

PT Adaro Energy Tbk
2009 Annual Report



adaro

**On Track to Build a Bigger
and Better Adaro Energy**

www.adaro.com

IDX : ADRO



Five Year Financial Highlights

	2005	2006	2007	2008	2009
(in million Rupiah)					
Net Working Capital	998,572	669,069	(120,298)	1,135,172	7,840,833
Total Assets	13,853,244	13,343,393	14,688,683	33,720,170	42,465,408
Total Investments	491,500	-	1,734,330	1,096,081	-
Total Liabilities	13,109,053	13,106,173	11,979,726	19,692,546	24,953,474
Interest Bearing Debt	10,139,512	9,630,649	7,426,288	11,038,941	15,855,790
Total Equity	305,837	(34,297)	2,150,554	14,009,245	17,444,891
Net Sales	7,174,651	9,748,068	11,592,640	18,092,502	26,938,020
Cost of Revenue	5,836,588	7,783,563	9,089,223	13,149,270	15,900,123
Gross Profit	1,338,063	1,964,505	1,964,505	4,943,232	11,037,897
Operating Income	1,174,501	1,745,272	2,252,519	4,211,858	9,928,447
EBITDA	1,172,836	2,038,675	2,423,080	4,454,673	11,016,576
Net Income	65,892	(63,954)	88,534	887,198	4,367,252
Weighted average of ordinary shares outstanding (in thousand unit)	482,927	1,436,280	1,436,280	25,469,531	31,985,962
EPS (Rp/shares)	136	(45)	62	35	137
Capex	972,306	897,197	914,312	2,186,227	1,463,264
Free cash flow	159,463	1,800,799	583,476	1,673,755	7,871,328

Due to a surge in cash flows as well as the proceeds from Adaro's 10 year Bond, cash and cash equivalents increased 367% to Rp11.3 trillion.

In October 2009, Adaro Indonesia issued 10 Year Notes with a coupon of 7.625% worth US\$800 million, in order to fund infrastructure and capacity improvements.

Cost of Revenue increased by 21%, at a far lower pace than revenue growth, increasing Adaro Energy's gross margin to a record 41%.

Financial Ratios					
Gross Margin	19%	20%	22%	27%	41%
Operating Margin	16%	18%	19%	23%	37%
Net Margin	1%	-	1%	5%	16%
ROA	0.5%	-0.5%	0.6%	2.6%	10.3%
ROE	21.5%	n/a	4.1%	6.3%	25.0%
Return on Invested Capital	0.5%	-0.5%	0.7%	6.3%	18.5%
Quick Ratio	0.83x	0.52x	0.85x	0.91x	1.81x
Total Debt to Assets	0.73x	0.72x	0.51x	0.33x	0.37x
Net Debt to Equity	27.7x	n/a	2.3x	0.5x	0.3x
Net Debt to EBITDA	7.2x	4.3x	2.0x	1.7x	0.4x

Adaro Energy's operating margin improved due to the higher average selling price, increased volumes and due to improved cost efficiencies.

Successive refinancing activities and repayments together with improved operational performance have resulted in a significant strengthening of our balance sheet.

Operating Statistics					
Consolidated Sales Volume ('000 tonnes)	26,298	34,720	37,550	41,098	41,424
Production ('000 tonnes)	26,613	34,285	36,078	38,524	40,590
Cash Cost, excluding Royalty (US\$/tonne)	20.2	21.6	23.7	29.7	30.3

2007, 2006: restated to reflect the impact of additional interest in SIS, ATA & MSW which were accounted for using the pooling of interest method and adjustments to the Corporate Income Tax expense for fiscal years 2004, 2005, 2006 and 2007 due to different interpretation of taxation regulations relating to the Leveraged Buyout transactions. The previous year's financial statements presented above have not been restated for these changes.

2009 Important Dates and Share Price Information



1.5.09

Adaro's subsidiary SDM completed dredging and started commercial operations on the Barito River.



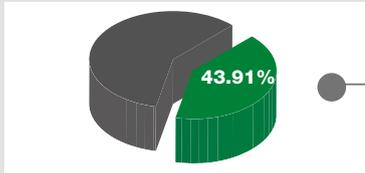
5.4.09

Adaro acquired control of OML, a barging and shiploading company to complete vertical integration from pit to port.



6.3.09

Adaro held its Annual General Meeting of Shareholders (AGMS).



7.23.09

Key shareholders restructured their holdings into Adaro Strategic Investments, directly owns 43.91% of the Company.



9.1.09

IBT and Shell signed fuel facilities agreement to support growth at IBT.



9.11.09

Adaro paid a final dividend of 42.5% of Net Income.





10.2.09

Adaro Indonesia signed amortizing revolving credit facility agreement for US\$500 million.



10.16.09

President Director Garibaldi Thohir receives PROPER Award from Vice President RI, Jusuf Kalla.



10.21.09

Adaro restructured OML to comply with the cabotage law.



10.22.09

Adaro Indonesia issued US\$800 million, 7.625% guaranteed Senior Notes due in 2019.



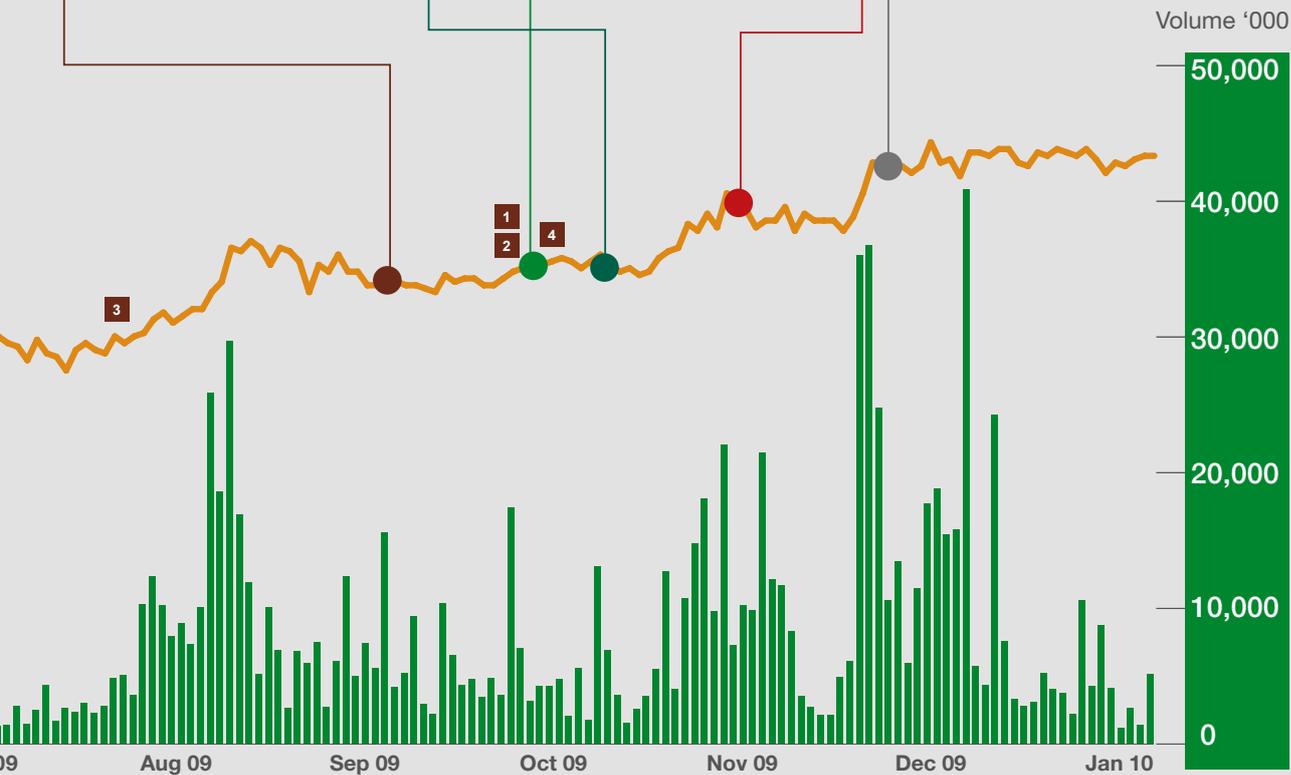
11.30.09

Adaro signed fuel hedging agreement to cover 80% of Adaro's fuel requirements for 2010.



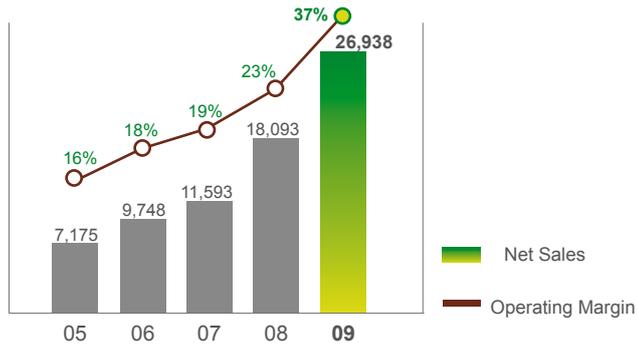
12.8.09

Adaro signed fuel supply agreement with Shell with a minimum throughput of 360 million liters per year until 2022.



Net Sales & Operating Margin

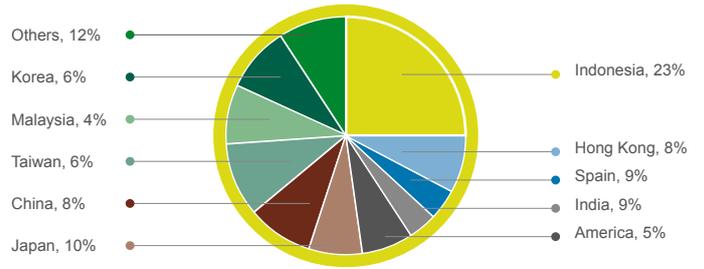
(Billion Rupiah)



Customer Type by Volume

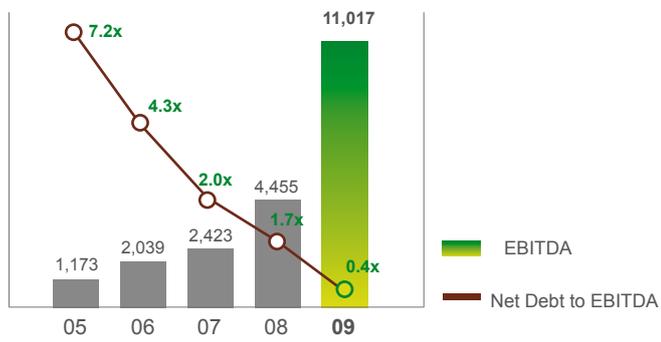


Geographical Breakdown of Customers



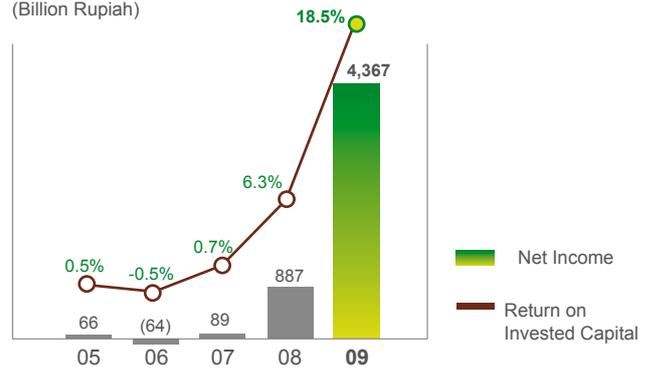
EBITDA & Net Debt to EBITDA

(Billion Rupiah)



Net Income & Return on Invested Capital

(Billion Rupiah)





adaro

www.adaro.com

Our Vision

To be the largest and most efficient integrated coal mining and energy company in Southeast Asia.

Our Mission

We are in the business of coal mining and energy to:

- satisfy our customers' needs;
- develop our people;
- partner with our suppliers;
- support the community and national development;
- promote a safe and sustainable environment; and
- maximize shareholders' value.

Contents

1-25

Adaro in Summary

Adaro Described	4
Why Adaro?	6
1 Robust industry prospects	7
2 Good track record of growth, large reserves to support continued expansion	8
3 Amongst the world's largest and lowest cost, vertically integrated producers	10
4 Reputable and supportive shareholders, and experienced management team	12
5 Highly differentiated product - Envirocoal™	14
6 Diversified and loyal customer base and high earnings visibility	15
7 Consistently improving financial profile since LBO	16
8 Growth and value creation set to continue	17
9 Committed to corporate social responsibility	18
10 Excellent safety record	20
11 Award winning performance and standards	21
Map of Operations	22
Our Subsidiaries = Our Coal Supply Chain	23
Vertically Integrated from Pit to Port	24

26-35

From Us to You

Letter from the Board of Commissioners	26
Letter from the Board of Directors	30

36-47

Running Adaro

Board of Commissioners	38
Board of Directors	40
Interview with Garibaldi Thohir, President Director	42
Human Resources Management	43
Interview with Christian Ariano Rachmat, VP Director	45
Senior Managers of the Adaro Group	46

48-99

Management Report

Corporate Overview	50
• Our Business Strategy	51
• Industry Overview	51
• Our Product: Envirocoal	52
• Marketing	53
• Impact of the New Mining Law	55
• Risk Management	57
Our Subsidiaries Described	58
• PT Adaro Indonesia	59
• PT Saptaindra Sejati	60
• PT Makmur Sejahtera Wisesa	61
• Orchard Maritime Logistics Pte. Ltd., PT Maritim Barito Perkasa, and PT Harapan Bahtera Internusa	62
• PT Sarana Daya Mandiri	63
• PT Indonesia Bulk Terminal	64
• Coaltrade Services International Pte. Ltd.	65
Review of Operations	66
• PT Adaro Indonesia	66
• PT Saptaindra Sejati	70
• Orchard Maritime Logistics Pte. Ltd.	71
• PT Indonesia Bulk Terminal	71
• Coaltrade Services International Pte. Ltd.	72
• Cost Reduction Initiatives	72
• Fuel Procurement	72
Interview with Chia Ah Hoo, Director of Operations	73
Special Section: Historical Photo Album	74

Interview with Alastair Grant, Director of Marketing	77
Health, Safety and the Environment	78
Financial Review	80
• Revenues	80
• Cost of Revenue	81
• Profit	82
• Balance Sheet	82
• Cash Flows	84
• Capital Expenditure	85
• Fuel Hedging	85
• Financial Ratios and Quality of Earnings	85
Interview with David Tendian, Director of Finance	86
Special Section: Adaro Bond in the News	87
Exploration and Reserves	88
Reserves and Resources	89
Exploration Activities in 2009	90
Exploring Initiatives for a Bigger and Better Adaro Energy	92
• Acquisitions	93
• Improving the Pit to Port Coal Supply Chain	95
• Business and Project Development	96
Interview with Sandiaga S. Uno, Director	99

100-107

Owning Adaro

Shareholders Information	102
• IPO Proceeds Realization	103
• Market Overview	103
• Dividend Payment and Policy	104
Investor Relations	105
• Analysts Monitoring Adaro	105
• Results of Annual Perception Survey	106

108-119

Governing Adaro

Status of Corporate Governance Practices	110
Audit Committee Report	117
Internal Audit Unit Report	118
Interview with Andre J. Mamuaya, Director of Corporate Affairs and Corporate Secretary	119

120-127

Corporate Social Responsibility

Economic Development	122
Educational Enhancement	123
Health Improvement	126

128-199

Financial Report

Directors Statement Regarding the Responsibility for the Consolidated Financial Statements	130
Independent Auditor's Report	131
Notes to the Consolidated Financial Statements	139

200-208

Contact Us

Key Personnel and Business Units	202
Management's Responsibility for Annual Report	203
Glossary	204
Corporate Identity	207
Additional Information and Investor Relations Calendar	208

Adaro Described

Adaro at a Glance

From Us to You

Running Adaro

Management Report

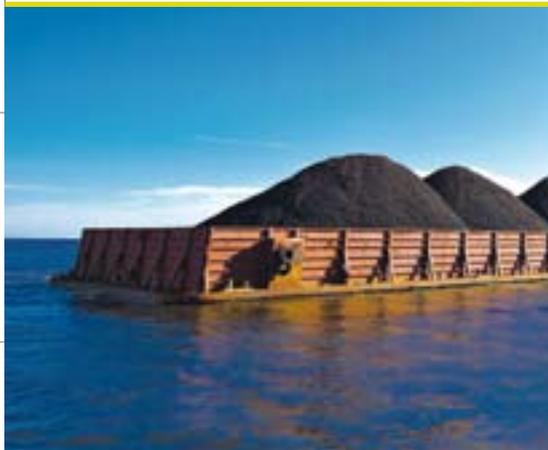
Owning Adaro

Governing Adaro

Corporate-Social
Responsibility

Financial Report

Contact Us



Production/Sales

48Mt capacity
40.6Mt production in 2009 (38.5Mt in 2008)
10 Years CAGR of 11.6%

Envirocoal

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



Customers

Substantially all blue-chip power utilities

Pricing

Substantially annual price negotiation and index-linked

Cost

Low to middle production costs compared to peers



Resources – JORC Compliant

3.5 billion tonnes

Location

Tabalong and Balangan districts, South Kalimantan

License of Adaro Indonesia

First Generation CCA valid until 2022

Operations

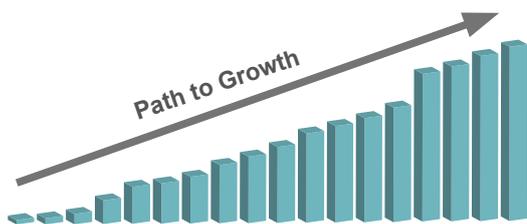
The largest single site coal mine in the southern hemisphere, vertically integrated from pit to port

Pit to Port Subsidiaries (contracting, barging, shiploading, dredging, port services, marketing)

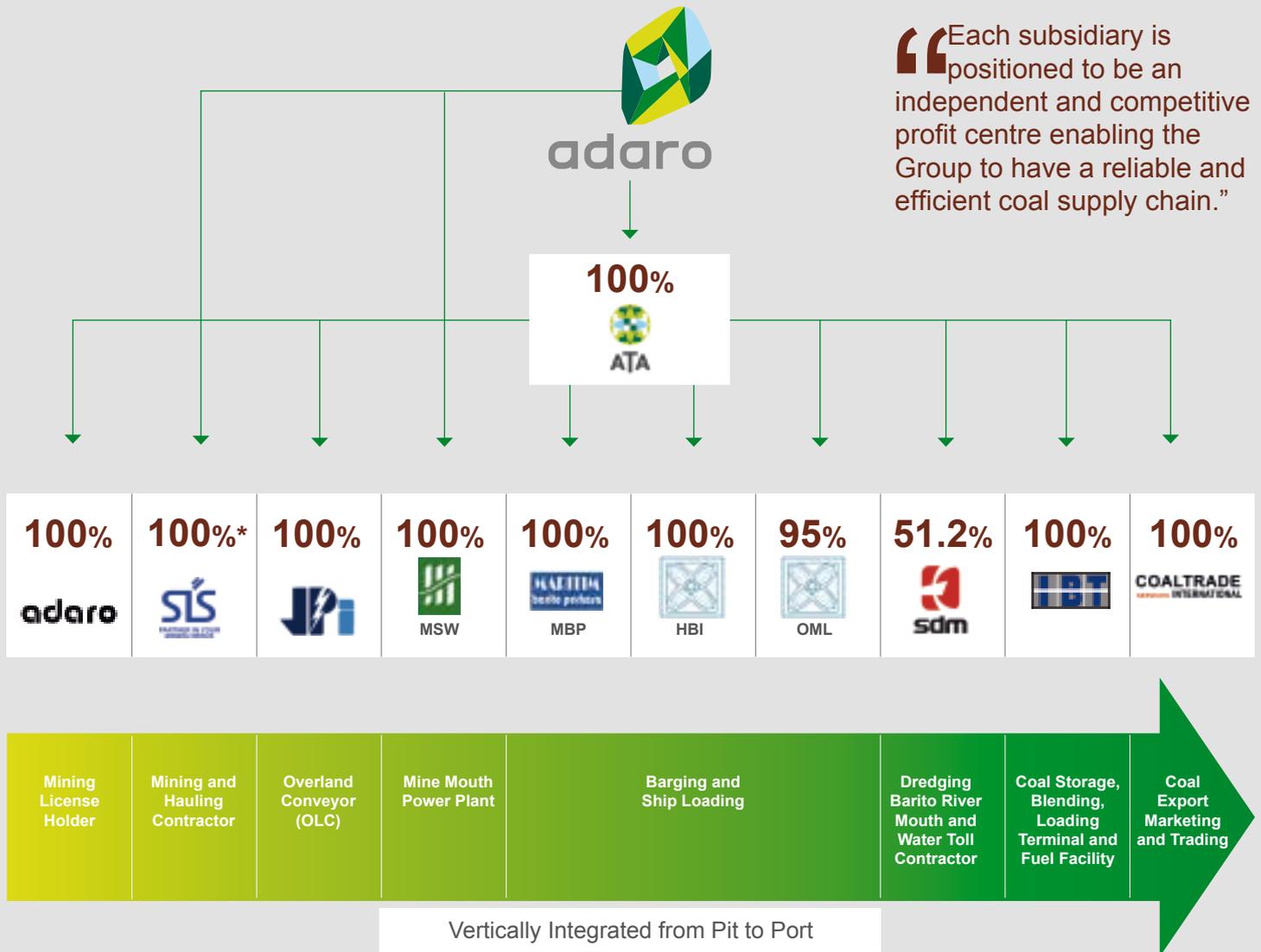
Each subsidiary is or will become an independent profit center and contribute value beyond the efficient high quality services they provide Adaro

Growth Strategy

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



Corporate Structure



* SIS' ownership increased from 97% to 100% in January 2010

Some of Our Lenders



Large group of relationship banks and bond holders continue to be very supportive of Adaro."

Why Adaro?



1 Robust industry prospects

7 Consistently improving financial profile since LBO

8 Growth and value creation set to continue

2 Good track record of growth, large reserves to support continued expansion

9 Committed to corporate social responsibility

3 Amongst the world's largest and lowest cost, vertically integrated producers

10 Excellent safety record

4 Reputable and supportive shareholders and experienced management team

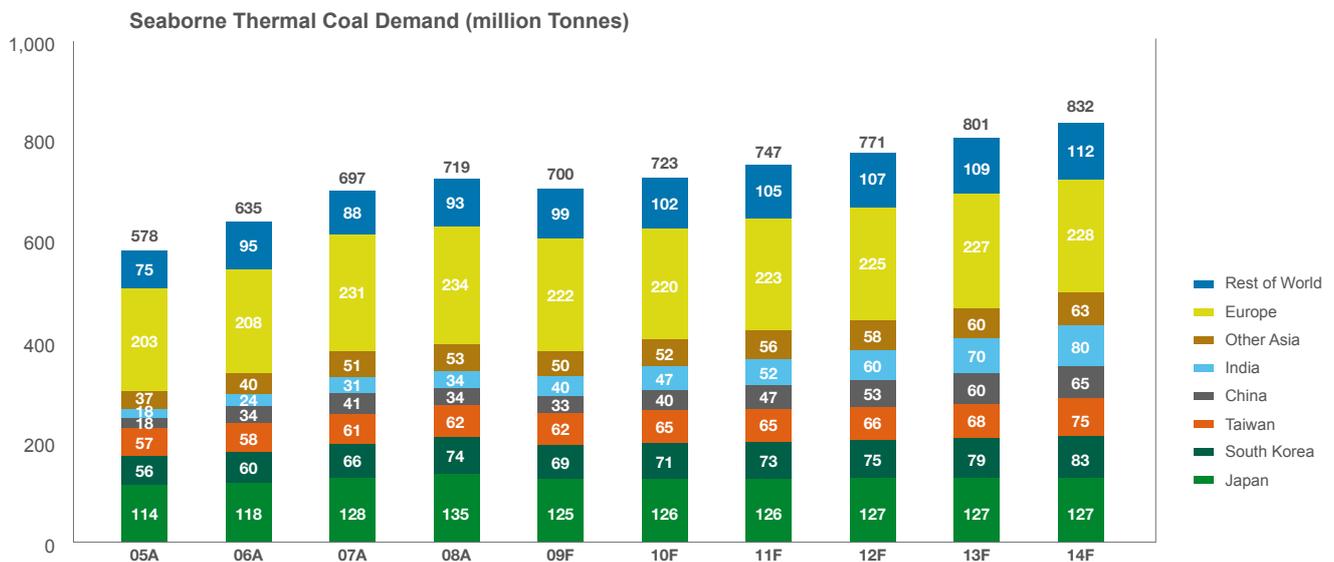
11 Award winning performance and standards

5 Highly differentiated product – Envirocoal™

6 Diversified and loyal customer base and high earnings visibility



1 Robust industry prospects



Source: McCloskey Report in 2009

- Surging thermal coal imports into China, strong Indian demand, forecast power generating capacity increases in Vietnam, Indonesia and other parts of Asia project a strong demand for thermal coal in the foreseeable future.
- Strong long term demand-additional new coal fired power plants of 579 Gigawatts expected in next 20 years in Asia, predominantly in China, Vietnam, India and Indonesia. These projects will require an additional 1.7 billion tonnes per year of coal. (Source: Australian Bureau of Agricultural and Resource Economics, Credit Suisse)
- Supply constraints in the thermal coal market remain:
 - Limited availability of working capital for small and medium size coal producers;
 - Increasingly challenging mining conditions;
 - Infrastructure constraints remain in Australia and South Africa
- Weather conditions continue to remain challenging which may hamper production activities for many Indonesian producers.
- The above scenarios for strong demand and supply constraints point towards firm pricing probabilities in the foreseeable future.



Source: ABARE

2 Good track record of growth, large reserves to support continued expansion

The total in-situ resource of coal in the Adaro concession area is estimated to be nearly 3.5 billion tonnes of surface mineable coal contained in major large coal seams ranging from 15 meters to 50 meters in thickness within the Tutupan and Wara deposits.

The resource has been defined by ongoing exploration and resource definition drilling since 1982 with over 1500 drillholes in the Tutupan area alone and resource data has been confirmed by independent mining consultants to JORC code standards.

Adaro carries out annual drilling programs of up to 10,000 meters to continually update and upgrade its resource estimates.

The table below shows Adaro Energy's coal reserves and resources as at Dec 31, 2009, based on JORC:

Resources (in million tonnes)

Location	Resources Inferred <1000>500m Mt	Indicated <500>250m Mt	Measured <250m Mt	Total Mt
Tutupan	825	705	655	2,185
Wara 1	337	268	292	897
Wara 2	110	134	118	362
Total	1,272	1,107	1,065	3,444

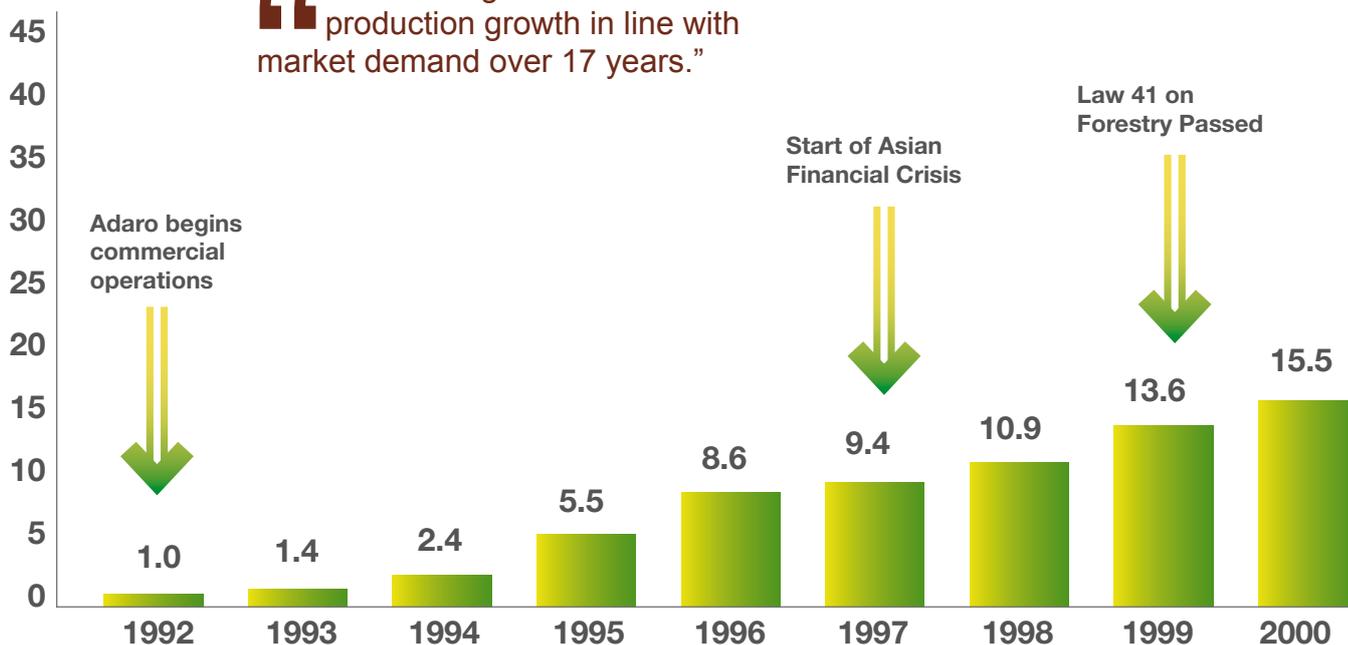
Reserves (in million tonnes)

Location	Reserves Probable In-Situ	Proven In-Situ	Total In-Situ	Recoverable
Tutupan	167	418	585	547
Wara 1	92	212	304	282
Total	259	630	889	829

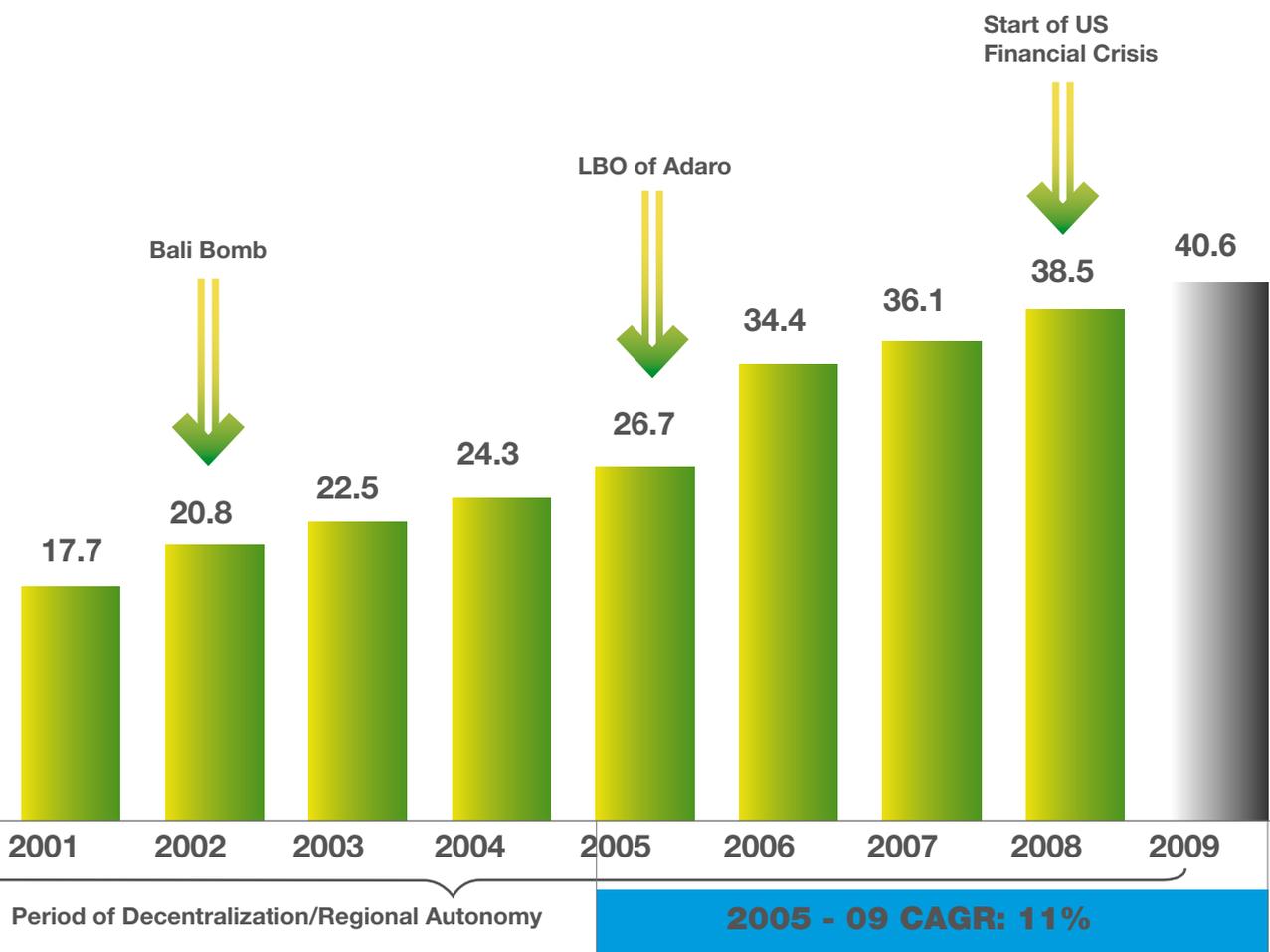


(million tonnes)

“Outstanding track record of production growth in line with market demand over 17 years.”



Law 22 and Law 25 of 1999 on Regional Autonomy



3 Amongst the world's largest and lowest cost...

Certain Cost Reduction Initiatives



Centralized fuel procurement and selective fuel price hedging to help control and minimize fuel costs



Mine-mouth power plant to replace 20MW of diesel-fired electricity consumed by the mine, reducing the electricity expense and Adaro's dependence on oil

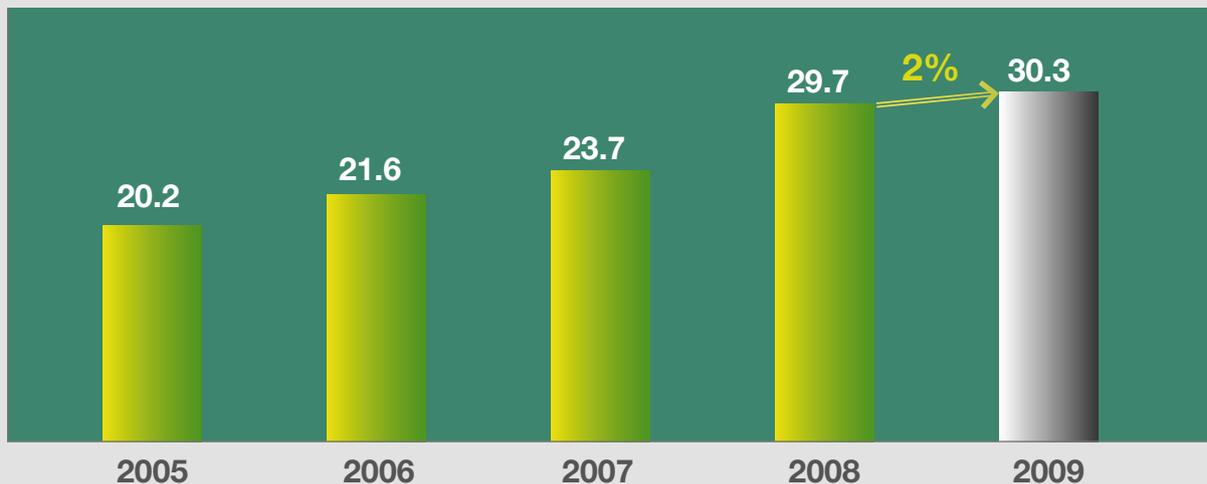


Installation of GPS and ground radar on trucking fleet to avoid bottlenecks



Greater use of the Taboneo anchorage for Adaro's shiploading activities, which decreases barging distances

Adaro Cash Cost (excl. Royalty) (US\$ / T)



... vertically integrated producers

Improvements to Adaro's Coal Supply Chain

• Integrated Supply Chain

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.

• Barito Channel

Current average steaming time from Banjarmasin to Taboneo open anchorage is 7 hours, compared to previous pre-channel average steaming time of 10 hours.

• Barging

20% cycle time improvement eliminated the need to increase the barge fleet to meet production increases through until 2011 by an equivalent of 11 sets (or equivalent to US\$ 55 million investment savings) and US\$ 41 million in cost savings (41 million tonnes coal sales x US\$ 1 /ton/day).

• Transshipment Operation

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



PIT



PORT

Our company is completely integrated from exploration through to marketing with subsidiaries involved in all aspects of the coal supply chain.

Besides coal mining activities, the company has bulk terminal and contract mining operations and has trading activities which handle both internal production and third party tonnage.

Other subsidiaries are involved in infrastructure developments in support of coal production expansion. These include the maintenance and management of the key river channel within the Adaro coal supply chain and development of a mine mouth coal fired power station which will supply the power for a conveyor system that will improve efficiency.

4 Reputable and supportive shareholders...

Board of Commissioners



Lim Soon Huat
Commissioner

Theodore Permadi Rachmat
Vice President Commissioner

Edwin Soeryadjaya
President Commissioner

Ir. Subianto
Commissioner

Ir. Palgunadi Tatit Setyawan
Independent Commissioner

High Standards of Corporate Governance

Our approach to corporate governance is based on the premise that good governance is a good business decision. We are not owned by a single family, but controlled by a group of five families and individuals. This naturally creates checks and balances to make sure decisions are made in the best interest of Adaro Energy and its varied stakeholders. We view improving corporate governance as an ongoing and dynamic endeavour and there is no single formula. The Board of Commissioners includes members who founded and operated PT Astra International Tbk, one of Indonesia's most respected corporations and their knowledge will help instill best practices in Adaro Energy. We are continually implementing improvements in several areas of corporate governance.

Reputable and Supportive Shareholders

- Edwin Soeryadjaya
- Teddy Rachmat
- Boy Garibaldi Thohir
- Benny Subianto
- Sandiaga Uno

“Adaro's majority shareholders include well-respected Indonesian businessmen... Adaro is known for its good corporate governance and transparency which is something you rarely see in Indonesia.”

Source: FinanceAsia, October 2009

... and experienced management team

Board of Directors



Our management style is one that encourages debate and discussion. A horizontal structure encourages regular interaction and less formality in creating and implementing our growth strategies. Results-oriented, the Board is comprised of members who have been with Adaro since extracting the first tonne of Envirocoal and relatively new members who have served with international firms abroad. A wealth of experiences and complimentary skills and approaches ensures the best decision is made to grow to a bigger, better Adaro Energy.

Strengths of Senior Management Team

Combined **60** years
with the Group

Average **10** years
with the Group

More than **120**
years of combined
industry experience

5 Highly differentiated product – Envirocoal™

All coal within Adaro's agreement area is exceptionally clean with ultra low levels of sulphur and ash and low levels of nitrogen. Because of these unique environmental qualities the coal has been trademarked globally as "Envirocoal".

The coal has been widely used throughout Europe, Asia and the Americas for use in industrial centers where environmental restrictions are stringently controlled or as a blending coal with more common high ash, high sulphur coals and results have consistently shown considerable environmental, economic and technical benefits from its utilization.

Because of these unique qualities, Envirocoal is the most environmentally acceptable solid fuel available and has been likened to "solid natural gas".

- 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. This is significant in countries such as Japan, with limited ash disposal area.
- Low ash levels in Envirocoal also reduces deposition rates in boilers improving thermal efficiency and reducing maintenance costs.

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

Nitrogen Content (daf)

0.9%

Ash Content (adb)

1%-2.5%

- 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.

Sulphur Content (adb)

0.1%

“ Adaro's coal (Envirocoal) is an ultra low sulphur coal which permits a clean combustion for the electricity production. Envirocoal is clean (free of extraneous materials) and has a very low ash content, which helps our plants to comply with environmental waste regulations and saves costs of manipulation of the ash. Furthermore, Adaro's coal allows us to have a position with a reliable supplier in the far east.”

Endesa S.A.

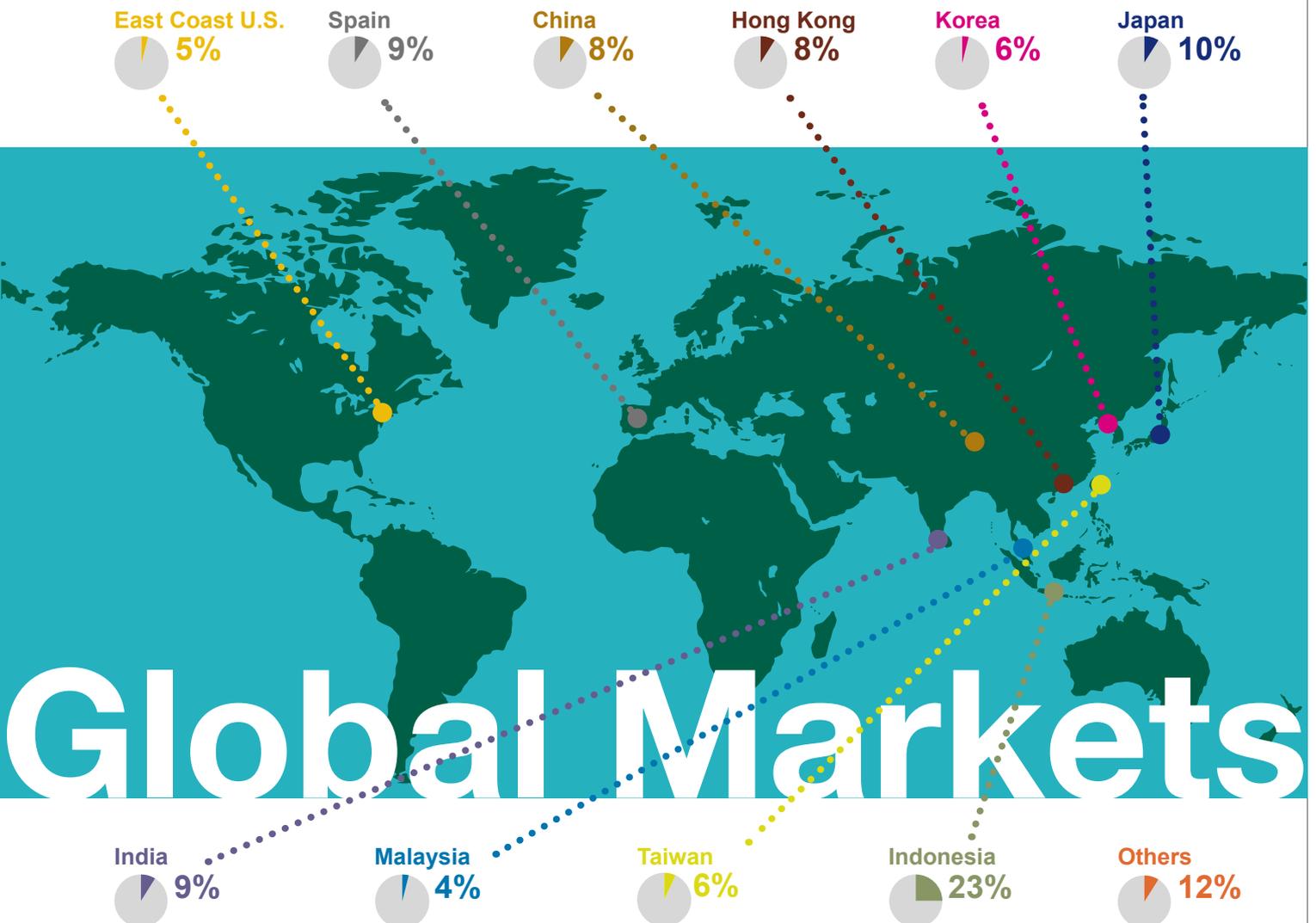
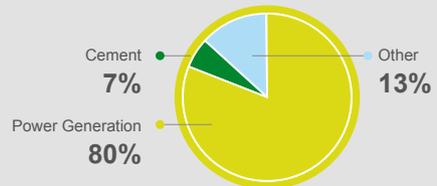
6 Diversified and loyal customer base and high earnings visibility

Adaro currently sells Envirocoal to around 40 customers in 17 countries and 4 continents worldwide with more than 80% of its customers being major power generation companies. The Company has had long term relationships of more than 10 years with many of its customers. It has been supplying to one European utility continuously since 1992. Today that company is now its largest customer.

