Hoo
Director



Alastair Bruce Grant
Director

Glossary

AE – PT. Adaro Energy, Tbk.

AI – PT. Adaro Indonesia.

Ash – Impurities consisting of silica, iron, alumina, and other incombustible matter that are contained in coal. Ash increases the weight of coal, adds to the cost of handling, and can affect the burning characteristics. Ash content is measured as a percent by weight of coal on a dry basis.

ASP – Average selling price.

ATA – PT. Alam Tri Abadi.

Backfill – The process of refilling a mine opening, or the waste material (e.g. sand, rock, dirt) used for that purpose.

Backlog of Coal – Uncompleted delivery of coal which can result in demurrage.

Barge loader – A facility by which coal barges are loaded.

Barging / barge – A flat bottomed boat used for carrying freight of coal, on a river.

Belt conveyor – A moving endless/looped belt that rides on rollers and on which coal or other materials can be carried for various distances.

Baltic Freight Index (BFI) – An index reflecting a freight costs on composite number of routes, issued on a daily basis.

Bituminous coal – A coal which is high in carbonaceous matter, often with well-defined bands of bright and dull material, and having between 15 and 50% volatile matter. It is a middle rank coal (between sub-bituminous and anthracite) formed by additional pressure and heat on lignite. Its moisture content is usually less than 20%. The heat content of bituminous coal ranges from 5,500 to 7,000 kcal/kg.

Black coal – A general term for coal of either sub-bituminous, bituminous or anthracite rank.

Blasting – Detonation of explosive charge in a mine or elsewhere to assist in the breaking of hard rock.

Borehole – Any drill-hole, usually associated with a diamond drill or an oil well drill.

Briquet – A block of compressed coal, used as fuel; also a slab or block of artificial stone.

Brown coal – A low-rank coal which is brown, brownish-black, but rarely black. It commonly retains the structures of the original wood. It is high in moisture, low in heat value and breaks up upon drying.

Brownfield – An exploration or development project located within an existing mineral province which can share infrastructure and management with an existing operation.

Bulldozer – A highly versatile piece of earth excavating and moving equipment especially useful in land clearing and levelling work, in stripping topsoil, in road building and ramp building and in floor or bench cleanup and gathering operations.

Calorific value / Heat Value – A coal sample's energy content measured as the heat released on complete combustion in air or oxygen, usually expressed in kilo calorie per kilogram or kcal/kg.

Capesize vessel – Vessels capable of carrying 120,000 tonnes to 180,000 tonnes when fully loaded (a vessel which is too large to transit the Panama Canal and thus has to sail via Cape of Good Hope from Pacific to Atlantic and vice versa).

Carbon Content – The amount of carbon in coal.

Cash costs – Cash costs include site costs for all mining (excluding deferred development costs), processing and administration, but are exclusive of royalties, production taxes, amortisation and rehabilitation, as well as corporate administration, capital and exploration costs.

CCA (Coal Cooperation Agreement) – Coal Cooperation Agreement with the Indonesian Government, giving Adaro a 30-year right to mine coal within its concession area.

CCoW (Coal Contract of Work) – A contract between the Government of the Republic of Indonesia and an Indonesian incorporated company for coal mining, also recognised as PKP2B in its Indonesian abbreviation.

C&F (Cost and Freight) – Method of selling cargo where seller pays for loading costs and ocean freight.

CIF (Cost, Insurance, Freight) – A type of sale in which the buyer of the product agrees to pay a unit price that includes the F.O.B value of the product at the point of origin plus all costs of insurance and transportation.

Charterer – A person or corporation who hires a vessel for the carriage of goods (either a time charter or voyage charter, or leases the vessel for their own management and control, a bareboat/demise charter).

Coal – A readily combustible black or brownish rock whose composition, including inherent moisture, consists of more than 50% by weight and more than 70% by volume of carbonaceous material. It is formed from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over geologic time.

Coalbed methane (CBM) – A generic term for the methane originating in coal seams that can be drained from surface boreholes before mining takes place. Also called coal seam methane or coal mine methane.

Coal blending – The process of mixing coals of different quality in predetermined and controlled quantities to give a uniform feed or product.

Coal enhancement technology – Removing water / moisture by utilising heat and pressure to produce an upgraded coal.

Coal hauling – The transport of coal from mine site to a crushing terminal, or to a customer.

Coal liquefaction – The process of converting coal into a synthetic fuel.

Coal scrubber – A pollution-control device primarily installed on coal-fired electricity plants to remove sulphur dioxide (SO_x) emissions. Coal scrubbers use limestone to remove sulphur dioxide from the emissions stream.

