



## **NEWS RELEASE FROM ADARO ENERGY**

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### **ADARO ENERGY RECORDS STRONG 1Q10 PRODUCTION AND SALES VOLUME INCREASES**

**Jakarta, April 30<sup>th</sup>, 2010** – PT Adaro Energy Tbk (IDX – ADRO) is pleased to announce unaudited consolidated net revenue in the three month period ending March 31<sup>st</sup>, 2010 increased 21% to a record US\$ 677.9 million, due to increased production and sales volumes, despite a lower average selling price. In Rupiah terms, due to translation, net revenue decreased 4% or Rp 6.3 trillion. However, largely due to higher interest expense, Adaro Energy's net income decreased by 6% or US\$ 93 million, or, due to currency exchange translation, to Rp 861 billion, resulting in a basic earnings per share (EPS) of Rp 26.9.

All of Adaro Energy's operating subsidiaries report their accounts in US Dollars as most of their income, costs and debt are denominated in US Dollars. However Adaro Energy reports in Rupiah, which strengthened 20% in the first quarter of 2010.

Adaro Energy's President Director, Mr. Garibaldi Thohir said:

**“We had a good start to the year 2010, tracking and building on the fourth quarter of 2009, as evidenced by our 26% increase in production and 31% increase in sales volumes. We are on track to reaching our targets in 2010.”**

Adaro Energy's Vice President Director, Mr. Christian Ariano Rachmat commented:

**“With our intact capital structure, robust demand outlook for coal, and strong operational performance, we shall continue to focus on growing organically, improving efficiency and vertical integration, and making strategic investments in world-class deposits of Indonesian coals.”**

<i>PT Adaro Energy, Tbk</i>			
<i>Summary of First Quarter 2010 Performance - Financial and Operational Highlights</i>			
<i>Operational Data (in Mt)</i>	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>% Change</b>
<b>Production volume</b>	11.36	9.03	25.8%
<b>Sales volume</b>	11.46	8.73	31.3%
<i>Profitability (in billion IDR)</i>			
<b>Net revenue</b>	6,279	6,533	-3.9%
<b>Cost of revenue</b>	(4,033)	(3,704)	8.9%
<b>Gross profit</b>	2,246	2,829	-20.6%
<b>Gross profit margin (%)</b>	35.8%	43.3%	-7.5%
<b>Operating income</b>	2,057	2,446	-15.9%
<b>Operating margin (%)</b>	32.8%	37.4%	-4.7%
<b>Net income</b>	861	1,145	-24.8%
<b>EBITDA</b>	2,434	2,710	-10.2%
<b>EBITDA margin</b>	38.8%	41.5%	-2.7%
<i>Balance Sheet (in billion IDR)</i>			
<b>Total assets</b>	41,850	36,356	15.1%
<b>Total liabilities</b>	23,624	20,751	13.8%
<b>Stockholders' equity</b>	18,169	15,522	17.1%
<i>Net Debt (in billion IDR)</i>			
<b>Interest bearing debt</b>	14,972	11,601	29.1%
<b>Cash and cash equivalents</b>	7,561	3,587	110.8%
<b>Available for sale investments</b>	0	835	-100.0%
<b>Net debt</b>	7,411	7,179	3.2%
<b>Net debt to equity (x)</b>	0.41	0.46	-11.8%
<b>Net debt to EBITDA (annualized)</b>	0.8x	0.7x	14.5%
<b>Earnings Per Share (EPS) in Rupiah</b>	26.9	35.8	-24.9%

## Review of First Quarter 2010 Performance

### Income Statement

#### Revenue

During the first quarter of 2010, Adaro Energy's revenue fell by 3.9% to Rp 6.3 trillion compared to the same period last year. This is due to the 20% appreciation of the average Rupiah exchange rate against the US Dollar.

<b>Exchange Rate Basis (Rupiah/US\$)</b>	<b>Average</b>
<b>March 31, 2010</b>	9,262
<b>March 31, 2009</b>	11,631

Without the effect of foreign exchange rate appreciation, and looking at the currency actually used by all of Adaro Energy's subsidiaries, Adaro Energy's net revenue increased US\$ 116.2 million, or 21%, in the first quarter of 2010 to US\$ 677.9 million.



Adaro Energy's increased net revenue by boosting production 26%, or 2.33Mt, despite seasonally difficult weather conditions. In March, there was higher than average level of rainfall in the mining area.