The Company is also the largest coal provider to the Indonesian market, and as a result, has established similarly strong relationships with its key domestic customers.

These long term relationships have helped Adaro develop a stable and geographically diversified customer base and have established Adaro's reputation as a reliable and committed supplier of a high quality product.

Customer Type by Volume



Global Markets

“The main reason we use Adaro coal is its stable and smooth supply in addition to the merits of its ultra low sulphur and ash content.”

Electric Power Development Co., Ltd. / J-Power

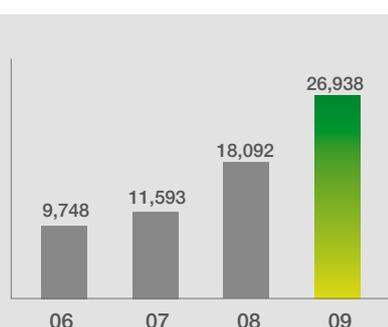
7 Consistently improving financial profile since LBO

	LBO: June 2005	December 2005	March 2007	December 2007	December 2008	December 2009
Bank Debt	US\$570 million Interest: LIBOR+spread	US\$200 million Interest: LIBOR+spread	US\$190 million Interest: LIBOR+spread	US\$750 million Interest: LIBOR+spread	US\$680 million Interest: LIBOR+spread	US\$570million Interest: LIBOR+spread
Bonds	NA	US\$400 million Interest: 8.5%	US\$400 million Interest: 8.5%	Fully refinanced	NA	US\$ 800 Mn Interest: 7.625%
Mezzanine	US\$353 million Interest: 17%	US\$300 million Interest: 17%	US\$265 million Interest: 11.25%	Fully refinanced	NA	NA
Key Ratios	DSCR 0.79 * Net Debt to EBITDA 5.27x	DSCR 0.95 * Net Debt to EBITDA 4.45x	DSCR 1.59 * Net Debt to EBITDA 2.53x	DSCR 1.93 * Net Debt to EBITDA 2.43x	DSCR 4.97 * Net Debt to EBITDA 1.1x	DSCR (E) 3.7x Net Debt to EBITDA 0.3x FCCR 10x

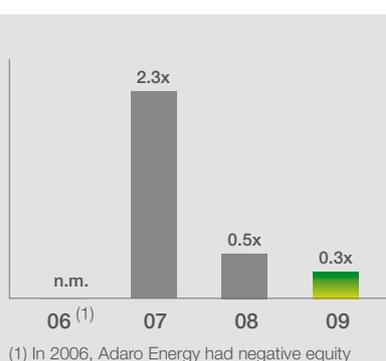
* Only for Adaro Indonesia, Indonesia Bulk Terminal, Coaltrade

We have good access to capital and strong financial capabilities. Our 2009 EBITDA more than doubled to over US\$1 billion, and net debt to EBITDA fell below 1.0 times. We have a moderate gearing level of 0.3 times net debt to equity. In October 2009, we issued US\$800 million of 10 year Notes with an attractive coupon of 7.625%, which were 10 times oversubscribed. We also secured a US\$500 million standby syndicated loan. Both financings are for capital expenditures and general corporate purposes.

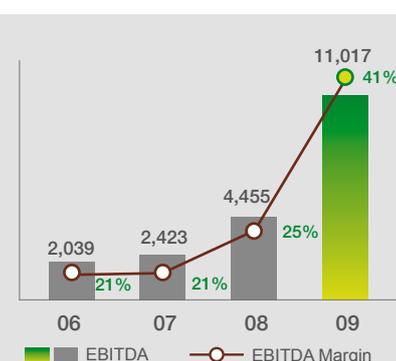
Net Sales (Rp bn)



Net Debt / Equity (x)



EBITDA (Rp bn) and EBITDA Margin (%)



8 Growth and value creation set to continue

	Background	Current status	Target completion	Project costs	
Lower Costs: Power Plant	<ul style="list-style-type: none"> Mine mouth power plant to be set up by MSW to support future power requirement for conveyor The plant will use Wara Coal 	<ul style="list-style-type: none"> Construction work in progress. Approximately 28% of work completed Equipment supply progress is ahead of schedule Funding arranged through bond offering 	2011-2012	US\$160m	
	Lower Costs: Conveyor System	<ul style="list-style-type: none"> To provide an alternative mode of transportation and to reduce operating costs by US\$1-\$2 per tonne compared to trucking from the mine to Kelanis 	<ul style="list-style-type: none"> Tripatra-Sandvik appointed as EPC contractors Land acquisition work in progress Funding arranged through bond offering 	2011-2012	
Add Capacity: Barging Shiploading	<ul style="list-style-type: none"> Expansion of barging and transhipment crane fleet 	<ul style="list-style-type: none"> Ongoing 	2010-2014	US\$40m	
Add Capacity: Mining Equipment	<ul style="list-style-type: none"> Purchase of mining equipment to compliment the existing equipment fleet of SIS 	<ul style="list-style-type: none"> Ongoing 	2010-2014	US\$300m (maintenance) and US\$430m (expansion)	
IBT Fuel Terminal	<ul style="list-style-type: none"> IBT and Shell to build/operate a fuel facility at IBT's port To support traffic growth at IBT's port and generate income from fuel terminal operations 	<ul style="list-style-type: none"> Under construction 	2010	US\$40m (funded largely by Shell)	

9 Committed to corporate social responsibility

Community Development

Adaro's operations cover an area in excess of 1,000 km², encompassing more than 50 villages with a total population in excess of 500,000 people. There are two major ethnic groups (Banjar & Dayak) in the area.

Adaro has never had a camp and is seen as a contributing member of the community, as well as the main source of employment. Adaro runs several economic, education, health and socio-cultural programs. As an example, Adaro has completed 3,608 free cataract operations in the area.

Award Winning Programs

Adaro Energy through its mining subsidiary Adaro Indonesia has conducted several Corporate Social Responsibility (CSR) programs over many years.

In 2009 Adaro was honoured to receive a number of awards for its community development programs from the Ministry of Social Affairs, as well as the PROPER award from the Ministry of the Environment.



President Director Garibaldi Thohir receiving the PROPER Award from The Ministry of Environment, represented by the former Vice President of Republic Indonesia, Jusuf Kalla.





Successful reclamation at Paringin out pit.



Adaro's Clean Water Program was recognized by the Ministry of Social Affairs in the CSR Award 2009 as the Second best in the Environment category for Adaro's program to generate clean water by processing waste water from the mine.



Inspecting mushrooms grown as part of one of Adaro's small business development projects.

Adaro engages in intensive dialogue with local communities surrounding its operations to ensure their social, economic and educational requirements are addressed.

Adaro funds cooperative programs in agricultural industries such as rubber and palm oil plantation developments and is involved in livestock and poultry breeding projects. We have also established micro-financing schemes that allows local villagers to obtain low interest loans for small scale home and light industrial businesses.

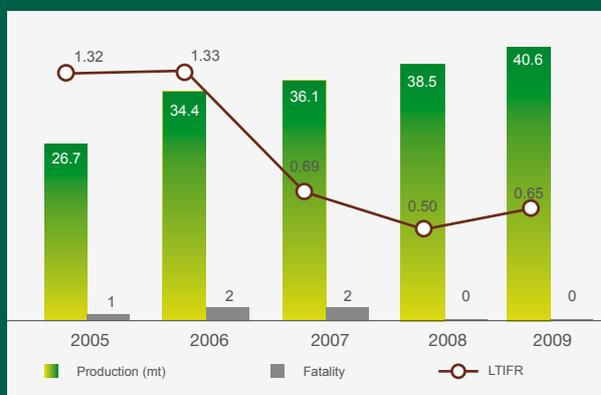
In the field of education we are working with local authorities to provide multi-year teacher training projects, scholarships and tutorial assistance to students. Adaro is also establishing model schools to become role models for school development. In community healthcare we are involved with partners in a maternal healthcare program aimed at reducing infant mortality. We also have a mobile eye clinic that provides free operations to cure cataract blindness.

The objective of these programs is to provide balanced assistance that not only benefits the present generation but will also be self-sustainable into the future.

10 Excellent safety record

Through its operating polices and best practices, Adaro has established an impressive track record for workplace safety, including a significant improvement in Loss Time Injury Frequency Rate (LTIFR) since 2005. In addition, Adaro was the recipient of the Pratama Award for Mining Safety from 2002 to 2004 from the Government of Indonesia, prior to the discontinuation of this award.

Production vs. Injury 2005-2009



11

Award winning performance and standards

2009

Gold Category Award in the Indonesian CSR Awards 2008 from the Ministry of Social Affairs.

.....

First rank in the Indonesia CSR Awards 2008 for Social Programs presented by the Ministry of Social Affairs.

.....

Second rank in the Indonesia CSR Awards 2008 for Environment Programs presented by the Ministry of Social Affairs.

.....

Third rank in the Indonesia CSR Awards 2008 for Economic Programs presented by the Ministry of Social Affairs.

.....

Largest Taxpayer for 2008 presented by the Tax office.

.....

Green Category Award In the Corporate Environmental Performance Rating Program (PROPER) for 2008 – 2009 from the Ministry of Environment.

Platinum Award in the KSN (Social National Solidarity) Awards 2009 for microfinancing programs from the Ministry of Social Affairs.

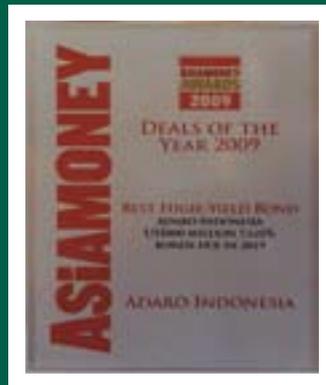
.....

Gold Platinum Award in the KSN (Social National Solidarity) Awards 2009 for Social and Environment programs in Educational Quality Enhancement from the Ministry of Social Affairs.

Silver Award in the KSN (Social National Solidarity) Awards 2009 for Economic Partnership programs from the Ministry of Social Affairs.

.....

Silver Award from the KSN (Social National Solidarity) Awards 2009 for Social and Environment programs in improving community health from the Ministry of Social Affairs.



2009 - Adaro bond

.....

Deal of the year 2009 from Asiamoney

Best high yield bond from Finance Asia

Best in Asia Pacific from Credit Magazine



Map of Operations

From Us to You

Running Adaro

Management Report

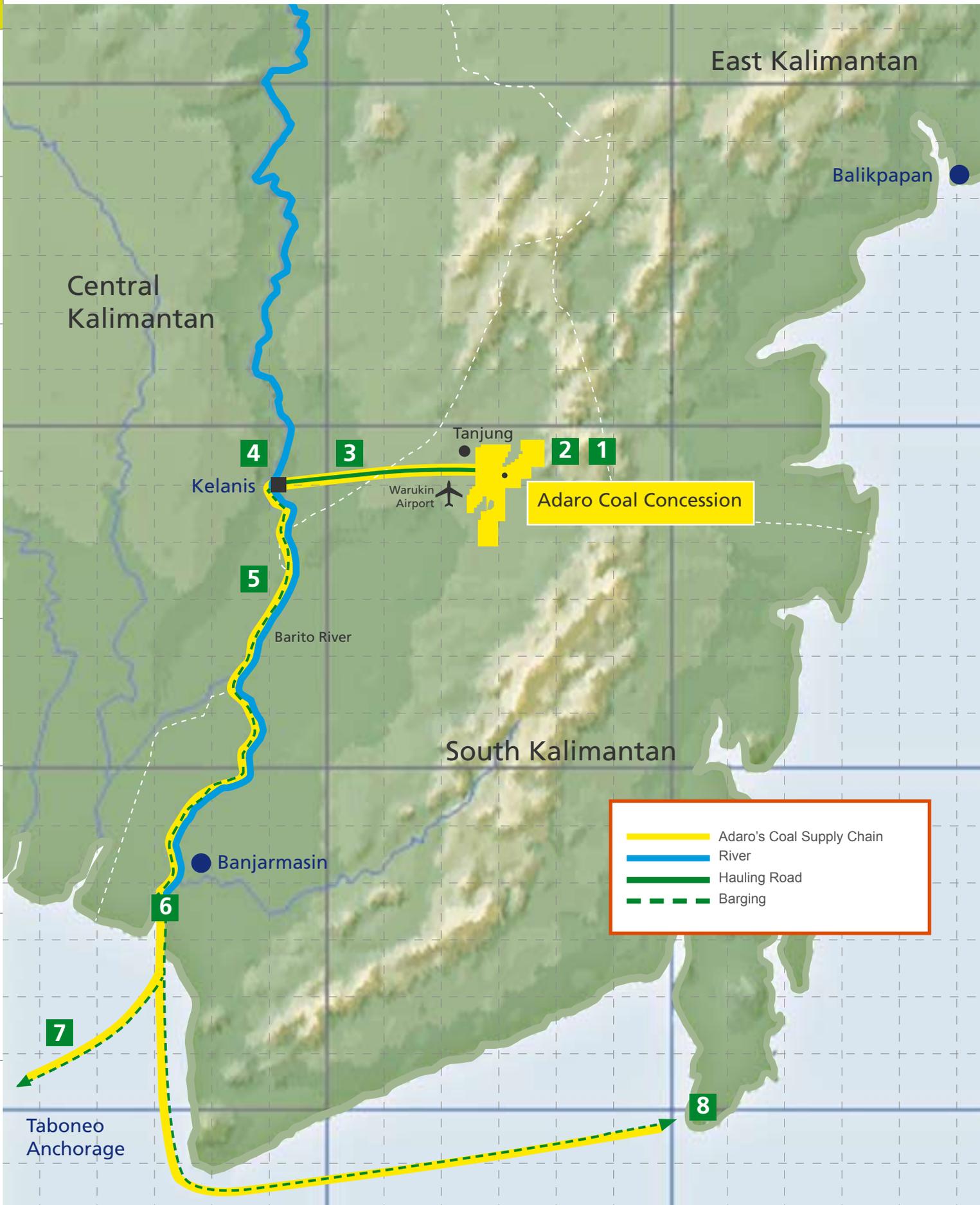
Owning Adaro

Governing Adaro

Corporate Social Responsibility

Financial Report

Contact Us



Our Subsidiaries = Our Coal Supply Chain



1

adaro

PT Adaro Indonesia Mining

Production Volume:
40.6 Mt (5.5% increase YoY)

Coal Sales:
41.1 Mt (3.2% increase YoY)

Overburden Removal:
208.5 Mbcm (31% increase YoY)

Planned Strip Ratio:
5x (2008: 4.25x)

Mining Equipment capacity:
48 Mt per annum

Coal type:
Envirocoal, sub-bituminous, medium calorific value, ultra-low pollutants



2



PT Saptaindra Sejati ("SIS") Contract Mining

Total Coal Production:
16.4 Mt
- 44% increase YoY
- 64% of SIS's volume was Adaro's coal
- SIS handled 26% of Adaro's coal volumes

Total Overburden Removal:
115 Mbcm
- 34% increase YoY
- 55% of SIS's volume was Adaro's OB
- SIS handled 31% of Adaro's OB



3

adaro

Hauling Road: 100% Owned by Adaro Indonesia

Hauling Equipment Capacity:
60 million tonnes

Hauling Road Capacity:
80 million tonnes

Hauling Road Distance:
80 km

Hauling Road Vehicles:
200 road trains

FY09 Contractors:
- PAMA 43%
- SIS 26%
- BUMA 19%
- RAJ 12%



4

adaro

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

Crushing Capacity:
55Mt
- 6 crushers with total capacity of 7,500 tph

Stockpiling Capacity:
2 stockpiles with capacity of 250,000t each

Barge Loading Capacity:
2 load out conveyor systems each rated at 5,000 tph

Crushing, stockpiling and barge loading facilities at Kelanis can easily be upgraded



5



PT Maritim Barito Perkasa ("MBP") Barging

Total Coal Transported:
10.4 Mt
- 9% increase YoY
- 83% of MBP's volume was Adaro's coal
- MBP handled 24% of Adaro's volumes

Barging Distance:
250km (estimated travel time – 24 hours)

MBP/HBI Fleet:
24 barges and 25 tugboats

Self-propelled Barges: Three units of 12,000dwt self-propelled barges. A fourth 15,000dwt SPB will be delivered in 2010.



6



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

Total Transit Volume:
58.3 Mt
- 63% of channel usage was Adaro's coal
- 99% of total volume transported on the channel is coal

Capacity:
200 Mt per annum (old 60 Mt)

Total barge steaming time along the channel:
reduced by 3 hours

Channel Specifications:
Length: 15,000 m (old: 14,000 m)
Base width: 138 m (old: 60 m)
Depth: 6 m LSW (old: 3 m LSW)



7



PT Maritim Barito Perkasa ("MBP") Shiploading

Total Coal Loaded:
11.4 Mt
- 7.6% increase YoY
- 99% of MBP's volume was Adaro's coal
- MBP handled 51% of Adaro's open anchorage volumes

Total Dedicated Capacity: 60,000 t per day

MBP Floating Cranes:
4, each with 15,000 t per day capacity



8



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

Total Coal shipped:
4.6 Mt (70% of which was Adaro's coal)

Number of vessels loaded: 72

Throughput:
4.6 Mt (43% decrease YoY)

Stockpile:
up to 800,000 tones of coal

Capacity:
12 Mt coal per annum, fuel tank capacity of 80,000 kilolitres

Facilities:
2 large berths for 2 barges of up to 15,000 t



Coaltrade Services International Pte Ltd Marketing

Principal activities are trading of thermal coal, acting as agents for both coal producers and consumers

Total 3rd party coal sales of 0.34 Mt

Vertically Integrated



PIT

1



2

Coal Mining

Adaro Indonesia is the largest single-site coal producer in the southern hemisphere by production volume. For the year ended December 31, 2008 we were one of the top five thermal coal exporters globally based on tonnes shipped, one of the lowest cost coal producers in the world and also the largest thermal coal supplier to the Indonesian domestic market based on tonnes delivered. The resources were estimated at 3,444 Mt (JORC Compliant), and located at Tabalong and Balangan, South Kalimantan.

Contract Mining

At present, our subsidiary SIS accounts for approximately 26% of our production capacity, and is expected to grow to 50% in the coming years. SIS total capacity in Indonesia at present is 16.4 Mt per year for coal mining and approximately 115 Mbcm per year for overburden removal. SIS undertakes overburden removal and transportation, coal extraction and transportation and partial mine reclamation activities under a 5 year contract with Adaro. SIS has 6 customers, including Adaro Indonesia, operating in East and South Kalimantan.



5



6

Barging: Many Years Experience in the Barito

Adaro's subsidiaries, MBP and HBI operate 24 barges and 25 tugboats that transport coal along the Barito River. Adaro has entered into long-term coal barging and tugboat service contracts with six other barging contractors. Adaro has a contracted fleet of 71 barges with an average individual barge capacity of 10,300 tonnes.

Sea Channel Operations: Bottleneck Free

The Barito River is an essential transportation route for Adaro's coal and equipment. PT Sarana Daya Mandiri ("SDM"), which is a joint venture controlled by Adaro Energy, conducted a project in 2008 to dredge a deeper and straighter channel.

With the completion of the project, the annual capacity of the river increased from 60 Mt to 200 Mt. The new channel has also improved transportation safety.

From Pit to Port



3

Hauling Road: 100% Owned and Operated By Adaro

All production from our Kalimantan operations is transported some 80 km along Adaro's sealed all-weather road to our facilities at the Kelanis River Terminal. Coal hauling is done by twin trailer hauling rigs with a 130 tonnes total payload. The recent installation of GPS control over the whole hauling fleet will help to achieve hauling increases safely and effectively.



4

Kelanis River Terminal: Crushing, Storing and Barge Loading

Kelanis River Terminal is one of the largest inland bulk terminals in the world. In the first half of 2009, the annual processing capacity at the Kelanis facility was increased from 45 Mt per year to 55 Mt per year as a result of the installation of an additional crushing system. Kelanis is maintained under a rigid preventive maintenance philosophy, and has demonstrated high levels of availability and reliability.



7

Taboneo Open Anchorage: Fast, Safe and Reliable Ship Loading

Adaro's subsidiary MBP operates four floating cranes which are used to move coal from barges to the ships. MBP handled 10.6 Mt and 11.4 Mt of coal in the year ended December 31, 2008 and December 31, 2009, respectively.

In addition to the four MBP cranes there is another floating crane and a high capacity floating transhipper in exclusive operation for Adaro at Taboneo.

These six units have a combined loading capacity of 125,000 tonnes per day and can load capesize vessels in excess of 200,000 dwt.



8

PORT

Coal Terminal: One Stop for Loading and Fuel

PT Indonesia Bulk Terminal ("IBT") is wholly owned by Adaro Energy. IBT's coal stockpiling, blending, loading and port terminal facility is located at a natural deep water harbor. The current capacity of IBT's terminal is 12 Mt of coal per year. Operating 365 days a year, 24 hours a day, IBT is able to load vessels of up to 85,000 dwt at rates of 35,000 tonnes of coal per day.

IBT and Shell are working together to build a fuel storage terminal at IBT, which should become operational in 2010. With a minimum capacity of sixty thousand tonnes, Shell will own, maintain and operate the fuel facility until 2022.

Letter from the Board of Commissioners



From Left to Right:

1. Theodore Permadi Rachmat
Vice President Commissioner

4. Ir. Palgunadi Tatit Setyawan
Independent Commissioner

2. Lim Soon Huat
Commissioner

5. Ir. Subianto
Commissioner

3. Edwin Soeryadjaya
President Commissioner



Dear Shareholders,

Last year our report described fluctuating and uncertain global markets and highlighted our core business focus. Twelve months on, I am pleased to confirm we are on track with many investment project initiatives to build a bigger and better Adaro. We are making exceptional progress and our efforts can be seen in our year end results.

Remarkable Results

Along with the improving global economy and commodity markets in the second half of 2009, Adaro was able to achieve excellent financial results.

In many ways 2009 was a challenge particularly during the first half of the year where the global economies in many countries were still in a recession and there was reduced demand for Adaro's coal. However, the recovery of the global economies in the second half of 2009 have turned around the demand for energy, which resulted in the increasing demand for Adaro's coal.

We closed the year with slightly higher production and sales volumes of 5.5% and 1% respectively. However, in terms of revenue we achieved remarkable results where our revenue increased by 48.89% to Rp26.9 trillion from Rp18.1 trillion a year ago. We booked a Net Profit of Rp4.4 trillion, up by 392.25% from last year. Meanwhile, our EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) rose substantially by 147% to Rp11.0 trillion, illustrating our robust core business growth.

Adaro is currently Indonesia's second largest thermal coal producer, with a present capacity of approximately 48 million metric tonnes per year and is executing plans to further increase its annual production capacity.

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. We believe that owning a part of each of the critical pieces of the supply chain will ultimately reduce costs, lower risks, increase flexibility of production, enhance control of transportation and improve reliability.

At the end of 2009, contractors for the OLC were selected and we expect the project to commence soon with estimated completion and subsequent commissioning in early 2012. We have also continued to make progress in the construction of the 2x30 MW mine mouth coal-fired power plant as preparatory work continued at the site. Upon the completion of this power facility, it will provide power to the OLC, mining operations as well as 1.5 MW of free power for the local community.

In the Annual General Meeting of Shareholders (AGMS) on June 3, 2009, the Company reported the use of IPO's proceeds from July 14, 2008 to May 29, 2009 amounted to Rp11.85 trillion (net of expenses). A final dividend of Rp11.8 per share or 42.5% of Net Profit was also approved by the shareholders at the AGMS and distributed in September 2009. Subsequently, the Board of Commissioners and Board of Directors also approved the interim dividend distribution in 2009 of Rp12 per share based on September 2009 financial, which was distributed in December 2009.

Letter from the Board of Commissioners



CSR, Governance and Compliance

As a publicly listed mining and energy company, good corporate governance goes hand-in-hand with our Corporate Social Responsibility (CSR). Our commitment to support the local communities and preserve the environment in which we operate has also been demonstrated in the past, and continue to define our business practices and methods. As part of our commitment to further integrate with the community and create more sustainable development programs, we established Adaro Bangun Negeri foundation in April 2009. This social foundation will receive on-going support from Adaro to develop economic, social, educational and health programs for the surrounding communities during and after Adaro's operations. Going forward, we expect that Adaro Bangun Negeri foundation will spearhead all the social functions and community development programs of Adaro.

In addition to the community programs, Adaro recognizes that coal mining will have an impact to the surrounding environment and local communities and 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 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. Continuous monitoring of air and water quality as well as strict programs for air, water and waste handling and control are an integral part of the environmental program with an extensive range of equipment to handle all aspects of monitoring and analysis. Our efforts and commitment in sustaining best environmental practices have yielded notable success. We were pleased to receive the PROPER Green award for 2 consecutive years from the Ministry of Environment for excellence in environmental rehabilitation and social programs.

In line with our increased responsibility as a listed Company, 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. This includes the establishment of the Audit Committee and the Internal Audit Unit in January 2009, and there are plans to form a Nomination and Remuneration Committees as well as a Risk Management Committee in the near future.

The Board of Commissioners has continued in its governance role to oversee all key aspects of business operations of Adaro via the mechanisms of regular board meetings and ad hoc meetings as well as the work of the Audit Committee. Although there is room for improvement in our governance structure, we believe Adaro has made extensive progress in advancing towards best practices and standards in alignment with Adaro's stated objectives, vision and mission.



Furthermore, as a law abiding corporate citizen, we were also pleased to receive an award from the government in May 2009 for being one of the largest tax payers in the country.

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 to ensure the Company's sustainability.

Our solid control and investments in the coal supply chain coupled with best-in-class human resources have placed us in an ideal position to benefit from the country's potential economic growth. Through discipline and hard work, Adaro is positioned strategically to seize and capitalize on opportunities in the energy and commodity markets.

The progress and the results we achieved during the year would not have been possible without the strong support of our customers and partners, and the commitment, dedication and hard work of the Board of Directors, management and staff.

As a closing remark, I would like to extend my heartfelt thanks to all of our stakeholders who have supported our endeavors in 2009, and count on their continuing trust and support to ensure our sustainable growth in years to come.

On behalf of the Board of Commissioners,

Edwin Soeryadjaya | President Commissioner

Letter from the Board of Directors



Seated, From Left to Right:

1. **Andre J. Mamuaya**
Director of Corporate Affairs and
Corporate Secretary
2. **Garibaldi Thohir**
President Director
3. **Christian Ariano Rachmat**
Vice President Director

Standing, From Left to Right:

4. **Alastair Grant**
Director of Marketing
5. **David Tendian**
Director of Finance
6. **Chia Ah Hoo**
Director of Operations
7. **Sandiaga S. Uno**
Director
8. **Indra Aman**
Chief Legal Officer



My Dear Fellow Shareholders,

The year 2009 was one of the most unprecedented, mostly unexpected, volatile and profitable years in the history of Adaro and the Adaro group of companies. It tested our business model in unexpected ways and tested our resolve to stay on track to build a bigger and better Adaro Energy.

Although it was a difficult year, we were able to achieve excellent results. Our audited consolidated net profit for the year ended December 31st, 2009 increased 392% to an all time record of Rp4.4 trillion. Our 2009 basic earnings per share (EPS) increased to Rp136.5. The significant increase is attributed to higher average selling prices of coal as well as increased sales volume, which increased revenue 49% to Rp26.9 trillion. Meanwhile, the cost of revenue increased at a lesser rate of 21%, boosting the gross margin from 27% in 2008 to 41% in 2009.

Although it was a difficult year, it made us stronger. One of the best moves we made was not to waver from our long held plans, to stay focussed on long term value creation and not get distracted by short term hype and fears.

There was a lot of confusion at the beginning of the year. Just how bad was the global economic crisis going to be? How bad would it affect Asia? How bad would it affect the demand and outlook for our product, Envirocoal? How should we react to this crisis to safeguard our assets? Would the current conditions create opportunities to further grow our business?

Our Vision, Main Goal and Strategy

The vision we have is to be the largest and most efficient integrated coal mining and energy company in South East Asia.

Our main overriding aspiration is to create maximum value from Indonesian coal. While creating shareholder value is our main goal, we also seek to create value from Indonesian coal for all of our other stakeholders. It is our reason for being, it is what we are good and experienced at and it is why we come to work everyday.

In order to achieve our main goal, we implement a long standing business strategy of 1) increasing production organically every year, 2) improving the efficiency and integration of our coal supply chain and 3) maintaining and acquiring world class deposits of Indonesian coal, which may include the use of coal enhancement technology.

Adaro Indonesia, our main source of revenue and key value driver, has a remarkable track record of increasing production every single year since commercial operations began in 1992 and, together with the other Group companies, is known for its reliability and dependability in the coal and credit markets. This is a track record we are extremely proud of and is one we intend to continue.

Therefore, at the beginning of 2009 after much review, discussion and debate we decided to not make big strategy changes and stay on track to deliver increased value.

How Did We Do?

By the end of 2008, we, along with much of the world's coal industry, saw little evidence that demand for our product was waning. We attributed this to a possible segmentation forming in the coal market and that environmental sub-bituminous coal, like our Envirocoal, was becoming a niche market.

We therefore decided, even though so much had changed since we set those targets prior to the IPO in the middle of 2008, that we were not going to change our 2009 targets. We continued to use our pre-crisis target range of 42-45 million tonnes of coal production and sales, EBITDA range of US\$750 million - US\$1.0 billion and cash costs ex-royalty range of US\$31 per tonne - US\$33 per tonne (note: we increased our cash cost range following the mid-2009 increase to the strip ratio).

However, the company started the year with uncertainties in coal market conditions given the weakness in the global economy, which in turn resulted in soft sales volume and reduced tonnage off-take by customers in the first half of 2009.

Letter from the Board of Directors



After the end of the first half of 2009 we had produced and sold 18 million tonnes of coal, which was the same volume as in the first half of 2008. We could have reacted to the softening of demand by lowering our price to attract new customers, but we did not, sticking to our plan of creating long term value and growing with our valued customers, who value the benefits of low pollutant coal and our reputation for reliability and dependability. We could have lowered our volume target, but we did not.

At the end of the first half we began to see demand returning and the challenge was whether we could ramp up fast enough again to allow us to catch up to our target. We indicated in our 2Q09 Quarterly Report that it would be difficult, and actual output would probably be just at or under the bottom part of the production range. This would require second half production to hit 24 million tonnes, or a new production record of 4 million tonnes per month.

We also saw at this time that the Japanese-Newcastle negotiated benchmark price for thermal coal (which normally comes out around the end of the Japanese fiscal year) was settling at around US\$70 per tonne, which while lower than the 2008 benchmark price of US\$125 per tonne, which we used to price most of our coal deliveries for 2009, was still 27% higher than the US\$55 per tonne benchmark price of 2007. We were encouraged to see thermal coal contracts “normalizing” in the midst of an economic downturn at such a historically high price, with market expectations of moderate price increases in the following few years. For us, the economic crisis was now over, and with renewed confidence we began to rapidly implement our growth and development plans, in terms of marketing to new markets, securing funding, signing various agreements and appointing engineering and construction contractors.

Due to higher than expected negotiated benchmark price that became apparent in middle of 2009, we took the prudent step of increasing the budgeted strip ratio of the mine plan. Conducting pre-stripping activities and exposing more coal provides operational efficiencies in the future and create more options and certainty of coal production when wet weather hampers production during the rainy season. The mine plan originally called for an increase from 4.25 in 2008 to 4.75 in 2009. The new budgeted strip ratio for 2009 became 5.0. This had the effect of slightly increasing cash cost guidance (excluding royalties) to a range of US\$31-US\$33 per tonne.

By the end of the year, we were delighted to achieve another year of volume increases, with 40.6 million tonnes of production and 41.4 million tonnes of sales. We produced a record 12.4 million tonnes in the fourth quarter, at an average of over 4 million tonnes per month, in the midst of the rainy season, which normally begins in November. It showed our decision to increase overburden removal as well as other “waterproofing” activities had worked.

In term of costs, the benefits of our acquisitions and investments in our coal supply chain as well as lower fuel prices combined with a generally stable cost environment in 2009 offset the increase to costs due to a higher stripping ratio. Thus our operating margin widened to 37% and operating profit rose 136% to Rp9.9 trillion, as the increase in revenue outpaced cost increases.

Due to the extraordinary conditions at the beginning of 2009, we came in slightly below our volume range, but we were delighted to achieve or beat our other targets in terms of price, costs and profit. We delivered an average cash cost (excluding royalties) of US\$30.3 per tonne, and EBITDA of Rp11 trillion or US\$1.1 billion.

Building a Bigger Better Adaro Energy

There were numerous improvements to the efficiency of Adaro Energy’s coal supply chain in 2009 that can be attributed to several investments in new equipment and training as well as the acquisition in 2008 of PT Sarana Daya Mandiri (“SDM”), a dredging and water toll contractor and in 2009 of Orchard Maritime Logistics Pte Ltd (“OML”), a barging and ship loading company.

In 2009 we were able to complete the long planned total integration from pit to port, by acquiring OML, the last critical part of the coal supply chain that was still not under our direct control. It did not seem likely at the beginning of the year, when the economic crisis that began in 2008 was still very much a reality. The Board had decided to shift gears to neutral so as to better assess the situation in our markets and regional economies. In the President Directors’s annual speech of October 2008, the key message was “Back to Basics” and we were still very much operating using that approach.

For the entire first quarter of 2009, we were in cash preservation mode and were re-evaluating feasibility work of various key projects, such as our mine mouth power plant and the associated overland conveyor.



On March 11, 2009, as we began to see the contours of global economic recovery, we announced we were resuming our development projects. Mining is traditionally a long term, capital intensive and slow yielding sector. Despite the uncertainty of the difficult short term market conditions we felt we had to stay on track with our pre-crisis plans and continue to implement our long stated business model of further integration. Due to the 6 month delay, however, our 80 million tonnes target date was moved back to the end of 2014.

Orchard Maritime Logistics Pte Ltd

After a thorough examination of the strategic benefits as well as expected future cash flows, we decided to go ahead with the acquisition of an existing contractor, that was partly held by three, but not all, of our key shareholders. On April 30, 2009 we acquired 74.16% of OML, a Singapore-based barging and ship loading company, for US\$78.55 million and completed the integration of our coal supply chain.

Funded entirely out of existing cash, the deal was done at an arm's length basis and a fair price. Throughout the process of acquiring OML, Adaro commissioned independent share valuations, a legal due diligence, and a review of the operational merits of the transaction.

The acquisition of OML has already delivered in terms of reduced costs, as seen by the 6% reduction in Adaro Energy's 2009 freight and handling costs and increased control of transportation, partly responsible for the 98% reduction in 2009 demurrage charges. Other benefits include lower counter-party and other risks, increased flexibility of production and improved reliability.

SDM and OML Deliver Efficiency Improvements

At the end of 2008, SDM completed the dredging of a new channel on the Barito River. The heavy sedimentation build up had caused a serious bottleneck at the mouth of the Barito River and SDM's new channel increased the river's annual capacity from 60 million tonnes to 200 million tonnes. In 2009, due to the new channel as well as the newly acquired OML, Adaro Energy enjoyed the benefits in terms of approximately US\$1.00 per tonne, or US\$41 million, in cost savings. This occurred due to a 20% improvement to cycle time (or the time it takes a barge set to deliver its coal and return to the river terminal), eliminated the need to increase the barge fleet to meet production increases through until 2011 by an equivalent of 11 sets, or the equivalent of US\$55 million in capital spending.

IBT and Shell sign Fuel Facilities Agreement

Another important move we made was the fuel facilities agreement signed on September 1, 2009 between our wholly-owned subsidiary PT Indonesia Bulk Terminal ("IBT") and PT Shell Indonesia ("Shell"). The deal was made in order to support traffic growth at IBT's port and increase the income stream coming from liquid bulk jetty operations.

We will never coddle our subsidiaries, but we will create opportunities to enable them to reach maximum potential. To reduce costs, we had steadily been moving our coal transshipment activities to the open anchorage of Taboneo at the mouth of the Barito River, rather than barge the coal the extra distance to IBT's terminal at Pulau Laut, South Kalimantan. The deal with Shell is part of our on going commitment to improve the efficiency of our coal supply chain, and to further develop the business performance and potential of one of our operating subsidiaries.

The US\$40 million project will include a fuel storage terminal with a minimum capacity of sixty thousand tonnes of high speed diesel to serve the regional coal and transportation companies.

Fuel Supply Agreement with Shell

In December 2009, we signed a Fuel Supply Agreement with Shell. Under this agreement, Shell will supply fuel to Adaro Indonesia with a minimum throughput of 360 Mn liters per year until 2022. The pricing of the fuel will be determined by market prices. The signing of the FSA will strengthen control of the coal supply chain by enhancing fuel supply security and improve efficiency through the reduction of costs.

Fuel Hedging

In order to reduce the risks caused by the fluctuation in the fuel price, in November 30, 2009 we entered into fuel hedging contracts with a relationship lending bank, where Adaro Indonesia will pay for fuel at a fixed rate. With total notional quantity amounts of 2,160,000 barrels, the agreement will cover approximately 80% of Adaro's fuel requirements for 2010 at a rate similar to the average rate paid in 2009.

Letter from the Board of Directors



Complying with the Cabotage Law

In late October 2009, in order to comply with a 2005 regulation from the Ministry of Transportation regarding the implementation of a cabotage law that stipulates the transportation of goods by a vessel along the coast of domestic seaports must be carried out by domestic shipping carriers bearing an Indonesian flag, the majority of the assets of OML were restructured to PT Maritim Barito Perkasa ("MBP") and PT Harapan Bahtera Internusa ("HBI"). MBP and HBI are national shipping carriers bearing domestic licenses, which were acquired for a nominal sum in the second half of 2009 by Adaro Energy. OML now handles customers outside of Indonesia, HBI handles non-Adaro barging customers within Indonesia and MBP handles Adaro Indonesia's domestic barging.

Shareholders Restructure their Holdings

On July 23, 2009 our key shareholders restructured some of their holdings of stock of Adaro Energy into a single entity, called PT Adaro Strategic Investments, which now directly owns 43.91% shares of Adaro Energy. At the time of the restructuring, the key shareholders did not reduce nor increase their interest in Adaro Energy. The move was made to further increase the efficiency and cohesiveness of decision making and to strengthen the continuity and commitment of these key shareholders to create a bigger and better Adaro Energy. The shares crossing consolidated the ownership of the five key shareholders, namely the Rachmat family, the Thohir family, the Subianto family, Mr. Edwin Soeryadjaya and Mr. Sandiaga Salahuddin Uno.

The move is similar to when Adaro Energy was listed on the Indonesian Stock Exchange, as part of long standing efforts to simplify the corporate structure and consolidate control of the Adaro Group of companies.

Indonesian Coal Project with BHP Billiton

As part of our third strategic objective, to acquire world class deposits of Indonesian coal, in the fourth quarter of 2009, we expressed our interest to participate in a world class metallurgical coal project located to the north of our existing operations in Kalimantan.

On March 31, 2010, BHP Billiton announced it had entered into binding agreements to create a new joint venture for its Indonesian Coal Project (ICP) with our wholly owned subsidiary PT Alam Tri Abadi. We agreed to acquire a 25 per cent interest in the ICP joint venture. BHP Billiton holds the remaining 75 per cent. 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. Adaro is Indonesia's second largest thermal coal producer and has operations near the ICP.

BHP Billiton President Metallurgical Coal, Hubie van Dalsen, said, "These agreements with Adaro provide a strong local partner to ensure the successful development of our world class metallurgical coal interests in Indonesia. As we progress development, we will continue our strong commitment to the protection of the region's outstanding biodiversity."

Completion of the transaction is subject to approvals from the Indonesian Government.

Balance Sheet, Access to Capital and Use of Proceeds

Our balance sheet strengthened considerably in 2009, with net gearing further falling to 26% at the end of December 2009. The stronger capital structure was made possible by strong cash flows and earnings generation during the year. We will continue to implement a strategy of continuously optimizing the capital structure and cost of capital, as well as maintaining good liquidity.

On October 22, 2009, we raised US\$800 million with the issuance of 10 year bonds that paid a 7.75% yield. In addition to this, we secured a US\$500 million Amortizing Revolving Credit Facility as a stand-by facility to ensure sufficient liquidity, which is currently undrawn. The purpose of this bond issuance is to strengthen our financial structure to support the growth plan and build infrastructure to increase cost efficiency.

Dividend

On June 3, we held our Annual General Meeting of Shareholders and received approval to distribute Rp377 billion, or Rp11.8 per share, or 42.5% of the 2008 net income of Adaro Energy. The dividend was paid on September 11th, 2009. On December 30th, 2009, we also paid an interim dividend of Rp384 billion or Rp12 per share, based on Adaro Energy's net income for the nine-month period ending September 30, 2009.



We will always endeavor to return cash dividends to our shareholders provided there is no other opportunity to create value for Adaro Energy.

Outlook

We are encouraged by all the positive forecasts on the medium to long term outlook for coal, but we realize that it is extremely tough to predict the future. We understand from our own internal marketing research that the demand for coal will be strongest in emerging market Asia, especially as China, India, and Indonesia. We are encouraged by the results of our technical marketing teams, mostly consisting of experienced combustion engineers, who have been meeting with power companies in Asia.

However there are always risks. One of the biggest risks is should China experience a severe and prolonged economic downturn the decrease in demand would significantly lower global prices. As we cannot control prices, we focus on annual organic production growth, to the satisfaction of our customers and on keeping costs down.

Our view is supply and demand for thermal coal will more or less be in balance over the next three to five years, which should support the current price levels or perhaps create a moderate increase. While we are all encouraged by the signs of future demand, we must remember there are other deposits and suppliers of sub-bituminous coal that we must compete with. Our challenge will be to continue to get the market price for our coal and beat our competition in terms of cost and market share.