Coal seams / coal bed – A bed or stratum of coal; generally applied to large deposits of coal.

Coking coal – Coal which are suitable for coke making and used in the production of metallurgical coke and steel.

Conveyor – A means of transporting coal consisting of an endless belt being driven by a motor drum system over a structure roller assembly (see belt conveyor).

Cored hole – A borehole put down by a drill that takes a sample of the rock.

Crusher – A machine for crushing rock or other materials.

CTI – Coaltrade Services International Pte. Ltd.

CV – Calorific Value basis either GAD, NAR, or GAR.

Demurrage – Financial compensation paid by charterer to the vessel for delays after the laytime has expired at the load/discharge port.

Despatch – Financial reward paid by the owner to the charterer if the load/discharge operations are completed in advance of expiry of laytime. Usually paid at half the demurrage rate.

Dewater – To remove water.

Dip – The grade of the coal seam. It is usually expressed as I in X in a certain direction.

Dredging – Excavation activity or operation usually carried out at least partly underwater, in shallow seas or fresh water areas with the purpose of gathering up bottom sediments and disposing of them at a different location.

Drill – Any cutting tool or form of apparatus using energy in any one of several forms to produce a circular hole in rock, metal, wood, or other material.

Drilling rig – A steel structure mounted over a borehole to support the drill pipe and other equipment that is lowered and raised during drilling operations.

Dry coal – Coal which has no moisture associated with the sample.

EPC – Engineering, Procurement and Construction.

Envirocoal – Trademark of Adaro's coal which is environmentally friendly, with low sulphur content of 0.1%, ash content between 1-2%, and a nitrogen level of 0.9%. Because of the ultra low levels of these pollutants, Envirocoal can be burned in power stations without any emissions control equipment and still meet stringent international emission standards.

Excavator/shovel/wheel Loader – Equipment used for loading soil/coal onto the hauling equipment.

Exploitation – The process of economic recovery or removal of the developed mineral body.

Exploration - The search for mineral deposits and the work done to prove or establish the extent of a mineral deposit.

Free On Board (FOB) – This is the price paid for coal at the mining operation site. It excludes freight or shipping and insurance costs.

Floating crane – A vessel that is specialized in lifting heavy loads. The floating crane transships coal from barges on to ships which then transport it to power stations or other customers.

Floating Loading Facility (FLF) – Also known as floating transhipper. It uses two cranes and a conveyor system to achieve a high loading rate.

Flue gas desulphurization – Technology used for removing sulphur dioxide (SO₂) from the exhaust flue gases in power plants that burn coal or oil to produce steam for the steam turbines that drive their electricity generators.

Force majeure – Circumstances beyond reasonable control of the parties. Typically, force majeure clauses cover natural disasters or other 'Act of God', or war.

Formation – A large body of rock characterized by homogeneity of its composition and texture.

Gad – Gross air dried.

Gar – Gross as received.

Gearred vessel - A ship with on board cranes.

Gearless – A ship without means on board for the loading/unloading of cargo.

Geological – The science that deals with the earth's physical structure and substance, its history, and the processes that act on it.

Geotechnical – The branch of civil engineering concerned with the study and modification of soil and rocks.

Geothermal energy – Energy generated by converting hot water or steam from deep beneath the Earth's surface into electricity.

GlobalCOAL – A global marketplace facilitator for trading coal and coal related services, information and instruments. GlobalCOAL defined a range of standardised coal quality specifications, which was imbedded in its Standard Coal Trading Agreement. It developed an online trading platform which enables market participants to trade standardised coal contracts. It also created a methodology for coal price index calculation, which led to the establishment of the NEWC Index as the leading benchmark for coal price in Asia-Pacific.

Grabs – A mechanical device for clutching, lifting and moving things, esp. materials in bulk.

Greenfield – The development or exploration located outside the area of influence of existing mine operations/infrastructure.

Handymax – Inexact term, but normally taken to mean a vessel of about 40-60,000 dwt.

Handysize – Inexact term, but normally taken to mean a vessel of about 10-40,000 dwt.

Hard coking coal – Coals which make hard coke when carbonised in the coke oven.

Haulage – The carrying in trucks of supplies coal and waste.

HBI – PT. Harapan Bahtera Internusa.

Hydrological – The branch of science concerned with the properties of the earth's water, esp. its movement in relation to land.

IBT – PT. Indonesia Bulk Terminal.

ICP – IndoMet Coal Project.

IFC – International Finance Corporation.

Indicated coal resources – Part of coal deposit for which quality and quantity can be estimated with a reasonable level of confidence, as defined in the JORC Code. Indicated Resources have a lower level of geological confidence than that applied to Measured Resources.