Adaro's increased production in the first quarter of 2010, boosted sales volumes 31%, or 2.73Mt, to 11.46 Mt.

Due to the poor market conditions at the beginning of 2009, Adaro's average selling price for the first quarter of 2010 decreased slightly. Adaro's average selling price in the first quarter of 2009 was strong due to the favorable market conditions at the beginning of 2008, when prices for 2009 were determined.

### ***Coal Mining and Trading***

In the first quarter of 2010, the combined revenues from the coal mining and trading division, including PT Adaro Indonesia (AI) and Coaltrade Services International Pte Ltd. (CTI), decreased 6.3% to Rp 5.8 trillion. However, if the effect of exchange rate is eliminated, revenue from this division increased 18% to US\$628.4 million.

Revenue from the coal mining and trading division represented 92.7% of the total revenue of Adaro Energy in the first quarter of 2010, up from the 95% of total revenue in the same period last year.

### ***Mining Services***

Mining services, which are conducted by the company's mining contractor PT Saptaindra Sejati (SIS) increased revenue 11% to Rp 296 billion in the first quarter of 2010. In USD terms, revenue for mining services increased 39% to US\$31.9 million.

Adaro Energy's Director of Operations, Mr. Chia Ah Hoo noted **"We are very pleased with the increasing revenue contribution from SIS for Adaro Energy, which we hope can be sustained in the future."**

### ***Other Businesses***

Adaro Energy's Other Businesses include PT Alam Tri Abadi (ATA), the water toll contractor PT Sarana Daya Mandiri (SDM), coal port operator PT Indonesia Bulk Terminal (IBT), the barging and shiploading division consisting of Orchard Maritime Logistics Pte. Ltd. (OML), PT Harapan Bahtera Internusa (HBI), and PT Maritim Barito Perkasa (MBP). Total revenues from Other Businesses more than tripled to Rp 162.9 billion from Rp 53.9 billion last year, partly due to the inclusion of revenues from the barging and shiploading division acquired in May 2009.

### ***Cost of Revenue***

Adaro Energy's cost of revenue increased Rp 0.3 trillion, or 8.9%, to Rp 4.0 trillion. After adjusting for the exchange rate, Adaro Energy's cost of revenue increased US\$ 117.0 million, or 37%, to US\$ 435.4 million.

### ***Other Businesses Consumables***

With the major cost components staying more or less constant, the main increase of Rp 106 billion is due to the higher consumables cost following the acquisition of the three subsidiaries that make up the barging and shiploading.

### ***Mining Cost***

Adaro Energy's mining cost rose 4.4%, or Rp 79 billion, to Rp 1.8 trillion, mainly attributed to the increase of the planned stripping ratio from 4.75 to 5.0 this year and due to longer overburden hauling distances.

In the first quarter of 2010, due to removing a larger volume of overburden ahead of time, Adaro concentrated on coal extraction. As a result the actual strip ratio, which measures the volume of overburden extracted per unit of coal extracted, decreased to 4.3, mainly related to less stripping activities during the raining season. However the planned strip ratio, which determines cash costs, remained at 5.

### ***Fuel Swap***

On 30 November 2009, Adaro entered into fuel swap contracts with an international bank to fix the price of approximately 80% of Adaro's fuel requirements for 2010, at an average price similar to the average price of 2009. The transaction is an effective cash flow hedge which ensures that Adaro's fuel costs will remain within budget and helped Adaro achieve a lower average fuel price during the first quarter of 2010.

### ***Freight and Handling***

In line with the long stated strategy of further integrating the coal supply chain to achieve more efficiency, Adaro Energy successfully acquired OML in May of 2009 and undertook the restructuring of MBP to complete the full vertical integration. Partly due to the acquisition, freight and handling cost component (which accounts for 16% of Adaro's total costs of mining and trading) decreased by 25% to Rp 590 billion. After taking into account the exchange rate translation, the cost savings decreased 5.4% to US\$ 63.7 million

### ***Cash Cost***

Adaro Energy's cash cost excluding royalty for the first quarter of 2010 decreased 2.3% to \$30.2 per tonne, due to the lower average fuel price of \$0.60 per liter in Q1 2010 compared with \$0.77 per liter in Q1 2009, as well as lower freight and handling costs. The fuel and freight and handling savings partly offset the increased mining costs due to higher planned strip ratio and longer hauling distances.