In terms of 2010, we are expecting to deliver another year of growth to around 45-46 million tonnes, to keep cash cost inflation to mid-single digits therefore retaining our position in the bottom quartile of producers, and to deliver similar pricing as in 2009.

As the company moves into 2010, the focus will be on growing production and marketing the new coal product Envirocoal-Wara and exploring different initiatives to get to 80 million tonnes 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. By staying focused and on track, Adaro Energy will continue to deliver long-run value creation through organic production growth, better operation integration and lower operation costs.

Thank You

Finally, we would like to thank all those involved in making 2009 another extraordinary year for Adaro Energy. Most importantly are our people. We can not thank you enough. You are Adaro Energy and what make it like a unique and great family. It is our combination of professional, loyal, merit-based, experienced, educated, and hardworking people that will allow us to keep satisfying our communities and our customers and grow bigger and better. We look forward to a great 2010 and creating a bigger and better Adaro Energy.

On behalf of the Board of Directors,

Garibaldi Thohir | President Director

Running Adaro



36-47

Board of Commissioners	38
Board of Directors	40
Human Resources Management	43
Senior Managers of the Adaro Group	46



Board of Commissioners



1 Edwin Soeryadjaya | President Commissioner

Indonesian Citizen, 60, was awarded a Bachelor of Business Administration degree from the University of Southern California in 1974.

He is the President Commissioner of 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.



2 Theodore Permadi Rachmat | Vice President Commissioner

Indonesian citizen, 66, completed his education in Machine Engineering from the Bandung Institute of Technology in 1968.

He is the Vice President Commissioner of Adaro Energy, a Commissioner of ATA, Adaro Indonesia, IBT, JPI 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).



3 Ir. Subianto | Commissioner

Indonesian citizen, 67, completed his education at the Bandung Institute of Technology in 1969. He is a Commissioner of Adaro Energy, ATA, Adaro Indonesia, JPI, SIS, MSW and IBT.

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.

4 **Djoko Suyanto** * | Independent Commissioner

Indonesian citizen, 61, completed a variety of military education including the Air Force Academy of the Republic of Indonesia in 1973, School of Air Force Pilot in 1975, School of Air Force Unit Command in 1989, Joint Services Staff College, Australia in 1994 and National Defence Institution of KRA XXXII. He was awarded a Bachelor's degree from the Faculty of Social Science and Politics of Open University in 1992.

He had a decorated military career, receiving many awards including, among others, Dharma Star, Yudha Darma Utama Star, Swa Bhuwana Paksa Utama Star, Kartika Eka Paksi Utama Star, Jalasena Utama Star, Bhayangkara Utama Star, The Meritorious Service Medal First Class of the Republic of Singapore, Darjah Paduka Keberanian Laila Terbilang Yang Amat Gemilang (DPKT) of the Sultan Brunei Darussalam and The Brave Commander of Malaysian Army of the Malaysian Government.

He formerly was a Commander of Squadron 14 F-5 Tiger (1990-1992), Commander of Jayapura Air Base (1992-1994), Commander of Iswahyudi Madiun Air Base (1997-1999), Commander of Kosek Hanudnas I Jakarta (1999-2001), Commander of Operational Command of Air Force II of Makassar (2001-2002), Commander of Air Force Education Command (2002-2003), Assistant Operation of KASAU (2003-2005), Air Force Chief Staff (2005-2006) and Commander of the Indonesian National Army (2006-2008).

* Resigned as of October 2009, due to his assignment as the Coordinating Minister of Politics, Law & Security of the Republic of Indonesia.



5 **Ir. Palgunadi Tatit Setyawan** | Independent Commissioner

Indonesian citizen, 70, 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 is a Commissioner of Adaro Energy. He is also a member of the Audit Committee of PT Info Asia Tbk., Independent Commissioner and Chairman of the Audit Committee of PT Pembangunan Jaya Ancol Tbk., 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 Raja Garuda Mas from 2000 to 2002.



6 **Lim Soon Huat** | Commissioner

Malaysian citizen, Lim Soon Huat, 45, 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.



Board of Directors



1 Garibaldi Thohir | President Director

Indonesian citizen, 44, earned a Bachelor's 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 Adaro Energy, ATA, Adaro Indonesia and Dianlia, President Commissioner of JPI and Commissioner of IBT.

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.



2 Christian Ariano Rachmat | Vice President Director

Indonesian citizen, 36, earned his Bachelor of Industrial Engineering from Northwestern University in 1995.

He is the Vice President Director of Adaro Energy, Director of ATA, Adaro Indonesia. He is the Commissioner of SIS, IBT, JPI, and President Commissioner of MSW.

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).



3 Andre J. Mamuaya | Director of Corporate Affairs and Corporate Secretary

Indonesian citizen, 39, he 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 and Corporate Secretary of Adaro Energy, President Director of JPI, MBP, and HBI, and is a Director of ATA, SMP, MSW and Dianlia.

He is also the Commissioner of SIS, PT Pandu Alam Persada and PT Tri Nur Cakrawala.

He has served as a Director of PT Anugrahtimur Sejatiperdana (1997-2000).



4 Sandiaga S. Uno | Director

Indonesian citizen, 40. He is a Director of 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.

Sandiaga has been serving as the Vice President for Micro, Small & Medium Enterprises and Cooperatives of the Indonesian Chamber of Commerce and Industry (Kadin) since 2008 and he was the Chairman of the Indonesian Young Entrepreneurs Association (HIPMI) from 2005-2008.

Sandiaga 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.

5 David Tendian | Director of Finance

Indonesian citizen, 43, 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 Adaro Energy's Director of Finance, Chief Financial Officer and Director in Adaro Indonesia, ATA, JPI, and IBT. He has intimately worked in the coal industry in Indonesia since 2003 with several CCA 1st generations. He formerly held senior level positions of Sakura Bank, Standard Chartered Bank, Chase Manhattan Bank and Citibank in the USA from 1991 to 1999 and Indonesia from 2001 to 2002.



6 Chia Ah Hoo | Director of Operations

Malaysian citizen, 50, he earned his Bachelor of Applied Science (Civil Engineering) from the University of Windsor (Canada) in 1984.

He is the Director of Operations of Adaro Energy, Chief Operating Officer and Director of Adaro Indonesia and ATA and the President Director of IBT. 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 an Operations Manager and held the position of General Manager of Adaro Indonesia from 1998 to 2005. He was the Director of the World Coal Institute and Indonesian Mining Association.



7 Alastair Grant | Director of Marketing

New Zealand citizen, 68, 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 the Director of Marketing of Adaro Energy, Adaro Indonesia and IBT. He is responsible for marketing and sales of Adaro's coal as well as the negotiation of coal supply contracts. 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.



Interview With Garibaldi Thohir, President Director



One of your key areas of interest is Adaro's corporate social responsibility, how do you see this evolving in the years ahead?

Every mining company will always talk about CSR, however I can say that at Adaro it truly is a special focus and we believe an area of expertise. We have spent many years developing programs and initiatives that are tailored to the particular needs of those surrounding our mines. With just the one mine and one coal supply chain, we are more focussed and pay comparatively more attention to the needs of the local communities.

Where do you want to bring Adaro? What can Adaro's shareholders expect in the coming years?

It is so difficult to predict the future, especially in the business of mining. We are planning to stay on track and not get distracted from our main mission of creating value from Indonesian coal. That means annual organic growth, further integration and efficiency improvements and the possible acquisition of world class Indonesian coal deposits.

What was your greatest achievement in 2009?

We had one of our best year's on record. I am happy and grateful we were able to contribute a lot to our nation, our communities and our people. I am also happy of how we were able to foster a feeling of extended family, not only within the ranks of Adaro Energy's workforce but also those with living near our mine.

What was your greatest challenge in 2009?

The challenge in 2009 was striking the right balance and finding the right mix of incentives and encouragement to build the strongest teams. Team work is crucial. No one is a superman. People need more than material rewards and the challenge is to understand what motivates people.

What do you hope to achieve in 2010?

The challenge for 2010 is finding a way to do better than 2009! How can we contribute more? We hope we can achieve even more mutually beneficial relationships with our stakeholders in 2010.

Human Resources Management

The year 2009 has been a very challenging and rewarding year for Adaro Energy with its excellent human resources playing a significant role in its success.

We are focusing on finding the best talent available from the market, developing and rewarding them and making them productive in creating a bigger and better Adaro.

We value the alignment of new employees' characters and personalities with our strong corporate culture and technical competency.

In 2009, Adaro Energy, Adaro Indonesia and SIS spent a total of US\$1.4 million of training, an increase of 51% over 2008.

By implementing the philosophy that "Every Manager is an HR Manager", we encourage line managers to exercise their leadership in nurturing the potential of every employee.

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 optimise 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 Program: Developing Future Leaders

We do believe that a correct Training Programs are one of the best ways to develop future leaders. Adaro offers both soft and hard skills Training Programs. With 2009 Training Programs consisting of: Corporate Culture, Leadership, Languages, Mining Operations, Safety, Health, and Environment (SHE) and other technical programs.

3. Safety, Health, and Environment : 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.

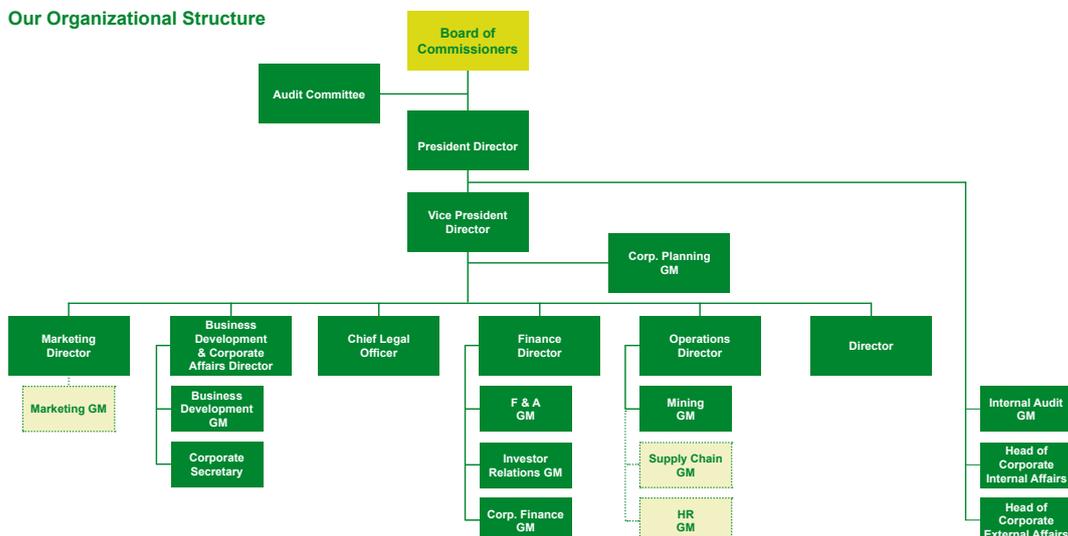
4. Communication Culture: Openness and Synergy

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

Fun Fact

One of our directors, Sandiaga Uno completed the 2009 Standard Chartered Singapore Marathon for charity.

Our Organizational Structure



Human Resources 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.

5. Organizational Development: Infrastructure Readiness

A robust infrastructure foundation in Human Resources Management was built in 2009 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. Given the critical role of technology, we implemented a human resources information system to speed up this process.

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.

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

7. Performance Management: Corporate Objectives Alignment

To assure 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 2009 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 for all employees.

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

Employee Composition by Education

Education Background	AE	AI	ATA	IBT	MSW	SDM	SIS	CTI	JPI
High School	2	255	0	209	4	8	2,654	2	0
Diploma	3	57	6	21	2	2	224	2	0
Bachelor Degree	12	150	17	40	12	11	522	4	1
Master Degree	8	6	2	0	5	2	2	1	0
Total *	25	468	25	270	23	23	3,402	9	1

* including only permanent employees

Djohan Nurjadi, Albert Taulu Toar and Haryanto Simin discuss module training for the HR system.



Human resources and IT personnel forming ideas for the next family gathering activities.



Interview With Christian Ariano Rachmat, VP Director



With Adaro's strong capital structure, is there a possibility for acquisitions?

Our primary goal is to create value from Indonesian coal. Our main strategic focus to accomplish this is through annual organic growth from our existing large reserves. However, we will always consider acquisitions of world class coal deposits in Indonesia if they will add value.



What do you think is Adaro's main challenge to stay on track to be bigger and better?

The challenges for mining companies are plentiful. There are many things we cannot control. We just have to remember to not overcomplicate things, to remember our core competencies and to leverage those strengths to create maximum value. For a miner this means focussing on long term, keeping costs low and ensuring large reserves of high quality coal.



What was your greatest achievement in 2009?

My greatest achievement as well as challenge in 2009 was building and improving the organization within Adaro. During the year we were able to become more integrated as a company. We focused on developing a spirit of openness so that our people, coming from all sorts of backgrounds, can exceed their own expectations and get excited about building Adaro Energy into something even bigger and better. I am happy to see the culture of Adaro Energy developing into that of a happy productive home.



What do you hope to achieve in 2010?

I am hoping we can continue to build on what we achieved in 2009. It is about finding the right people. All across the organization we want to put the most capable people in the most appropriate positions.

Senior Managers of the Adaro Group

Adaro Energy's senior management is made up of people with a diversity of backgrounds, education and experience. With a dedication to professional excellence and team work, Adaro's managers are passionate about building a bigger and better Adaro Energy. Adaro Energy's senior managers regularly meet to align their job goals with corporate objectives. Fostering team work and unity, the meetings employ a management system called Plan Do Check Action (PDCA), to monitor performance and determine targets.



Seated, From Left to Right:

- 1. Cameron Tough**
Head of Investor Relations (AE)
- 2. Susanti**
GM Finance and Accounting (AE)
- 3. Geoffrey John Palmer**
GM Marketing (AI)
- 4. Devindra Ratzarwin**
Deputy Corporate Secretary (AE)
- 5. Djohan Nurjadi**
GM Human Resources and IT (AE)
- 6. Heri Gunawan**
GM Corporate Finance (AE)

Standing, From Left to Right:

- 1. Sonny Sidjaja**
GM Marketing and Operations (IBT)
- 2. Ariya Somanatta**
Head of Corporate Internal Affairs (AE)
- 3. Andris Pauls Svilans**
Division Head - Mining and Hauling (AI)
- 4. Richard Tampi**
GM External Relations (AE)
- 5. Terry Ng**
GM Supply Chain (AE)
- 6. Hendry Chandra**
GM Internal Audit (AE)
- 7. Priyadi**
GM Operations (AI)
- 8. Adrian Lembong**
GM Business Development (AE)
- 9. Salim Wibowo Halim**
GM Corporate Planning (AE)

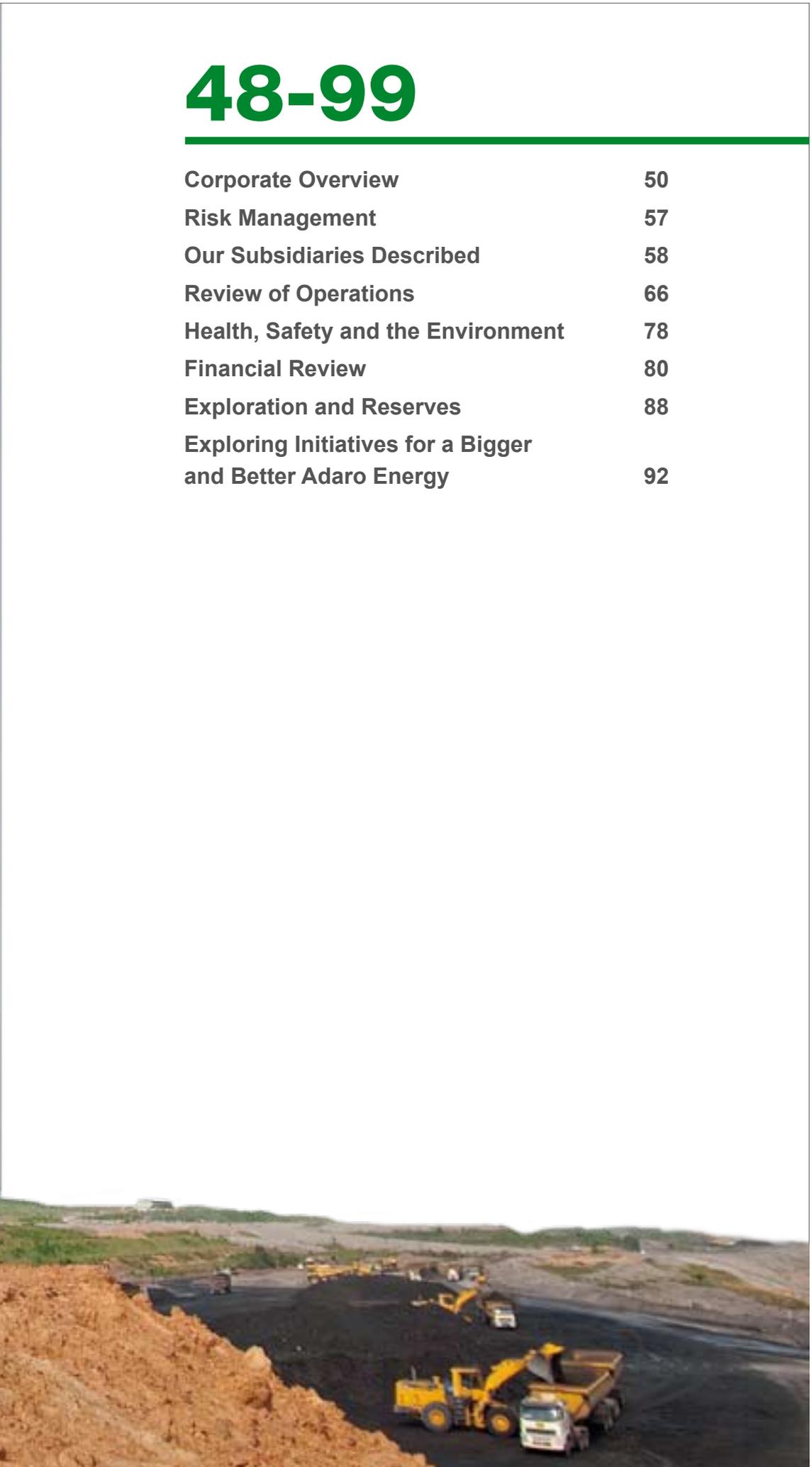


Management Report



48-99

Corporate Overview	50
Risk Management	57
Our Subsidiaries Described	58
Review of Operations	66
Health, Safety and the Environment	78
Financial Review	80
Exploration and Reserves	88
Exploring Initiatives for a Bigger and Better Adaro Energy	92





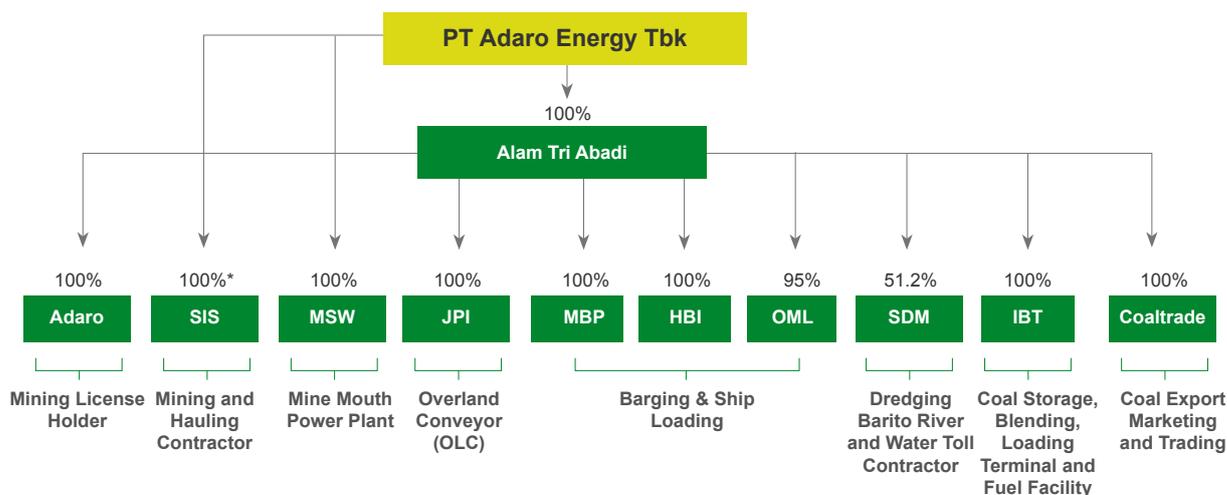
Corporate Overview

Adaro Energy was established under the name PT Padang Karunia, a limited liability company established in Indonesia in 2004. PT Padang Karunia changed its name to PT Adaro Energy Tbk and was listed on the Indonesian Stock Exchange on July 16, 2008 raising Rp 12.2 trillion (US\$1.3 billion). The Company's vision is to be the largest and most efficient integrated coal mining and energy company in South East Asia.

Adaro Energy is currently Indonesia's second largest thermal coal producer, which operates the largest single-site coal mine in the Southern hemisphere, and is amongst the lowest cost coal producers. The coal characteristics are sub-bituminous, medium heat value and ultra-low pollutant coal, with total resources of 3.5 billion tonnes (JORC Compliant 2009). Because of its environmental characteristics, Adaro's coal is trademarked as "Envirocoal" and has proven global acceptance among blue-chip power utilities. 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.

While Adaro continues to focus on its core coal mining business, it has acquired and developed businesses along the coal supply chain in order to have greater control over the coal supply chain, ensure healthy competition around its operations, better ensure that its expansion plans are met and reduce operating costs from pit to port. These businesses, which include coal trading, contract mining services, barge and shiploading services, power generation and coal infrastructure and logistics, have made Adaro vertically integrated in support of its coal mining operations.

Simplified Corporate Structure of Adaro Group



Each unit is positioned to be an independent profit centre enabling the Company to have a reliable and competitive coal supply chain to create optimum value add for stakeholders.

Our Business Strategy: Creating maximum value from Indonesian coal

Our goal is to create maximum shareholder value from Indonesian coal. In order to achieve that we employ a simple yet effective strategy: annual organic growth from our existing large deposit of high quality coal, increase our reserves base, improve the efficiency of our vertically integrated coal supply chain and greenfield acquisitions of world class deposits of Indonesian coal. Improving the efficiency of our vertically integrated coal supply chain allows the Group to have better control over the entire coal supply chain, reduce its reliance on any single operator, and control costs.

Since commencing operations in 1992, we have increased coal production every year. Adaro anticipates producing around 45-46 million tonnes of coal in 2010 and we are exploring initiatives to increase coal production capacity to 80 million tonnes in 2014.

Industry Overview

Background

Coal is a widely distributed natural resource that is mined in many regions around the world. The coal industry is generally divided into two segments: thermal coal and coking coal. Thermal coal is principally used in power generation through a combustion process that produces steam for electricity and heat. Coal is generally considered the cheapest fossil fuel on a contained heat basis and is widely used as an energy source in electricity generation. Other advantages include: significant reserves relative to current consumption globally, relatively stable supply from a wide range of geographic locations, easy and safe storage, and ease of transportation.

World coal reserves are abundant. According to BP Statistical Review of World Energy 2009, global proven reserves of coal are estimated to be 826 billion tonnes which represents approximately 122 years of production at current mining rates. Coal reserves are widely distributed with a large proportion of worldwide reserves situated in the United States, Russia, South Africa, Australia, China, India and Indonesia.

Coal will continue to play a vital role in electricity generation worldwide. While it supplied around 39% of the world's electricity in 2002 according to the World Coal Institute, this percentage is expected to remain broadly constant over the next three decades. According to the World Coal Institute, total coal demand in Asia is expected to grow much faster than in developed countries with China expected to contribute 49% of the world's increase in coal demand from 2002 to 2030.

“Adaro is one of the lowest cost coal producers in the world. As the power sector's appetite for coal—as a cheaper source of energy compared to oil—is still lofty, and the demand for Envirocoal is growing, we believe the future for Adaro is magnificent.”

Ms. Sylvia Darmaji, Analyst, PT Ciptadana Sekuritas (January 2010)

Corporate Overview

Coal Characteristics

Coal is divided into four types: lignite, sub-bituminous, bituminous and anthracite. Each has characteristics that make it more or less suitable for different uses. Energy content is the most important coal characteristic in determining the best use of a particular type of coal. Other important characteristics that determine coal quality are sulphur content, ash content and moisture content.

Indonesian Coal Industry

The Indonesian coal industry has seen continued strong growth over the last decade due to the cost competitiveness, transport and infrastructure advantages and environmental attractiveness of its coal. The purchase of competitively priced Indonesian coal with low ash, low sulphur, and mid to high calorific value levels ideal for blending or stand-alone use, has been an attractive strategy for major power stations around the world. This is particularly true for Asian customers as Indonesia's close proximity to them relative to key exporters such as Australia and South Africa, provides for lower transportation costs.

Coal Production and Exports

According to the Indonesian Ministry of Energy & Mineral Resources, thermal coal production in Indonesia grew at a compound annual growth rate of 10.9% from 113 million tonnes in 2003 to 189 million tonnes in 2008, of which approximately 75.0% was sold into the seaborne thermal coal market.

Our Product: Envirocoal

All coal deposits within Adaro's concession area contain sub-bituminous coal, which has been trademarked as Envirocoal. Sub-bituminous coal, as compared to bituminous coal, has lower energy levels on combustion and higher levels of moisture. Due to the lower energy levels, Envirocoal is sold after adjusting the price for the lower heat value. Envirocoal contains the lowest levels of ash, sulphur and other trace minerals of any coal traded in the global markets and produces relatively low levels of nitrogen during combustion. Adaro believes that Envirocoal can be distinguished as part of a subgroup of sub-bituminous coals branded environmental coals. Gaseous emissions and particulate airborne emissions are lower than those of most other solid fuels. Combustion efficiency is often greater than 99.7%. Sub-bituminous coal is suitable for electricity generation and for use in industrial markets such as the cement and pulp and paper industries.

	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)
Envirocoal-Tutupan	25%	1-2.5%	43.5%	35.5%	0.1%	0.9%	5,900
Envirocoal-Wara	38%	2-3%	37.0%	35%	0.15%	1%	4,950
Newcastle Coal	10%	15%	24.0%-35.0%	N/A	0.8%	N/A	6,700



Envirocoal-Wara

Envirocoal-Wara has similar environmental characteristics as the existing coal deposit of Tutupan. It has lower stripping cost, higher moisture content and lower calorific value compared to Tutupan.

“ The main reason for CAPCO to use Adaro coal is its ultra low sulphur and ash contents, which help CAPCO to meet emission targets in Hong Kong.”

Capco – a subsidiary company of CLP that operates the Castlepeak power station in HK

Envirocoal - Wara

Adaro is proceeding with the opportunity to develop the new Wara coal deposit, in conjunction with the existing Tutupan deposit, which fits in well with the Group’s existing coal supply chain. Adaro expects to commence commercial production at the Wara deposit in 2010. The coal mined from Wara will be marketed as Envirocoal-Wara. Envirocoal-Wara will have higher moisture levels and lower calorific value than Envirocoal-Tutupan, of around 3,800-4,100 kcal/kg. Although Envirocoal-Wara has the same environmental characteristics as the existing coal deposit of Tutupan, due to the lower heat value, Adaro expects that the average selling price of Envirocoal-Wara will be lower than Envirocoal-Tutupan. However due to the lower stripping ratio of 2 bcm/tonne, the cost of producing from Wara will also be lower. Adaro plans to power its mine-mouth power plant with Envirocoal-Wara, which will start in early 2012, to lower costs, and to showcase the benefit of this type of coal.

Marketing

Adaro’s coal has been trademarked as “Envirocoal” in all but one of the countries in which Adaro sells its coal and has been marketed under that name since 1990. Initial marketing focused on Europe and the United States where legislation specifically restricting sulphur and Nox emissions by coal-fired power generators was being introduced. As Asia has developed as a new market for sub-bituminous coal, Adaro has focused on developing its customer base in Asia to take advantage of the geographical proximity to customers located in the region.

Customer Base

Adaro has approximately 40 customers in 17 countries including Spain, Japan, the United States, Taiwan, India and China (including Hong Kong). Approximately 80% of Adaro’s customers, by volume of coal supplied by Adaro, were involved in the power generation industry. Adaro’s remaining customers are predominantly operators of cement and pulp and paper plants and commodity traders.

Adaro generally enters into long-term coal supply agreements with its customers for specified committed quantities. Prices are either fixed in annual price negotiations, or set with reference to index prices.

Fun Fact

Every year, over the past 15 years, China has added approximately 10GW of additional power capacity.

Geoff Palmer, General Manager - Marketing

Geoff Palmer joined Adaro in March 1997 and has had over 35 years experience in the mining industry with 20 years of coal operations and 10 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.



Christopher Pitch, Marketing Contracts Manager

Christopher Pitch 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 plants 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.



Fun Fact

It is estimated 39% percent of electricity generated worldwide is produced from coal. The US uses coal to meet approximately 50% of its electricity requirements.

Competition

Adaro has three principal competitors in the environmental coals subgroup of the sub-bituminous coal market. Adaro competes with these producers on price, certainty of delivery and established record of quality. Adaro believes that it produces approximately the same amount of environmental coal as its three principal competitors combined.

Adaro also competes in the wider coal markets for domestic and international coal sales against a significant number of large Indonesian coal producers. Competition with other Indonesian coal producers is primarily based on coal quality and price. Adaro believes that it has strong competitive advantages 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.

Competition among coal suppliers in the Asian coal markets is primarily based upon quality and price. Adaro 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.

Adaro also faces competition in all markets in which it operates from providers of alternative sources of energy to coal, most significantly from natural gas.

“ We utilize Envirocoal thanks to its specifications that allows us to produce electricity in respect of the very strict Italian emissions parameters, in respect of the environment.”

Alpiq, the Italian utility that runs the Brindisi power station

Members of the Legal Department, Bima Sinung and Yance Rahadian study the implementing regulations of the new mining law.

Members of the Corporate Planning Department, Salim Wibowo Halim and Teguh Setiawan discuss relaying PDCA message to the rest of the employees.



Impact of the New Mining Law

Since the Coal Cooperation Agreement came into effect in 1982, the Indonesian government has introduced many new laws and regulations affecting the Indonesian mining industry. On December 16, 2008, Indonesia Parliament passed Law number 4 of 2009, which is known as the new Mining Law. The new Mining Law, which came into effect on January 12, 2009 and which supersedes the previous Mining Law, known as Law No 11 of 1967, contains provisions relating to mining operations based on mining permits, maximum concession size, royalties and taxes, transactions with affiliated parties and subsidiaries, the use of foreign contractors as well as a requirement to align the coal cooperation agreements with the provisions of the new mining law within one year of its effective date.

A recently promulgated implementing regulation became publicly available on October 13, 2009. The regulation requires mining concession companies to conduct all coal extraction activities themselves within three years. Accordingly, Adaro expects that it will be able to comply with this regulation without any material adverse effect on the Company and its mining operations. However, Adaro is continuing to review the regulation and potential consequences, which have not been fully determined at this time.

In February 2010, the Government has issued newly implementing regulations in regards to the new mining law, and in our view, it will not materially impact on our operations.

In 2008, the Ministry of Energy and Mineral Resources requested that Indonesian coal producers renegotiate existing term coal supply contracts to match then current market prices. Those Indonesian coal producers were instructed that they would be required to suspend shipments if they failed to comply with the request.

Most of Adaro's customers agreed to renegotiate the pricing terms in line with the Ministry of Energy and Mineral Resources requirement.

A Look at the Shipping Market in 2009...

In order to get a better appreciation of what transpired in the shipping market through 2009 one need step back from the year itself and look to see when the historical correction took place and how the freight market has subsequently bounced back.

The summer of 2008 had in store bleak news for most in the financial service sectors – dry bulk shipping was not spared either. The last six months of 2008 in fact presented an unprecedented down turn with freight indices experiencing what can only be described as a “never before experienced freefall”. On the opening bell for 2009 almost all in the shipping markets looked to one another as if to ask “What now?” Traders were unable to open freely the letters of credit they had been accustomed to, bankers tightened lending, and prospective spot buyers and sellers watched each other as though playing the final hand in a high stakes poker game.

What in reality happened was that financial confidence measures via global stimulus packages allowed global trade to get back on track albeit that the primary driver was and remains Asia centric and today by comparison to pre 2003 levels shipping rates are extremely healthy. There remains however the caveat that the new building programme of dry bulk vessels over the coming three years remains a very real challenge particularly when one considers a possible 85 percent fleet expansion in the Cape size segments and around 50 percent in both the Panamax and Handymax segments.



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

To end on a positive note the Asia Pacific region presents great opportunity for further growth in the coming years and this growth will be fueled with the need for primary dry bulk commodities that require industrial transportation.

Strengths...

Largest single-site coal producer in the southern hemisphere by production volume with a consistent track record of increasing production

The Group's strong and large operation enables it to achieve economies of scale to support growing demand for Envirocoal. As a result, Adaro has increased its output each year and crossed the 40 million tonnes mark in 2009.

Integrated operations covering the full coal supply chain

Adaro is supported by the vertically integrated operations provided by the Group, with each of the Group's principal subsidiaries operating in a specific link of the coal supply chain. The Group's subsidiaries are dedicated to owning and managing a coal mining concession, coal trading, coal mining contractor services, barging services, power generation and coal infrastructure and logistics, which provide the Group with significant control over the entire coal supply chain.

Diversified ownership with an experienced management team

A group of five Indonesian shareholders who together hold around 65% of Adaro Energy provides a collaborative forum to provide a natural system of checks and balances and decisions are made with significant consideration and debate. The Group's controlling shareholders comprise of the founders and past executives of PT Astra International Tbk, an established and well-governed Indonesian corporation.

One of the world's lowest cost coal producers

Adaro's mine generally has thick seams of coal close to the surface making the coal less costly to extract. The planned stripping ratio for Tutupan mine is 5.0 Bcm/tonne (average for remainder of Tutupan is 5.7 Bcm/tonne), while the planned stripping ratio for Wara mine is even lower at 2 Bcm/tonne. The outsourcing of a significant part of mining operations allows the Group to take advantage of the expertise of multiple contractors and encourage cost competition between contractors. Adaro's geographic location also allows it to supply coal to its primary markets in Asia and domestic market at lower freight costs compared to other coal producers in Australia and South Africa.

Significant demand for Envirocoal

According to McCloskey, since the introduction of Envirocoal to the market in 1990, global demand for seaborne thermal coal, which includes sub-bituminous coal, has steadily increased to an estimated 719 million tonnes in the year ended December 31, 2008.

Established first generation Coal Cooperation Agreement

Adaro Indonesia operates under the first generation Coal Cooperation Agreement "CCA" with the Government of Indonesia which is valid until 2022, and that is when our CCA may then be converted into an extended IUP (Izin Usaha Pertambangan) / mining license with a period of 2x10 years.

Diversified loyal blue chip customer base with many long-term contracts

Most of Adaro's coal exports are sold to blue-chip power generation companies. Substantially, all of these customers are long term as Adaro Energy has established contracts of more than 5 years, with nearly all of them. As its customers are located in different geographic locations, Adaro has been able to reduce country and region specific macro-economic risks.

Well-positioned to take advantage of new market opportunities

According to McCloskey, Indonesia has grown to be the world's largest supplier of seaborne thermal coal. In 2008, Indonesian companies exported 140 million tonnes of coal, of which approximately 86.5% was exported to customers within Asia. According to McCloskey, Japan was the largest export market for Indonesian coal, accounting for 20.3% of exports, followed by South Korea at 14.4%, Taiwan at 14.3%, India at 11.9% and China at 6.4%. According to McCloskey, Indonesian coal exports are expected to grow by 78.1% to 250 million tonnes by 2014.

Abundant reserves of a high quality asset

Adaro Energy has 3.5 billion tonnes of coal reserves and resources, and the ongoing exploration has allowed the Company to grow its reserve base to more than 600 Mt during the past 4 years.

Risk Management

Mining is a risky business. It is a capital intensive, long term, slow yielding business that requires specialized knowledge, experience and has significant hurdles and obstacles that must be overcome. The business is highly regulated, makes a significant impact on the environment and local communities, and is continually subject and potentially adversely affected by the volatility in commodity markets in terms of costs and revenues. Adaro Energy is well aware and continually monitors the risks facing its business. It is a constant and critical task that must be carried out at every level and every corner of the operation. It is partly due to the long term, conservative and risk averse approach to running our business that has allowed us to increase production every year without fail since operations first began back in 1992.

Adaro's risk management procedures identify, measure, monitor and manage basic risks in order to safeguard long term business continuity.

In order to safeguard steady and continuous revenues, when possible, we use long-term sales contracts with our customers, as well as, to ensure predictable costs, long-term contracts with our service providers.

Market Risk

Adaro's market risk relates principally to fluctuations in commodity prices, exchange rates and interest rates.

Commodity Price Risk

Adaro faces commodity price risk because coal is a commodity product bought and sold on the world coal markets. Prices for 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. Adaro does not engage in trading coal contracts and has not entered into coal pricing arrangements to hedge its exposure to fluctuations in the price of coal but may do so in the future.

Fuel Price Risk

Adaro also faces commodity price risk relating to its purchases of fuel necessary to run its operations. An increase in fuel price may cause Adaro's gross profit to decrease. On a selective basis, Adaro enters into fuel hedging contracts for its fuel requirements. These hedging contracts are periodically entered into for the required supplies for the next three to six months.

Foreign Exchange Risk

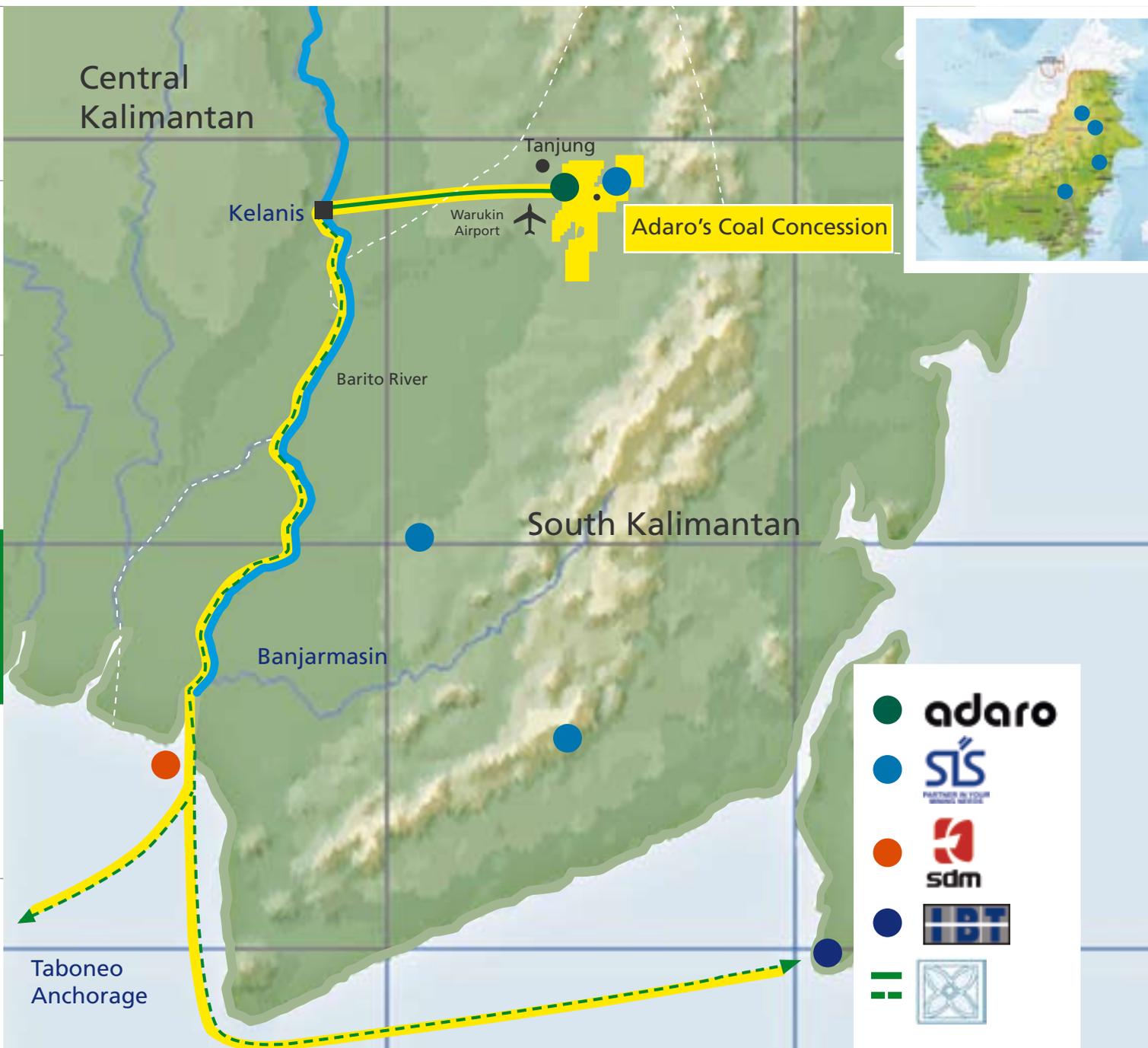
All of Adaro's export sales and a significant portion of its domestic sales are priced, invoiced and paid in U.S. dollars with the remainder primarily paid in Rupiah. Adaro's cost of sales and operating expenses are denominated and paid substantially in U.S. dollars with the remainder primarily paid in Rupiah.

Interest Rate Risk

Adaro entered into an interest rate swap contract with DBS Bank Ltd. on March 19, 2008. The transaction underlying this contract is the Syndicated Loan. Pursuant to this contract, DBS Bank Ltd. receives payments of quarterly fixed rate and pays to Adaro a floating interest rate of US\$-LIBOR. This contract will become due on December 7, 2012. Adaro intends to hedge all of its floating interest rate exposure with hedging contracts.

Supply Chain and Operational Risk

Supply chain risk, including the areas of safety health and environment are maintained through regular reviews of the business processes and risk assessments on the supply chain and operations. Operational Risks are identified and mitigated either with Standard Operating Procedures that are subject to regular reviews via PDCA (Plan, Do, Check, Action), managed through contracts or covered under insurance policies.



Our Subsidiaries Described

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 like 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.

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 Taniro Harum. He is currently General Manager Operations as well as Head of Mining Engineering.



PT Adaro Indonesia - Adaro Energy's coal mining operations have been conducted by PT Adaro Indonesia from its coal concession area in South Kalimantan since 1992. Adaro Indonesia operates under a first generation Coal Cooperation Agreement "CCA" with the Government of Indonesia which is valid until 2022 with rights to extend by mutual consent. The Company has been mining from the Tutupan deposit since 1998 and commenced preliminary overburden stripping from the Wara mine this year. The planned stripping ratio for Tutupan mine is 5.0 bcm/tonne and for Wara is around 2 bcm/tonne. The Group is considered to be among the lowest cost coal producers in the world, the top five thermal coal exporter and the largest thermal coal supplier to the domestic market based on tonnes delivered.