Inferred coal resources – Coal in unexplored extensions of the demonstrated resources for which estimates of the quality and size are based on geologic evidence and projection. Quantitative estimates are based largely on broad knowledge of the geologic character of the deposit and for which there are few, if any, samples or measurements. The estimates are based on an assumed continuity or repetition of which there is geologic evidence; this evidence may include comparison with deposits of similar type.

In-situ – Total reserves of coal in a seam. Term used by geologist for coal that exists but is not necessarily mineable.

In-Pit Crusher-Conveyor (IPCC) system – It is an in-pit conveyor and crushing system which transports overburden to the dumping area.

Jetty – A landing stage or small pier at which boats can dock or be moored.

JORC Code – Widely accepted standard for reporting mineral resources and ore reserves established by the Australasian Joint Ore Reserves Committee. This code sets out the principles and guidelines which should be followed in the preparation of an expert report concerning mineral resources and reserves.

JPI – PT. Jasa Power Indonesia.

JPU – Japanese Power Utilities.

Laytime – Refers to the period of time agreed between the parties in the charterparty, during which the owner will make and keep the ship available for loading/discharging without payment additional to the freight.

Lignite – A brownish-black coal in which the alteration of vegetal material has proceeded further than in peat but not so far as sub-bituminous coal.

Loader – A machine for loading coal and rock.

Low-rank coal: Coal that contains 70%-80% carbon, with high moisture content (>35%), and low calorific value (<5100 kcal/kg adb).

LTI – Lost Time Injury. It refers to a work injury disease where the injured party has at least one complete day or shift off work.

LTIFR – Loss Time Injury Frequency Rate. It refers to the number of lost time injuries multiplied by one million divided by the number of manhours worked in the reporting period.

MBP – PT. Maritime Barito Perkasa.

Measured coal resources – Part of the coal deposit for which quality and quantity can be estimated with a high level of confidence, as defined in the JORC Code.

Metallurgical Coal – Coking coal and pulverized coal consumed in making steel.

Methane (CH₄) – A gaseous compound of carbon and hydrogen naturally emitted from coal that can be explosive when mixed with air or oxygen between certain limits, it is the most common gas found in coal mines.

Metric ton – A unit of weight equal to 2,204.6 pounds.

Mine drainage – Refers to drainage from sources related to mining.

Mine-mouth power plant – A coal burning power-generating plant built near a coal mine.

Moisture content: Quantity of water/moisture in coals or other minerals.

MSW – PT. Makmur Sejahtera Wisesa.

Newcastle Coal Price – The price of coal which is coming from Newcastle, Australia.

Nitrogen Oxides (NoX) – Formed when nitrogen (N₂) combines with oxygen (O₂) in the burning of fossil fuels, from the natural degradation of vegetation, and from the use of chemical fertilizers.

OLC – Overland conveyor.

OML – Orchard Maritime Logistics Pte. Ltd.

Open-cut / open-pit – Surface working in which the working area is kept open to the sky.

Open-cut / open-pit mining – A form of operation designed to extract minerals that lie near the surface. Waste, or overburden, is first removed, and the mineral is broken and loaded, as in a stone quarry.

Open hole – A borehole free of any obstructing object or material and from which no core is taken.

Out-Pit Crusher-Conveyor (OPCC) system – It is an out-pit conveyor and crushing system which transports overburden from the edge of the mine to the overburden dumping area.

Overburden – Any material (including layers of dirt and rock) that overlies a deposit of coal. Overburden is removed prior to surface mining and replaced after the coal is taken from the seam.

Overburden ratio – The amount of overburden that must be removed to excavate a given quantity of coal.

Panamax vessel – Vessel capable of carrying between 50,000 tonnes and 80,000 tonnes when fully loaded (technically the maximum size a vessel can transit the Panama Canal – a restriction of 32.2 M beam).

Peat – Peat is a dark brown or black deposit, formed in marshes and swamps from the dead, and partly decomposed remains of the marsh vegetation. It is one of the earliest stages of coal formation.

Pit – Any mine, quarry, or excavation area worked by the open-cut method to obtain material of value.

Proven reserves – As indicated by the JORC Code, it is the economically mine able part of an indicated, and in some circumstances, measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Probable reserves – Similar to proved reserves, but with lower level of confidence, as the number of intersections of the coal seams by pits trenches and boreholes in the sampling is less than that conducted in arriving at the proved reserves (as defined in the JORC Code).

Ramp – A slope or inclined plane for connecting two different levels, and used for haulage.