### ***Other Expenses***

Total other expenses for Q1 2010 increased 28% to Rp 356 billion due to higher interest expenses and finance charges, which rose 57% to Rp 260 billion due to Adaro Indonesia's US\$ 800 million 10 year bond issuance and US\$500 million committed Amortizing Revolving Credit Facility, issued in October 2009.

**Profit**

Adaro Energy's gross profit decreased Rp583 billion, or 21%, to Rp 2.2 trillion. In US Dollar terms, Adaro Energy's gross profit decreased less than 1% to US\$ 242.5 million. The increased US Dollar net revenue generated by higher sales volumes was offset by the lower average selling price and the increased US Dollar cost of mining and consumables.

Adaro Energy's net income decreased 5.7% to US\$92.9 million. In Rupiah terms, net income fell by 25% to Rp 861 billion in Q1 2010. Net income decreased due to the interest expense which doubled to US\$28 million due to the accrued interest of Adaro's senior notes and the increased amortization of goodwill following the acquisition of the barging and shiploading company OML.

**Balance Sheet**

Adaro Energy continued to strengthen the capital structure as total equity increased by 17.1% to Rp 18.2 trillion, and net debt to equity further improved from 0.46 last year to 0.41 at the end of March 31<sup>st</sup> 2010.

**Assets**

Adaro Energy's total assets rose 15% to Rp 41.9 trillion compared with the same period last year mostly attributed to the 68.5% increase in current assets, due to the doubling in cash levels.

***Cash and Cash Equivalents***

Despite the translation effect of a stronger Rupiah at the end of the period, Adaro Energy's cash and cash equivalents, which are substantially all in US Dollars, and included Rp3.5 trillion of restricted cash, increased 208% to Rp 11.1 trillion at the end of 1<sup>st</sup> quarter of 2010. The increase is due to the proceeds from the 10-year Adaro bond issued in October 2009 as well as strong operating cash flows throughout 2009.

***Inventories***

By the end of the first quarter of 2010, inventories for Adaro Energy decreased by half to Rp 276 billion. Coal inventory as well as tools and supplies decreased by 64% and 65% respectively. In 2009, coal inventory levels were relatively high in anticipation of growing coal demand in the market.

**Liabilities**

Adaro Energy's total liabilities increased by 14% to Rp 23.6 trillion. Adaro Energy's total liabilities in the first quarter 2010 amounted to an equivalent of 56% of total assets. In US Dollar terms, total liabilities have increased by 39% to US\$ 2.5 billion which is mainly attributed to the issuance of the US\$800 million bond.

***Debt***

Adaro Energy's total interest bearing debt increased by 29% to Rp 14.9 trillion due to the issuance of US\$ 800 million of guaranteed senior notes by Adaro Indonesia in October 2009, which are rated "Ba1" by Moody's and "BB+" by Fitch.



Due to repayment and the translation effect of a stronger Rupiah, Adaro Energy's USD long term bank loans, all of which is held in US Dollars, decreased 26% to Rp 7.0 trillion. Finance lease payables declined 43% to Rp 446 billion, primarily driven by a 33% decrease in lease payables to PT Komatsu Astra Finance.

Adaro has not drawn on its standby loan, a US\$500 million amortizing revolving credit facility.

Adaro Energy's Director of Finance, Mr. David Tendian commented **“Our capital structure is very strong and would enable us to move quickly to capture opportunity.”**

### **Cash Flows**

#### **Cash Flows from Operating Activities**

Adaro Energy generated operating cash flows decreased 24% to 1.0 trillion due to the tripling of corporate income taxes payments, which rose to Rp 1.5 trillion, due to higher income in 2009.

#### **Cash Flows from Investing Activities**

Adaro Energy's net cash flows from investing activities increased to Rp4.0 trillion due to the placement of a sum of funds in the escrow. In addition, Adaro's cash flows for the purchase of fixed assets, such as machinery, operational equipment and vehicles, increased 37% to Rp 377.5 billion.

#### **Cash Flows from Financing Activities**

Net cash flows used in financing activities increased Rp151 billion, or 53%, to Rp 437 billion, due to Adaro bank loan repayments of Rp 405 billion and Rp 32 billion for obligations under finance leases.