Adaro Indonesia has consistently increased production every year since beginning commercial operations in 1992, evidence of the skills and experience of the original management including Alastair Grant (marketing) and Chia Ah Hoo (operations) and others, who continue to run the core aspects of Adaro Indonesia's operation. Approximately, 85% of Adaro Energy's EBITDA comes from Adaro Indonesia; however, the contribution from other subsidiaries will increase as they grow and become more profitable.

PT Adaro Indonesia	2005	2006	2007	2008	2009
Key Financial Highlight (in US\$)					
Total Assets	1,270,358,449	1,282,558,518	1,113,451,006	1,285,154,748	2,308,072,870
Total Liabilities	1,166,753,846	1,211,767,421	1,006,701,805	1,029,304,944	1,848,742,717
Interest Bearing Debt	898,344,657	855,103,268	550,000,000	520,387,077	1,208,941,304
Total Equity	103,604,603	70,791,097	106,749,197	255,849,805	459,330,153
Net Sales	697,086,053	1,003,221,834	1,146,339,836	1,617,765,114	2,406,903,867
Operating Statistics					
Sales Volume ('000 tonnes)	26,094	34,455	36,576	39,798	41,080
Production Volume ('000 tonnes)	26,613	34,285	36,078	38,524	40,590

Our Subsidiaries Described



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 Director of Systems before being appointed as CEO of the company in October 2008. He held various positions within the United Tractors Group of companies between 2001 and 2007 including Managing Director of PT United Tractors Engineering and was also a member of the Astra Group Quality Management Committee. He also held the position of Parts Manager for PT United Tractors Tbk from 1981 to 1987.

PT Saptaindra Sejati (“SIS”) - SIS is the third largest coal mining contractor in Indonesia and provides a broad range of services such as exploration, drilling, contract mining and logistical support to Indonesia’s coal mining industry. SIS currently has multi-year contracts with 6 customers typically of 5 years each with many of these contracts having been renegotiated in 2009. Under each contract, SIS provides the labor, equipment and material needed for overburden removal, coal mining and coal hauling.

During 2009, 64% of SIS’s 16.4 Mt total coal mining volume and 55% of SIS’s 115 Mbcm total overburden removal was for Adaro Indonesia. Out of Adaro Indonesia’s total production, SIS handled 26% of total coal extraction and hauling and 31% of total overburden removal. Approximately 12% of Adaro Energy’s EBITDA comes from SIS and it is hoped that SIS’s ability to maintain its exceptional performance and secure more third party contracts in coming years will bring additional revenue contribution to the Group.

PT Saptaindra Sejati	2005	2006	2007	2008	2009
Key Financial Highlight (in US\$)					
Total Assets	125,895,745	217,371,064	315,411,170	438,550,024	466,002,962
Total Liabilities	102,830,532	186,968,191	263,110,532	357,922,570	367,812,592
Interest Bearing Debt	87,911,702	163,610,957	233,161,277	328,122,495	316,584,449
Total Equity	23,031,596	30,386,596	52,300,426	80,627,228	98,190,106
Revenue	64,085,532	117,873,511	149,368,298	189,407,537	264,334,683
Operating Statistics					
Overburden Removal (Mn BCM)	23.06	46.78	60.73	85.80	114.99
Coal Getting (Mn tonnes)	4.35	8.61	11.93	11.85	16.37

* For convenience purposes, figures for 2005, 2006, and 2007 have been translated using Rp9,400/US\$



Joseph Chong, Chief Executive Officer

Malaysian citizen, 58. 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. Has 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 appointed as CEO of PT Makmur Sejahtera Wisesa.



PT Makmur Sejahtera Wisesa ("MSW") - MSW is constructing a 2x30 MW mine-mouth power plant that will not only provide power to Adaro Indonesia's mining operations but will also provide 1.5 MW of surplus power to the local community free of charge when it becomes operational in 2011.

PT Makmur Sejahtera Wisesa (MSW)	2008	2009
Key Financial Highlights (in Rp '000)		
Total Assets	371,267,602	375,442,872
Total Liabilities	51,055,677	133,102,615
Total Equity	324,387,195	238,164,987

“As we disclosed at the beginning of last year it is absolutely essential we are completely integrated from pit to port. With asset prices falling, in May 2009 we acquired a barging and shiploading company, the last part of our coal supply chain that we did not control. This investment has already shown benefits in terms of lowering our freight and handling costs and helping us to deliver yet another year of growth.”

Adaro Energy's Director of Operations, Mr. Chia Ah Hoo

“Adaro's management has a strong track-record of executing expansion plans. The question going forward is, can the management deliver growth to outperform industry peers through meeting production growth challenges and delivering profitable returns on the big investments currently made (or considered to be made in the future)?”

Mr. Stephan Hasjim, Senior Analyst, PT RBS Asia Securities Indonesia (March 2010)

Our Subsidiaries Described



Alan Yim, President Director*

Alan Yim had been 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.

* Joined in 2010

Orchard Maritime Logistics Pte. Ltd. ("OML"), PT Maritim Barito Perkasa ("MBP"), and PT Harapan Bahtera Internusa ("HBI")-

OML is a Singapore-based coal barging and ship loading company that acquired the business of Orchard Maritime Services Pte. Ltd. in 2006. OML transports coal from the place of production to the port of delivery. Adaro, through OML, controls a portion of its barging and shiploading operations, which are essential parts of its coal supply chain. Through this partial control, Adaro is in a better position to control demurrage costs through more efficient utilization of barges and transshipment cranes. MBP owns 16 barges, 18 tugboats, 1 accommodation barge and supply boat, 3 self propelled barges and 4 floating cranes which work predominantly for Adaro in its barging and transshipment operations. Adaro Energy has restructured the majority of OML's assets to PT Maritim Barito Perkasa (MBP) and PT Harapan Bahtera Internusa (HBI) to comply with the cabotage law. When capacity is available, contracts are also undertaken for other Indonesian coal suppliers. As part of the Company's cost reduction initiatives, three self-propelled barges each with a 12,000 tonnes capacity were in operation in in 2009 and have the ability to travel twice as fast as barges pulled by tugboats.

Besides Adaro, which is OML's largest customer, principal customers include PT Kideco Jaya Agung, PT Jawa Power and PT Semen Gresik. OML also serves a customer with the load ports in Cambodia and Vietnam, for discharge in Singapore.

Barging:

During 2009, Adaro's coal accounted for 83% of OML's 10.4 million tonnes of barging volume, an amount equal to 24% of Adaro's production volume.

Shiploading:

During 2009, 99% out of OML's 11.4 million tonnes of shiploading volume was Adaro's coal. OML handled 51% of Adaro's open anchorage volumes.

Barging*	2006	2007	2008	2009
Key Financial Highlight (in million Rupiah)				
Total Assets	1,275,941	1,609,213	1,663,011	1,778,874
Total Liabilities	1,181,904	1,465,529	1,482,237	1,529,685
Interest bearing debt	848,938	1,226,561	1,388,741	1,048
Total Equity	94,037	143,684	180,774	249,189
Revenue	213,485	443,340	657,579	670,220
Operating Statistics				
Transshipment (Mt)	5.23	9.40	10.60	11.41
Transportation (Mt)	2.67	6.77	9.50	10.37

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

Fun Fact

Adaro pioneered the use of floating cranes in Indonesia and now, by some estimates there are 60 floating cranes in operation throughout Indonesia.



Fakhrol Azmi Bin Harun, President Director

Fakhrol Azmi Bin Harun 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 ("SDM") - SDM was involved in the dredging of a wider and deeper Barito River channel as contractor to PT Ambang Barito Nusapersada, a local government-owned company appointed to dredge and operate the enlarged river channel. The channel dredging project was completed in October 2008, which reduced barge traffic congestion due to low tides and sedimentation and increased the handling capacity of the river from 60 million tonnes per year to an estimated 200 million tonnes per year, enabling barges to cross the channel 24 hours a day, 365 days a year. SDM retains the right to jointly operate the channel and collect channel usage fees together with PT Ambang Barito Nusapersada until 2023.

Total transported volume through the Barito river channel in 2009 was 58.3 Mt. Almost all traffic that goes through the channel was coal with 63% of this being Adaro's coal.

PT Sarana Daya Mandiri (SDM)	2008	2009
Key Financial Highlights (in Rp '000)		
Total Assets	460,225,140	561,074,965
Total Liabilities	474,186,955	465,457,833
Interest Bearing Debt	433,768,699	469,606,635
Total Equity	(13,961,815)	95,617,132
Operating Statistics		
Volume tonnage (Mt)	0	58.28

Fun Fact

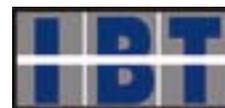
The sedimentation we dredged from the Barito River delta in 2008 when we dredged our new 15km channel, would fill up a 1,200m tower (300 storey building) with a base the size of a football field.

Ir Sonny Sidjaja, Operations Director

Sonny Sidjaja has been the Operations Director of SDM since 2008 and was responsible for managing the dredging project for the new Barito River sea channel and for its ongoing maintenance and management. Before joining SDM in 2008 he held senior HR and production positions with AKR Corporindo, an internationally recognised Indonesian chemical manufacturer and with the holding company for the Dharmala Group. He holds a mechanical engineering degree from Trisakti University, Jakarta.



Our Subsidiaries Described



Barry Jones, General Manager *) - Terminal Service

Barry Jones 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 and finally General Manager of IBT. 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.

*) Resigned in January 2010

PT Indonesia Bulk Terminal (“IBT”) - IBT operates a coal terminal located on Pulau Laut, an island off South Kalimantan and 200 km from the Taboneo anchorage. Adaro and third-party coal producers use IBT as a coal trans-shipment and coal blending hub for both domestic and international coal shipments through Kalimantan. IBT is also working with Shell to establish a fuel storage and distribution center at its terminal which will become operational in 2010.

IBT’s port has a rated throughput of 12 Mt per annum with the capability to load vessels of up to 85,000 DWT. The terminal maintains eight stockpiles with a total capacity of 800,000 tonnes of coal and a stockpile reclaiming system to provide accurate blending to meet end-users precise specifications. There are 4 cranes for inloading the coal at a rate of 750 tonnes per hour for each crane, while the shiploading capacity is 3,000 tonnes per hour.

The fuel storage tanks being constructed have a capacity of 80,000 kiloliters. Other facilities being constructed as part of this fuel storage and distribution project include fuel tanker inloading and fuel barge outloading systems.

PT Indonesia Bulk Terminal	2005	2006	2007	2008	2009
Key Financial Highlight (in US\$)					
Total Assets	174,285,241	172,453,932	176,110,220	176,673,960	179,031,335
Total Liabilities	76,225,543	55,939,394	38,135,673	29,563,933	29,065,251
Interest Bearing Debt	26,074,326	38,245,923	30,165,353	1,871,045	1,934,905
Total Equity	98,059,698	116,514,538	137,974,547	147,110,029	149,966,084
Revenue	37,638,455	44,740,238	50,366,881	34,266,097	19,256,206
Operating Statistics					
Related Parties	6,293	8,952	10,719	6,270	3,254
Third Parties	1,373	733	1,246	1,803	1,382
Coal Tonnage Handled (in ‘000 tonnes)	7,667	9,685	11,965	8,073	4,635
Vessels Loaded	120	146	185	125	72



Bram Surjadi, Marketing Manager

Bram Surjadi is the Marketing Manager for IBT responsible for marketing the terminal’s services to Southeast Kalimantan coal producers and to coal traders and endusers of coal, he was posted to IBT after joining Adaro’s marketing department in 2006. Prior to this he was the commercial manager for a domestic coal trading operation and was business development manager for an industrial company.



Edwin Tsang, Director

Edwin Tsang is currently a Director of Coaltrade and joined the company in October 2006. 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 Services International Pte. Ltd. ("Coaltrade") - In January 2009, Adaro and Coaltrade entered into a new contract, superseding an earlier one whereby Coaltrade would continue to act as Adaro's exclusive coal marketing agent for Adaro's export sales in specific countries and geographic areas. Under this new agreement, Coaltrade receives commissions from Adaro. Adaro's marketing arrangement with Coaltrade also provides access to international marketing networks and information regarding global and regional trends in coal production, supply, demand and pricing.

In addition to the services provided to Adaro, Coaltrade also trades third party coal and blends it with Adaro's coal to achieve a higher sales price. Total third party coal sales by Coaltrade in 2009 amounted to 300,000 tonnes. Approximately 3% of Adaro Energy's EBITDA comes from Coaltrade. The company is now adding more resources for third party coal trading, and it is expected that with the growth in Asia's steam coal trade, traded tonnages by Coaltrade will increase and add more revenue contribution to the Group in coming years.

Coaltrade Services International Pte. Ltd.	2005	2006	2007	2008	2009
Key Financial Highlight (in US\$)					
Total Assets	62,272,428	57,221,905	244,427,695	231,541,248	228,265,709
Total Liabilities	35,957,793	32,811,586	226,178,428	185,814,397	175,172,110
Interest Bearing Debt	-	-	200,000,000	157,654,590	144,690,590
Total Equity	26,314,635	24,410,319	18,249,267	45,726,851	53,093,599
Revenue	216,044,104	334,938,661	315,647,939	383,664,769	211,691,085
Operating Statistics					
Total Coal Sales (in '000 tonnes)	6,441	10,095	9,325	7,957	3,344
• Adaro	6,187	5,617	7,479	6,995	3,000
• Third Parties	254	4,477	1,846	962	344

From Left to Right:
Clement Woon, KO Lee, Edwin Tsang, Zillah Tin, Rahayu, Wong Yoke Keng, Karen Ong.



Review of Operations

PT Adaro Indonesia

	2005	2006	2007	2008	2009	% change FY08 vs. FY09
Coal Sales (Mt)	26.09	34.46	36.58	39.8	41.08	3.2%
Coal Production (Mt)	26.61	34.29	36.08	38.52	40.6	5.4%
Overburden Stripping (Mbcm)	85.16	122.4	119.9	159.31	208.5	30.9%
Average stripping ratio (planned)	3.3	3.57	4.25	4.25	5	17.6%
Average stripping ratio (actual)	3.2	3.57	3.3	4.14	5.12	23.7%

Mine Operations and Contract Mining

Coal is mined from the Tutupan deposit using open-pit mining methods with primary overburden stripping and coal mining being handled by hydraulic excavators and trucks after topsoil has been removed and stockpiled for later rehabilitation of mined out areas. Adaro focuses on marketing, mine planning, production, supervision and exploration, and contracts out all other aspects of its mining operations.

Adaro Indonesia works closely with four contractors, including SIS. Each of these mining contractors is subject to multi-year contracts to undertake overburden removal and transportation, coal extraction and

transportation and partial mine reclamation activities. Adaro Indonesia has entered into multi-year coal mining and transportation contracts with each of its contractors. Adaro Indonesia believes 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 and marketing.

Adaro's mining contractors are responsible for providing all of their own equipment, supplies and labor necessary to mine within Adaro's concession area.

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

Coal Mining

Adaro Energy maintains its track record of production growth with 40.6 million tonnes production volume in 2009, a 5.5% increase compared to 2008. Despite the global economic turmoil, the Company finished the year strongly with an outstanding second half performance of 22.6 Mt to make up for the slow first half performance. Adaro Indonesia is confident of this improving trend for the year ahead with the increased in-pit inventory level and the proven performance of the contractors to achieve targets.

Overburden Removal

Overburden removal for the year was 208.5 million bank cubic meters (BCM) with a record daily overburden removal of 793,814 BCM on September 5. This performance was 97% against the plan and a 31% increase compared to 2008 as all our contractors performed at or above their targeted plan. The year 2009 began with higher-than-average rainfall which was a continuation from the year before; however, by mid year the average monthly rainfall had fallen dramatically and by year's end, total rainfall was close to the average annual historical level.

The Wara mine, 5 km to the east of the Tutupan mine, was opened up with the construction of the coal haul road to the first mining area, and commencement of overburden removal. Production started at a relatively low level but will be ramped up during 2010.

Logistics, Hauling, Barging and Shiploading

The 80 km coal haul road from the mine to Kelanis remained at a high standard with the increased haulage levels. No coal haulage stoppages were recorded. Upgrading and maintenance of the road continued throughout the year.

The new crushing system at Kelanis was completed on schedule early in the year, increasing throughput capacity to 55 million tonnes a year. The Kelanis operations maintained a high level of throughput and availability, in part a result of a rigorous maintenance program. Development of a port area on the Barito river to the north of Kelanis as a receiving point for heavy equipment and materials for the operations is now being designed.

With the new Barito Channel in full operation, significant reductions in barge cycling were made due to the elimination of barge waiting time at the mouth of the Barito River and a faster transit of the channel

The marketing department's shipping section discuss new requirements for shipping documentation.

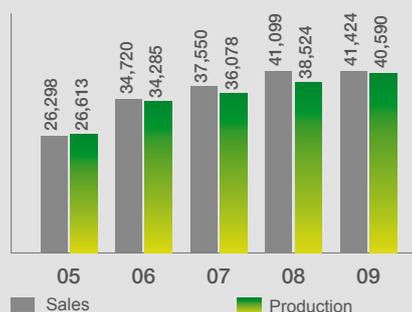
Fun Fact

In 2009, all of our trucks combined travelled a total 53.5 million kilometers per year, which is about 1,340 times around the world.



Adaro Energy

Sales and Production Volumes ('000 tonnes)



Review of Operations

itself. This reduction in cycling resulted in a higher tonnage being moved for the year with only a marginal increase to the barge fleet size, which now numbers 71 units with an average barge size of 10,300 dwt. It is now expected that no further increases in barge numbers will be required until 2011.

An additional floating crane began loading operations during the year bringing the total number of ship loading units in operation to 6 comprising 5 floating cranes with a combined loading capacity of 85,000 tonnes per day and a floating loading facility that can load at rates of up to 40,000 tonnes per day.



Terry Ng, General Manager – Supply Chain

Terry Ng is the General Manager - Supply Chain and 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 he 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.

Market Overview

The market for Adaro's Envirocoal in 2009 was a year of two halves, reduced demand in the first half but strong demand growth in the second half. Almost all of the coal market growth in the year was in Asia, notably in China and India, and to some extent in Indonesia, Korea and Japan.

In contrast to Asia, 2009 saw reduced demand in the America's and Europe. This was a result of the downturn in economic activity in those regions and competition from low priced natural gas for power generation.

The main story of the international coal market in 2009 was the turn around in the status of China, from that of a net exporter to becoming a major net importer of coal. This, together with steady demand growth from India, resulted in international coal prices, after falling during the first quarter, firming from April onwards.

Domestic market growth continued, in part from the start up of the first power plants in the Indonesian Government program of building 10,000 MW of new coal fired power stations. However the strong growth of Indonesian coal production meant that the domestic coal market was fully supplied in 2009.

Adaro Indonesia's Sales

The demand for Adaro's Envirocoal remained strong with all the planned 2010 production already committed under term contracts.

Envirocoal sales for the year increased by 1.28 million tonnes reaching 41.08 million tonnes, or a 3.2% increase over 2008 sales.

Geographic diversity in sales was maintained with Envirocoal being supplied to around 40 customers in 17 countries. However there was a significant change in the sales location with strong growth in Asia with sales up by 32% in the year and considerable reduction in sales to the America's and Europe and essentially steady sales to the Indonesian market.

Fun Fact

Because of reliability and dependability Adaro is the largest supplier to the local cement industry, which normally desires a higher heat value, high ash coal.

Historical Production Volumes (Mt)



Japan became Adaro Indonesia's largest international destination, taking 4.0 million tonnes in the year, followed by China 3.7 million tonnes and Spain also 3.7 million tonnes. Other major sales were to India with 3.5 million tonnes, to Hong Kong with 3.3 million tonnes, and to Taiwan with 2.6 million tonnes. Adaro's top ten customers took 24.3 million tonnes, or 59% of the coal sold.

Adaro Indonesia remain the largest supplier of coal to the domestic market delivering 9.5 million tonnes to Indonesian customers of which 5.6 million tonnes went to power plants. PT Paiton Energy's 1,200 MW plant remained the largest domestic consumer taking 3.2 million tonnes during the year.

During the year, terms were concluded for long term coal supply to a regional power producer with supply scheduled to commence in 2010. A new contract for coal supply to a domestic power producer was also concluded which is expected to result in significant additional long term sales.

Adaro Indonesia's Sales in 2009 by Region

Region	Tonnes	% of Total Sales	Change from 2008
Europe	5,008,016	12.2%	(2,113,169)
Asia	24,638,872	59.9%	5,079,340
Americas	1,920,359	4.7%	(1,573,514)
Indonesia	9,512,797	23.2%	(110,367)
Total	41,080,044	100%	1,282,290

Sales By Vessel Loading (in Million Tonnes)

Loading Method	Tonnes Loaded	% of Total
Floating cranes	21.8	53%
Direct barging	10.0	24%
Vessels loading with their own gear and grabs	6.2	15%
IBT	3.1	8%

Improving Performance and Productivity

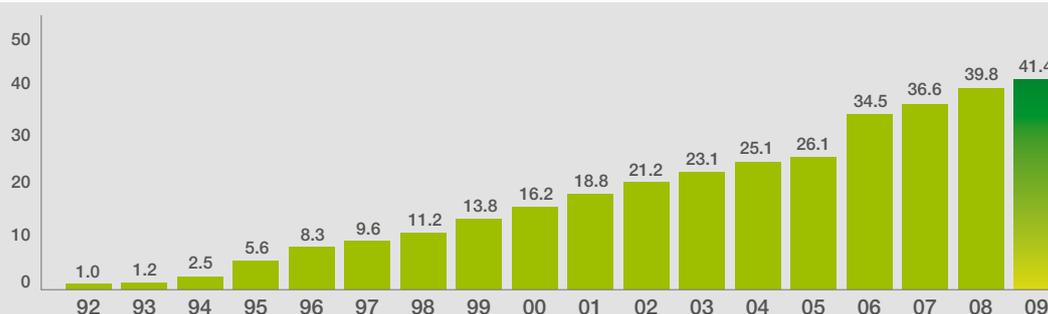
Projects to improve mining performance and productivity and to prepare for future years increased production continued:

- Surfacing of the major ramps used for access in and out the mine. The surfacing material being used is andesite rock from Java which allows all weather use of the road. The road surfacing is producing positive results as coal production and overburden removal can continue during periods of rain, though generally at a reduced rate.
- Continuation of extension of the low-wall haul road to the north for mining in the northern part of the Tutupan deposit. After a period of development and overburden removal, initial mining started in the fourth quarter.
- Drilling of more deep dewatering wells in the mine to reduce water pressure in and around the walls of the mining area.
- Purchasing of more robotic theodolites to provide continuous monitoring around the mine to give early warning of any wall movement so preventive measures can be quickly taken. The new units can provide direct readings from up to 3 kms away.

Fun Fact

During the planning stages in the 1970s, experts of maritime transportation expected the capacity of Barito River channel would be limited to only 8 million tonnes per year. After dredging the new channel in 2008, the current annual capacity of the Barito River is estimated at 200 million tonnes per year.

Historical Sales Volumes (Mt)



Review of Operations

- Completion of fitting of GPS units on all the coal haul road trucks. This has allowed for improved road utilization. Consideration is being given to installing GPS units on the overburden equipment.
- Detailed evaluation of an input crushing and conveying system for overburden removal. Significant cost savings appear to be available from such a system and a decision on purchase will be made in the first half of 2010.
- Awarding of a contract for construction of an overland conveyor system to run for 38 kms along the coal haul road. This system is designed to handle 40 million tonnes of coal a year and will give reduced haulage costs. Land purchase for the conveyor line continued.
- Awarding of a contract for construction of a 2 x 30 MW mine mouth power plant. Land purchase and clearing was done and equipment ordered. This power plant will be fueled by Wara coal and will provide power for the overland conveyor system.
- Infill drilling in the North Tutupan and Wara coal areas.
- Optimization of the life of mine plan using external consultants.

PT Saptaindra Sejati

	Units	2005	2006	2007	2008	2009	% change FY08 vs. FY09
Overburden Removal	million bcm	23.1	46.8	60.7	85.8	115.0	34%
Coal Production	million tonnes	4.4	8.6	11.9	11.9	16.4	45%

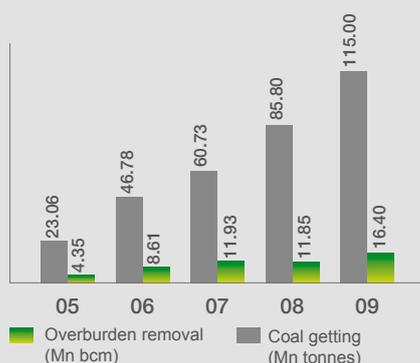
SIS's overall performance during the year was exceptional with a strong second half performance to make up the lower international coal demand during first half 2009. In total, SIS's coal extraction of 16.4 million tonnes was 5.2% below the plan and 44.5% increase compared to 2008. Meanwhile, its overburden removal of 115Mbcm was 6.2% above the plan and a 34% increase. Compared to the previous year, SIS handled more of Adaro's coal production volume and overburden removal. In 2009, SIS handled 26% of Adaro's coal production volume, an increase from 19% in 2008, and 31% of Adaro's overburden removal, an increase from 25% in the previous year.

“Adaro has emerged as a dominant player, not only within the Indonesian but also within the global thermal coal market on account of its size and asset quality. We are encouraged by management's aggressive production target in the medium-term.”

Mr. Andreas Bokkenheuser, Analyst, UBS Securities Pte. Ltd. (March 2010)

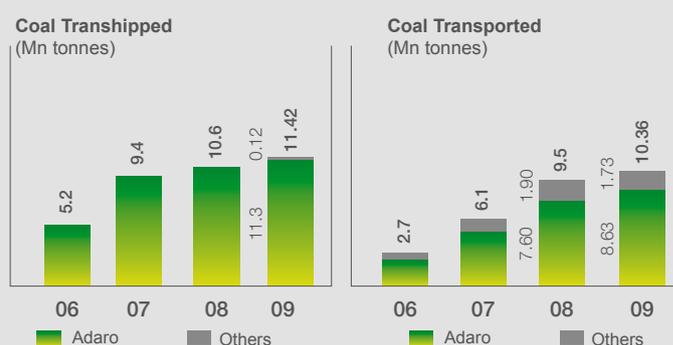
PT Saptaindra Sejati

Operating Statistics



Orchard Maritime Logistics Pte. Ltd.

Operating Statistics



Orchard Maritime Logistics Pte. Ltd.

	Units	2008	2009	% change FY08 vs. FY09
Total Coal Transported	Mt	9.51	10.37	9.0%
Adaro	Mt	7.6	8.63	13.6%
Others	Mt	1.91	1.73	-9.4%
Total Coal Transhipped	Mt	10.6	11.4	7.6%
Adaro	Mt	10.6	11.28	6.4%
Others	Mt	-	0.12	

During the year, OML transported 10.4 million tonnes of coal, a 9% increase compared to 2008 and transhipped 11.4 million tonnes of coal, a 7.6% increase. This trend mirrored the Group's positive sales growth. In line with the Group's long-term strategy of organic growth, OML started providing shiploading service to third parties in 2009. Looking from the Group's perspective, OML handled 24% of Adaro's coal barging tonnage and 51% of transhipment tonnage.

PT Indonesia Bulk Terminal

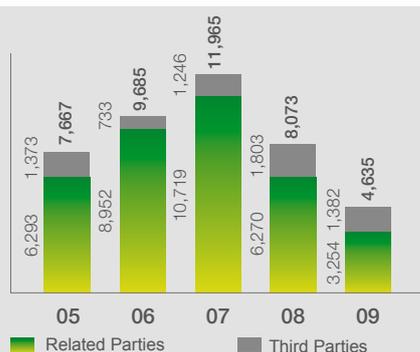
	Units	2005	2006	2007	2008	2009	% change FY08 vs. FY09
Adaro/Coaltrade	Mt	6.3	8.9	10.7	6.3	3.3	-48%
Third party	Mt	1.4	0.7	1.2	1.8	1.4	-22%

IBT's performance in 2009 was below the plan and lower than 2008's performance due to the weakening global economy. Sales to both the US and Europe softened as a result of reduced electricity demand and low gas prices. Gas was readily available at low prices resulting in gas fired power plants being dispatched ahead of coal fired plants. The fact that no shipments were made in July to the US and Europe, the first time since 1995, exemplified the impact of the downturn of the European and US economies on Coaltrade and third party coal flow through IBT's terminal. However, as the coal market gradually recovered, the traffic growth through IBT's terminal strongly recovered and is expected to continue to pick up pace in 2010.

As Adaro moves more of its transhipment activities to the open anchorage at Taboneo, IBT is focusing on third party coal handling and fuel services. Efforts were also made to increase market awareness about IBT's logistics services and the benefits of its terminal by advertising in various publications and exhibiting at international conferences.

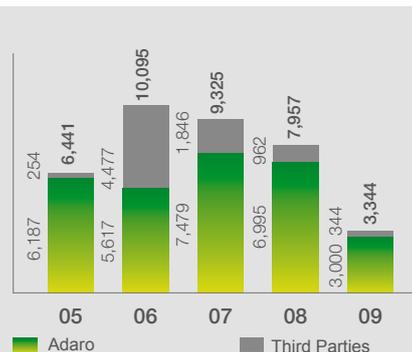
PT Indonesia Bulk Terminal

Coal Tonnage Handled ('000 tonnes)



Coaltrade Service International Pte. Ltd.

Coal Sales ('000 tonnes)



Review of Operations

Coaltrade Services International Pte. Ltd.

	Units	2005	2006	2007	2008	2009	% change FY08 vs. FY09
PT Adaro Indonesia	Mt	6.19	5.62	7.48	7.00	3.00	-57%
Third party	Mt	0.25	4.48	1.85	0.96	0.34	-65%
Total	Mt	6.44	10.10	9.33	7.96	3.34	-58%

Coaltrade's main activity is to purchase coal from a variety of producers from South and East Kalimantan and blend them to meet customer's specific requirement by using IBT's own port facilities. However, due to the economic slow down in 2009, most of Coaltrade's marketing efforts were spent on assisting the marketing of Adaro's Envirocoal. In total, Coaltrade sold 3.3 million tonnes of coal in 2009, of which 0.34 million tonnes was third party coal. This was a 58% reduction compared to the previous year and 86% below the plan. To support the Group's long-term strategy of annual organic growth, Coaltrade is now putting more resources into third party coal trading to bring more revenue contribution to the Group.

Cost Reduction Initiatives

Adaro Energy is undertaking various initiatives to better control and reduce costs, including:

- Control of a part of each critical section of the coal supply chain
- Control of one of the barging and ship loading contractors will help to manage shipment scheduling better and minimize demurrage costs
- Centralized fuel procurement and selective fuel price hedging to help control and minimize fuel costs
- Mine-mouth power plant to replace 20MW of diesel-fired electricity consumed by the mine, reducing the electricity expense and Adaro's dependence on oil
- Overland conveyor, powered by mine mouth power plant, to reduce hauling costs by an estimated US\$1-2/t
- Installation of GPS and ground radar on trucking fleet to avoid bottlenecks
- Use of bigger and faster self-propelled barges
- Dredging the new channel at the mouth of Barito river, which has increased capacity and reduced the cost
- Greater use of the Taboneo anchorage for Adaro's shiploading activities, which decreases barging distances and reduces shiploading costs

Fuel Procurement

Adaro recently began to procure fuel for its mining contractors and will continue to do so. On a selective basis, Adaro enters into fuel hedging contracts for its fuel requirements. These hedging contracts are periodically entered into for the required supplies for the next three to six months. Adaro is able to secure an efficient fuel rate by purchasing the fuel in bulk and has also been working with its contractors to economize on the usage of fuel in the mining operations.

The Supply Chain Department meet to discuss scheduling of vessels and barges to satisfy customers' tonnage and timing requirements.

SIS' Directors discuss mining contracting prospects for 2010 at their office in South Jakarta.



Interview With Chia Ah Hoo, Director of Operations



Adaro produced 40.6 Mt in 2009 and has reserves of 889 Mt. Knowing that the CCA will expire in 2022, although it can be extended by mutual agreement for another 20 years, can we expect more rapid production growth going forward?

We will maintain a steady production growth up to our ultimate target of 80 million tonnes per year within a time frame that will allow us to maintain our track record of being a reliable and consistent supplier of a quality product.



SIS's performance in 2009 has exceeded expectations. What is your plan for SIS?

We want the company to be responsible for 50% of our mining output within three years and become a benchmark for productivity and safety and a role model for environmental awareness among our contractors.



What is your greatest achievement?

Developing a Kalimantan team that has been able to consistently meet the challenges of continued production growth.

What was your greatest challenge?

Being able to increase production by more than 25% from 2005 to 2006 to meet cashflow requirements that arose from the 2005 LBO when the company moved from being debt-free to highly leveraged.



What do you hope to achieve in 2010?

To meet our 45 million tonne target for the year while continuing to strengthen our supply chain and safety, health and environment management. To also continue identifying and developing future leaders.

Historical Photo Album

We have a long proud history as a mining company. And several of the original staff members are still with us today. In fact two of them have become members of the Board of Directors. It shows the longevity and loyalty of our staff and that we reward their hard work. We feel our people are what sets us apart.

We are also proud of how we have built our mine and infrastructure to become the largest single site coal mine in southern hemisphere with a vertically integrated coal supply chain. It has been a long journey and we intend to continue to stay on track to build a bigger and better Adaro Energy.

What follows are some photos of our past compared to the most recent photo of the same person or area.

Alastair Grant
Director of Marketing



1990

Chia Ah Hoo
Director of Operations



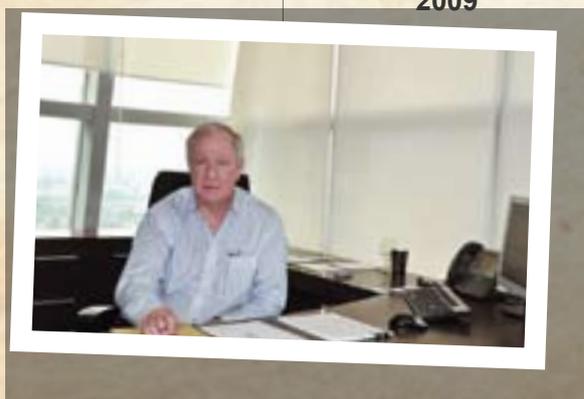
1991

Before...

2009

2009

...After



Overburden stripping



Before...

1991

Hauling road



1991

2009

2009

...After



Hauling road



Before...

1991

2009

Kelaniis bargeloaader



1991

2009

...After



Historical Photo Album

Before...

Kelanis inland bulk terminal



1991



2009

Kelanis office



1991



2009

...After



Before...

Tabalong bridge



1991



2009

Crane loading



1991



2009

...After



Interview With Alastair Grant, Director of Marketing



What are your views of the thermal coal market going forward?

We believe the market will continue to be strong in Asia with particular growth in India, China and Indonesia. Growth will be limited in the European and USA markets for probably most of this year.

How do you see the future market for environmental sub-bituminous coal?

The low pollutant type of coals will continue to be in strong demand. Coals with less environmental quality will have to be price competitive to maintain their market share.



What is your perception of coal pricing for this year?

The coal market is now (note: as at March 2010) in the unusual stage of having two distinct tiers of pricing, a lower Atlantic market price and a much higher Pacific market price. We estimate that this gap will narrow as coals that traditionally go to the Atlantic market will move to Pacific customers, particularly while freight rates are low.



What is your greatest achievement?

Developing a quality group of customers in long-term partnerships.

What is your greatest challenge that you have overcome?

Developing Adaro as a recognized and reliable supplier of Envirocoal.



What do you hope to achieve in 2010?

Continuing customer focus and further development of long-term markets.



Health, Safety and the Environment

Adaro seeks to maximize workplace safety in all its operations through the implementation of a comprehensive safety, health and environmental management plan that meets international standards for industrial health and safety and environmental rehabilitation. This management plan has been developed in accordance with ISO standards and was developed internally with assistance from both international and domestic consultants.

Before the award was discontinued, Adaro received Pratama Award for mining safety from the Ministry of Energy and Mineral Resources from 2002 to 2004 thanks to its good performance in maintaining the safety and health of its workers.

Although no serious or fatal injuries accidents occurred in 2009, the 23 LTI (Loss Time Injuries) on the site was higher than last year. Adaro's LTIFR (Loss Time Injury Frequency Rate), which measured the number of lost time claims per million hours worked, of 0.65 was also slightly higher compared to the year before. The minimum target is to always keep the LTIFR below 1.

Loss Time Injury Frequency Rate

	2009		YoY	
	Actual	Plan	2008	2009
LTI	23	9	14	23
LTIFR	0.65	0.5	0.49	0.65

Environmental Management Rehabilitation

	2008	2009	Project to Date
Rehabilitation (ha)	403	293	1,740
Land Disturbed - Mine (ha)	224	459	1,876
Land Disturbed - Other (ha)	206	687	3,373
Net Land Disturbed (ha)	27	853	3,509
Trees Planted	85,556	85,750	968,608

Adaro’s mining operations comply with environmental laws in all material aspects. Adaro attempts to keep disturbed areas to a minimum and land affected by mining is reclaimed progressively with replanting being undertaken as soon as the land development is ready. Water run-off from disturbed areas is closely monitored and treated in settlement ponds before it is used to develop irrigated areas for more intensive farming. Out-of-pit waste dumps are planned, with the waste being deposited in mounds up to six meters high. The final dump forms are contoured, top-soiled and planted with various fast-growing local grasses and trees.

Adaro monitors air quality continuously in its concession area and at intervals along the haulage road to Kelanis to ensure that methods being used to control dust levels comply with international standards and to minimize impact on local communities. Air quality is controlled by fixed water sprays placed at intervals around the coal stockpiles. Water run-off from stock piles is channeled through an extensive drainage system to settling ponds for settlement of all solids, including coal dust. Water released from these settling ponds is closely monitored. Adaro’s surfacing of the haul road has significantly reduced amounts of dust produced.

Waste management principally involves the disposal of used oils, grease and other hydrocarbon products from equipment maintenance and overhaul workshops. Each of Adaro’s workshops contains drainage systems for holding waste oils before disposal. Waste oils are disposed of through government-licensed disposal companies. Solid wastes within the concession area are collected and organic and recyclable waste is separated. Solid waste is then delivered to a local government managed disposal area in Tanjung.

Adaro must prepare and submit to the Indonesian government a quarterly report on environmental performance. The Ministry of Energy and Mineral Resources, in conjunction with the Ministry of Environment, oversees Adaro’s compliance with environmental laws and regulation in Indonesia. Adaro has, in general, complied with environmental standards and no significant environmental incidents have been noted.

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

Fun Fact

In the 9th century, Banjarmasin was an Arab trading post located right on the ocean shore, next to the Barito River. Now, while still alongside the Barito River, Banjarmasin is located 13 km inland.

Fadjar Widijanta, External Relations Manager

Fadjar Widijanta joined Adaro in 2003 as External and Media Relations Officer, became External Relations Section Head and then promoted to External Relations Manager in 2008. Prior to this this he was the Scientific Assistant to the Executive Director of the Indonesian Coal Mining Association and from 1995 to 2001 held geological posts with Ivanhoe Mines Ltd and the South East Java Project. He has a degree in Geological Engineering from UPN Veteran, Yogyakarta.



Financial Review

Revenues

In 2009, Adaro Energy's revenues grew 49% to Rp26.9 trillion. The coal mining and trading division increased 51% to Rp25.3 trillion and contributed 94% to the Group's revenue, net of inter-company transactions, up from 93% in 2008. The coal mining and trading division consists largely of mining subsidiary Adaro Indonesia as well as coal marketer Coaltrade. The contribution of external revenue from the mining service business PT Saptaindra Sejati "SIS", increased 9% to Rp1.2 trillion and contributed 4% to the Group's revenue. Due to acquisitions and investments, the Group's Other Businesses external contributed a slightly higher 2% to Adaro Energy's revenue.

Coal Mining and Trading

The company started the year with uncertainties in coal market conditions given the weakness in the global economy, which in turn resulted in soft sales volume and reduced tonnage off-take by customers in the first half of 2009. As the market gradually recovered at the end of the second quarter of 2009, the focus of the operation in the second half of the year shifted to ramping up production to fulfill market demand and to make up for the lower volumes of 2009.

Key Financial and Operational Data	2008	2009	Increase (Decrease)
Operational			
Production volume (Mt)	38.5	40.6	5%
Sales volume (Mt)	41.1	41.4	1%
Financials (Rp bn)			
Net revenue	18,093	26,938	49%
Cost of revenue	(13,149)	(15,900)	21%
Gross profit	4,943	11,038	123%
Gross margin	27%	41%	50%
Operating income	4,212	9,928	136%
Operating margin	23%	37%	58%
Net income	887	4,367	392%
EBITDA	4,455	11,017	147%
EBITDA margin	25%	41%	66%
Capex	1,464	1,106	-24%
Free cash flow	1,673	7,871	370%
Net Debt			
Interest bearing debt	11,039	15,856	44%
Cash and cash equivalent	3,512	11,275	221%
Short term investment	1,096	-	-100%
Net debt	7,527	4,581	-39%
Net debt to equity	54%	26%	-51%
Net debt to EBITDA	1.7x	0.4x	-75%

Supported by favorable weather, production achieved record highs of 10.5Mt in the third quarter of 2009 and 12.1Mt in the fourth quarter of 2009. Combined with an additional trading volume of 0.3Mt through subsidiary Coaltrade and sales from inventory, Adaro Energy's total coal sales increased 12% to 24Mt in the second half of 2009 and pushed 2009 total sales to a slightly higher 41.4Mt. The strong performance in 2009 highlights the commitment at all levels to achieve optimum sales and manage costs prudently.

Combined with the favorable ASP realization for 2009, the increase in production boosted revenues from the coal mining and trading business constituted 94% of the Adaro Energy's total revenue increase in 2009.

Mining Services

Revenue, excluding intra-group transactions, from the mining services division increased 9% in 2009, with an encouraging positive growth rate in the last two quarters of 2009 of 58% and 21%.

SIS delivered an exceptional operating performance in 2009 with total overburden removal increasing 34% to 115.0 Mbcm (including volumes for Adaro Indonesia), in-line with the plan. In 2009, SIS's coal getting increased 44% to 16.4Mt which was also in-line with the plan despite the lower production volume during the first half of the year. As a result SIS's share of Adaro Indonesia's coal production increased to 26% from 19% in 2008 and in terms of overburden removal to 31% from 25% in 2008. Due to this good operational performance, SIS's revenues, including revenues from Adaro, increased 48% to Rp2.7 trillion.

Other Businesses

Revenue from Other Businesses largely reflected the external revenue contribution from subsidiaries. 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, which consists of Orchard Maritime Logistics Pte. Ltd. ("OML"), PT Harapan Bahtera Internusa ("HBI") and PT Maritim Barito Perkasa ("MBP"). In 2009, total revenue (excluding intra-group transactions) from the Other Businesses jumped 112% Rp479 billion (US\$46mn). This largely reflected the combined revenue contribution from OML, and SDM which more than offset the revenue decline at IBT, caused by lower traffic at the coal terminal.