Reclamation – The restoration of land and environmental values to a surface mine site after the coal is extracted. Reclamation operations are usually underway as soon as the coal has been removed from a mine site. The process includes restoring the land to its approximate original appearance by restoring topsoil and planting native grasses and ground covers.

Recoverable reserves of coal – An estimate of the amount of coal that can be recovered (mined) from the accessible reserves of the demonstrated reserve base.

Reserve – The portion of the identified coal resource that can be economically mined with the current technology at the time of determination. Reserve can be divided into Proven Reserve and Probable Reserve.

Resource – Naturally occurring concentrations or deposits of coal in the Earth's crust, in such forms and amounts that economic extraction is potentially feasible.

Richards Bay Coal Terminal (RCBT) – A large export coal terminal located in South Africa, with a design capacity of 96 million tonnes per year. Richards Bay coal price refers to the FOB price of coal from South

Africa loaded at Richards Bay.

Royalty – The payment of a certain stipulated sum on the mineral produced to the Government / mineral owner under the mineral lease.

Run of Mine (ROM) – Usually the typical quality of coal that is extracted, prior to any act of beneficiation such as washing, crushing or screening. The term is used loosely and can be applied on a pit by pit basis and is typically also used to refer to the raw stockpile areas – the ROM area.

S – Sulphur can form sulphur dioxide during coal combustion.

Scrubbers – Air pollution control devices used to remove particulate and/or gaseous pollutants from exhaust streams.

SDM – PT. Sarana Daya Mandiri.

Seaborne coal: Coal that is marketed outside the mining area and is transported by sea to the customer.

Seam – Layer or bed (of coal).

Self-propelled barge – Powered waterway vessel which can be used to carry heavy bulk items such as coal.

Semi-soft coal – A type of coking coal that can be blended with a hard coking coal to produce an acceptable hard coke.

Silt – A fine-grained sediment having a particle size intermediate between that of fine sand and clay.

SIS – PT. Saptaindra Sejati.

Soft coking coal – Coals which make soft or weak coke when coked alone in a coke oven.

Steaming Coal – Coal used to provide heat for steam raising as part of the electricity generation or industrial process.

Strata / Stratum – A layer or a series of layers of rock in the ground.

Stratigraphy – The branch of geology concerned with the order and relative position of strata and their relationship to the geological time scale. It is also the analysis of the order and position of layers of archaeological remains.

Stripping – Removal of vegetation and topsoil.

Stripping Costs – Costs associated with overburden removal.

Stripping Ratio – The amount of overburden that must be removed to gain access to a unit amount of coal.

Sub-bituminous coal – A black coal that ranks between lignite and bituminous coal with moisture content between 20% and 40% of inherent moisture by weight, and heat content ranging between 4,000 and 5,500 kcal/kg.

Sulphur – One of the elements present in varying quantities in coal that contributes to environmental degradation when coal is burned. EIA classifies coal, in terms of pounds of sulphur per million Btu as low (less than or equal to 0.60 pounds of sulphur), medium (between 0.61 and 1.67 pounds of sulphur), and high (greater than or equal to 1.68 pounds of sulphur). When coal is sampled, sulphur content is measured as a percent by weight of coal on an "as received" or "dry" (moisture-free) basis.

Supercritical Power Plant – A supercritical power plant is a thermal electricity generating station that uses steam at extremely high temperature and pressure to generate electricity with improved efficiency. Above 374°C and 22.064 Mpa (the "critical" point of water), water simply exists as super-heated steam, which can be used to drive the turbines of a generator more efficiently than steam at a lower subcritical temperature.

Surface mine – A mine in which the coal lies near the surface and can be extracted by removing the covering layers of rock and soil.

Quarry – An open pit from which stones, rocks and other materials are excavated

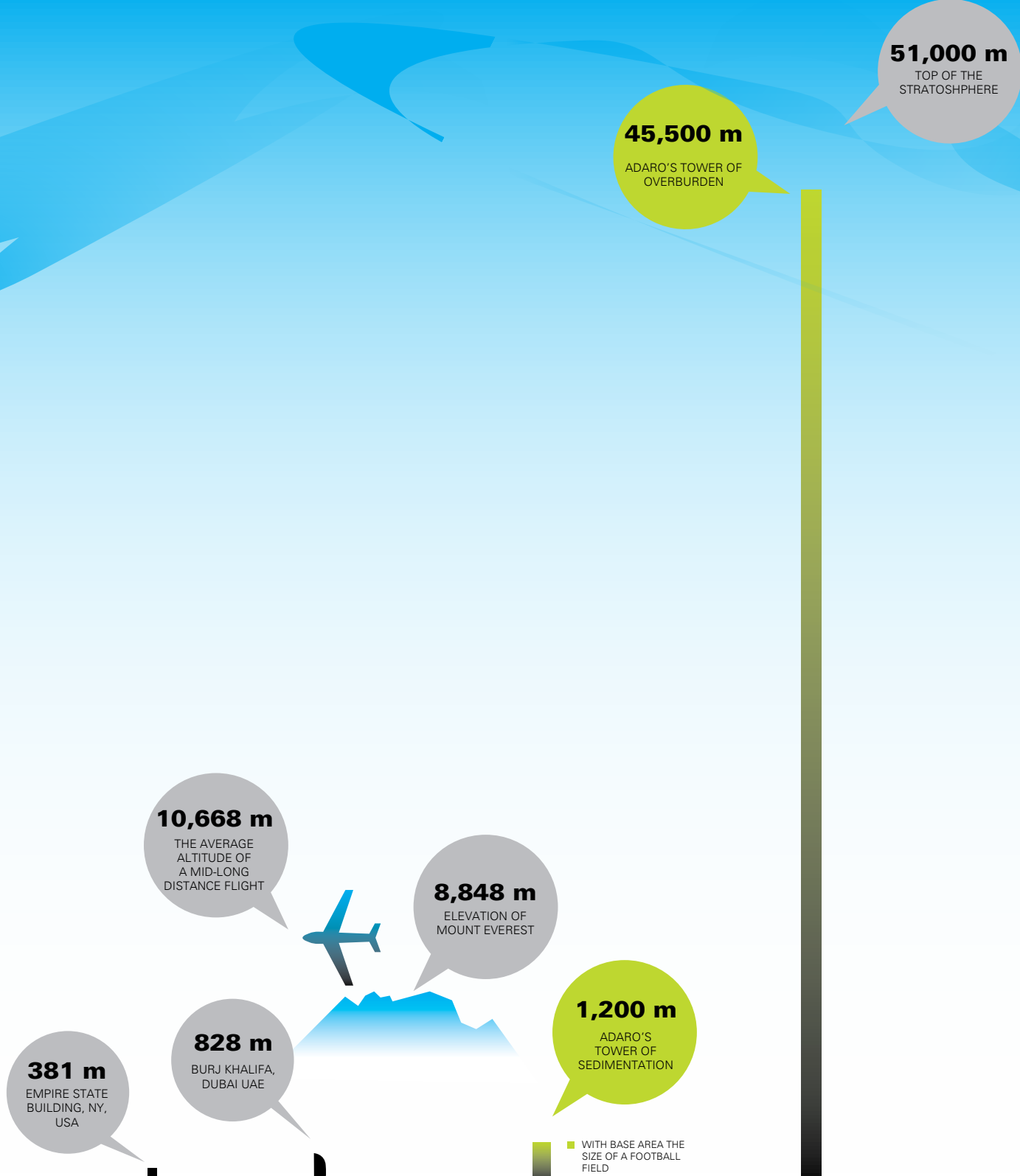
Thermal Coal – Coal that is used for the generation of heat for steam raising in power stations and other general industry application. These coals generally do not exhibit any coking properties and therefore would not make coke in a conventional coke oven.

Transshipment – Transfer of coal from one ship to another.

Topographic – Relating to the arrangement or accurate representation of the physical features of an area.

Value Added Tax (VAT) – Tax levied on the difference between a commodity's price before taxes and its cost of production.

Volatile Matter – Those products, exclusive of moisture, given off by a material as gas or vapour. It is the percentage of coal which is lost as volatile matter (gases) when coal is incinerated using standard conditions.



Volume of Adaro's Overburden and Sedimentation Removal in 2010

Though careful planning, engineering and execution we have developed our mine to become the largest single coal mine in the southern hemisphere. This has all been done with careful consideration for the local communities and the environment in which we operate. With this comparison, you can see the huge amount of overburden we had to move in 2010.



Envirocoal™

The world's cleanest coal for an environmentally conscious world

We are currently Indonesia's second largest thermal coal producer. We operate the largest single-site coal mine in the Southern hemisphere and we are amongst the lowest cost coal producers.

Envirocoal™ is a subbituminous, medium heat value and ultra-low pollutant coal. We have total resources of 4.4 billion tonnes.

Because of its environmental characteristics, Adaro's coal is trademarked as Envirocoal™ and has proven global acceptance among blue-chip power utilities.

We implement comprehensive safety, health and environmental management plans that meet international standards.

We have a strong commitment to being a responsible partner and a good neighbor towards the communities surrounding our operations.

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