Fun Fact

In October, Adaro issued the first ever 10-year US dollar private sector corporate bond out of Indonesia since the Asian Financial crisis of 1997.

“ We increased our sales volumes, which in combination with higher prices and by keeping costs increases to a minimum, grew our EBITDA 147% to a new high of Rp11 trillion. With cash flows and the financial structure in good shape, we are now concentrating on building our foundation for an even more competitive future.”

Adaro Energy's Vice President Director, Mr. Ario Rachmat

Costs of Revenue

In 2009, Adaro Energy's cash cost (excluding royalties) stood at around US\$30.3 per tonne, up from around US\$29.7 per tonne in 2008. The increase in cash cost is largely attributed to the mine's higher stripping ratio.

In 2009, the planned mining stripping ratio increased to 5x, from an average of 4.25x in 2008. The actual stripping ratio increased to 5.1x from 4.1x in 2008. As a result, mining cost, which accounts for 45% of the cost of revenue, increased 22% to Rp7.1 trillion. Royalties, which account for 17% of Adaro Energy's cost of revenue went up by 86%, mirroring the increase in the ASP.

Partly offsetting the cost increases to the mining cost, was the decline in freight and handling, which accounts for 17% of the total cost of revenue. This cost item decreased by 6%, due to moving more transshipment volumes to the open anchorage as well as benefits from the recent acquisition of Adaro's barging and shiploading contractor, OML. Further, the average fuel cost, which accounts for 15% of total cost of revenue and is a critical driver for mining and hauling costs, fell around 27% to US\$0.64 per liter in 2009.

There were numerous improvements to the efficiency of Adaro Energy's coal supply chain in 2009 that can be attributed to several investments in new equipment and training as well as the acquisition of SDM in 2008 and OML in 2009.

At the end of 2008, SDM completed the dredging of a new channel on the Barito River. The heavy sedimentation build up had caused a serious bottleneck at the mouth of the Barito River and SDM's new channel increased the river's annual capacity from 60 million tonnes to 200 million tonnes. In 2009, Adaro Energy enjoyed the benefits in terms of approximately US\$1.00 per tonne, or US\$41 million, in cost savings. This occurred due to a 20% improvement to cycle time (or the time it takes a barge set to deliver its coal and return to the river terminal), which reduced the barging fleet by 11 barge sets (barge plus tug boat), or the equivalent of US\$55 million in capital spending.

Below the operating level, total other expenses for 2009 rose 5% to Rp1.4 trillion (US\$130mn). This was largely driven by the increase in interest expenses, as a result of the consolidation of OML and interest accrued for senior notes and higher amortization of goodwill. The Group's effective tax rate in 2009 was

Financial Review

48%, consistent with the applicable 45% tax rate for the coal mining subsidiary and after taking into account non-deductible expense items at the Group level.

“Adaro’s plan to double its production capacity to 80mt pa by 2013-14 increases earnings leverage from the coal price upcycle. To improve its logistics network, the company has expanded the Barito channel capacity and acquired Orchard Maritime Pte. Ltd. As one of the lowest cost producers, Adaro’s margins are less affected by soft coal prices.”

Mr. Kim Kwie Sjamsudin, CFA, Research Analyst, PT Citigroup Securities Indonesia (February 2010)

Profit

A key highlight of Adaro Energy’s 2009 performance is the 392% increase in net profit to Rp4.4 trillion (US\$420 million), which was driven by the 49% increase in revenue and expansion in the operating margin to 37%. The strong increase in 2009 earnings was largely contributed by the coal mining business.

Balance Sheet

Financial Strategy and Capital Raising

Adaro Energy has continued to maintain a financial strategy of optimizing its capital structure, lowering costs and maintaining flexible liquidity.

In October 2009, the Group issued US\$800 million Guaranteed Senior Notes (“Senior Notes”), with a selling price of 99.141%. The Senior Notes are the first 10-year US dollar private sector corporate bond out of Indonesia after the Asian Financial crisis and was the country’s largest ever 10-year dollar bond. The proceeds of the Senior Notes will be used primarily to finance the development of Adaro Energy’s infrastructure to support the expansion of production capacity and improve the integration and efficiency of the coal supply chain.

Just prior to the issuance of the bond Adaro Energy’s subsidiary PT Adaro Indonesia, received a 2 notch upgrade to Ba1 from Moody’s Investors Services and a BB+ from Fitch Ratings. Both ratings had a Stable outlook and were one notch below investment grade. Adaro hopes to soon receive an investment-grade rating.

In addition, the Group entered into an Amortising Revolving Credit Facility with a syndicate of banks, in aggregate amount of US\$500 million. This loan will be used as a stand by facility and to help the Group maintain appropriate liquidity.

Consistent with the above strategy, Adaro Energy’s balance sheet as of the end of 2009 remained in a strong condition with the net gearing level further improving to 26% from 54% at the end of December 2008.

Assets

Adaro Energy’s total assets increased Rp8.7 trillion or 26% to Rp42.5 trillion, mostly attributed to the 102% increase in current assets to Rp15.8 trillion, which rose due to the surge in cash and cash equivalents.

Cash and Cash Equivalents

Adaro Energy’s cash and cash equivalents increased 367% or Rp8.9 trillion to Rp11.3 trillion by the end of 2009, largely reflecting the healthy cash flow generation throughout the year and proceeds from the issuance of the US\$800mn Senior Notes. Cash holdings were equivalent to 27% of total assets.

The bulk of the cash, 94% of which was US Dollars, was held as cash in banks and as deposits. US Dollar cash in banks increased 179% to Rp4,500 billion and was mostly held in four international banks in Indonesia and Singapore. US Dollar deposits increased 403% to Rp6,146 billion and were mostly held in three international banks in Indonesia and abroad.

The interest rates on the US Dollars deposits earned up to 3.5% during 2009.

Trade Receivables

Adaro Energy's trade receivables increased 24% to Rp2.9 trillion and were mostly with blue-chip and high quality power and cement companies. As of end of December 2009, 94% of the Group's total receivables were current or less than 30 days overdue. Over 72% of the receivables were held in US Dollars and all were expected to be collected in full.

Fixed Assets

Adaro Energy's fixed assets rose 25% to Rp7.4 trillion. The increase is mainly attributed to the Rp301 billion addition to machinery, operational equipment and vehicles, and the Rp304 billion addition to leased operational equipment. Acquisitions of vessels of Rp1.1 trillion, via the acquisition of a barging and shiploading company, also contributed to increasing fixed assets.

Liabilities

Adaro Energy's total liabilities increased to Rp24.95 trillion an amount equivalent to 59% of total assets. Current liabilities increased 19% to Rp8.0 trillion due to the 96% or Rp1.1 trillion increase in taxes payable due to higher revenues and higher current maturities of bank loans, which rose 127% to Rp1.9 trillion.

Non-current liabilities increased 31% to Rp17.0 trillion due to the issuance of new long term debt, despite reductions in bank loans by 32.5% to Rp5.6 trillion.

Debt

Taking into consideration the issuance of US\$800mn Senior Notes in October 2009, Adaro Energy's total interest bearing debt increased 44% to Rp15.9 trillion from Rp11.0 trillion in December 2008, reflecting some offset with principal repayments made during 2009.

Adaro Energy's access to capital remains strong. Apart from the US\$800 million 10-year bonds and the US\$500mn Amortising Committed Revolving Facility, which is currently undrawn, in the first quarter of 2009, during the most uncertain time of the global financial crisis, Adaro Energy arranged credit facilities via three transactions a total amount of US\$185 million (a US\$80mn short-term syndicated refinancing, which was fully paid in February 2010, a US\$40mn 3-year bilateral, and a one year US\$65mn letter of credit facility, which expired in March 2010).

Adaro Energy's good access to capital is reflected in the rates on the long term borrowings, which averaged approximately 6%.

“ We had a very strong finish to a difficult and volatile year in 2009 and delivered another year of annual production growth and increased shareholder value. By staying focused on our core business we have been able to grow production organically every year since production first began in 1992 and looking forward we shall not be sidetracked as we grow a bigger and better Adaro Energy.”

Adaro Energy's President Director, Mr. Garibaldi Thohir



Finance and Accounting Department

Lukman and his team discuss finance and accounting issues.

Financial Review

Adaro Energy's debt maturity profile (excluding lease payables) will likely continue to be a small portion of free cash flow (after taxes and interest) at US\$217.5 million in 2010, and decreasing slightly to US\$213.1 million in 2011. The existing bank loan repayments rise in 2012 before dropping in the following year. Adaro Energy believes the debt repayments in the foreseeable future are well covered by the strong liquidity position and well demonstrated cash flow generation.

Total interest bearing debt as at December 31st, 2009 is summarized in the following table:

Debt	Borrower	Outstanding Amount	Maturity	Interest	Repayment installment
Short-term Debt					
Syndicated ST Loan (US\$ mn)	AI	20.00	Feb '10	LIBOR + spread *	Fully repaid in Feb. 2010
Long-term Debt					
Senior Notes * (US\$ mn)	AI	785.09		7.625%	Bullet payment, due in 2019
Syndicated Loan (US\$ mn)	AI, CT	550.00	Dec.'10 (revolving facility); Dec.'12 (term loan facility)	LIBOR + spread **	2010 : \$150mn 2011 : \$160mn 2012 : \$240mn
Senior Credit Facility (US\$ mn)	SIS	230.36	Jun '13	LIBOR + spread **	2010 : \$46.2mn 2011 : \$50.85mn 2012 : \$53.25mn 2013 : \$80.1mn
Term Loan (US\$ mn)	SDM	15.00	2014	SIBOR+ spread	2010 : \$1.25mn 2011 : \$2.25mn 2012 : \$3.0mn 2013 : \$3.5mn 2014 : \$5.0mn
Lease Payables (US\$ mn)	SIS	86.34			2010 : \$35.72mn 2011 : \$30.47mn 2012 : \$17.28mn 2013 : \$2.87mn
Total Debt (US\$ mn)		1,687			
Total Debt (Rp bn)		15,856			

* Senior Notes principal amount of US\$ 800 mn, netted off with discount and issuance cost

** The LIBOR portion of the loan has been swapped into a fixed interest rate

Working Capital and Liquidity

Adaro Energy's working capital increased almost seven times to Rp7.8 trillion due to the huge increase in cash. This increased Adaro Energy's liquidity as reflected in the current ratio which increased to 1.98x from 1.17x.

Cash Flow

Adaro Energy generated free cash flow of Rp7.9 trillion in 2009, largely driven by higher EBITDA as well as the strong generation of operating cash flow of Rp7.1 trillion (US\$683mn), which increased 554% due largely to the strong performance of the coal mining business and by keeping cost increases to a minimum. Adaro Energy's receipts from customers increased 48% to Rp25.8 trillion, while payments to suppliers only increased by 10.8% to Rp13.4 trillion. Adaro Energy's operating cash flows well exceeded the capital expenditures and debt repayments during the period.

The Group's cash flow from financing activities, a net inflow of Rp3.63 trillion (US\$349mn) in 2009, largely reflected the debt addition from the issuance of US\$800mn bonds in October 2009 which was partly offset by repayment of OML's Senior Facility, Lease payable and Notes. The company was on track in meeting the debt repayment obligations in 2009 including installment repayment of term loans under Syndicated Loan (AI and CTI), repayment of maturing portion of the Short-term Syndicated Loan, installment repayment of SIS' Senior Credit Facility, and repayment of maturing lease payables.

Capital Expenditures

Adaro Energy's capital expenditures for 2009 decreased Rp358 billion or 24% to Rp1.1 trillion (US\$106mn). Adaro Energy's subsidiary SIS spent 32% of total on mining equipments, Adaro Indonesia used 30%, mostly for the crushing and handling facility, MSW used 13% for the construction of the mine-mouth power plant, the dredging and water toll contractor SDM used 6% of the total on infrastructure related to the Barito channel dredging, IBT's equipment and construction costs amounted to 7% of the total, with OML using 7% of the total on vessel purchases and ATA accounting for 5%.

Fuel Hedging

In order to reduce the risks caused by the fluctuation in the fuel price, on November 30, 2009 the Group entered into fuel hedging contracts. The total notional quantity amounts of 2,160,000 barrels will be sufficient to cover a significant portion of the Group's fuel requirement in 2010.

Free cash flow (excl. cash balance) (Rp Mn)	2005	2006	2007	2008	2009
EBITDA	1,172,836	2,038,675	2,423,080	4,454,673	11,016,576
Changes in working capital (excl. cash)	120,978	1,235,075	(466,619)	317,535	2,123,637
Tax - current	(346,949)	(810,338)	(722,215)	(1,634,481)	(4,162,623)
Capex (excl. leasing)	(787,402)	(662,613)	(650,770)	(1,463,972)	(1,106,262)
Free cash flow	159,463	1,800,799	583,476	1,673,755	7,871,328

Financial Ratios and Quality of Earnings

Adaro Energy Tbk	2008	2009
Liquidity analysis		
Cash Ratio	0.52x	1.41x
Current Ratio	1.17x	1.98x
AR days	47	39
Inventory days (all inventories)	8	6
AP days	72	50
Profitability analysis		
ROA	3%	10%
ROE	6%	25%
ROIC	6%	18.5%
Financial structure		
Net debt to EBITDA	1.69x	0.42x
Net debt to Equity	54%	26%
Quality earnings calculation (Rp bn)		
Net income	887	4,367
Extraordinary item	373	-
Amortisation mining properties - net of tax	138	349
Amortisation goodwill	360	507
Partial redemption of AFS Investment	(49)	(37)
Gain on forex - net of tax	319	(72)
Pre-acquisition income	126	43
Quality earnings	2,154	5,157
Margin	12%	19%
weighted average # of shares (in thousand)	25,469,531	31,985,962
EPS	34.8	136.5

Interview With David Tendian, Director of Finance



How did you manage to issue 10 year Notes worth US\$800 at quasi-investment grade rates?

While we are new to the equity market we are well known in the bank loan and credit markets. I believe our straight forward no nonsense business plan, together with our good track record helps to ensure the market we are a reliable issuer. Also, we priced at the perfect time in October of 2009.



After securing both US\$800 million bond and US\$500 million standby amortizing revolving facility in 2009, do you have additional funding requirements?

At the moment we have with the bond secured the funding we need for our expansion and infrastructure improvements and with the stand-by loan we have the certainty of sufficient liquidity.



What was your greatest challenge in 2009?

How to handle the financial crisis, how to deal with the unprecedented, uncharted waters of the global financial crisis.



What was your greatest achievement in 2009?

My greatest achievement was being able to navigate successfully these difficult times.

We concluded six transactions in 2009, with total fund raising of US\$1.5 billion. We also acquired a barging and ship loading company that we negotiated at the bottom of the market. We transformed and strengthened the company's financial structure in the midst of a crisis. Finally, we were able to secure a two rating upgrade to Ba1 from Moody's, which for a time was two notches above the sovereign.

What do you hope to achieve in 2010?

My challenge for 2010 to maintain the performance we had in 2009. We finished 2009 so strongly and the challenge will be how to continue to create shareholder value at such a pace when starting from such a strong position.

Adaro Bond in the News

October 14, 2009

Adaro Indonesia: Pricing likely tomorrow; guidance around 8%, +/- 25 bps, with book 6x oversubscribed during Wednesday Asia session.

By Rupert Walker, FinanceAsia

This would be an impressive result given the bond's 10-year tenor, said investors. The only Indonesian corporate to have issued such a long tenor is believed to be the 100% state-owned electricity provider, Perusahaan Listrik Negara [PLN], which via the SPV, Majapahit Holding, issued 10-year and 30-year bond in June 2007, said one bond analyst.

Adaro's majority shareholders include the well-respected Indonesian tycoons Edwin Soeryadjaya, Theodore (Teddy) P. Rachmat and Garibaldi Thohir. Large international shareholders include Singapore's Noonday Capital and the Singapore government-controlled GIC.

Adaro is known for its good corporate governance and transparency which is something you rarely see in Indonesia. If it weren't for the sovereign's credit rating, Adaro would probably be an investment grade credit said the Hong Kong based investor.

Investors also noted that buyers of Adaro Finance's Reg S/144A USD 400m five-year bonds issued in December 2005 profited handsomely when the company decided to redeem the bonds before maturity. The redemption occurred through a make-whole clause and at a hefty premium, the investors noted. The make-whole left bondholders with a lot of extra cash and everyone walked away with a warm, fuzzy feeling about Adaro said another Hong Kong-based investor.

October 19, 2009

Strong International Demand for Adaro's \$800 million high-yield bond

By Rupert Walker, FinanceAsia

PT Adaro, Indonesia's second biggest coal miner, raised \$800 million in a blowout 10-year high-yield bond issue at the end of last week. The company priced the deal with a 7.75% yield in the early hours of Friday morning Hong Kong time, having launched the marketing process on October 5.

Asian accounts were only allocated 26% of the paper, while eager US and European investors bought 38% and 35% respectively. Funds, mostly real money portfolio managers, but including a smattering of hedge funds, took 68% of the deal, private banks were given 14% to distribute to their rich yield-hungry clients, commercial banks bought 10% and insurance companies the remaining 8%.

Credit Suisse, DBS Bank and UBS were the joint bookrunners, while Overseas-Chinese Banking Corporation (OCBC) acted as a lead manager for the Rule 144A, Reg-S issue, which has approval in principle to be listed on the Singapore Exchange.

The deal can claim several bragging rights: it is the first ever 10-year US dollar private sector corporate bond out of Indonesia, as well as the country's largest 10-year dollar corporate, including state-backed deals. It is also the biggest Asian high-yield corporate bond launch since India's Vedanta Resources raised \$1.25 billion in June 2008.

The Deal:

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

The Awards:

- Deal of the year 2009 from Asiamoney
- Best high yield bond from Finance Asia
- Best in Asia Pacific from Credit Magazine



Exploration and Reserves

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 greatly in thickness due to converging and splitting. Individual seams may be up to 60m 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 16km along a prominent 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 (60m) occurs in the T100 seam in the southern part of the deposit. The T220 seam is the principal seam in the north where it is up to 50m thick.

The Wara 1 coal deposit is located 5km 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 9km and dip to the south-east at 45°. The Wara 1 deposit is composed of three major seams which are divided into 13 individual seams and 6 compound seams ranging in thickness from 3 to 35m. The Wara seams are characteristically low in ash (<3%) but with moisture contents of around 40%.

Reserves and Resources

Adaro Energy's coal reserves and resources have been previously estimated by independent internationally recognised Australian geological and mine engineering consultants, Terence Willsteed & Associates (TWA) and have been prepared 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 Statement of Coal Reserves and Resource was dated December 31, 2008.

It was noted "that TWA was of the opinion that the methodology, resource and reserve quantities as well as reserve and resource classifications as presented by Adaro were in accordance with guidelines as stated in the 2003 edition of "Australian Guidelines for estimating and reporting of Inventory Coal, Coal Resources and Coal Reserves" as well as the requirements of the JORC Code (2004) TWA believe all material facts have been presented and that Adaro's analysis was sufficient to meet the transparency requirements of the Code".

The Coal Resources and Reserves of the Adaro Coal Operations as at December 31, 2009 were calculated by subtracting the total Tutupan coal production of 40.6 million tonnes from the Statement of Reserves and Resources as estimated by TWA as at December 31, 2008 and are as follows:

Resources (in million tonnes)

Location	Resources Inferred <1000>500m Mt	Indicated <500>250m Mt	Measured <250m Mt	Total Mt
Tutupan	825	705	655	2,185
Wara 1	337	268	292	897
Wara 2	110	134	118	362
Total	1,272	1,107	1,065	3,444

Reserves (in million tonnes)

Location	Reserves Probable In-Situ Mt	Proven Mt	Total Mt	Recoverable Mt
Tutupan	167	418	585	547
Wara 1	92	212	304	282
Total	259	630	889	829

“ Well done and congratulations. The management team has proven to the investors/skeptics/believers that Adaro is a world class company and asset, which has earned the respect/admiration of many. You have set a new benchmark and I am sure will continue to deliver and succeed in the years to come.”

Mr. Bernard Thien, President Director & CEO, PT CIMB Securities Indonesia (March 2010)

Exploration and Reserves

Exploration Activities in 2009

Exploration drilling activities were conducted in 5 areas in 2009 : Wara 1 and Wara 2, Tutupan Pit, North/Northwest Tutupan and North Paringin.

Exploration drilling in Wara 1 was extended to the north where the coal seams are known to continue. Additional cored holes were also drilled to augment the quality database for Wara 1. In Wara 2, the balance of the drilling program from the previous year was completed and additional cored holes were also drilled for coal samples.

At Tutupan Pit, in-fill drilling was conducted to refine the coal model in the south pit and samples were collected for coal quality analyses while at North and Northwest Tutupan, in-fill drilling was conducted in the new mining area and inclined holes were drilled in the steeply dipping western limb of the North Tutupan anticline.

At North Paringin, the exploration program extending east (down dip) was commenced and will carry over to 2010. The exploration program of 2010 also includes the area of South Paringin.

Exploration Details

Location	No. of Holes			Meters		
	OH	Cored	Total	OH	Cored	Total
Wara I	61	27	88	6,338	3,451	9,789
Wara II	23	5	28	1,565	332	1,897
South Tutupan	17	9	26	4,133	2,683	6,816
North Tutupan	120	6	126	25,051	1,379	26,430
North Paringin	22		22	3,502		3,502
Total	243	47	290	40,589	7,845	48,434

“Adaro Energy has proven to be the best of the class operator in providing clean operations and eco coals, both domestically and worldwide! Please continue to add Reserves while they are still reasonably priced, and stay focused on Coal-related businesses, as either vertical or horizontal organic and inorganic expansions.”

Mr. Dharwin Yuwono, CFA. Director - Indonesia Equity Sales, PT Credit Suisse Securities Indonesia (March 2010)

Division Head Mining and Hauling, Andris Svilans, and Director of Operations, Chia Ah Hoo, discuss reserves and resources for mine planning in 2010.

Overburden removal activities at the Tutupan mine.



During the year, geotechnical 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.

Geotechnical Details

Location	No. of Holes		Meters		Total	
	OH	Cored	OH	Cored	OH	Cored
Wara I	-	10	-	2,109	-	2,109
North Tutupan	-	5	-	1,165	-	1,165
Total	-	15	-	3,274	-	3,274

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 2009 the total cost of exploration activities was USD2.35 million which is detailed below.

Location	Total (USD)
Wara I	678,225
Wara II	231,589
South Tutupan	181,963
North Tutupan	1,058,692
North Paringin	173,692
Land Compensation	21,400
Total	2,345,561

Andris Pauls Svilans, Division Head - Mining and Hauling

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.



Robust Industry Prospects

Additional new coal fired power plants of 579 Gigawatts are expected in the next 20 years in Asia, predominantly in China, Vietnam, India and Indonesia. These projects will require additional coal of 1.7 billion tonnes per year.

(Source: Australian Bureau of Agricultural and Resource Economics, Credit Suisse)





Exploring Initiatives for a Bigger and Better Adaro Energy

Adaro Energy is focused on its core business of coal mining and marketing and will continue with the plan of further integration and efficiency. The core strategy to create shareholder value is straightforward and focused: 1) deliver annual organic production growth, 2) continually improve the integration and efficiency of the coal supply chain and 3) maintain and expand worldclass deposits of Indonesian coal, which may include the use of coal enhancement technology.

Adaro is exploring ways to increase its coal production capacity to approximately 80 million tonnes in the year ending December 31, 2014. After acquiring SIS in 2007, sealing the hauling road between Adaro's mines and the Kelanis facilities in 2005, dredging a new channel for the Barito River channel in 2008 and acquiring barging and shiploading firm OML and increasing the crushing capacity at the Kelanis river facility to 55 million tonnes per year, both in 2009, Adaro Energy is on track to implement the next phase of its integration and efficiency plan to build a bigger and better Adaro Energy.

In 2010, with funding in place and the financial structure in strong position the focus will be on project execution. With the primary function one of cost reduction and improved efficiency Adaro plans to build an overland conveyor alongside 38 kilometers of the hauling road from Adaro's mines to the Kelanis facilities and to construct a power plant to provide electricity to Adaro's mining facilities and this overland conveyor. Adaro Energy also intends to operate a fuel terminal near IBT's existing coal bulk terminal and port facilities at Pulau Laut. With the US\$800 million raised with the issuance of the Notes in October 2009, Adaro has secured the funding requirements to build up the coal supply infrastructure and the equipment to be used by Adaro in connection with the expansion phases.

Acquisitions

Adaro Energy did not have a mergers and acquisition team at the end of 2009, as the company was not actively seeking such opportunities. To create value the main focus remains organic growth and improved efficiency and integration of the coal supply chain.

As with any mining company, the quantity of coal reserves are finite and non-renewable. Therefore, even with the third largest reserves and resources in Indonesia, Adaro Energy is always on the lookout for world class deposits of Indonesian coal.

PT Sarana Daya Mandiri

At the end of 2008, Adaro made an important acquisition of a 51% stake of PT Sarana Daya Mandiri, with the remaining 49% held by three other mining companies. SDM is based in Banjarmasin and operates a water toll on the Barito River via a 15-year contract with a joint venture between the South Kalimantan government and the state-owned port operator, Pelindo. At the end of 2008 SDM opened a new channel at the mouth of the Barito River. The most important aspect of opening the new channel is that annual capacity increased to over 200 million tonnes per year from 60 million tonnes, which allows Adaro to ramp up production. The new channel improve the efficiency of Adaro's coal supply chain as it reduced travel time, lowered capital expenditure for barges and lowered fuel costs. By acquiring a majority stake in SDM, the move also improved the integration and control of the Group's coal supply chain.

Orchard Maritime Logistics Pte Ltd

On April 30th, 2009 Adaro Energy acquired 74.16% of Orchard Maritime Logistic Pte Ltd ("OML"), a Singapore-based barging and ship loading company, for US\$78.55 million. With the acquisition of OML, Adaro Energy will own a part of each of the critical pieces of its coal supply chain, which will reduce costs, lower risks, increase flexibility of production, increase control of transportation, and improve reliability.

The acquisition was made by PT Jasapower Indonesia ("JPI"), which is 99.99% owned by Adaro Energy's wholly-owned subsidiary PT Alam Tri Abadi.

Strategic Benefits and Link to Adaro's Corporate Strategy

Further integration and control of its coal supply chain will benefit Adaro Energy by improving reliability, reducing risk and lowering costs. Better reliability will improve the marketability of Adaro's coal. Reducing counterparty risk will help prevent disruptions to existing operations and of Adaro's expansion plans.

Due to the fluctuation in production there are frequently times when there is spare capacity in both barging and transshipment. As there is significant third party tonnage moving through the Barito River system this spare capacity could be utilized to generate revenue in the spot market.

Cost Benefits

By bringing OML into the group, Adaro Energy can benefit from cost savings associated with better control over demurrage and utilization of spare barging and transshipment capacity for third party business.

Adaro is the only mining company that has an office located close to shiploading activities on the waters of the Taboneo Anchorage.

GPS system technology is being used at Permata Barito office to monitor supply and demand activities across the entire coal supply chain.



Fun Fact

Coal is by far the cheapest source of power fuel per million BTU, averaging around a quarter of the price of petroleum.

Exploring Initiatives for a Bigger and Better Adaro Energy

Adaro does not have a buffer stockpile at the Taboneo anchorage with the closest being the stockpile at the Kelanis barge loading facility. Adaro therefore uses its barge fleet as a floating storage to help buffer normal monthly fluctuations in shipment tonnages, which helps to minimize demurrage. However, by having a controlled entity that would be able to react promptly to market conditions, Adaro Energy can create cost savings.

The absence of control over barging and transshipment during the first half of 2008 undermined the efforts to control demurrage charges in the face of unprecedented bad weather.

In the next five years Adaro will expand production which will require a major increase in barging and transshipment capacity. Adaro will continue to tender out for a percentage of this tonnage however having access to internal costs of a barging and transshipment company will help Adaro minimize its rates going forward with potential cost savings.

Price and Valuation

The OML acquisition price is fair and was determined at an arm's length basis. It is based on a thorough assessment, using outside experts, and follows a period of negotiation. Adaro Energy's negotiations arrived at a price of US\$78.55 million for 74.16% based on an assessment of OML's existing assets and future cash flows. The Company's internal assessment was reviewed by Truscel Capital ("Truscel"). In line with the Capital Market Supervisory Board requirement that public companies commission a registered valuation firm to carry out a share valuation and provide a fairness opinion.

Truscel concluded a valuation range of US\$75.06 million to US\$87.86 million for 74.16% of OML. Truscel also concluded the transaction is not material (i.e. the transaction size is below 20% of the equity of Adaro Energy and is also below 10% of the revenues of Adaro Energy) and that the price being paid by Adaro Energy (through JPI) is fair and reasonable.

Criteria Used in Making the Decision to Invest

Mining is a capital intensive, long term industry and investment decisions must take a long term view. Investments are made for the purpose of expansion, or to gain a competitive advantage, or to diversify. For Adaro Energy, aside from the strategic necessity of making the OML acquisition, the most important criterion in making the investment decision was the future value of discounted cash flows. Next most important were the cost benefits, which are outlined below.

The fact OML is an existing contractor is also an advantage as OML is familiar with the specific requirements of the transportation route and the needs of Adaro's customers.

Throughout the process of acquiring OML, Adaro commissioned independent share valuations, a legal due diligence, and a review of the operational merits of the transaction.

Funding the Acquisition

The US\$78.55 million acquisition of 74.16% of OML was funded out of Adaro Energy's existing cash flows. In the first quarter of 2009, Adaro Energy generated free cash flows of Rp860 billion (US\$74 million). On March 31, 2009, Adaro Energy's cash and cash equivalents stood at Rp3,587 billion (\$310 million).

Some of Adaro's ship loading activities are conducted by our subsidiary, OML.

A single crane can load 15,000 tonnes per day on to our customers' vessels.



Indonesian Coal Project with BHP Billiton

In the fourth quarter of 2009, Adaro Energy expressed interest in participating in a large worldclass coal project located in Kalimantan and owned by BHP Billiton. On March 31st, 2010, BHP Billiton announced they had entered into binding agreements to create a new joint venture for its Indonesian Coal Project (ICP) with, PT Alam Tri Abadi, a subsidiary of Adaro Energy. Adaro agreed to acquire a 25 per cent interest in the ICP joint venture, while BHP Billiton holds the remaining 75 per cent. Completion of the transaction is still subject to approvals from the Indonesian Government.

The Board will from time to time consider opportunities to create value, as long as they are within the business strategy of the firm.

Improving the Pit to Port Coal Supply Chain

Aside from annual production growth, improving Adaro's pit to port coal supply chain is a key strategic focus. This means not just lowering costs, but improving the efficiency, control and dependability of the coal transportation system. Adaro's growth has gone hand in hand with improvements to the coal supply chain. With greater control, comes the ability to offer greater reliability, which helps market and set optimal coal prices.

At the end of 2009, with ownership of each critical part of the coal supply chain, the focus will be on increasing the control and efficiency of the coal supply chain, on maximizing the benefits of the just completed vertical integration.

In order to ensure that the vertical integration will add value and be successful, Adaro Energy treats each of its subsidiaries with the same arm's length and professional approach it applies to the relationships with its other contractors. Adaro Energy will not protect its subsidiaries and insist that each operate as a stand alone profit center. While Adaro Energy plans to increase the control of its coal supply chain by increasing the amount of transportation that is done within the Group, if the companies do not perform as well as or better than the other contractors they will not receive additional volumes.

Improvements to Adaro's Coal Supply Chain

- **Barito Channel**
 - Current average steaming time from Banjarmasin to Taboneo open anchorage is 7 hours, compared to previous pre-channel average steaming time of 10 hours.
 - Regular maintenance dredging of the Barito Channel has allowed for 24/7 availability.
- **Barging**
 - Cycle time improvement for Transshipment from the use of the Barito Channel and Operational Improvement has resulted a reduction of 1 day, thus raising barging throughput without additions to barging fleet.
 - 20% cycle times eliminated the requirement to add to the barging fleet by equivalent of 11 sets (or equivalent to US\$ 55 million investment savings) and US\$ 41 million in cost saving (41 million tonnes coal sales x US\$ 1 /ton/day).
 - Barging availability remained adequate through close monitoring via GPS and governance by Adaro's Barge Operating Policy.
 - Self-propelled barges has shown cycle time efficiency over conventional tug-barge deliveries to end-users.
- **Transshipment Operation**
 - Each floating crane set up as a floating terminal offering a one-stop service, which increase throughput by reducing waiting time.
 - Joint loading operation with multiple cranes has demonstrated team spirit among partners in achieving operational excellence. Demonstrated the capability to load 50,000 mt per day via joint loading.
- **Integrated Supply Chain**
 - With the implementation of GPS that integrates with Adaro's supply chain software, Adaro is now able to get live online data showing the truck hauling movements from the Run of Mine (minesite) to Kelanis, and barge movements from Kelanis downstream to Taboneo.
 - Adaro plans to integrate the entire supply chain with online monitoring system in 2010 that allows a single platform for operational visibility that facilitates communication and decision making, lifting Adaro a step further to be a sustainable producer and a reliable supplier that offers our valued customers security of supply and a peace of mind.

Fun Fact

The Barito is known as the Mississippi of Kalimantan because of its depth, width and heavy siltation.

Exploring Initiatives for a Bigger and Better Adaro Energy

Business and Project Development

Kelanis – Tutupan Overland Conveyor

A key part of Adaro Energy's plan to improve efficiency by strengthening the coal supply chain and to increase production to 80 million tonnes by the end of 2014 is to build a 68 km transport system, most likely a multi-stage Over Land Conveyor (OLC), with adjacent crushing plant, stacking system and barge loaders and a total capacity of 40 million tonnes per year. The OLC will be owned and operated by Adaro Energy's wholly-owned subsidiary PT Jasapower Indonesia.

The distance of the first phase of the OLC project will be 37.8km, which covers approximately half the distance of the existing 75km hauling road from Tutupan to Kelanis. The OLC will provide an alternative mode of transportation and is expected to reduce operating costs by US\$1-2 per tonne compared to the use of trucking. With a total estimated investment of around US\$240 million, this project will be financed entirely by the proceeds of Adaro's US\$800mn 10-year bonds issued in October 2009.

On December 29th, 2009, Adaro selected Sandvik Asia Limited for the design and the Equipment Supply Contract and PT. Tripatra Engineers and Constructors as the Engineering, Procurement and Construction (EPC) contractor for the OLC. It is expected the estimated completion and subsequent commissioning of OLC is in early 2012. The OLC will be powered by Adaro Energy's own 2x30 megawatt (MW) mine-mouth power plant.

Upon completion of the OLC, Adaro will have two modes of coal transportation to Kelanis with a combined transportation capacity of over 80 million tonnes per year. However, the focus of such a transportation project is that it could reduce operating costs, transportation costs and fuel costs.

This project may be executed in two phases, with the construction of a conveyor, followed by the second stage, which would either be to build an additional conveyor for the remainder of the distance, build a water channel or to use the existing haul road.

Adrian Lembong, General Manager - Business Development

Prior to joining Adaro he 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.



The Project Development Team discusses equipment specifications for IBT.



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

To power the OLC, as well as the overall goal of lowering the Groups dependency on oil, Adaro Energy will construct, through MSW, a 2x30 megawatt (MW) mine mouth power plant.

To the end of 2009, Adaro had spent approximately US\$30 million on the power plant, all funded out of existing debt and cash holdings.

IBT Fuel Terminal

The IBT 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 1, 2009, Adaro Energy through its subsidiary, IBT, signed a fuel facilities agreement with PT Shell Indonesia. This agreement includes the construction of the fuel storage terminal at IBT's facility.

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

The project consists of two parts: 1) a build-own-operate-transfer agreement between IBT and PT Shell Indonesia on the fuel storage facility and 2) a modification of the existing jetty facility and piping for fuel loading and unloading, to allow for berth tankers with capacities ranging from 2,000 dwt to 48,000 dwt. The IBT fuel terminal would be designed to be able to receive, store and bunker fuel with an estimated throughput of 720,000 kiloliters per year.

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

PT Shell Indonesia selected PT Lloyd Pte Ltd Singapore as its EPC contractor to construct the fuel tanks. IBT selected the Inti-Duta Consortium to modify the jetty at IBT.

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

Moving into the Power Sector

With the huge growth expected in the Indonesian power sector, including for Independent Power Producers, Adaro Energy is exploring the possibility of integrating the coal supply chain beyond the port and further downstream to the power station, creating a vertically integrated coal supply chain from "pit to power station". Adaro Energy would only make this move upon careful consideration and if it will create greater value for Adaro Energy.

Fun Fact

The belt conveyor can transport 400 kilograms (the equivalent of 4 adults with luggage) at about 30 km/h for the same amount of power as your average microwave oven.

Fun Fact

With energy used to roast a turkey in an electric oven, our planned conveyor can transport 2 tons of coal over 35 kilometers.

“ My impression of Adaro is that it has evolved into being the pre-eminent leader in the Indonesian coal space. It's well diversified international and domestic customer base provides a well-balanced revenue base. Adaro is very well positioned to take advantage of a transforming industry and the trends that affect it. If the company can keep its eye on the ball and continue to execute, it's difficult not to be optimistic about Adaro's future.”

Mr. Sunny Yoon, President Director, Citigroup Securities Indonesia (March 2010)

Exploring Initiatives for a Bigger and Better Adaro Energy



Ari Hariadi, Deputy General Manager – Project Development

Ari Hariadi 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.

In-pit Crushing and Conveying System

As the Tutupan pit becomes progressively deeper and wider, trucking costs to haul overburden out of the pit to overburden dumps will increase. In order to control these costs the company is reviewing the potential of using in-pit crushing and conveying systems where the overburden is first crushed in moveable crushing systems in the pit and then conveyed to the surface and to the overburden dumps where it is spread by mobile stackers.

High Capacity Coal Hauling Units

Discussions were held regarding higher capacity coal hauling units, such as 4 trailer rigs, capable of carrying a payload of 248 tonnes. Adaro decided not to proceed with the proposal due to the high capital cost.

Kelanis River Terminal

At the beginning of 2009, the annual capacity of the Kelanis River Terminal increased from 45 million tonnes to 55 million tonnes after the completion of US\$20 million capital spending program, half of which was undertaken in 2008.

The new crusher at Kelanis increased annual capacity to 55 million tonnes.



Each single conveyor at Kelanis can load up to 2,000 tonnes per hour on to waiting barges.



Interview With Sandiaga S. Uno, Director



What is your long term view of the coal market?

Our view is that the consumption of power will continue to increase, normally at double the rate of the pace of economic development. Given the cost, simplicity and availability of coal, we feel, especially for emerging market Asia, coal will continue to play an important role. And we plan to continue to position Envirocoal as a leading coal for power stations.



What are your views on the investment and economic outlook for Indonesia?

I believe that Indonesia is in a very favorable spot and we have a golden opportunity to go the next level of growth. As the situation improves, more investment will come and this will spur economic development, acting like an upward spiral.



What is your greatest achievement?

My greatest achievement is being able to survive and fight back from the financial crisis in 1997 that caused me to be jobless and bankrupt. Since then I feel so grateful that both investment companies I've founded have been successful.



What is your greatest challenge that you have overcome?

My greatest challenge has been to maintain the success of my businesses and to keep on improving the qualities of my work in every field

What do you hope to achieve in 2010?

To create business opportunities in Indonesia.

Owning Adaro

Adaro in Summary

From Us to You

Running Adaro

Management Report

Owning Adaro

Governing Adaro

Corporate Social Responsibility

Financial Report

Contact Us



100-107

Shareholders Information

102

Investor Relations

105



Shareholders Information

Shareholders Structure as of December 31, 2009

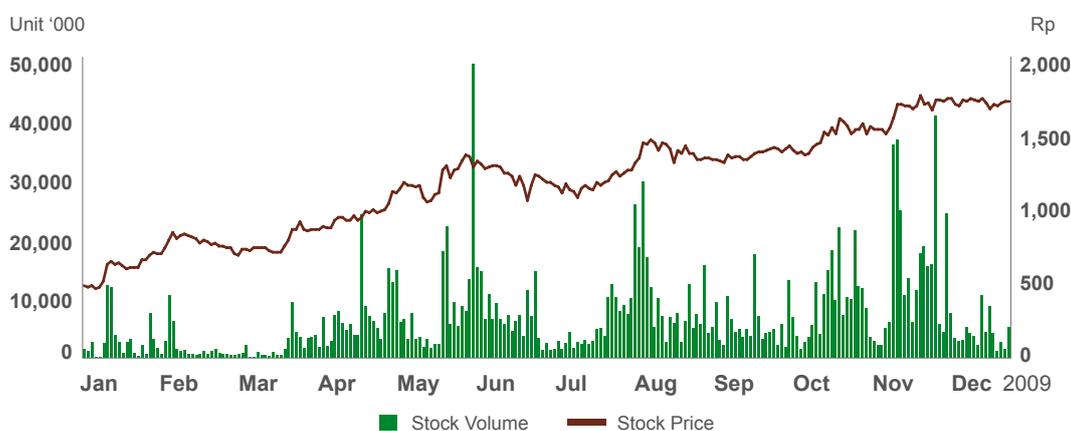
Shareholder	Number of Shares	Ownership
Domestic		
- Limited Liability Company	16,555,861,911	51.76%
- Individual	5,323,185,522	16.64%
- Pension Fund	282,085,500	0.88%
- Foundation	20,588,000	0.06%
Sub-Total	22,181,720,933	69.35%
International		
- Limited Liability Company	9,773,556,067	30.56%
- Individual	30,685,000	0.10%
Sub-Total	9,804,241,067	30.65%
TOTAL	31,985,962,000	100.00%

Shareholders Holding > 5% as of December 31, 2009

Shareholder	Number of Shares	Ownership
PT Adaro Strategic Investments	14,045,425,500	43.91%
Garibaldi Thohir	2,065,100,654	6.46%
GSCO-ADCORP HOLDINGS	1,656,321,073	5.18%
Sub-Total	17,766,847,227	55.55%
Public *	14,219,114,773	44.45%
TOTAL	31,985,962,000	100.00%

* The public's holdings include the remaining ownership of the key shareholders

Share Price & Volumes in 2009



Share Price Per Quarter For Last 2 Years

Description	2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Share Price (Rp)								
Highest	-	-	1,730	1,210	1,000	1,450	1,520	1,780
Lowest	-	-	1,320	470	485	880	1,070	1,370
Closing	-	-	1,400	485	880	1,200	1,430	1,730
Trading Volume								
Highest	-	-	789,786,000	71,792,000	122,331,000	495,397,000	297,075,500	408,977,000
Lowest	-	-	17,619,500	443,000	1,650,000	12,817,500	13,504,000	11,899,000
Closing	-	-	17,789,500	2,691,000	33,468,000	25,128,500	47,690,000	51,654,000

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	Public Offering Fees	Net Proceeds
12,253,264,100,000	406,668,358,711	11,846,595,741,289

Projected Use of IPO Proceeds

Additional Investments in ATA	Share Purchase of ATA	Share Purchase of SIS	Additional Investments in SIS	Working Capital	Total
10,852,298,400,000	356,000,124,700	158,775,676,000	365,940,000,000	113,581,540,589	11,846,595,741,289
91.61%	3.01%	1.34%	3.09%	0.96%	100.00%

IPO Proceeds Realization

Additional Investments in ATA	Share Purchase of ATA	Share Purchase of SIS	Additional Investments in SIS	Working Capital	Total	Remaining Proceeds from Public Offering
10,852,298,400,000	356,000,124,700	158,775,676,000	365,940,000,000	113,581,540,589	11,846,595,741,289	-
91.61%	3.01%	1.34%	3.09%	0.96%	100.00%	-

IPO Proceeds Realization

The IPO proceeds (after deducting total IPO cost) of Rp11,846,595,741,289 were entirely spent as of May 29, 2009. In regards to this, the Management has reported to the shareholders in the Annual General Meeting of Shareholders (AGMS) conducted on June 3, 2009.

Market Overview**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 2008	485	1,355	8,776	903	4,434	8,860
Close - Dec 31 2009	1,730	2,534	10,428	1,115	5,413	10,546
% Change	257%	87%	19%	23%	22%	19%

Description	ADRO	IDX Mining	Bloomberg Mining	Bloomberg Coal	HSBC Mining	HSBC Coal
Open - July 16 2008	1,100	2,215	10,963	903	5,172	12,755
Close - Dec 31 2008	485	1,355	173	234	618	651
Close - Dec 31 2009	1,730	2,203	338	485	1,267	1,329
% Change	257%	63%	95%	107%	105%	104%

Indonesian Stock Exchange (IDX) and ADRO Shares

The Jakarta Composite Index (JCI) significantly improved by 87% to 2,534 in December 2009 compared to the previous year. ADRO share price also increased significantly more than triple or by 257% to Rp1,730.

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. In 2009, Adaro's shares were also included in the MSCI Indonesia index.

Fun Fact

Adaro's US\$800 million bond was the country's largest ever 10-year dollar bond.

Shareholders Information

Dividend Payment and Policy

Dividend Payment

The 2009 AGMS approved the use of 42.5% of Adaro Energy's net profit for the fiscal year 2008 of Rp377,434,351,600 for the final dividend payment. In November 2009, the BOC and BOD approved to distribute interim dividend in the amount of Rp383,831,544,000 based on the unaudited financial statements as of September 2009. The following exhibits the detail of the dividends distributions:

No.	Dividend Type	Fiscal Year	Net Income (Rp)	Date					Recording Date	Dividend Distribution	Dividend per Share (Rp)	Number of Shares	Total Dividend (Rp)	Percentage of Net Income
				Announcement	Regular and Negotiated Markets	Cash Market	Regular and Negotiated Markets	Cash Market						
1.	Final Dividend	Dec-08	887,198,605,378	5-Aug-09	25-Aug-09	26-Aug-09	28-Aug-09	31-Aug-09	28-Aug-09	11-Sep-09	11.80	31,985,962,000	377,434,351,600	42.54%
2.	Interim Dividend	Sep-09	3,514,636,491,535	23-Nov-09	11-Dec-09	16-Dec-09	14-Dec-09	17-Dec-09	16-Dec-09	30-Dec-09	12.00	31,985,962,000	383,831,544,000	

Dividend Policy

Based on the provisions of Adaro Energy's Articles of Association, if the company books a net profit, then 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:

- (i) operating income, cash flow, capital adequacy and the financial condition of Adaro Energy and its subsidiaries as regards reaching optimum growth in the future;
- (ii) the required fulfilment of reserve funds;
- (iii) Adaro Energy and its subsidiaries' obligations based on agreements with third parties (including creditors); and
- (iv) Compliance to the prevailing laws and regulations and GMS approval.

Adaro Energy may also pay interim dividends as occurred in December 2009. 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.

“Adaro is a “must have” in a portfolio of every investor that seeks a stable long term return. One of the many strengths of Adaro lies in the well-balanced majority shareholders with experienced management who possess a single focus: “to Excel in the Coal Mining Business.”

Mr. Jeff Tan, Head of Equity Research, PT Sekuritas Sinarmas (March 2010)

“On November 12, 2009, Adaro Energy was admitted to the exclusive MSCI Indonesia Standard Index.”

Investor Relations

Adaro Energy has an active Investor Relations department. 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.

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 visit and quarterly results conference calls. 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.

Adaro Energy continues to institutionalize the IR task in order to keep the market informed in a timely and balanced manner.



Analysts Monitoring Adaro

No	Firm Name	Analyst	Recomendation	Tgt PX	Date
1.	Credit Suisse	ALI	neutral	Rp 1,700	02/04/2010
2.	UBS	BOKKENHEUSER	buy	Rp 2,700	02/02/2010
3.	Optima Kharya	BUDIMAN	buy	Rp 2,450	01/11/2010
4.	PT Etrading Securities	CHANDRA KASIH	buy	Rp 1,800	11/02/2009
5.	Bahana Securities	CHOPRA	hold	Rp 2,000	03/22/2010
6.	PT Sinarmas Sekuritas	CORNELIS	long-term buy	Rp 2,330	02/03/2010
7.	Ciptadana Sekuritas	DARMAJI	buy	Rp 2,450	01/08/2010
8.	NISP Sekuritas	HANANTO	buy	Rp 2,800	04/01/2010
9.	RBS	HASJIM	hold	Rp 2,050	02/02/2010
9.	JP Morgan	JUANDA	Overweight	Rp 2,400	03/16/2010
10.	CIMB-GK	RAHMUNDITA	outperform	Rp 2,700	04/01/2010
11.	Mandiri Sekuritas	RENATA	neutral	Rp 1,800	04/09/2010
12.	Citi	SJAMSUDIN	buy	Rp 2,850	02/17/2010
13.	CLSA Pacific Markets	SOLIHIN	buy	Rp 2,450	01/13/2010
14.	BofAML	SURYO	neutral	Rp 2,050	03/31/2010
15.	Morgan Stanley	TAN	Attractive	Rp 1,700	04/01/2010
16.	Sucorinvest	TANGELA	sell	Rp 1,510	02/03/2010
17.	Goldman Sachs	TIAH	buy/neutral	Rp 2,250	03/17/2010
18.	Batavia Prosperindo Sekuritas	WINOTO	buy	Rp 2,100	01/08/2010
19.	Macquarie	WORTHINGTON	neutral	Rp 1,860	03/23/2010
20.	PT Kresna Graha Sekurindo Tbk	ZULKARNAEN	buy	Rp 1,950	10/13/2009

Investor Relations Team

From Left to Right:
Wilson Widjaja, Heri Gunawan,
Tri Ajeng Dewiyanti, Rama
Suparta, Cameron Tough.



Results of Adaro Energy's Annual Perception Survey

In January 2010, we conducted an Annual Perception Survey on Adaro to see what people think about us as a company. 118 respondents have participated and answered a number of questions about Adaro. There have been a number of interesting facts that have emerged from the survey. To start with, we found that majority or 35% of respondents who took the survey were investment analysts. Moreover, our company website proves to be the most preferred resource for people to collect information about Adaro, with the company reports as well as internet to be the most preferred sources to gather data about the firm.

The findings in this survey also suggest that the two most important considerations in making a decision to invest in a company are its fundamentals as well as the firm's management and planning. According to the results of the survey, it is interesting to note that top three reasons of why one would invest in Adaro are: the prospect of growth offered by the company, the mining industry/sector which Adaro is positioned in and lastly due to the solid fundamentals of the company.

The importance of good corporate governance was highlighted in this survey as 90% of respondents believe that every effort should be made to meet international standards of good corporate governance.

When confronted with questions of transparency and disclosure, respondents in this survey paint a conflicting picture. In general, respondents are most satisfied with the overall level of transparency of Adaro, the quality of Investor Relations replies and the company's reporting standards.

However, respondents of the survey also noted that Adaro can improve focusing its efforts to improve investor relations on better quality disclosures, followed by better conveyance of corporate strategy and objectives, as well as better address of specific financials.

Several comments from the Annual Perception Survey

What is your image of Adaro?

- Good management and transparent compared to other Indonesian companies. Good perception in credit investors.
- Great management and good corporate governance.
- Concern on environmental issues and good corporate governance practices.
- Coal mining firm with Astra's style of management.

If you could tell Adaro's management one thing, what would that be?

- Secure consistent and growing revenue and profit, manage cost, and promote envirocoal.
- Please distribute more dividends.
- Please focus on corporate governance and protection of minority interests.
- More information perhaps about your expansion plan as to where you think extra coal sales could come from.

Any misperceptions you feel exist about Adaro?

Seen as a family business instead of professionally run organization.

Who do you think are Adaro's main peers?

BUMI, Bukit Asam, Indo Tambang Raya, Banpu, Indika Energy, Yangzhou coal, China Coal, Bayan Resources, Aneka Tambang, BHP Billiton.

In what ways does Adaro differentiate from its competitors? What strengths does Adaro have which they do not?

- Adaro Energy is an integrated energy company, where the company does not only conduct coal mining, but also conducts other efforts that support their main business activity. Through this way, Adaro have been able to be more efficient and effective.
- Transparency of corporate actions and growth strategy.
- Good investor relation approach.
- Focus on environmental issues.

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 2009. 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.

Disclosure team meets to discuss Adaro's ongoing infrastructure projects.



Governing Adaro

Adaro in Summary

From Us to You

Running Adaro

Management Report

Owning Adaro

Governing Adaro

Corporate Social Responsibility

Financial Report

Contact Us

108-119

Status of Corporate Governance Practices	110
Audit Committee Report	117
Internal Audit Unit Report	118



Status of Corporate Governance Practices

Adaro Energy is fully aware and committed to implementing governance standards that conform to best practices including implementation within its subsidiaries. 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 engagements with our stakeholders.

The main scope of Adaro Energy's good corporate governance policies encompass; 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 the 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.

One of the unique characteristics of Adaro Energy, when it comes to the ownership of most Indonesian listed companies, is that we are not owned and controlled by a single family. We are controlled by a group of 4 groups and individuals who do not have outright control. Given that each party is operating individually there is a natural system of checks and balances in place, and decisions are made with great consideration and after much debate. Additionally, this group of key shareholders is made up of the founders and past executives of PT Astra International Tbk, one of Indonesia's most respected and well governed corporations.

In 2008, we became a public listed company, which has bolstered our level of corporate governance, particularly in our way of governing the corporate structure and engaging with our stakeholders. Adaro Energy takes into account existing regulations, best practices and corporate culture in exercising good corporate governance to ensure a smooth implementation. In 2009, we have made notable progress in expanding our good 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 regulation. Both of these units had formalized their charters to define their roles and serve as a guidance for best governance practices.

The key shareholders of Adaro Energy had 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.

The following narratives further exhibit the policies and implementation of the Company's good corporate governance in comparison with the Indonesian Principles of Good Corporate Governance.

No.	Principles and Recommendations	Adaro's Practices
1	<p>Good Corporate Governance Principles</p> <p>GCG principles need to be implemented at each business facet and within the entire company, and include 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 been continuously improved through the formalization of the disclosure policy, committee and team members (including persons in charge at the subsidiaries level). Audit Committee and Internal Audit Unit were both established in January 2009 to assist in the oversight activities while complying with capital market regulations. Both the Audit Committee and Internal Audit Unit have completed their charters.</p>

No.	Principles and Recommendations	Adaro's Practices
2	<p>Business Ethics and Code of Conduct</p> <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 a gratification policy and has been disseminated and distributed to all employees.</p>
3	<p>Organs of the Organization</p> <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 developed to ensure the accountability of all directors' actions.</p> <p>During most part of the year, the BOC consists of 6 members who are mostly representatives of the ultimate shareholders including 2 independent commissioners. One of the independent commissioners is the Head of Audit Committee.</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, risk management approach has been implemented at both the senior management and executives levels. Going forward, formal sets of committees and policies will be established.</p> <p>Management has declared its vision and mission statements and these statements have been disseminated throughout Adaro Group.</p>
4	<p>The Rights and Role of the Shareholders</p> <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 have complied with both Indonesian Company Law No. 40 Year 2007 and with Bapepam-LK regulations.</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 detailed information of the GMS in 2 nationally circulated media</p> <p>Adaro regularly reports changes in the shareholdings of the BOC and BOD.</p> <p>Adaro's Articles of Association (AoA) stipulates that all material transactions where there may be a conflict of interest must have GMS approval whereas ultimate shareholders with conflict 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>
5	<p>The Rights and Role of Stakeholders</p> <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 shareholders 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 the IDX website and press releases. Resolutions of the Company's GMS are published in 2 nationally circulated medias, the IDX website as well as the Company's website.</p> <p>Adaro will continually improve its human resources practices, as well as develop and implement a code of conduct, improve labor agreements, and systems to detect breaches of the code of conduct.</p> <p>Control over suppliers is managed through Quality-Cost-Delivery criteria where only companies that meet this criterion become suppliers. Evaluation of the effectiveness of this policy is on-going.</p> <p>Adaro had established a social foundation (Adaro Bangun Negeri) to better govern and manage community development and corporate social responsibility programs.</p>

Status of Corporate Governance Practices

No.	Principles and Recommendations	Adaro's Practices
6	<p>Statement of GCG Implementation</p> <p>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, a company shall disclose the non-conformance 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.</p>	<p>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.</p> <p>Adaro plans to establish Remuneration and Nomination as well as Risk Management committees in the near future.</p> <p>Going forward, Management will seek to employ independent third parties, to audit and provide attestations on the corporate governance statements.</p>
7	<p>Institutionalization of GCG Practices</p> <p>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.</p>	<p>Adaro has made progress in improving its governance practices exhibited in the establishment and implementation of governance aspects throughout the year as stated in the above mentioned points.</p>

General Meeting of Shareholders (GMS)

Adaro Energy conducted its Annual General Meeting of Shareholders (AGMS) on June 3, 2009, with a quorum of attending shareholders represented by valid voting shares reaching 23,830,586,853 shares or 74.5% of total issued shares in attendance, which 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 fiscal year ending December 31, 2008 and ratified the Company's Balance Sheet and Profit & Loss for fiscal year ending December 31, 2008 which was audited by Public Accountant, Haryanto, Sahari and Rekan (a member firm of PricewaterhouseCoopers global network), as stipulated in the Independent Auditor Report dated March 16, 2009, No. A01051/DC2/DWD/II/2009 with unqualified opinion with explanation paragraph.

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 31, 2008, *acquiesce et de charge* was granted to the Board of Directors and the Board of Commissioners over the management and supervision of the Company during 2008 as long as such management and supervision was reflected in the Company's Balance Sheet and Profit and Loss calculation.

Agenda 2

It was agreed that the of Company's Net Profit for the fiscal year 2008 of Rp887,198,605,378 would be used for the following appropriations:

- a. Rp44,359,930,269 to be set aside for general reserve fund stipulated in article 70 of Company Law No. 40 Year 2007.
- b. Dividend payment of Rp377,434,351,600 which constitutes 42.5% of the Company's Net Profit. In disbursing the dividend payment, the Company's Board of Directors 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 issues including setting the dividend payment schedule. The dividend payment schedule to be published in two nationally circulated media taking into account prevailing laws and regulations.
- c. Rp465,404,323,509 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 ongoing fiscal year and the fiscal year ending December 31st, 2009 and also empowered the Board of Commissioners to determine the honorarium of such Public Accountant Firm as well as other requirements.

Agenda 4

The AGMS approved the entire determination of the honorarium/salaries and other allowances for the Company's Board of Commissioners and the Board of Directors to a maximum of forty billion Rupiah 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 Company reported the use of IPO's proceeds from July 14th, 2008 to May 29th, 2009 that amounted to Rp11.85 trillion. The Company also reported the establishment of the Audit Committee with the following membership:

- Chairman: Ir. Palgunadi Tatit Setyawan
- Member: Dr. Ir. Irwandy Arif, MSc
- Member: Mamat Ma'mun, SE

The above AGMS resolutions were published on June 5th, 2009 in *Bisnis Indonesia* daily and *Republika* daily.

Board of Directors Training Programs to Enhance Competency

To improve the general competency of the BOD, Adaro introduced an internal program for administering personal enhancement skills at the executive level. The overall program is designed to enhance leadership interaction and communications in all aspects. The entire BOD and some BOC participated in this training program, which was administered by a certified trainer. Going forward, the BOD plans to participate in various other training programs and workshops.

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 into charters for each respective board. Both have the responsibility to operate the Company to be sustainable in the long term. Accordingly, the BOC and the BOD must have the same perception regarding the Company's vision, mission and values.

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 2009, the BOC of Adaro Energy held four meetings, to review quarterly performance as presented by the BOD.

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 funds in the Company's general reserves;
- Perform directors' duties when BOD members relinquish from their posts.

Fun Fact

For coastal power stations in China, India, Japan and South Korea, it is often cheaper to import coal by sea from Indonesia than from nearby interior mines.

Status of Corporate Governance Practices

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 follows:

Chairman Ir. Palgunadi Tatit Setyawan*
 Members • 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 will 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 of 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 coal companies like PT Berau Coal, PT Freeport Indonesia, and PT Tambang Batubara Bukit Asam. He was also a former Head of the Audit Committee for state mining company PT Aneka Tambang Tbk. He has published scientific journals and student 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 respectable 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. He is currently a trustee to the Triputra Group Pension Fund.

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 authority.

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 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.

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 a GMS decision.

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 appointed the Certified Public Accounting firm of Tanudiredja, Wibisana and Rekan (a member firm of PricewaterhouseCoopers global network) to audit Adaro Energy's consolidated financial statements for fiscal year 2009. The external auditor performs its duties in accordance with professional standards and ethics.

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 and Bourse Authority.

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 Expos.

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.

Corporate Secretary Department

From left to right:
Perry B. Slangor, Retno Rini
and Devindra Ratzarwin discuss
capital market regulations.



Status of Corporate Governance Practices

The Boards of Commissioners and Directors of Adaro Energy and its subsidiaries, which include members from Adaro Energy's Boards, received remuneration amounting to Rp39.64 billion for the year ended December 31, 2009.

Remuneration of the Boards 2008 and 2009

(in millions of Rupiah)

	2008	2009
Board of Directors	22,788	32,549
Board of Commissioners	5,253	7,093
Total Remuneration	28,041	39,642

Share Ownership of the Boards 2009

BOC

	Number of Shares	Percentage of Ownership
Edwin Soeryadjaya	1,377,777,646	4.31%
Theodore Permadi Rachmat	724,420,430	2.27%
Ir. Subianto	416,932,620	1.30%
Total	2,519,130,696	7.88%

BOD

	Number of Shares	Percentage of Ownership
Garibaldi Thohir	2,065,100,654	6.46%
Sandiaga S. Uno	660,838,202	2.07%
Chia Ah Hoo	6,315,500	0.02%
David Tendian	2,250,000	0.01%
Andre J. Mamuaya	8,545,000	0.03%
Alastair Grant	6,764,500	0.02%
Total	2,749,813,856	8.60%

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 financial and business operations.

The duties and responsibilities of the Audit Committee are among 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 all encompassing duties and responsibilities include review of the financials, selection, appointment and supervision with the Independent Auditor, pre-approval of non-audit services, effective internal controls, compliance with the laws and regulations, risk management practices and reporting, audit the Board of Directors meetings' resolutions, review third party complaints, special assignments and conduct self assessments of the Audit Committee duties.

A number of basic essential programs completed during 2009 were implemented by upholding the Audit Committee's underlying principles of enhancing added value to Adaro Energy and mitigating Adaro Energy's risks. During the year, the Audit Committee completed its charter to serve as a guiding tool to support the oversight function of Adaro Energy. Together with Adaro Energy's management, the Audit Committee assisted in developing and finalizing a robust internal audit system. In line with its charter, the Audit Committee discharged its obligation in the selection process of Adaro Energy's External Auditor to audit Adaro Energy's 2009 financials. Furthermore, the Audit Committee continuously assessed Adaro Energy's quarterly financials as well year end audit, reviewed the Company's legal compliance practices, and started to disseminate understanding about risk management practices to the Company and its subsidiaries. In addition, the Audit Committee reviews Adaro Energy's CSR and sustainability programs to ensure that the activities meet the needs of the environment and communities. In 2009, the Audit Committee held 24 meetings with the following details:

Name	Attendance (Out of 24 Meetings)
Ir. Palgunadi Tatit Setyawan *	23
Dr. Ir. Irwandy Arif, MSc **	23
Mamat Ma'mun, SE **	24

* Indicates Chairman of Audit Committee

** Indicates Member of Audit Committee

Audit Committee

Left to Right:

Mamat Ma'mun, SE

Ir. Palgunadi Tatit Setyawan

Dr. Ir. Irwandy Arif, MSc



Status of Corporate Governance Practices

“From my point of view, Adaro Energy is not just one of the leading energy companies in Indonesia but also one of the most transparent in disclosing its activities to the public. Definitely the management has put the utmost importance on corporate governance and this has been a great value to the wide audience of existing and potential investors. Hopefully all the positive things that already have been done can be maintained and, if possible, continue to be enhanced in the times ahead.”

Mr. Yusuf Winoto, Senior Analyst, PT Batavia Prosperindo Sekuritas (March 2010)

Internal Audit Unit Report

The Internal Audit Unit is a unit of the company that performs internal audit functions of auditing, assessing and investigating operational activities as well as compliance with the prevailing policies, regulations, and other regulatory requirements. Besides reporting audit findings, the Internal Audit Unit also submits suggestions, outlooks, and reviews that can be used by the Board of Directors as valuable inputs in decision making and for developing policies and regulations.

The Internal Audit Unit was established in January 2009 following the Decree issued by the Chairman of Capital Market and Financial Institution Supervisory Board No. Kep-496/BL/2008 dated November 28, 2008. The unit works towards its mission of reviewing and evaluating 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.

The Internal Audit Unit's activities in 2009 included development of the Internal Audit Charter, establishment of an annual work plan, and performance of audits on subsidiaries. The annual work plan was set up by applying risk-based audit methods and selection of higher risk segments as the focus. This work plan has obtained the approval of the President Director and Audit Committee.

Interview With Andre J. Mamuaya, Director of Corporate Affairs and Corporate Secretary



What is your greatest achievement in improving Good Corporate Governance?

While we have become a public company only recently, we have made quite satisfying achievements in GCG. Among these achievements are the establishment of Audit Committee and Internal Audit Unit at the beginning of 2009. During 2009, the Committee contributed to the monitoring of the systems and procedures within the Group.

The Corporate Secretary Department made information disclosures on the company's operational activities, both regular and ad hoc. We also established a formal disclosure policy.



What are you going to do to improve the company GCG going forward?

We always strive to review our GCG implementation by referring to the best practices and the standards in line with our vision and mission. Going forward, we will also develop our GCG structure in order to strengthen the monitoring function.



What has been your greatest challenge?

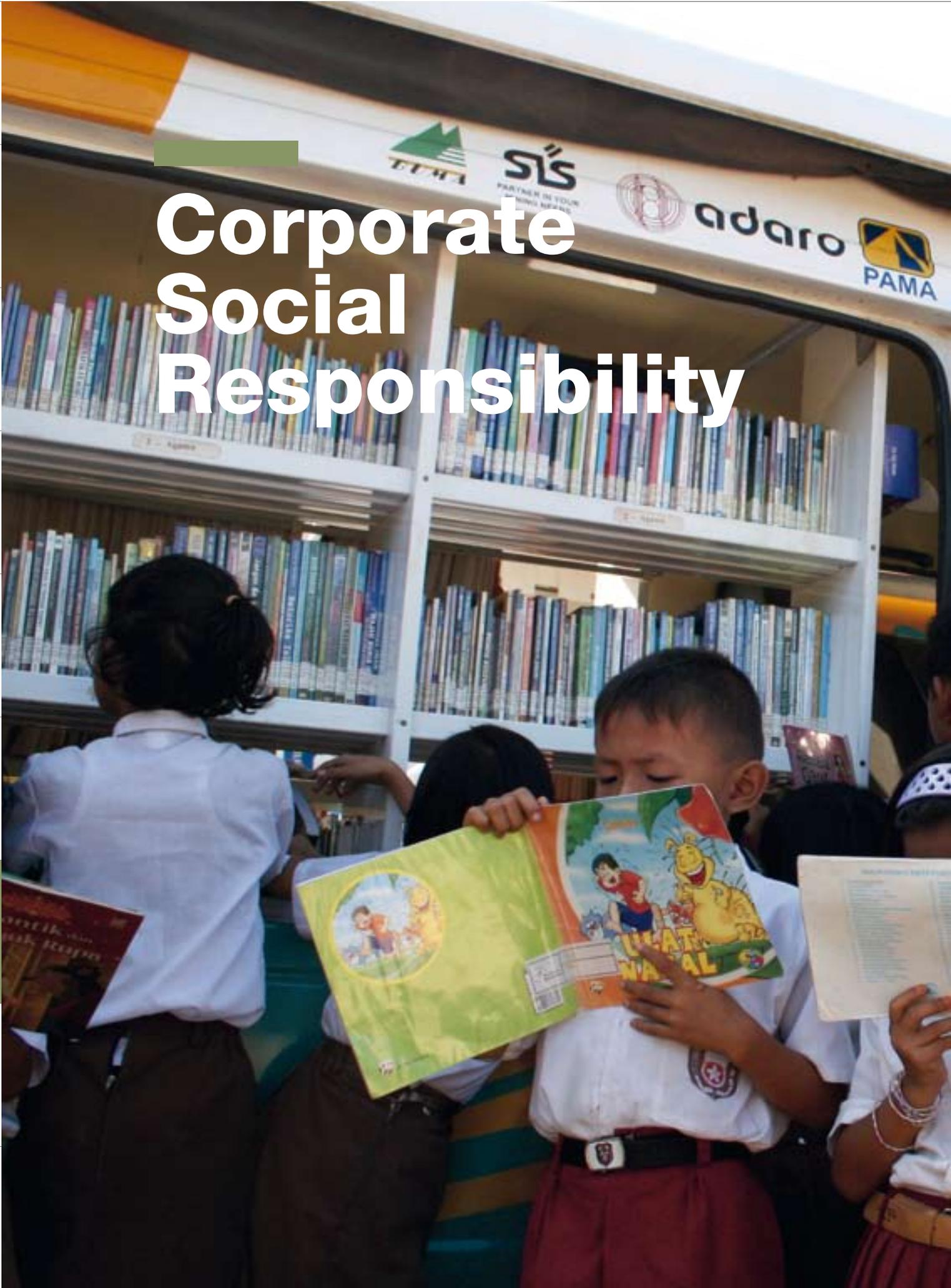
My greatest challenge was taking the company public, when I and my fellow directors, together with the IPO core team, managed to convince the capital market regulator that Adaro would become a public company contributing to the development of the Indonesian capital market. Adaro's IPO value was the largest in the history of Indonesian capital market. As at April 2010, our market capitalization was around Rp70 trillion.



Corporate Social Responsibility



adaro



120-127

Economic Development	122
Educational Enhancement	123
Health Improvement	126



Corporate Social Responsibility

With its motto, "Creating love, developing and maintaining partnerships, growing with the community, blossoming with the people" PT Adaro Energy has established its commitment of becoming a responsible partner and a good neighbour toward the community surrounding its operations area.

Using this as a basis, Adaro Energy through its mining subsidiary Adaro Indonesia has conducted its Corporate Social Responsibility (CSR) programs over many years by taking into account the potential of the region in its moves to support community empowerment in the surrounding area. The CSR programs encompass four areas for community development:

1. Economic development
2. Educational enhancement
3. Health improvement
4. Social and cultural promotion

In 2009, the entire group of companies that form Adaro Energy spent a total of Rp51 billion of CSR activities, an increase of 39% over the Rp37 billion spent in 2008.

Economic Development

Adaro has many programs aimed at providing economic development to surrounding communities in South and Central Kalimantan. These include :

a. The Development of High Yield Rubber Plantations

Adaro's operational area has shown to have high potential for rubber plantation development. Higher yield rubber trees are planted to utilize idle land or to replace plantation areas which are no longer productive.

Through a Business Development Institute set up by Adaro and its partners, the farmers are trained and educated on rubber cultivation and the techniques to improve crop quality and the management of a rubber smoking station.

The training program commenced in 2007 in Balangan Regency, Tabalong Regency, and East Barito Regency with an initial area of 1,251 hectares with 693 farmers undergoing training. The program has been running continuously since then and as of 2009, the Institute's training program had reached 4,849 farmers with a total of 4,350 hectares under cultivation.

b. Micro Financing Institute

The Micro Finance Institute (Banua Bauntung) was established with the objective of providing capital access for micro up to medium sizes enterprises (MSME's) in various sectors such as trading, services, agriculture, plantation development, animal husbandry, and home industries. The Institute is expected to serve as an intermediary micro financial institution for MSME's, improve cooperation with its customers, government, and the community, and strengthen human resources quality and its capital structure.

Lending activities started in 2005, soon after its establishment and the Institute now has offices in four regencies: Tabalong, East Barito, South Barito, and Balangan.

Loan Development from 2005 to 2009 (in Millions of Rupiah)

Year	The amount of Financing	Number of Clients
Year 2005	1,403	1,951
Year 2006	5,221	5,398
Year 2007	6,415	5,833
Year 2008	8,522	5,406
Year 2009	7,965	4,217

As of the end of 2009, the total fund allocated was Rp29.5 billion for 22,805 customers – these figures include outstanding and repaid loans.

c. Integrated Agricultural Program

Adaro has developed an integrated agricultural program for enhancing livestock and poultry rearing that works in conjunction with crop development for animal feed and the production of biomass and bio liquids

from livestock and poultry waste that is used as fertilizer on reclaimed mining areas and nursery areas to grow plants and cover crops for land reclamation and for animal fodder.

The objectives of this Integrated Agricultural Program are to:

1. Set a model of integrated agricultural management for the surrounding community;
2. Create employment and business opportunities;
3. Establish cooperation with various counterparts as the first step to creating partnerships with the community; and
4. Serve as the learning facility for the community surrounding the operational area.

The program has shown satisfying results with the following progress achieved as of 2009:

Number of Balinese cows	grown from 100 cows to 190 cows
Superior cows	grown from 288 cows to 325 cows
Broiler chickens	18,000 chickens per hatching cycle
Fertilizer production	70 bags / day
Bio Gas	1 unit
Revegetated area	38.8 ha
Workers	34 people

This self-sustaining agricultural program is a prime example of Adaro’s commitment to establish a community that is independent in the aspects of business, education, and management.

In 2009, Adaro won the following recognition from the Ministry of Social Affairs for its economic development programs:

1. KSN Awards 2009, Platinum Award, category: Economy/Partnership – Micro Financing Institution, Program: Banua Bauntung Microfinance - Paringin Branch
2. CSR Awards 2008, Gold Award, category: Social and Environment – Integrated Agricultural Program

Educational Enhancement

a. Institute for Educational Potential Development of Adaro Partners (LP3AP)

Prior to 2005, Adaro recognized that assistance to the local education system needed to become a priority for its CSR program if its goal of supporting sustainable development to local communities was to be successful. To achieve these development targets the Company established the Institute for Educational Potential Development of Adaro Partners, to develop educational programs that would assist the local educational authorities in enhancing proper formal education within the Community, develop local resources, improve the management of educational institutions and encourage better educational facilities that give stronger support to the learning process.

The Institute was established on 13 October 2005, initially covering 3 regencies and 2 provinces: Tabalong Regency and Balangan (South Kalimantan) and East Barito Regency (Central Kalimantan). Since then

A villager receives a loan through Micro Finance Institute.



Superior cows have grown in number from 288 to 325 through Adaro’s integrated agricultural program.



Corporate Social Responsibility

a number of projects have been implemented that have already provided positive results to educational enhancement in these communities.

Programs under the Institute:

Teacher Training

Adaro conducts teacher training through a number of training sessions and workshops to enhance teachers' quality to provide better formal education. The programs are dedicated to not only the teachers, but also the principals and supervisors.

As at the end of 2009, the number of teachers, principals and supervisors participating in the training program comprised of the following:

Training Participants (accumulative)	2006	2007	2008	2009
Teachers, principals, supervisors	527	1,142	3,871	4,359

To date the teacher training program has been conducted in three regencies: Tabalong, Balangan, and East Barito with 181 participating schools, consisting of 142 in Tabalong Regency, 22 in Balangan Regency and 13 in East Barito Regency.

Model School Program

The Institute also has another excellent program, the Model Schools program comprising three elementary schools, three middle schools and two high schools within Tabalong Regency (South Kalimantan) and East Barito Regency (Central Kalimantan) which are expected to be a reference for educational quality enhancement within the area of Adaro's operational site. The teachers of these schools have passed the Institute's teacher training and workshop programs aimed at enhancing the knowledge and learning process.

This Program commenced in 2009 and is designed to set the standard for the quality of education by involving school teachers, principals, students, and culture. The model schools are equipped with School Information Management System that serves as the benchmark to enhance the quality of model schools in the aspects of educational quality, teaching/learning process, and school management and a target of 2012 has been set for the schools to become a reference for educational quality enhancement in Tabalong and East Barito regencies and models for other schools in the region.

Adaro is committed to education through the model school programs.



Mobile Libraries

Adaro aspires to encourage the spirit of learning and interest in reading among students and the community, and has developed a fleet of mobile libraries. On National Education Day, May 2, 2006, Adaro launched three vans that had been transformed into mobile libraries, which travel around Balangan, Tabalong and East Barito regencies. Adaro keeps adding to the book collection for these mobile libraries to keep up with the demand of the communities, and there are now more than 15,698 copies and 4,229 titles.

The book collection consists of textbooks, science books, children’s books, and books for specific skills such as rubber plantation, agriculture, and fishery. With these mobile libraries, Adaro hopes to keep stimulating the interest in reading in the communities and to motivate them to have a thirst of knowledge and desire to expand their perspectives.

b. Scholarships

Besides the educational programs conducted by the Education Institute, Adaro also provides scholarship for students from elementary school to university to support the government’s program to enhance human resources quality and motivate students to make better achievements.

Adaro started the scholarship program for students of elementary/middle school/high school and university in 2000 and is now available for students in Tabalong, Balangan, East Barito, South Barito and Barito Kuala regencies. in South Kalimantan and Central Kalimantan provinces.

In 2009 Adaro disbursed scholarships totaling Rp1.15 billion to 8,707 elementary, middle school, high school, and university students in these Regencies.

c. Tutorial Assistance

PT Adaro Indonesia collaborates with the Regency Municipalities of Balangan, the local Education Office and educational institutions to assist students prepare for the National Final Examination through tutorial programs.

The number of students participating in tutorial:

School year	2007/2008	2008/2009	2009/2010
Number of students	1,877	2,002	2,230

The success of this program can be seen in the results. In the final national examination of school year 2007/2008, Balangan Regency won the third rank in high school category and the second rank in middle school category in South Kalimantan province. Student achievements improved even more in the school year of 2008/2009 where Balangan Regency won the first rank in middle school category in and the second rank in high school category in South Kalimantan province.

Adaro’s commitment to education has won prestigious recognition, including:

1. In 2009, Adaro won KSN Awards, Gold rank, in the Social / Environmental category and
2. CSR Awards 2008, First rank in social aspect, for its program: Education Quality Enhancement through its Education Institute.

Adaro’s GM of Operations, Priyadi, distributes scholarship to elementary students.



Schoolgirls from the local community going to class.



Corporate Social Responsibility

Health Improvement

Free Cataract Surgery

Disturbed by the large number of people with cataracts, PT Adaro Indonesia has collaborated with the Yayasan Kemanusiaan Indonesia to provide free cataract surgeries for local communities since May 2003.

The program has covered 6 regencies within Adaro's operational area: Tabalong, Balangan, Hulu Sungai Utara, East Barito, South Barito, and Barito Kuala.

This program is expected to help the patients regain their normal sight so they can be productive in society. The surgeries are conducted in mobile eye clinics by eye surgeons adhering to international standards.

Up to the end of 2009, Adaro and its partners have provided surgery for 3,608 people with cataracts.

The Maternal, Newborn & Child Health Program

One of the references used in formulating Adaro's CSR program is the Eight Millenium Development Goals (MDGs) to reduce child mortality rate and improve maternal health. This program is highly relevant due to the problems faced by South Kalimantan province in the area of maternal and child health.

In this program PT Adaro Indonesia collaborates with the Indonesian White Ribbon Alliance (APPI) in developing the Maternal, Newborn & Child Health program. APPI is a care movement dedicated to maternal safety that puts individuals, organizations, and communities together in collaboration to accommodate safe pregnancy and childbirth for each woman.

The Maternal, Newborn & Child Health program is aimed at enhancing the awareness of efforts to save and protect mothers, newborns, and children, facilitating the improvement of health service, and supporting the government in the aspects of health and humanity.

In villages where the program is conducted, besides providing education on maternal, infant, and reproductive health and healthy lifestyles, program activities are also directed toward economic enhancement for women as well as the enhancement of their roles in village development.

For example, mothers are encouraged to improve their welfare by cultivating vegetables which not only help to fulfill their needs for daily nutrition but also contribute to family income. Going forward, it is expected that the mothers' gardens will be used to add nutritious food at pre and post natal village clinics.

The Maternal, Newborn & Child Health program also provides nursing scholarships to local teenagers to encourage them to return and help the health service in their villages. This program is supported by the Health Office of both Tabalong and Balangan regencies.

PT Adaro Indonesia has also built the infrastructure for health services to improve maternal, newborn & child health called Community Health Center in Dahai – South Kalimantan. Warukin village is also used as a Maternal, Newborn & Child Health model village.

In addition, Adaro also provides maternity funds for families living under the poverty line.

Through the mobile cataract project, Adaro has provided free cataract surgery to more than 3,600 people in the community.

The launching of maternal, newborn and child health programs to reduce child mortality and improve maternal health.



Clean Water Program

Under a concept called 3R (Reduce, Reuse, and Recycle), Adaro processes water resources from the mine through a water treatment plant to provide a source of clean drinking water which benefits local communities.

The water treatment plant, known as WTP T-300, has production capacity of 20 liters/second or 72m³/hour, with two holding tanks of 450 m³ and 72 m³ capacity that are used to store the clean water generated by the process.

This clean drinking water is currently distributed by tank truck for use by Adaro's employees and partners, as well as communities in Dahai and Padang Panjang and, in the near future, this clean water will be distributed through a pipeline that is currently under construction to these two villages.

Adaro's WTP T-300 Clean Water Program was recognized by the Ministry of Social Affairs in the CSR Award 2008 as the Second Best under the Environment category for a program to generate clean water by processing waste mine water.

Other Social Activities

In addition to dedicating its CSR programs to empowering the community surrounding its mining site, Adaro also contributes to a number of social activities at the national scale, such as:

1. Collaborating with Bandung Institute of Technology (ITB) in a program called "Beasiswa Untuk Semua" (Scholarships for Everyone) for academic year 2009/2013. Adaro has donated a sum of Rp500,000,000 to support five selected ITB students consisting of three students of Mechanical & Aerospace Engineering, one student of Mathematics and Science, and one student of the School of Life Sciences and Technology, to support their education for four years.
2. Adaro donated Rp300,000,000 to Yayasan Jati Diri Bangsa to support its character education project which carries the mission to improve the character of the society. This project is targeted at teachers, school principals, school superintendents, and students.
3. Adaro also donated Rp50,000,000 to support the education foundation Karya Salemba Empat, which was founded in 1998 to provide financial support to Indonesian educational institutions in the form of scholarships for students and other learning and educational support. The foundation awards scholarships to students who require additional funds to support their studies.

With its commitment of "Developing Together with the Community", Adaro will continue to make contributions to support social activities.

WTP T-300 processes water resources from the mine through a water treatment plant to provide clean drinking water to local communities.





Financial Report

128-199

Directors Statement Regarding the Responsibility for the Consolidated Financial Statements	130
Independent Auditor's Report	131
Notes to the Consolidated Financial Statements	139



**DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008**

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

JAKARTA
22 March 2010

A100322005/DC2/DWD/III/2010.B

Plaza 89
Jl. H.R. Rasuna Said Kav. X-7 No.6
Jakarta 12940 - INDONESIA
P.O. Box 2473 JKP 10001
Tel : +62 21 5212901
Fax : +62 21 52905555/52905050
www.pwc.com

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF**

PT ADARO ENERGY Tbk AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of PT Adaro Energy Tbk (the "Company") and subsidiaries (collectively referred to as the "Group") as at 31 December 2009 and 2008 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 2009 and 2008, 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 34b 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 ("PBBKB") amounting to Rp 295,856 million (US\$31.5 million) and Rp 207,473 million (US\$22.2 million), respectively. Further, PT Adaro Indonesia has offset VAT input totalling Rp 3,063,680 million (US\$315.5 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
22 March 2010**

Dwi Wahyu Daryoto, Ak, CPA
License of Public Accountant No. 04.1.0940

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated balance sheets and the related consolidated statements of income, changes in equity and cash flows and their utilisation are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.

The standards, procedures and practices utilised in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2009 AND 2008

Schedule 1/1

(Expressed in million Rupiah, except for par value and share data)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash and cash equivalents	2a, 4	11,274,623	2,415,853
Available-for-sale investments	2f, 6	-	1,096,081
Trade receivables, net of allowance for doubtful accounts of Rp nil (2008: Rp nil)			
- Third parties	2d, 7	2,882,459	2,331,886
Advances and prepayments	8	375,346	567,508
Inventories, net of provision for obsolete stock of Rp nil (2008: Rp nil)	2e, 9	250,450	304,670
Deferred financing costs, net - current portion	2n, 11	51,195	36,243
Prepaid taxes	2q, 34a	304,782	286,826
Recoverable taxes	2q, 34b	653,329	709,722
Other receivables - third parties		21,160	18,043
Other current assets		<u>23,515</u>	<u>89,967</u>
Total current assets		<u>15,836,859</u>	<u>7,856,799</u>
NON-CURRENT ASSETS			
Restricted cash and cash equivalents	2a, 5	9,484	11,036
Deferred exploration and development expenditure, net of accumulated amortisation of Rp 263,978 (2008: Rp 304,223)	2j, 10	81,010	97,651
Deferred financing costs, net - non-current portion	2n, 11	140,710	144,292
Fixed assets, net of accumulated depreciation of Rp 2,633,331 (2008: Rp 1,964,951)	2h, 2i, 12	7,415,677	5,924,184
Investments in associates	2f, 13	4,776	5,593
Mining properties, net of accumulated amortisation of Rp 721,198 (2008: Rp 255,349)	2b, 14	9,791,657	10,470,181
Goodwill, net of accumulated amortisation of Rp 922,548 (2008: Rp 425,632)	2b, 15	9,091,776	9,128,419
Deferred tax assets	2q, 34e	37,587	43,824
Other receivables - related parties	2d, 35a	-	2,243
Deferred expenses, net	2o	4,265	5,370
Other non-current assets		<u>51,607</u>	<u>30,578</u>
Total non-current assets		<u>26,628,549</u>	<u>25,863,371</u>
TOTAL ASSETS		<u>42,465,408</u>	<u>33,720,170</u>

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2009 AND 2008

Schedule 1/2

(Expressed in million Rupiah, except for par value and share data)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES			
Trade payables			
- Third parties	16	2,025,321	2,352,129
- Related parties	16, 35b	142,783	249,386
Accrued expenses	2r, 17	302,161	265,093
Short-term bank loan	18	188,000	876,000
Taxes payable	2q, 34c	2,252,058	1,151,214
Royalties payable	19	738,044	576,500
Current maturity of long-term borrowings:			
- Finance lease payables	2k, 20	335,803	334,810
- Bank loans	21	1,856,039	818,538
Derivative liabilities	2s, 23	127,163	51,112
Advances from customers		-	39,794
Other current liabilities		<u>28,654</u>	<u>7,051</u>
Total current liabilities		<u>7,996,026</u>	<u>6,721,627</u>
NON-CURRENT LIABILITIES			
Long-term borrowings, net of current maturities:			
- Finance lease payables	2k, 20	475,755	683,651
- Bank loans	21	5,620,345	8,325,942
Senior Notes	22	7,379,848	-
Derivative liabilities	2s, 23	40,505	157,633
Accrued stripping costs	2m, 24	365,980	596,391
Deferred tax liabilities	2q, 34f	2,933,399	3,144,306
Amounts due to related parties	35c	4,700	6,339
Provision for employee benefits	2p	90,419	56,657
Provision for mine reclamation	2l	27,784	-
Provision for mine closure	2l	<u>18,713</u>	<u>-</u>
Total non-current liabilities		<u>16,957,448</u>	<u>12,970,919</u>
MINORITY INTEREST	2b, 25a	<u>67,043</u>	<u>18,379</u>
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	26	3,198,596	3,198,596
Additional paid-in-capital	2v, 27	10,732,663	10,732,663
Exchange difference due to financial statement translation	2b	(214,163)	39,926
Difference in value from restructuring transactions of entities under common control	2w, 28	(191,843)	(191,843)
Difference from equity changes in subsidiaries and associates		4,188	4,188
Fair value reserve		(112,677)	(196,426)
Retained earnings			
- Appropriated	30	44,360	-
- Unappropriated		<u>3,983,767</u>	<u>422,141</u>
Total equity		<u>17,444,891</u>	<u>14,009,245</u>
TOTAL LIABILITIES AND EQUITY		<u><u>42,465,408</u></u>	<u><u>33,720,170</u></u>

The accompanying notes form an integral part of these consolidated financial statements

PT ADARO ENERGY Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Expressed in million Rupiah, except for basic earnings per share)

Schedule 2

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Revenue	2r, 31	26,938,020	18,092,502
Cost of revenue	2r, 32	<u>(15,900,123)</u>	<u>(13,149,270)</u>
Gross profit		11,037,897	4,943,232
Operating expenses			
Selling and marketing	2r, 33a	(637,457)	(528,316)
General and administrative	2r, 33b	<u>(471,993)</u>	<u>(203,058)</u>
Total operating expenses		<u>(1,109,450)</u>	<u>(731,374)</u>
Operating income		<u>9,928,447</u>	<u>4,211,858</u>
Other income/(expenses)			
Interest expenses and finance charges		(915,813)	(616,310)
Interest income		68,185	47,933
Loss on disposal of fixed assets	2h, 12	(6,650)	(3,059)
Foreign exchange gain/(loss), net	2c	100,215	(455,357)
Share in net loss of associates	2f, 13	(19)	-
Gain on sales of subsidiaries		-	95,203
Gain on sale of available-for-sale investments	2f, 6	37,409	48,798
Amortisation of goodwill	2b, 15	(507,117)	(360,233)
Other expenses, net		<u>(126,276)</u>	<u>(44,129)</u>
		<u>(1,350,066)</u>	<u>(1,287,154)</u>
Profit before income tax		8,578,381	2,924,704
Income tax expense	2q, 34d	<u>(4,119,101)</u>	<u>(1,601,976)</u>
Profit from ordinary activity		4,459,280	1,322,728
Extraordinary item, net of tax	40	<u>-</u>	<u>(372,741)</u>
Profit before pre-acquisition income		4,459,280	949,987
Pre-acquisition income		<u>(43,469)</u>	<u>(126,390)</u>
Profit before minority interest		4,415,811	823,597
Minority interest in net (income)/loss of subsidiaries	2b, 25b	<u>(48,559)</u>	<u>63,601</u>
Net income		<u>4,367,252</u>	<u>887,198</u>
Basic earnings per share	2t, 36	<u>136.5</u>	<u>34.8</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 2009 AND 2008
(Expressed in million Rupiah, unless otherwise stated)

Schedule 3/1

	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 2008	2,062,478	-	18,696	325,119	-	2,946	(258,685)	2,150,554
Issuance of share capital	1,136,118	10,732,663	-	-	-	-	-	11,868,781
Net income for the year	-	-	-	-	-	-	887,198	887,198
The Company's share of net income of entities under common control acquired prior to restructuring transaction (PT Makmur Sejahtera Wisesa, PT Saptaindra Sejati and PT Alam Tri Abadi)	-	-	-	24,049	-	-	(24,049)	-
Changes in equity of subsidiaries related to exchange difference due to financial statement translation	-	-	21,230	(4,747)	-	-	-	16,483
Difference from equity changes in subsidiaries and associates	-	-	-	12,454,326	6,019	-	-	12,460,345
Changes in equity of subsidiaries related to unrealised gain from available-for-sale investments and unrealised loss from cash flow hedges	-	-	-	5,809	-	(199,372)	-	(193,563)

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 2009 AND 2008
(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	-	-	-	-	-	-	-	4,367,252	4,367,252
Appropriation of retained earnings	-	-	-	-	-	-	44,360	(44,360)	-
Payment of cash dividend	-	-	-	-	-	-	(761,266)	(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 unrealised 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 CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Expressed in million Rupiah, unless otherwise stated)

Schedule 4

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers	25,865,653	17,468,809
Payments to suppliers	(13,353,699)	(12,055,441)
Payments to employees	(627,951)	(458,178)
Receipts of interest income	67,295	46,309
Payments of royalties	(1,395,926)	(1,075,532)
Payments of income taxes	(2,867,312)	(1,625,751)
Payments of interest and finance charges	(729,260)	(606,757)
Other receipts	<u>138,475</u>	<u>38,917</u>
Net cash flows provided from operating activities before extraordinary item	7,097,275	1,732,376
Payments for demurrage	<u>-</u>	<u>(647,326)</u>
Net cash flows provided from operating activities	<u>7,097,275</u>	<u>1,085,050</u>
Cash flows from investing activities		
Purchase of fixed assets	(1,106,262)	(1,463,972)
Proceeds from disposal of fixed assets	6,286	6,250
Proceeds from sale of available-for-sale investments	1,088,814	701,492
Payments of deferred expenses	(8,079)	-
Receipts from repayment of loans to related parties	-	46,061
Purchase of additional interest in subsidiaries	(170,832)	-
Net cash inflow from disposal of subsidiaries	-	20,000
Net cash outflow from acquisition of subsidiaries	<u>(1,017,893)</u>	<u>(10,299,789)</u>
Net cash flows used in investing activities	<u>(1,207,966)</u>	<u>(10,989,958)</u>
Cash flows from financing activities		
Receipts from third party loans	-	245,350
Repayments of third party loans	-	(471,392)
Receipts from bank loans	2,013,300	3,438,993
Repayments of bank loans	(3,904,703)	(3,456,832)
Payments of finance charges	(109,068)	(116,752)
Payments of obligations under finance leases	(656,978)	(200,763)
Receipts from issuance of Notes, net of issuance cost	7,440,270	-
Payments of Notes redemption	(395,000)	-
Receipts from issuance of new shares, net of share issuance cost	-	11,846,596
Receipts from issuance of new shares in subsidiary from minority parties	2,318	-
Payments of dividend	<u>(761,266)</u>	<u>-</u>
Net cash flows provided from financing activities	<u>3,628,873</u>	<u>11,285,200</u>
Net increase in cash and cash equivalents	<u>9,518,182</u>	<u>1,380,292</u>
Cash and cash equivalents at the beginning of the years	2,415,853	831,840
Effect of exchange rate changes on cash and cash equivalents	<u>(659,412)</u>	<u>203,721</u>
Cash and cash equivalents at the end of the years (refer to Note 4)	<u>11,274,623</u>	<u>2,415,853</u>
Non-cash activities:		
Acquisition of assets under finance leases	347,640	722,255
Acquisition of subsidiary through issuance of new shares	-	22,185

The accompanying notes form an integral part of these consolidated financial statements

(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 the 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 Company. 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 Indonesia 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 are as follows:

2009

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto Lim Soon Huat
Independent Commissioner	:	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

2008

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioners	:	Ir. Subianto Lim Soon Huat
Independent Commissioners	:	Djoko Suyanto 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

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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)

a. Establishment of the Company and other information (continued)

The Boards of Commissioners and Directors of the Company and its subsidiaries (collectively the "Group") received remuneration amounting to Rp 39,642 for the year ended 31 December 2009 (2008: Rp 28,041).

As at 31 December 2009, the Group had 6,004 employees (2008: 4,229 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)	
					2009	2008	2009	2008
Direct								
PT Alam Tri Abadi ("ATA") ^{a)}	Trading and service	Indonesia	2007	2005	100%	100%	37,717	29,044
PT Saptaindra Sejati ("SIS") ^{a)}	Mining services	Indonesia	2002	2005	97%	86%	4,380	4,390
PT Makmur Sejahtera Wisesa ("MSW")	Trading and power plant service	Indonesia	-	2005	100%	100%	375	371
Indirect								
PT Satya Mandiri Persada ("SMP")	Service	Indonesia	2006	2006	97%	86%	53	53
PT Adaro Indonesia ("Adaro")	Mining	Indonesia	1992	2005	100%	100%	21,696	14,072
PT Dianlia Setyamukti ("Dianlia")	Investment	Indonesia	1995	2005	100%	100%	142	127
PT Jasapower Indonesia ("JPI") ^{a)}	Trading	Indonesia	-	2007	100%	100%	580	1,097
Adaro Finance B.V. ("Adaro Finance") ^{b)}	Service	Netherlands	2005	2005	-	100%	-	13
PT Biscayne Investments ("Biscayne") ^{a)}	Investment	Indonesia	-	2007	100%	100%	903	941
PT Indonesia Bulk Terminal ("IBT")	Coal handling	Indonesia	1997	2007	100%	100%	1,683	1,935
Rach (Mauritius) Ltd ("Rach (M)")	Investment	Mauritius	-	2007	100%	100%	-	-

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/3

(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)	
					2009	2008	2009	2008
Indirect (continued)								
Rachpore Investments Pte Ltd ("Rachpore")	Investment	Singapore	-	2007	100%	100%	236	245
Arindo Holdings (Mauritius) Ltd ("Arindo Holdings") ^{a)}	Investment	Mauritius	-	2008	100%	100%	4,072	4,943
Vindoor Investments (Mauritius) Ltd ("Vindoor") ^{a)}	Investment	Mauritius	-	2008	100%	100%	2,166	2,557
Coaltrade Services International Pte Ltd ("Coaltrade")	Coal trading	Singapore	2001	2008	100%	100%	2,166	2,557
Arindo Global (Netherland) B.V. ("Arindo Global")	Service	Netherlands	-	2008	-	67%	-	14
PT Viscaya Investments ("Viscaya") ^{a)}	Investment	Indonesia	-	2008	100%	100%	2,372	2,071
Ariane Investments Pty Ltd ^{a)}	Investment	Australia	-	2008	100%	100%	473	424
Indonesia Coal Pty Ltd	Investment	Australia	-	2008	100%	100%	473	424
Rachmalta Investment Ltd ("Rachmalta")	Investment	Malta	-	2008	100%	100%	63	74
MEC Indo Coal B.V. ("MEC") ^{b)}	Investment	Netherlands	-	2008	-	100%	-	74
PT Sarana Daya Mandiri ("SDM")	Service	Indonesia	2009	2008	51%	51%	560	460
Coronado Holdings Pte Ltd ("Coronado")	Investment	Singapore	-	2009	86%	-	46	-
Orchard Maritime Logistics Pte Ltd ("OML") ^{a)}	Coal handling and barging	Singapore	2006	2009	95%	-	465	-

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/4

(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)	
					2009	2008	2009	2008
Indirect (continued)								
Orchard Maritime Netherlands B.V. ("OMN")	Investment	Netherlands	-	2009	95%	-	3	-
PT Sarana Multi Persada ("Sarana") ^{a)}	Investment	Indonesia	-	2009	100%	-	1,261	-
PT Maritim Barito Perkasa ("MBP")	Coal handling and barging	Indonesia	2004	2009	100%	-	1,244	-
PT Harapan Bahtera Internusa ("HBI")	Coal handling and barging	Indonesia	2004	2009	100%	-	13	-
PT Maritim Indonesia ("Marindo")	Service	Indonesia	-	2009	72%	-	6	-
Joyce Corner International Ltd ("JCI")	Investment	Seychelles	-	2009	80%	-	94	-

^{a)} and subsidiaries^{b)} have been liquidated in October 2009.**c. Coal Cooperation Agreement**

Adaro's activities are governed by the provision of Coal Cooperation Agreement ("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 represented by the Minister of Mines and Energy, effective from 1 July 1997.

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.

(Expressed in million Rupiah, unless otherwise stated)

1. GENERAL (continued)

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 2009, the rate charged to IBT was 4% (2008: 4%).

On 18 August 2009, IBT and Pelindo III amended the Cooperation Agreement in relation to the expansion of IBT's business to management of the liquid bulk terminal. Based on the agreement, IBT has an obligation to pay a share handling fee to Pelindo III for the management of the liquid bulk terminal services for a certain amount per tonnes for unloading and loading activities.

e. Barito Channel Cooperation Agreement

On 28 August 2007, PT Ambang Barito Nusapersada ("Ambapers") had appointed SDM as the partner to execute the Barito Channel dredging, which includes the activity of capital dredging, maintenance dredging and financing the channel execution. On 25 March 2008, SDM entered into a Cooperation Agreement with Ambapers to execute such an appointment. The terms of 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 the 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 local government. Revenue from channel fees will be distributed to 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 Willsted & 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>

g. Exploitation/development area

Name of Location	Exploration Licence Acquisition Date	Due Date	Total Proven Reserves as at 31 December 2008 (Tonnes)	Total Production (Tonnes)		Total Proven Reserves as at 31 December 2009 (Tonnes)
				Current Year	Accumulated	
Paringin	PKP2B - 16 November 1982	1 October 2022	-	-	-	-
Wara			198,000,000	-	-	198,000,000
Tutupan			432,000,000	40,590,189	330,119,023	391,409,811
Total			630,000,000	40,590,189	330,119,023	589,409,811

Adaro does not have any new exploration areas.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/6

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group's consolidated financial statements were prepared and finalised by the Board of Directors on 22 March 2010.

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 investments and derivative financial instruments, which are carried at fair value.

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.

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 2009 and 2008 were as follows:

	Exchange rates at the balance sheet date		Average exchange rates	
	2009	2008	2009	2008
US Dollars 1/Rupiah	9,400	10,950	10,398	9,680

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.

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

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 proved reserves. Changes in estimated proved 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):

	<u>2009</u>	<u>2008</u>
US Dollars ("US\$")	9,400	10,950
Great Britain Pound Sterling ("£")	15,114	15,803
Hong Kong Dollars ("HK\$")	1,212	1,413
Malaysian Ringgit ("RM")	2,747	3,153
Singapore Dollars ("S\$")	6,699	7,607
Australian Dollars ("A\$")	8,432	7,556
Euro ("€")	13,510	15,432
Japanese Yen ("¥")	102	121

d. Receivables

Receivables are presented at their estimated recoverable value, based on management's review of the status of each receivable account at the balance sheet date. Receivables are written off during the period in which they are determined to be not collectible.

e. Inventories

Coal inventory is valued at the lower of cost or net realisable value. Cost is determined based on the weighted 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 a first-in, first-out basis, except for fuel in Adaro which is determined on weighted 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 debt and equity securities

Investments in equity securities that do not have readily determinable fair values are recorded using either the equity method or the cost method.

Investments in equity securities in which the Group has between 20% and 50% of the voting rights and over which the Group exercises significant influence, but which it does not control, are accounted for by the equity method. Investments in equity securities in which the Group has less than 20% of the voting rights and over which the Group exercises no significant influence, are accounted for by the cost method.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Investments in debt and equity securities (continued)

Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the investee after the date of acquisition. Profit distributions (except stock dividends) received from the investee reduce the carrying amount of the investment. Under the cost method, the Group records its investments in investees at cost. The Group recognises income only to the extent that it receives profit distributions (except stock dividends) from the accumulated net profits of the investee.

For investments in debt and equity securities that have readily determinable fair values, the Group classifies its investments in securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments are acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates the designation on a regular basis.

Investments that are acquired principally for the purpose of generating a gain from short-term fluctuations in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Held-to-maturity investments are carried at amortised cost using the effective interest method. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale, and are included in non-current assets unless management has expressed an intention to hold the investment for less than 12 months from the balance sheet date or unless they need to be sold to raise operating capital, in which case they are included in current assets.

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are recognised in the consolidated statement of income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of income as gains and losses on sale of investment securities.

The costs of securities sold are determined on the basis of the weighted average method.

g. Impairment of investment in equity and debt securities

At the balance sheet date, the Group undertakes a review to determine whether there is any indication of impairment of investments in equity and debt securities. Provision is only made when there has been a significant reduction or a permanent decline in the value of the investment.

h. 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	15 - 30
Operational equipment	8 - 10
Vessels	16 - 20
Project equipment	4
Mining equipment	4
Vehicles	4
Office equipment	4 - 5

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Fixed assets and depreciation (continued)

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

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 are reviewed, and adjusted if appropriate, at each balance sheet date. 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 plant 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.

i. Impairment of long-lived 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.

j. Deferred exploration and development expenditure

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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/10

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**j. Deferred exploration and development expenditure (continued)**

Ultimate recoupment of deferred exploration expenditure is dependent upon successful development and commercial exploitation or, alternatively, sale of the respective area. Deferred exploration expenditure on each area of interest is reviewed at the end of each accounting period. Exploration expenditure in respect of an area of interest which has been abandoned, or for which a decision has been made by the Group's Directors against its commercial viability are written-off in the period in which the decision is made.

Mine development expenditure and incorporated costs in developing an area of interest prior to commencement of operations in the respective area, as long as they meet the criteria for deferral, are capitalised.

Deferred exploration and development expenditure represents the accumulated costs relating to general investigation, administration and licences, geology and geophysics expenditure and costs incurred to develop a mine before the commencement of commercial productions.

Deferred exploration and development expenditure is amortised on a straight-line basis from the date of commercial production of the respective area of interest over the lesser of the life of the mine and the remaining term of the CCA.

k. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Leases of fixed assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the outstanding finance balance. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Fixed assets acquired under finance leases are depreciated similarly to owned asset. If there is no reasonable certainty that the Group will hold the ownership by the end of the lease term, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

l. Environmental obligations

Restoration, rehabilitation and environmental expenditures incurred during the production phase are charged to cost of revenue as incurred.

Provision for decommissioning, demobilisation and restoration provides for the legal obligations associated with the retirement of property, plant and equipment and other long-lived asset that results from the acquisition, construction or development and/or the normal operation of such assets. The retirement of such assets is its other than temporary removal from service including its sale, abandonment, recycling or disposal in some other manner.

These obligations are recognised as liabilities when a legal obligation with respect to the retirement of an asset is incurred, with the initial measurement of the obligation at fair value. An asset retirement cost equivalent to these liabilities is capitalised as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. These obligations are 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 these obligations due to passage of time is recognised as interest expenses.

The changes in the measurement of these obligations that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate will be added to or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the consolidated statement of income. If the adjustment results in an addition to the cost of an asset, the Group will consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group will test the asset for impairment by estimating its recoverable amount, and will account for any impairment loss incurred, if any.

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 shall 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.

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Environmental obligations (continued)

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.

Provisions are 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 passage of time is recognised as interest expense.

m. 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. Accrued or deferred stripping cost are amortised using a straight-line basis over the remaining mine life or the remaining term of the CCA, whichever is shorter.

n. Deferred financing costs

Costs incurred to obtain financing are deferred and are amortised as an adjustment to finance charges on a straight-line basis over the terms of the related financing agreements. Commitment fees incurred subsequent to obtain the financing are recorded as finance charges.

o. Deferred expenses

Expenditures which are considered to have a benefit of more than one year, are deferred and amortised using the straight-line method over the periods in which the benefit is realised.

p. Provision for employee benefits

(i) Post-retirement benefit obligations

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.

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 include 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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/12

(Expressed in million Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**p. Provision for employee benefits (continued)****(ii) Termination benefits**

Termination benefits are payable when employments 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.

q. Taxation

The tax expense for the period 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 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.

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 is received or, if objected to or appealed against, when the results of the objection or appeal are determined.

r. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. 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 hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of hedged item is less than 12 months.

(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 "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 designed or do not qualify for hedge accounting are recognised immediately in the consolidated statement of income within - "other gains/(losses)-net".

t. Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income adjusted for the interest expense and the 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 the convertible bonds have been converted.

u. 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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/14

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Segment reporting (continued)

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 plant services, channel dredging and maintenance and building management); and
- (ii) geographical segments (secondary) in which sales are classified based on target market areas.

v. Share issuance costs

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

w. 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 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.

x. 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.

y. 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.

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES

a. Acquisition of PT Saptaindra Sejati

On 31 March 2008, SIS increased its issued and paid in capital through the issuance of 56,679 new shares for the conversion of all convertible bonds issued to JCI, and the difference between the converted bonds and par value was recorded as additional paid-in capital. As a result of this new share issue, the Company's interest in SIS decreased from 71.78% to 61.68%.

On 3 April 2008, the Company increased its ownership in SIS through the acquisition of the shares of PT Persada Capital Investama ("PCI"), PT Saratoga Investama Sedaya ("SRIS"), and PT Cipta Sejahtera Persada ("CSP"), amounting to 39,036 shares, 39,035 shares and 19,517 shares, respectively, with a total acquisition amount of Rp 158,776. From these transactions, the Company's interest in SIS increased from 61.68% to 85.92%.

The restructuring transactions on 3 April 2008 between the Company, PCI and SRIS, were accounted for using the pooling-of-interests method as required under Statement of Financial Accounting Standards ("SFAS") No. 38 (Revised 2004), since the Company, PCI and SRIS are entities under common control. The details of the book value of the net assets acquired and the difference arising from the restructuring transaction of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	127,022
Book value of net assets acquired	<u>(115,407)</u>
Difference in value from restructuring transactions of entities under common control	<u>11,615</u>
Difference in value from restructuring transactions of entities under common control - 2007	(62,985)
Difference in value from restructuring transactions of entities under common control - 2008	<u>11,615</u>
Difference in value from restructuring transactions of entities under common control	<u>(51,370)</u>

The details of net assets acquired from the transaction with CSP and the adjustment to fixed assets acquired are as follows:

	<u>2008</u>
Purchase consideration through cash payment	31,754
Book value of net assets acquired	(28,850)
Adjustment to fixed assets	<u>(2,904)</u>
Goodwill	<u>-</u>

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>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2009</u>
Investment in equity securities	<u>95,450</u>
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, Group recognised pre-acquisition income amounting to Rp 18,667.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/16

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

b. Acquisition of PT Alam Tri Abadi

On 3 January 2008, ATA increased its issued and paid in capital through the issuance of 1,500,000 new shares with a par value of Rp 1,000,000 (full amount) per share. The Company acquired all the new shares issued, and the Company's interest in ATA increased from 49.99% to 92.02%.

The restructuring transaction of 3 January 2008 was accounted for using the pooling-of-interests method as required under SFAS No. 38 (Revised 2004), since the Company and ATA are entities under common control. Details of the book value of net assets acquired and the difference arising from this restructuring transaction of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	1,500,000
Book value of net assets acquired	<u>(1,462,282)</u>
Difference in value from restructuring transactions of entities under common control	<u>37,718</u>

On 15 July 2008, ATA increased its issued and paid in capital through the issuance of 10,863,438 new shares with a par value of Rp 1,000,000 (full amount) per share. The Company acquired all the new shares issued for Rp 10,863,438, and the Company's interest in ATA increased from 92.02% to 98.87%.

The restructuring transaction of 15 July 2008 was accounted for using the pooling-of-interests method as required under SFAS No. 38 (Revised 2004), since the Company and ATA are entities under common control. The details of the book value of net assets acquired and the difference arising from this restructuring transaction of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	10,863,438
Book value of net assets acquired	<u>(10,872,310)</u>
Difference in value from restructuring transactions of entities under common control	<u>(8,872)</u>

On 15 July 2008, the Company increased its ownership in ATA through the acquisition of the shares of SRIS and PCI in ATA, amounting to 94,951 shares and 47,477 shares, respectively, with a total acquisition amount of Rp 356,000. Through these transactions, the Company's interest in ATA increased from 98.87% to 100.00%.

The restructuring transaction of 15 July 2008 was accounted for using the pooling-of-interests method as required under SFAS No. 38 (Revised 2004), since the Company and ATA are entities under common control. The details of the book value of net assets acquired and the difference arising from this restructuring transaction of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	356,000
Book value of net assets acquired	<u>(143,886)</u>
Difference in value from restructuring transactions of entities under common control	<u>212,114</u>

c. Acquisition of PT Makmur Sejahtera Wisesa

On 15 January 2008, MSW increased its issued and paid in capital through the issuance of 887,405 new shares with a par value of Rp 50,000 (full amount) per share. The Company acquired 443,703 of the new shares issued amounting to Rp 22,185, and the Company's interest in MSW increased from 45.00% to 49.80%.

On 24 January 2008, the Company acquired an additional 49.80% interest in MSW through purchases from PT Saratoga Sentra Business ("SSB") and PCI, each of 24.90% for Rp 11,524.50, and the Company's interest in MSW increased from 49.80% to 99.60%. For this acquisition, the Company paid Rp 864 in cash and issued new shares in the Company amounting to Rp 22,185.

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

c. Acquisition of PT Makmur Sejahtera Wisesa (continued)

The restructuring transactions of January 2008 were accounted for using the pooling-of-interests method as required under SFAS No. 38 (Revised 2004), since the Company, SSB and PCI are entities under common control. The details of the book value of the net assets acquired and the difference arising from restructuring transaction of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	23,049
Purchase consideration through exchange of the Company's new shares	<u>22,185</u>
	45,234
Book value of net assets acquired	<u>(43,193)</u>
Difference in value from restructuring transactions of entities under common control	<u>2,041</u>
Difference in value from restructuring transactions of entities under common control - 2005	212
Difference in value from restructuring transactions of entities under common control - 2008	<u>2,041</u>
Difference in value from restructuring transactions of entities under common control	<u>2,253</u>

On 26 September 2008, MSW increased its issued and paid in capital through the issuance of 3,496,000 new shares with a par value of Rp 50,000 (full amount) per share. The Company acquired all the new shares issued, and the Company's interest in MSW increased from 99.60% to 99.91%. The details of the net assets acquired and goodwill are as follows:

	<u>2008</u>
Purchase consideration through cash payment	174,800
Fair value of net assets acquired	<u>(174,782)</u>
Goodwill	<u>18</u>

On 23 December 2008, MSW increased its issued and paid in capital through the issuance of 437,535 new shares with a par value of Rp 50,000 (full amount) per share. The Company acquired 437,535 of the new shares issued amounting to Rp 21,877, and the Company's interest in MSW increased from 99.91% to 99.92%.

	<u>2008</u>
Purchase consideration through cash payment	21,877
Fair value of net assets acquired	<u>(21,877)</u>
Goodwill	<u>-</u>

On 16 July 2009, 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 0.07% interest in MSW from PT Akroya 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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/18

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)**d. Acquisition of Arindo Holdings (Mauritius) Ltd by Rach (Mauritius) Ltd**

On 24 January 2008, Rach (M), a subsidiary of Decimal Investments Ltd ("Decimal"), increased its interest in Arindo Holdings, which through Vindoor owns 100% interest in Coaltrade, from 32% to 64%, for US\$1 or equivalent to Rp 9,419 (full amount). From this increase, the consolidated financial statements of Arindo Holdings and its subsidiaries were consolidated to the consolidated financial statements of Rach (M), ATA and the Group.

	<u>2008</u>
Purchase consideration through cash payment	-
Fair value of net liabilities acquired	<u>40,749</u>
Goodwill	<u>40,749</u>

Details of the assets and liabilities arising from this acquisition are as follows:

	<u>2008</u>
Cash and cash equivalents	169,571
Receivables	210,902
Inventories	30,665
Fixed assets, net	423
Goodwill	3,985,825
Payables	(351,599)
Taxes payable	(34,078)
Borrowings	<u>(4,139,048)</u>
Net liabilities	(127,339)
Interest acquired	<u>32%</u>
Net liabilities acquired	(40,749)
Goodwill	<u>40,749</u>
Purchase consideration through cash payment	-
Cash and cash equivalents in Arindo Holdings	<u>169,571</u>
Net cash inflow from acquisition of subsidiary	<u>169,571</u>

In 2007, Arindo Holdings was in a net liability position. As a result, loss amounting to Rp 83,989 was not recognised by Rach (M) with respect to its 32% interest. The unrecognised share of the net loss in Arindo Holdings and the minority interest's portion of net liabilities in Arindo Holdings was recognised by Rach (M) in 2008, dating from the increase of Rach (M)'s interest in Arindo Holdings to 64%. At the Group's consolidation level, the previous unrecognised net loss and minority interest's portions of the net liabilities were recorded as a reduction in retained earnings amounting to Rp 83,989.

e. Acquisition of Ariane Investments Mezzanine Pte Ltd, Ariane Capital Singapore Pte Ltd (formerly Kerry Coal (Singapore) Pte Ltd) and Agalia Energy Investments Pte Ltd**i. Acquisition of Ariane Investments Mezzanine Pte Ltd**

On 15 July 2008, ATA acquired a 71.15% interest in Ariane Investments Mezzanine Pte Ltd ("AIM") for Rp 6,096,115.

	<u>2008</u>
Purchase consideration through cash payment	6,096,115
Fair value of net liabilities acquired	<u>162,995</u>
Mining properties and goodwill	<u>6,259,110</u>

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

e. Acquisition of Ariane Investments Mezzanine Pte Ltd, Ariane Capital Singapore Pte Ltd (formerly Kerry Coal (Singapore) Pte Ltd) and Agalia Energy Investments Pte Ltd (continued)

i. Acquisition of Ariane Investments Mezzanine Pte Ltd (continued)

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2008</u>
Cash and cash equivalents	760
Prepaid tax	682
Investments in equity securities	1,553,790
Other assets	2
Amounts due to related parties	(3,461)
Accrued expenses	(1,584)
Tax payable	(3)
Loans from related parties	<u>(1,713,181)</u>
Net liabilities	(162,995)
Interest acquired	71.15%
Minority interest	<u>28.85%</u>
Net liabilities acquired	(162,995)
Mining properties	5,657,657
Goodwill	2,026,300
Deferred tax liabilities	<u>(1,424,847)</u>
Purchase consideration through cash payment	6,096,115
Cash and cash equivalents in AIM	<u>(760)</u>
Net cash outflow from acquisition of subsidiary	<u><u>6,095,355</u></u>

ii. Acquisition of Ariane Capital Singapore Pte Ltd (formerly Kerry Coal (Singapore) Pte Ltd)

On 15 July 2008, ATA acquired 100% interest in Ariane Capital Singapore Pte Ltd ("Ariane Capital") and a previous shareholder receivable amounting to Rp 32,288 for Rp 2,230,287.

	<u>2008</u>
Purchase consideration through cash payment	2,230,287
Assignment of receivables from previous shareholder	<u>(32,288)</u>
Acquisition cost	2,197,999
Fair value of net liabilities acquired	<u>32,526</u>
Mining properties and goodwill	<u><u>2,230,525</u></u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2008</u>
Cash and cash equivalents	2
Accrued expenses	(240)
Loans from shareholders	<u>(32,288)</u>
Net liabilities	(32,526)
Interest acquired	<u>100%</u>
Net liabilities acquired	(32,526)
Mining properties	2,016,188
Goodwill	722,102
Deferred tax liabilities	<u>(507,765)</u>
Acquisition cost	2,197,999
Assignment of receivables from previous shareholder	32,288
Cash and cash equivalents in Ariane Capital	<u>(2)</u>
Net cash outflow from acquisition of subsidiary	<u><u>2,230,285</u></u>

By holding a 100% interest in Ariane Capital, ATA has increased its direct and indirect ownership in AIM to 100%.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/20

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)**e. Acquisition of Ariane Investments Mezzanine Pte Ltd, Ariane Capital Singapore Pte Ltd (formerly Kerry Coal (Singapore) Pte Ltd) and Agalia Energy Investments Pte Ltd (continued)****iii. Acquisition of Agalia Energy Investment Pte Ltd**

On 15 July 2008, ATA acquired 100% interest in Agalia Energy Investments Pte Ltd ("Agalia") amounting to Rp 1,632,635.

	<u>2008</u>
Purchase consideration through cash payment	1,632,635
Fair value of net assets acquired	<u>(35,146)</u>
Mining properties and goodwill	<u>1,597,489</u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2008</u>
Investments in equity securities	35,955
Accrued expenses	<u>(240)</u>
Net assets	35,715
Interest acquired	<u>100%</u>
Net assets acquired	35,715
Mining properties	1,443,467
Goodwill	516,981
Deferred tax liabilities	<u>(363,528)</u>
Purchase consideration through cash payment	1,632,635
Cash and cash equivalents in Agalia	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u>1,632,635</u>

By holding 100% interest in AIM, Ariane Capital and Agalia, ATA has consolidated the financial statements of AIM, Ariane Capital and Agalia, and recognised pre-acquisition income amounting to Rp 165,575 in its consolidated financial statement for the year ended 31 December 2008.

Through its ownership in AIM and Agalia, ATA has indirect ownership of 100% in Viscaya, Biscayne and Arindo Holdings, and has increased its ownership in Arindo Global from 33.00% to 67.00%. Ownership in Viscaya has resulted in an increase in ATA's direct and indirect ownership in Adaro from 66.07% to 99.54%. Ownership in Biscayne has resulted in an increase in ATA's indirect ownership in IBT from 67.16% to 100.00%. Ownership in Arindo Holdings has resulted in an increase in ATA's indirect ownership in Coaltrade from 64.00% to 100.00%.

By consolidating the financial statements of AIM and Agalia (which has total ownership in Viscaya of 100%), mining properties amounting to Rp 1,017,069 are recorded at Group's consolidated financial statement for the year ended 31 December 2008.

In September 2008, Arindo Holdings increased its issued and paid-up capital through an issuance of new shares. ATA acquired 25,000,000 new shares at a par value of US\$1 per share or equivalent to Rp 227,783. Rach (M), AIM and Agalia did not subscribe to any of issued shares, as a result, their ownership decreased from 100% to 0.03%. There were no changes to the ownership of the Group.

Net cash outflow from the acquisition of AIM, Ariane Capital, Agalia, Arindo Holdings and the consolidation of Arindo Global are as follows:

	<u>2008</u>
Net cash outflow from acquisition of AIM	6,095,355
Net cash outflow from acquisition of Ariane Capital	2,230,285
Net cash outflow from acquisition of Agalia	1,632,635
Net cash inflow from acquisition of Arindo Holdings	(169,571)
Net cash inflow from consolidation of Arindo Global	<u>(2,454)</u>

Net cash outflow from acquisition of AIM, Ariane Capital, Agalia, Arindo Holdings and consolidation of Arindo Global

9,786,250

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

f. Acquisition of PT Sarana Daya Mandiri by PT Alam Tri Abadi

On 29 October 2008, ATA acquired 51.20% interest in SDM for Rp 128.

	<u>2008</u>
Purchase consideration through cash payment	128
Fair value of net liabilities acquired	<u>17,772</u>
Goodwill	<u>17,900</u>

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2008</u>
Cash and cash equivalents	1,450
Other receivables	887
Advances and prepayments	17
Prepaid taxes	29,107
Fixed assets, net	299,230
Other payables	(108,373)
Accrued expenses	(4)
Taxes payable	(1,343)
Other short-term loan	(143)
Loans from related parties	<u>(238,600)</u>
Net liabilities	(17,772)
Interest acquired	51.20%
Minority interest	<u>48.80%</u>
Net liabilities acquired	(17,772)
Goodwill	<u>17,900</u>
Purchase consideration through cash payment	128
Cash and cash equivalents in SDM	<u>(1,450)</u>
Net cash inflow from acquisition of subsidiary	<u>(1,322)</u>

By holding 51.20% in SDM, ATA has consolidated the financial statements of SDM and recognised pre-acquisition loss amounting to Rp 17,772 in its consolidated financial statement for the year ended 31 December 2008.

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. ATA acquired as its ownership in SDM, therefore there was 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>

g. Acquisition of Rachmalta Investments Ltd by Rachpore Investments Pte Ltd

On 24 December 2008, Rachpore increased its interest in Rachmalta, from 50% to 100%, for US\$1 or equivalent to Rp 10,950 (full amount). Through this increase, the consolidated financial statements of Rachmalta and its subsidiaries, MEC, were consolidated to the consolidated financial statements of Rachpore, ATA and Group for the year ended 31 December 2008 and pre-acquisition loss amounting to Rp 21,413 was also recognised in those consolidated financial statements.

	<u>2008</u>
Purchase consideration through cash payment	-
Fair value of net liabilities acquired	<u>163,859</u>
Mining properties	<u>163,859</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/22

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

g. Acquisition of Rachmalta Investments Ltd by Rachpore Investments Pte Ltd (continued)

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>2008</u>
Cash and cash equivalents	779
Loans to related parties	73,694
Accrued expenses	(80)
Amounts due to related parties	(105)
Loans from related party	<u>(402,006)</u>
Net liabilities	(327,718)
Interest acquired	<u>50%</u>
Net liabilities acquired	(163,859)
Mining properties	163,859
Goodwill	40,965
Deferred tax liabilities	<u>(40,965)</u>
Purchase consideration through cash payment	-
Cash and cash equivalents in Rachmalta	<u>(779)</u>
Net cash inflow from acquisition of subsidiary	<u>(779)</u>

In December 2008, Rachmalta was in a net liability position. The loss amounting to Rp 109,502 has not been recognised by Rachpore with respect to its 50% interest. The unrecognised share of net loss in Rachmalta was recognised by Rachpore in 2008 since the increase of Rachpore's interest in Rachmalta to 100% on 24 December 2008. At ATA's consolidation level, the amount was recorded as a reduction of retained earnings.

On 23 December 2008, ATA and Coaltrade acquired ownership in Adaro from MEC for US\$6,713,783 and US\$16,217, respectively. Through this transaction, ATA increased its ownership in Adaro to 100%.

At the Group's and ATA's consolidation level, MEC's share of Adaro's net income that has not been previously recognised, was recorded as an increase to the retained earnings amounting to Rp 2,646. In addition, the Group and ATA also recognised mining property, goodwill and deferred tax liabilities for MEC's ownership in Adaro amounting to Rp 89,816, Rp 22,454 and Rp 22,454, respectively.

h. Liquidation of Revere Group Ltd, Decimal Investments Pte Ltd, Saluno Investments Pte Ltd, Rachsing Holdings Pte Ltd, Ariane Investments Mezzanine Pte Ltd, Ariane Capital Singapore Pte Ltd and Agalia Energy Investments Pte Ltd

On 28 October 2008, Revere Group Ltd, Decimal, Saluno Investments Pte Ltd, Rachsing Holdings Pte Ltd, AIM, Ariane Capital and Agalia were liquidated. As a result of the liquidation, ATA directly owns additional shares in Biscayne, Rach (M), Rachpore, Viscaya, Arindo Holdings and Arindo Global of 100%, 100%, 100%, 100%, 0.30% and 67%, respectively.

All the assets and liabilities of the liquidated companies have been transferred to their shareholders.

i. Disposal of PT Nusantara Power Energy by PT Jasapower Indonesia

On 30 April 2008, JPI disposed of all of its interest in PT Nusantara Power Energy ("NPE") for Rp 700. The details of the net assets disposed of are as follows:

	<u>2008</u>
Other assets	<u>5,000</u>
Net assets	5,000
Interest disposed	<u>70%</u>
Net assets disposed	3,500
Adjustment to net assets disposed of:	
- Loss on disposal of subsidiary	(2,800)
- Other receivable from disposal of subsidiary	<u>(700)</u>
Cash received from disposal of subsidiary	-
Cash and cash equivalents in NPE	<u>-</u>
Net cash outflow from disposal of subsidiary	<u>-</u>

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

j. 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.

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><u>214,588</u></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	(27,813)
Adjustment due to difference between OML's net assets and Coronado's:	
- Investment in OML	9,067
- Negative goodwill	<u>(9,067)</u>
Net assets	14,845
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><u>351,957</u></u>

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><u>292,051</u></u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/24

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

j. Acquisition of Coronado Holdings Pte Ltd and Orchard Maritime Logistics Pte Ltd (continued)

ii. Acquisition of Orchard Maritime Logistics Pte Ltd (continued)

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 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 consolidated financial statements of OML, the Group recorded pre-acquisition income of Rp 22,840.

k. Acquisition of PT Sarana Multi Persada

On 5 October 2009, ATA and JPI acquired a 100% interest in Sarana for Rp 250. Sarana owns 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>

(Expressed in million Rupiah, unless otherwise stated)

3. ACQUISITIONS, DISPOSALS, AND LIQUIDATION OF SUBSIDIARIES (continued)

k. Acquisition of PT Sarana Multi Persada (continued)

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)
	<u>1,548</u>
Net assets acquired	1,548
Negative goodwill	(1,298)
	<u>250</u>
Purchase consideration through cash payment	250
Cash and cash equivalents in Sarana	(5,082)
	<u>(4,832)</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.

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.

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	(3,190)
	<u>10</u>
Goodwill	<u>10</u>

I. 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 Netherlands Chamber of Commerce have been terminated in connection with the liquidation on both companies, which were effective on 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 was transferred to its shareholders. However, the registration of Arindo Global on Netherlands Chamber of Commerce was terminated and be effective on 10 February 2010.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/26

4. CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
Cash on hand:		
Rupiah	645	619
US Dollars	115	49
Singapore Dollars	27	15
Others	<u>3</u>	<u>4</u>
Total cash on hand	<u>790</u>	<u>687</u>
Cash in banks:		
Rupiah		
Others (each below Rp 500,000)	<u>176,261</u>	<u>278,349</u>
Total Rupiah accounts	<u>176,261</u>	<u>278,349</u>
US Dollars		
Sumitomo Mitsui Banking Corporation	1,370,757	1,005,431
Oversea-Chinese Banking Corporation Ltd	1,167,418	-
PT Bank DBS Indonesia	951,253	572,426
DBS Bank Ltd	878,061	-
Others (each below Rp 500,000)	<u>132,979</u>	<u>33,048</u>
Total US Dollars accounts	<u>4,500,468</u>	<u>1,610,905</u>
Singapore Dollars		
Others (each below Rp 500,000)	<u>6,026</u>	<u>1,218</u>
Total Singapore Dollars accounts	<u>6,026</u>	<u>1,218</u>
Euro		
Others (each below Rp 500,000)	<u>347,747</u>	<u>4,580</u>
Total Euro accounts	<u>347,747</u>	<u>4,580</u>
Total cash in banks	<u>5,030,502</u>	<u>1,895,052</u>
Deposits:		
Rupiah		
Others (each below Rp 500,000)	<u>96,780</u>	<u>76,835</u>
Total Rupiah deposits	<u>96,780</u>	<u>76,835</u>
US Dollars		
Oversea-Chinese Banking Corporation Ltd	2,209,000	-
PT Bank UOB Indonesia	1,582,856	168,723
PT ANZ Panin Bank	1,150,336	151,222
Others (each below Rp 500,000)	<u>1,204,359</u>	<u>123,334</u>
Total US Dollars deposits	<u>6,146,551</u>	<u>443,279</u>
Total deposits	<u>6,243,331</u>	<u>520,114</u>
	<u>11,274,623</u>	<u>2,415,853</u>
The interest rates of the above on call and time deposits were as follows:		
	<u>2009</u>	<u>2008</u>
Rupiah	6.9% - 9.5%	6.0% - 10.8%
US Dollars	0.2% - 3.5%	0.3% - 4.3%

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/27

(Expressed in million Rupiah, unless otherwise stated)

5. RESTRICTED CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
Time deposits:		
US Dollars		
The Hongkong and Shanghai Banking Corporation Ltd	5,643	6,594
PT Bank DBS Indonesia	<u>3,841</u>	<u>4,442</u>
	<u>9,484</u>	<u>11,036</u>

The interest rates of the above time deposits were as follows:

	<u>2009</u>	<u>2008</u>
US Dollars	0.1% - 2.0%	1.3% - 3.3%

The above time deposits are placed as security for bank guarantees issued by these banks as described in Note 39f.

6. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2009</u>	<u>2008</u>
Third party:		
Cost	-	1,075,412
Add:		
Unrealised gain from increase in investment value	<u>-</u>	<u>20,669</u>
	<u>-</u>	<u>1,096,081</u>

On 17 December 2007, the Company, JPI, SIS and PT Recapital Asset Management ("Recapital") entered into a fund management agreement with a term of one year, whereby the Group appointed Recapital as investment manager to manage a fund of Rp 1,728,106. Part or all of the funds were to be invested in mutual funds, bonds, marketable securities, shares, convertible bonds and warrants. In August 2008, the Company and SIS made full redemptions amounting to Rp 227,850, while JPI made partial redemptions amounting to Rp 424,844. JPI and Recapital entered into a new agreement on 17 December 2008 to extend the management of funds for another six months. In February and April 2009, JPI made redemptions on the remaining fund amounting to Rp 1,075,412. The realised gain on investment for the year ended 31 December 2009 amounted to Rp 37,409 (2008: Rp 48,798).

7. TRADE RECEIVABLES

	<u>2009</u>	<u>2008</u>
Third parties:		
International Energy Group Ltd	392,233	55,492
PT Paiton Energy	355,772	244,757
PT Berau Coal	262,455	215,591
PT Sumber Segara Primadaya	177,194	61,421
Adityaa Energy Resources Pte Ltd	119,753	47,759
PT Terminal Batubara Indah	110,080	43,180
Castle Peak Power Co Ltd	108,408	81,137
Quezon Power (Phillipines) Ltd Co	92,334	75,313
The Tata Power Co Ltd	89,962	61,428
PT Indocement Tunggal Prakarsa Tbk	88,967	12,688
PT Sumber Kurnia Buana	72,487	59,964
Taiwan Power Company	66,124	225,282
J-Power Resources Co Ltd	63,356	-
PT Pembangkitan Jawa-Bali	62,147	131,403
Carboex S.A.	53,688	117,565
PT Indomining	40,591	69,211
Mitsubishi Material Corporation	30,486	155,234
EON Kraftwerke GmbH	-	164,935
Others (each below Rp 60,000)	<u>696,422</u>	<u>509,526</u>
	<u>2,882,459</u>	<u>2,331,886</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/28

(Expressed in million Rupiah, unless otherwise stated)

7. TRADE RECEIVABLES (continued)

The aging analysis of trade receivables is as follows:

	<u>2009</u>	<u>2008</u>
Current and overdue by 1 - 30 days	2,705,963	2,283,369
Overdue by 31 - 60 days	25,380	9,010
Overdue by 61 - 90 days	85,503	2,096
Overdue by more than 90 days	<u>65,613</u>	<u>37,411</u>
	<u>2,882,459</u>	<u>2,331,886</u>

Details of trade receivables based on currencies are as follows:

	<u>2009</u>	<u>2008</u>
US Dollars	2,090,029	629,361
Rupiah	<u>792,430</u>	<u>1,702,525</u>
	<u>2,882,459</u>	<u>2,331,886</u>

As at 31 December 2009, the trade receivables of SIS amounting to Rp 566,445 (including receivables from Adaro amounting to Rp 96,477 that had been eliminated) were pledged as collateral for a Senior Credit Facility (refer to Note 21b).

As at 31 December 2009, the trade receivables of SDM amounting to Rp 21,721 were pledged as collateral for a loan from PT Bank OCBC NISP Tbk (refer to Note 21c).

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 an allowance for doubtful accounts is not considered necessary.

8. ADVANCES AND PREPAYMENTS

	<u>2009</u>	<u>2008</u>
Advances to suppliers	213,126	277,477
Advances for purchase of fuel	105,567	253,379
Prepaid rent and insurance	24,341	19,629
Others`	<u>32,312</u>	<u>17,023</u>
	<u>375,346</u>	<u>567,508</u>

Advances to suppliers mostly represent advance payments for construction of the coal fired power plant and steam turbine generators.

9. INVENTORIES

	<u>2009</u>	<u>2008</u>
Coal inventory	76,520	54,979
Tools and supplies	71,007	53,578
Spare parts	63,803	168,520
Fuel and lubricants	<u>39,120</u>	<u>27,593</u>
	<u>250,450</u>	<u>304,670</u>

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 2009, Adaro's coal inventories were covered by insurance against the risk of material damage with total coverage of Rp 75,200 (US\$8 million). Inventories owned by IBT amounting to Rp 27,656 were covered by insurance against risk of loss and damage, which was included in the insurance for IBT's fixed assets. Inventories other than those of Adaro's coal and IBT's inventories were not insured. The Group's management is of the opinion that inventories are adequately insured for cover the risk of loss and damage.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/29

(Expressed in million Rupiah, unless otherwise stated)

10. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	<u>2009</u>	<u>2008</u>
Acquisition costs		
Deferred exploration and development expenditure relating to the commercially producing areas		
South Paringin, North Paringin and Tutupan		
Carrying amount - beginning balance	349,365	300,518
Exchange difference due to financial statement translation	<u>(49,453)</u>	<u>48,847</u>
	<u>299,912</u>	<u>349,365</u>
Deferred exploration and evaluation expenditure incurred for an area of interest which as at balance sheet date has not reached the commercial production stage		
Wara		
Carrying amount - beginning balance	52,509	45,167
Exchange difference due to financial statement translation	<u>(7,433)</u>	<u>7,342</u>
	<u>45,076</u>	<u>52,509</u>
	<u>344,988</u>	<u>401,874</u>
Accumulated amortisation		
Deferred exploration and development expenditure relating to commercially producing areas		
South Paringin, North Paringin and Tutupan		
Carrying amount - beginning balance	(304,223)	(258,857)
Amortisation	(3,118)	(2,908)
Exchange difference due to financial statement translation	<u>43,363</u>	<u>(42,458)</u>
	<u>(263,978)</u>	<u>(304,223)</u>
	<u>81,010</u>	<u>97,651</u>

11. DEFERRED FINANCING COSTS

	<u>2009</u>	<u>2008</u>
Acquisition costs		
Carrying amount - beginning balance	211,962	79,645
Addition	106,961	105,408
Acquisition	-	23,155
Exchange difference due to financial statement translation	4,921	15,661
Reversal of fully amortised balance	<u>(38,647)</u>	<u>(11,907)</u>
	<u>285,197</u>	<u>211,962</u>
Accumulated amortisation		
Carrying amount - beginning balance	(31,427)	(3,648)
Amortisation	(79,025)	(36,863)
Exchange difference due to financial statement translation	(21,487)	(2,823)
Reversal of fully amortised balance	<u>38,647</u>	<u>11,907</u>
Total accumulated amortisation	<u>(93,292)</u>	<u>(31,427)</u>
	<u>191,905</u>	<u>180,535</u>
Less:		
Current portion	<u>(51,195)</u>	<u>(36,243)</u>
Non-current portion	<u>140,710</u>	<u>144,292</u>

Deferred financing costs represent consultancy costs, bank charges, finance charges, professional fees and other costs that were incurred to obtain long-term borrowing.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/30

(Expressed in million Rupiah, unless otherwise stated)

12. FIXED ASSETS

	2009					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Acquisition</u>	<u>Disposals/ reclassification</u>	<u>Exchange difference due to financial statement translation</u>	<u>Ending balance</u>
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><u>5,924,184</u></u>					<u><u>7,415,677</u></u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/31

(Expressed in million Rupiah, unless otherwise stated)

12. FIXED ASSETS (continued)

	2008					
	<u>Beginning balance</u>	<u>Additions</u>	<u>Acquisition</u>	<u>Disposals/ reclassification</u>	<u>Exchange difference due to financial statement translation</u>	<u>Ending balance</u>
Acquisition costs						
Direct ownership						
Land	26,365	578,944	-	(26)	-	605,283
Buildings	82,289	7,909	-	49,985	7,167	147,350
Infrastructure	207,275	-	-	-	33,692	240,967
Machinery, operational equipment and vehicles	2,302,174	373,279	-	80,703	157,436	2,913,592
Vessels	-	-	-	-	-	-
Mining equipment	3,908	327	-	-	-	4,235
Project equipment	7,218	5,178	-	-	-	12,396
Office equipment	44,185	7,939	1,765	2,897	3,225	60,011
Crushing and handling facilities	664,321	72,674	-	5,368	118,221	860,584
Roads and bridges	830,444	1,103	-	94,087	147,472	1,073,106
Stockpile facilities	57,462	-	-	-	9,340	66,802
Dock facilities	20,477	-	-	-	3,328	23,805
	<u>4,246,118</u>	<u>1,047,353</u>	<u>1,765</u>	<u>233,014</u>	<u>479,881</u>	<u>6,008,131</u>
Construction in progress	<u>73,589</u>	<u>423,013</u>	<u>298,960</u>	<u>(154,865)</u>	<u>11,583</u>	<u>652,280</u>
Leased assets						
Operational equipment	603,794	722,255	-	(97,601)	-	1,228,448
Vessels	-	-	-	-	-	-
Vehicles	191	-	234	(149)	-	276
	<u>603,985</u>	<u>722,255</u>	<u>234</u>	<u>(97,750)</u>	<u>-</u>	<u>1,228,724</u>
	<u>4,923,692</u>	<u>2,192,621</u>	<u>300,959</u>	<u>(19,601)</u>	<u>491,464</u>	<u>7,889,135</u>
Accumulated depreciation						
Direct ownership						
Buildings	(21,074)	(6,517)	-	115	(3,247)	(30,723)
Infrastructure	(66,253)	(6,606)	-	-	(11,633)	(84,492)
Machinery, operational equipment and vehicles	(640,759)	(213,624)	-	(29,162)	(70,655)	(954,200)
Vessels	-	-	-	-	-	-
Mining equipment	(2,543)	(789)	-	-	-	(3,332)
Project equipment	(2,969)	(2,063)	-	-	-	(5,032)
Office equipment	(21,811)	(9,238)	(1,287)	1,756	(2,915)	(33,495)
Crushing and handling facilities	(208,939)	(41,912)	-	-	(39,460)	(290,311)
Roads and bridges	(271,420)	(40,007)	-	-	(49,366)	(360,793)
Stockpile facilities	(31,377)	(2,959)	-	-	(5,488)	(39,824)
Dock facilities	(14,920)	(1,052)	-	-	(2,563)	(18,535)
	<u>(1,282,065)</u>	<u>(324,767)</u>	<u>(1,287)</u>	<u>(27,291)</u>	<u>(185,327)</u>	<u>(1,820,737)</u>
Leased assets						
Operational equipment	(82,816)	(98,807)	-	37,453	-	(144,170)
Vessels	-	-	-	-	-	-
Vehicles	(113)	(42)	(19)	130	-	(44)
	<u>(82,929)</u>	<u>(98,849)</u>	<u>(19)</u>	<u>37,583</u>	<u>-</u>	<u>(144,214)</u>
	<u>(1,364,994)</u>	<u>(423,616)</u>	<u>(1,306)</u>	<u>10,292</u>	<u>(185,327)</u>	<u>(1,964,951)</u>
Net book value	<u><u>3,558,698</u></u>					<u><u>5,924,184</u></u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/32

(Expressed in million Rupiah, unless otherwise stated)

12. FIXED ASSETS (continued)

Depreciation expense was allocated as follows:

	<u>2009</u>	<u>2008</u>
Cost of revenue	775,872	417,563
General and administrative expenses	<u>21,083</u>	<u>6,053</u>
	<u>796,955</u>	<u>423,616</u>

The calculation of loss on disposals of fixed assets was as follows:

	<u>2009</u>	<u>2008</u>
Acquisition costs	45,518	19,601
Accumulated depreciation	<u>(32,582)</u>	<u>(10,292)</u>
Carrying value of fixed assets	<u>12,936</u>	<u>9,309</u>
Proceeds from disposals of fixed assets	<u>6,286</u>	<u>6,250</u>
Loss on disposals of fixed assets	<u>(6,650)</u>	<u>(3,059)</u>

In accordance with the CCA, the fixed assets of Adaro as at 31 December 2009 amounting to Rp 1,431,539 (2008: Rp 1,445,829) remain the property of the Government of the Republic of Indonesia. 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 2009 amounting to Rp 690,681 (2008: Rp 763,557), 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 2009, the Group's fixed assets were insured from all risks for damage with total coverage of approximately Rp 8,579,097, which also includes construction for Project Tanjung Tabalong coal fired power plant by MSW. Management believes that the fixed assets as at 31 December 2009 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 21b).

Construction in progress

Construction in progress represents projects that have not been completed at the balance sheet date as follows:

	<u>2009</u>		
<u>Construction in progress</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
Coal crushing and handling facilities	63% - 95%	32,720	January - April 2010
Others (each below Rp 30,000)	10% - 98%	<u>55,897</u>	January - July 2010
		<u>578,274</u>	

(Expressed in million Rupiah, unless otherwise stated)

12. FIXED ASSETS (continued)

Construction in progress (continued)

Construction in progress	2008		
	Percentage of completion	Accumulated costs	Estimated completion
River channel dredging	95%	402,417	January 2009
Power plant	5%	100,034	January 2011
Coal crushing and handling facilities	30% - 70%	48,956	March - September 2009
Roads and bridges	10% - 80%	32,736	February - December 2009
Others (each below Rp 30,000)	10% - 95%	68,137	2009 - 2010
		<u>652,280</u>	

13. INVESTMENTS IN ASSOCIATES

	2009	2008
<u>PT Rachindo Investments</u>		
Percentage of interest	50.00%	50.00%
Carrying amount - beginning balance	5,554	4,778
Share in net loss of associate	(19)	-
Exchange difference due to financial statement translation	(798)	776
	<u>4,737</u>	<u>5,554</u>
<u>PT Karunia Barito Sejahtera</u>		
Percentage of interest	32.80%	32.80%
Carrying amount - beginning balance	39	39
Share in net income of associate	-	-
	<u>39</u>	<u>39</u>
<u>Arindo Global (Netherlands) B.V.</u>		
Percentage of interest	-	-
Carrying amount - beginning balance	-	50
Reversal due to consolidation to the Group	-	(50)
	<u>-</u>	<u>-</u>
	<u>4,776</u>	<u>5,593</u>

Details of the share in the net loss of associates for the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
PT Rachindo Investments	<u>(19)</u>	<u>-</u>

As at 31 December 2008, Arindo Global was consolidated to the Group's consolidated financial statements as a result of the acquisition of AIM, Ariane Capital and Agalia (refer to Note 3e).

Investment in Rachindo was in the form of the assets acquired through the acquisition of Decimal which had been liquidated and transferred to Rachpore (refer to Note 3h).

14. MINING PROPERTIES

	2009	2008
Acquisition cost		
Carrying amount - beginning balance	10,725,530	164,955
Addition	-	10,404,267
New tax rate adjustment	-	(35,580)
Exchange difference due to financial statement translation	(212,675)	191,888
	<u>10,512,855</u>	<u>10,725,530</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/34

(Expressed in million Rupiah, unless otherwise stated)

14. MINING PROPERTIES (continued)

	<u>2009</u>	<u>2008</u>
Accumulated amortisation		
Carrying amount - beginning balance	(255,349)	(46,593)
Amortisation	(485,178)	(196,602)
Exchange difference due to financial statement translation	19,329	(12,154)
	<u>(721,198)</u>	<u>(255,349)</u>
	<u>9,791,657</u>	<u>10,470,181</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.

15. GOODWILL

	<u>2009</u>	<u>2008</u>
Acquisition cost		
Carrying amount - beginning balance	9,554,051	1,262,216
Addition	898,760	7,620,573
Acquisition	391,704	-
Deduction	(29)	-
Exchange difference due to financial statement translation	(830,162)	671,262
	<u>10,014,324</u>	<u>9,554,051</u>
Accumulated amortisation		
Carrying amount - beginning balance	(425,632)	(36,684)
Acquisition	(63,233)	-
Amortisation	(500,506)	(360,233)
Deduction	26	-
Exchange difference due to financial statement translation	66,797	(28,715)
	<u>(922,548)</u>	<u>(425,632)</u>
	<u>9,091,776</u>	<u>9,128,419</u>

The balance of goodwill arises from the Group's acquisition of ownership in SIS, IBT, Arindo Holdings, Biscayne, AIM, Ariane Capital, Agalia, SDM, Viscaya, MSW, Coronado, OML, Sarana, Arindo Holdings' acquisition in Vindoor, and OML's acquisition of assets and business contracts from Orchard Maritime Services Pte Ltd (refer to Note 3).

For the year ended 31 December 2009, amortisation of goodwill amounting to Rp 6,611 was the amortisation before the acquisition of OML.

16. TRADE PAYABLES

	<u>2009</u>	<u>2008</u>
Third parties:		
PT Pamapersada Nusantara	690,491	736,511
PT Batuah Abadi Lines	207,885	192,365
PT Shell Indonesia	190,563	-
PT Bukit Makmur Mandiri Utama	182,720	300,185
PT United Tractors Tbk	81,011	99,771
PT Petronas Niaga Indonesia	-	260,778
PT Toyota Tsusho Indonesia	-	92,211
Siemens Industrial Turbomachinery S.R.O	-	78,483
Others (each below Rp 60,000)	672,651	591,825
	<u>2,025,321</u>	<u>2,352,129</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/35

(Expressed in million Rupiah, unless otherwise stated)

16. TRADE PAYABLES (continued)

	<u>2009</u>	<u>2008</u>
Related parties:		
PT Rahman Abdijaya	95,365	61,581
PT Pulau Seroja Jaya	29,592	21,882
PT Pulau Seroja Jaya Pratama	12,995	16,428
PT Anugerah Buminusantara Abadi	4,831	1,756
Orchard Maritime Logistics Pte Ltd	-	147,739
	<u>142,783</u>	<u>249,386</u>
	<u>2,168,104</u>	<u>2,601,515</u>

Details of trade payables based on currencies are as follows:

	<u>2009</u>	<u>2008</u>
US Dollars	1,787,941	2,201,203
Rupiah	353,074	275,766
Euro	23,499	121,965
Singapore Dollars	1,302	1,383
Japanese Yen	1,244	824
Australian Dollars	859	314
Great Britain Pound Sterling	185	60
	<u>2,168,104</u>	<u>2,601,515</u>

The aging analysis of trade payables is as follows:

	<u>2009</u>	<u>2008</u>
Current and overdue by 1 - 30 days	2,157,837	2,475,690
Overdue by 31 - 60 days	1,340	84,333
Overdue by 61 - 90 days	542	28,787
Overdue by more than 90 days	8,385	12,705
	<u>2,168,104</u>	<u>2,601,515</u>

Trade payables balances mainly arose from the purchase of fuel, spare parts, repair and maintenance services, coal transportation services and coal mining services.

Since 30 April 2009, OML has been consolidated to the Group's consolidated financial statements, therefore the balances and transactions between OML and the Group were eliminated.

Refer to Note 35 for details of related party transactions and balances.

17. ACCRUED EXPENSES

	<u>2009</u>	<u>2008</u>
Accrued interest	141,228	44,812
Freight cost	77,308	191,387
Others (each below Rp 30,000)	83,625	28,894
	<u>302,161</u>	<u>265,093</u>

18. SHORT-TERM BANK LOANS

	<u>2009</u>	<u>2008</u>
US Dollars		
Syndicated Short-term Loan	<u>188,000</u>	<u>876,000</u>

The interest rates on the short-term bank loans were as follows:

	<u>2009</u>	<u>2008</u>
US Dollars	2.0% - 3.0%	2.3% - 5.0%

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/36

(Expressed in million Rupiah, unless otherwise stated)

18. SHORT-TERM BANK LOANS (continued)**Syndicated Short-term Loan**

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 acts 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 is 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. In accordance with the terms of the agreement, Adaro is required to maintain certain financial ratios, with which Adaro was in compliance as at 31 December 2009. As at 31 December 2009, the outstanding balance from this loan was US\$20,000,000 (2008: US\$80,000,000).

This loan has the same significant terms and conditions as the long-term Syndicated Loan (refer to Note 21a).

Based on amended agreement dated 24 February 2009, IBT, Coaltrade and the Company are the guarantors of this facility.

In February 2010, this loan has been fully paid by Adaro.

19. ROYALTIES PAYABLE

	<u>2009</u>	<u>2008</u>
Government royalties payable, net	<u>738,044</u>	<u>576,500</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 34b).

20. FINANCE LEASE PAYABLES

	<u>2009</u>	<u>2008</u>
PT Komatsu Astra Finance	741,987	899,235
PT Caterpillar Finance Indonesia	35,821	52,531
VFS International AB	31,563	62,445
Others (each below Rp 30,000)	<u>2,187</u>	<u>4,250</u>
	<u>811,558</u>	<u>1,018,461</u>
Less:		
Portion due within one year	<u>(335,803)</u>	<u>(334,810)</u>
Non-current portion	<u>475,755</u>	<u>683,651</u>

The future minimum lease payments under the finance lease agreements are as follows:

	<u>2009</u>	<u>2008</u>
Payable not later than 1 year	361,373	383,386
Payable later than 1 year and not later than 5 years	<u>494,231</u>	<u>734,330</u>
	<u>855,604</u>	<u>1,117,716</u>
Less:		
Future financing charges	<u>(44,046)</u>	<u>(99,255)</u>
Present value of minimum finance lease payments	<u>811,558</u>	<u>1,018,461</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.

(Expressed in million Rupiah, unless otherwise stated)

21. LONG-TERM BANK LOANS

	<u>2009</u>	<u>2008</u>
Rupiah		
PT Bank CIMB Niaga Tbk	-	25
US Dollars		
Syndicated Loan	5,170,000	6,570,000
Senior Credit Facility (syndicated loan)	2,165,384	2,574,455
PT Bank OCBC NISP Tbk	141,000	-
	<u>7,476,384</u>	<u>9,144,455</u>
Total long-term bank loans	<u>7,476,384</u>	<u>9,144,480</u>
Less:		
Portion due within one year	<u>(1,856,039)</u>	<u>(818,538)</u>
Non-current portion	<u>5,620,345</u>	<u>8,325,942</u>

The interest rates on the long-term bank loans are as follows:

	<u>2009</u>	<u>2008</u>
Rupiah	-	6.9%
US Dollars	1.5% - 6.7%	3.3% - 6.5%

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 acts 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 consist 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.

The term loan facility is payable quarterly with the first installment on 7 March 2008. The remaining payment schedule for the outstanding term loan is as follows:

<u>Year</u>	<u>Adaro US\$</u>	<u>Coaltrade US\$</u>	<u>Total US\$</u>
2010	36,536,000	13,464,000	50,000,000
2011	116,925,391	43,074,609	160,000,000
2012	<u>175,389,686</u>	<u>64,610,314</u>	<u>240,000,000</u>
	<u>328,851,077</u>	<u>121,148,923</u>	<u>450,000,000</u>

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\$100,000,000 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.

In September 2008, the Borrowers made an early repayment amounting to US\$100,000,000 for the term loan facility from the funds earned from the IPO.

ATA, IBT, Biscayne, Arindo Holdings, Viscaya and the Borrowers (collectively hereinafter referred to as the "Guarantors"), act as the guarantors of the syndicated loan.

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 was in compliance as at 31 December 2009. The Primary Operating Companies are also required to comply with certain terms and conditions on Article of Association, the nature of business, dividends, corporate actions, financing activities and others.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/38

(Expressed in million Rupiah, unless otherwise stated)

21. LONG-TERM BANK LOANS (continued)**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\$300,000,000 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 ("BEI"), PT Bank Mandiri (Persero) Tbk ("Mandiri") (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 2009. SIS is also required to comply with certain terms and conditions on Articles of Association, the nature of business, corporate actions, financing activities and others.

As at 31 December 2009, the outstanding balance of this facility was US\$230,360,000 (2008: US\$235,110,000), which is repayable according to the following schedule:

<u>Payment schedule (year)</u>	<u>Payment amount (US\$)</u>
2010	46,200,000
2011	50,850,000
2012	53,250,000
2013	80,060,000
	<u>230,360,000</u>

This loan is collateralised by:

- all trade receivables owned by SIS;
- all equipment, machinery, vehicles, and other moveable goods owned by SIS;
- insurance claim 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
- corporate guarantee from the Company.

c. PT Bank OCBC NISP Tbk

On 3 December 2009, SDM obtained a term loan facility of US\$15,000,000 from PT Bank OCBC NISP Tbk. This credit facility was used for 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 2009. SDM is also required to comply with certain terms and conditions on Article 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;
- Letter of Comfort from Adaro.

As at 31 December 2009, the outstanding balance of this facility was US\$15,000,000 which is repayable according to the following schedule:

<u>Payment schedule (year)</u>	<u>Payment amount (US\$)</u>
2010	1,251,000
2011	2,250,000
2012	3,000,000
2013	3,499,500
2014	4,999,500
	<u>15,000,000</u>

(Expressed in million Rupiah, unless otherwise stated)

22. SENIOR NOTES

	<u>2009</u>	<u>2008</u>
Face Value	7,520,000	-
Discount and issuance cost	(142,518)	-
Amortisation of discount and issuance cost	2,617	-
Exchange difference due to financial statement translation	<u>(251)</u>	<u>-</u>
	<u>7,379,848</u>	<u>-</u>

On 22 October 2009, Adaro issued a Guaranteed Senior Notes ("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 be 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.

23. DERIVATIVE INSTRUMENT

As at 31 December 2009, the derivative contracts had an unfavourable fair value as follows:

	<u>2009</u>	<u>2008</u>
Interest rate swap	159,437	208,745
Fuel swap	<u>8,231</u>	<u>-</u>
	167,668	208,745
Less: current portion	<u>(127,163)</u>	<u>(51,112)</u>
Non-current portion	<u>40,505</u>	<u>157,633</u>

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\$600,000,000. The transaction underlying this contract is the Syndicated Loan facility agreement amounting to US\$750,000,000 (refer to Note 21a). 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.

As at 31 December 2009, this contract had an unfavourable fair value of US\$16,027,619 (2008: unfavourable fair value of US\$19,063,426).

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 21b). 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.

As at 31 December 2009, this contract had an unfavourable fair value of US\$933,851.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/40

(Expressed in million Rupiah, unless otherwise stated)

23. DERIVATIVE INSTRUMENT (continued)**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 give monthly payments to Adaro at a floating price based on price on GAS OIL - 0.5 SINGAPORE - PLATTS ASIA-PACIFIC. This contract will be 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.

24. ACCRUED STRIPPING COSTS

	<u>2009</u>	<u>2008</u>
Carrying amount - beginning balance	(596,391)	(421,522)
Amortisation	41,187	29,370
Exchange difference due to financial statement translation	<u>80,468</u>	<u>(64,662)</u>
	<u>(474,736)</u>	<u>(456,814)</u>
Movement of accrued stripping costs:		
Movement	120,303	(123,388)
Exchange difference due to financial statement translation	<u>(11,547)</u>	<u>(16,189)</u>
	<u>108,756</u>	<u>(139,577)</u>
	<u>(365,980)</u>	<u>(596,391)</u>

The actual average stripping ratio for the Tutupan area for the year ended 31 December 2009 was 5.13:1 (2008: 4.14:1). The planned stripping ratio as at 31 December 2009 was 5.00:1 (2008: 4.25:1).

25. MINORITY INTEREST**a. Minority interest in equity of subsidiaries**

	<u>2009</u>	<u>2008</u>
SDM		
Percentage of minority interest	48.80%	48.80%
Carrying amount - beginning balance	-	-
Minority interest at acquisition	-	(8,673)
Increase due to issuance of new shares	2,318	-
Share in net income of subsidiary	51,156	1,860
(Reversal)/recognition of deficit minority interest by the Group	<u>(6,813)</u>	<u>6,813</u>
	<u>46,661</u>	-
JCI		
Percentage of minority interest	20%	-
Carrying amount - beginning balance	-	-
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	<u>(8)</u>	<u>-</u>
	<u>15,722</u>	-

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/41

(Expressed in million Rupiah, unless otherwise stated)

25. MINORITY INTEREST (continued)

a. Minority interest in equity of subsidiaries (continued)

	<u>2009</u>	<u>2008</u>
SIS		
Percentage of minority interest	-	14.08%
Carrying amount - beginning balance	17,254	93,056
Share in net income of subsidiary before the additional acquisition by the Group	23,335	-
Share in net loss of subsidiary	-	(64,369)
Decrease due to loss on fair value from cash flow hedges	(888)	-
Increase due to issuance of new shares	-	12,978
Decrease due to unrealised loss from available-for-sale investments	-	(29)
Exchange difference due to financial statement translation	38,033	-
Decrease due to acquisition of minority interest by the Group	(77,734)	(24,382)
	<u>-</u>	<u>17,254</u>
Coronado		
Percentage of minority interest	14%	-
Carrying amount - beginning balance	-	-
Minority interest at acquisition	2,078	-
Increase due to change in equity of subsidiary	2,183	-
Share in net loss of subsidiary	(970)	-
Exchange difference due to financial statement translation	(243)	-
	<u>3,048</u>	<u>-</u>
Marindo		
Percentage of minority interest	25.50%	-
Minority interest at acquisition	1,636	-
Share in net loss of subsidiary	(26)	-
	<u>1,610</u>	<u>-</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>
Arindo Global		
Percentage of minority interest	-	33.00%
Carrying amount - beginning balance	935	-
Liquidation of subsidiary	(935)	-
Minority interest at acquisition	-	50
Share in net income of subsidiary	-	775
Exchange difference due to financial statement translation	-	110
	<u>-</u>	<u>935</u>
MSW		
Percentage of minority interest	-	0.08%
Carrying amount - beginning balance	188	177
Share in net loss of subsidiary before the additional acquisition by the Group	(26)	-
Share in net loss of subsidiary	-	(7)
Increase due to change in equity of subsidiary	1	18
Decrease due to acquisition of minority interest by the Group	(163)	-
	<u>-</u>	<u>188</u>
NPE		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	1,500
Reversal due to disposal of subsidiary	-	(1,500)
	<u>-</u>	<u>-</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/42

(Expressed in million Rupiah, unless otherwise stated)

25. MINORITY INTEREST (continued)**a. Minority interest in equity of subsidiaries (continued)**

	<u>2009</u>	<u>2008</u>
Adaro		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	341,211
Share in net income of subsidiary before the additional acquisition by the Group	-	154,019
Decrease due to fair value loss from cash flow hedges	-	(716)
Exchange difference due to financial statement translation	-	(5,688)
Decrease due to acquisition of minority interest by the Group	-	(488,826)
	<u>-</u>	<u>-</u>
Biscayne		
Percentage of minority interest	-	-
Carrying amount - beginning balance	-	122,457
Share in net income of subsidiary before additional acquisition by the Group	-	23,731
Exchange difference due to financial statement translation	-	(9,073)
Decrease due to acquisition of minority interest by the Group	-	(137,115)
	<u>-</u>	<u>-</u>
Arindo Holdings		
Percentage of minority interest	-	-
Minority interest at acquisition	-	(45,842)
Share in net loss of subsidiary	-	(32,777)
Exchange difference due to financial statement translation	-	1,075
Decrease due to acquisition of minority interest by the Group	-	77,544
	<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 before additional acquisition by the Group	12,214	-
Exchange difference due to financial statement translation	(4,240)	-
Decrease due to acquisition of minority interest by the Group	(37,870)	-
	<u>-</u>	<u>-</u>
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	-
	<u>-</u>	<u>-</u>
	<u>67,043</u>	<u>18,379</u>

b. Minority interest in net income/(loss) of subsidiaries

	<u>2009</u>	<u>2008</u>
SDM	44,343	-
SIS	4,667	(64,369)
JCI	453	-
MBP	92	-
Marindo	(26)	-
Coronado	(970)	-
Arindo Global	-	775
MSW	-	(7)
	<u>-</u>	<u>(7)</u>
	<u>48,559</u>	<u>(63,601)</u>

(Expressed in million Rupiah, unless otherwise stated)

26. SHARE CAPITAL

The Company's shareholders as at 31 December 2009 and 2008 were as follows:

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	11,015,270,875	34.42	1,101,527
	<u>31,985,962,000</u>	<u>100.00</u>	<u>3,198,596</u>

Shareholders	2008		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
PT Saratoga Investama Sedaya	4,775,524,806	14.93	477,552
PT Triputra Investindo Arya	4,268,347,697	13.34	426,834
PT Persada Capital Investama	3,520,995,975	11.01	352,100
GS NY SEG AC	3,180,703,000	9.94	318,070
Garibaldi Thohir (President Director)	2,496,384,062	7.80	249,639
PT Trinugraha Thohir	2,496,384,062	7.80	249,639
UBS AG Singapore S/A Atticus Investments Pte Ltd	1,835,021,500	5.74	183,502
Edwin Soeryadjaya (President Commissioner)	1,375,877,646	4.30	137,588
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
PT Saratoga Sentra Business	110,925,500	0.35	11,093
Chia Ah Hoo (Director)	16,584,000	0.05	1,658
David Tendian (Director)	11,150,000	0.03	1,115
Andre J. Mamuaya (Director)	10,363,000	0.03	1,036
Alastair Bruce Grant (Director)	8,454,500	0.03	845
Ir. Palgunadi T. Setiawan (Independent Commissioner)	909,000	0.00	91
Public	6,076,146,000	19.01	607,615
	<u>31,985,962,000</u>	<u>100.00</u>	<u>3,198,596</u>

27. ADDITIONAL PAID-IN CAPITAL

	2009	2008
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>

28. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL

	2009	2008
Acquisition of SIS	51,370	51,370
Acquisition of ATA	(240,960)	(240,960)
Acquisition of MSW	<u>(2,253)</u>	<u>(2,253)</u>
	<u>(191,843)</u>	<u>(191,843)</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/44

(Expressed in million Rupiah, unless otherwise stated)

28. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL (continued)

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 and the difference between the sales price and book value of net assets disposed of, incurred through restructuring transactions among entities under common control (refer to Note 3).

29. 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 Commisionners 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.

30. 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.

31. REVENUE

	<u>2009</u>	<u>2008</u>
Coal mining and trading		
Export		
- Third parties	<u>19,276,055</u>	<u>12,918,550</u>
Domestic		
- Third parties	6,015,047	3,878,546
- Related parties	<u>-</u>	<u>260</u>
	<u>6,015,047</u>	<u>3,878,806</u>
	<u>25,291,102</u>	<u>16,797,356</u>
Mining services		
Domestic		
- Third parties	<u>1,167,642</u>	<u>1,069,250</u>
Others		
Export		
- Third parties	100,112	35,132
- Related parties	<u>-</u>	<u>2,135</u>
	<u>100,112</u>	<u>37,267</u>
Domestic		
- Third parties	<u>379,164</u>	<u>188,629</u>
	<u>479,276</u>	<u>225,896</u>
Total revenue	<u>26,938,020</u>	<u>18,092,502</u>

There is no customer having transactions of more than 10% of total consolidated net revenue.

Refer to Note 35 for details of related party transactions and balances.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/45

(Expressed in million Rupiah, unless otherwise stated)

32. COST OF REVENUE

	<u>2009</u>	<u>2008</u>
Coal mining and trading		
Mining	7,093,391	5,803,384
Coal processing	<u>1,016,982</u>	<u>773,559</u>
Total production costs	<u>8,110,373</u>	<u>6,576,943</u>
Freight and handling costs	2,691,722	2,857,401
Royalties to Government	2,706,940	1,458,307
Purchase of coal	184,696	647,635
Depreciation and amortisation	458,934	210,309
Amortisation of mining properties	485,178	196,602
Coal inventory:		
Beginning balance	54,979	129,532
Acquisition of subsidiary	-	30,665
Ending balance	(76,520)	(54,979)
Exchange difference due to financial statement translation	<u>(10,896)</u>	<u>10,945</u>
(Increase)/decrease in coal inventory	<u>(32,437)</u>	<u>116,163</u>
Total cost of revenue - coal mining and trading	<u>14,605,406</u>	<u>12,063,360</u>
Mining services		
Consumables	215,778	368,331
Depreciation and amortisation	223,033	165,899
Employee costs	129,457	126,473
Repair and maintenance	197,613	111,675
Subcontractors	97,933	57,956
Other costs (each below Rp 30,000)	<u>62,270</u>	<u>67,501</u>
Total cost of revenue - mining services	<u>926,084</u>	<u>897,835</u>
Others		
Consumables	240,986	138,945
Depreciation and amortisation	81,405	20,280
Other costs (each below Rp 30,000)	<u>46,242</u>	<u>28,850</u>
Total cost of revenue - others	<u>368,633</u>	<u>188,075</u>
Total cost of revenue	<u>15,900,123</u>	<u>13,149,270</u>

Details of the suppliers having transactions of more than 10% of total consolidated cost of revenue:

	<u>2009</u>	<u>2008</u>
Third party:		
PT Pamapersada Nusantara	<u>2,466,768</u>	<u>1,757,246</u>

Refer to Note 35 for details of related party transactions and balances.

33. OPERATING EXPENSES

a. Selling and marketing

	<u>2009</u>	<u>2008</u>
Sales commission	615,790	503,614
Others	<u>21,667</u>	<u>24,702</u>
	<u>637,457</u>	<u>528,316</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/46

(Expressed in million Rupiah, unless otherwise stated)

33. OPERATING EXPENSES (continued)**b. General and administrative**

	<u>2009</u>	<u>2008</u>
Employee costs	211,073	105,668
Others	<u>260,920</u>	<u>97,390</u>
	<u>471,993</u>	<u>203,058</u>

34. TAXATION**a. Prepaid taxes**

	<u>2009</u>	<u>2008</u>
Company		
Corporate income tax	7,378	1,878
VAT	<u>118</u>	<u>-</u>
	<u>7,496</u>	<u>1,878</u>

Subsidiaries

Corporate income tax	228,631	192,795
VAT	50,709	92,153
Income tax article 15	17,635	-
Final tax article 4(2)	<u>311</u>	<u>-</u>

297,286 284,948304,782 286,826**b. Recoverable taxes**

	<u>2009</u>	<u>2008</u>
VAT input	295,856	429,690
Vehicle fuel tax receivable	207,473	130,032
Deposit to Government	<u>150,000</u>	<u>150,000</u>
	<u>653,329</u>	<u>709,722</u>

VAT input receivable represents the balance of VAT input to be offset against the production sharing payment (government royalty) 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 Economic 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 2009, Adaro has offset the claim for recoverable VAT input amounting to US\$100.2 million (31 December 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 2009, Adaro was offsetting the claim for recoverable VAT input against royalty payments totalling US\$315.5 million or equivalent to Rp 3,063,680.

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 shall 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 39d for further details.

(Expressed in million Rupiah, unless otherwise stated)

34. 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 has 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 may be compensated by the Government of Indonesia, since PBBKB is a new tax according to the provisions of the CCA..

c. Taxes payable

	<u>2009</u>	<u>2008</u>
The Company		
Income tax articles 23 and 26	9,103	37
Final tax article 4(2)	2,011	-
Income tax article 21	197	876
VAT output	-	365
	<u>11,311</u>	<u>1,278</u>
Subsidiaries		
Corporate income tax	2,183,082	1,115,479
VAT	28,105	156
Income tax articles 23 and 26	20,075	28,946
Income tax article 21	9,049	5,214
Final tax article 4(2)	436	124
Income tax article 15	-	17
	<u>2,240,747</u>	<u>1,149,936</u>
	<u>2,252,058</u>	<u>1,151,214</u>

d. Income tax expense

	<u>2009</u>	<u>2008</u>
The Company		
Current	-	-
Deferred	9,293	9,268
	<u>9,293</u>	<u>9,268</u>
Subsidiaries		
Current	4,162,623	1,635,581
Deferred	(52,815)	(42,873)
	<u>4,109,808</u>	<u>1,592,708</u>
Consolidated		
Current	4,162,623	1,635,581
Deferred	(43,522)	(33,605)
	<u>4,119,101</u>	<u>1,601,976</u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/48

(Expressed in million Rupiah, unless otherwise stated)

34. TAXATION (continued)**d. Income tax expense (continued)**

The reconciliation between profit before income tax and estimated taxable income is as follows:

	<u>2009</u>	<u>2008</u>
Consolidated profit before income tax	8,578,381	2,924,704
Profit before income tax - subsidiaries	(8,607,008)	(2,811,424)
Adjusted for consolidation elimination	<u>4,403,541</u>	<u>694,235</u>
Profit before income tax - the Company	<u>4,374,914</u>	<u>807,515</u>
Temporary difference:		
Provision for employee benefits	<u>4,026</u>	<u>-</u>
Permanent difference:		
Income subject to final tax	(11,586)	(6,397)
Income from investments in subsidiaries and associates	(4,398,839)	(754,755)
Gain from sale of investments in subsidiaries	-	(38,279)
Non-deductible expenses	<u>27,622</u>	<u>8,124</u>
	<u>(4,382,803)</u>	<u>(791,307)</u>
Taxable (loss)/income - the Company before use of tax loss carried forward	(3,863)	16,208
Tax loss used	<u>-</u>	<u>(16,208)</u>
Taxable loss - the Company	<u>(3,863)</u>	<u>-</u>
Current income tax - the Company	-	-
Current income tax - subsidiaries	<u>4,162,623</u>	<u>1,635,581</u>
Consolidated current income tax	<u>4,162,623</u>	<u>1,635,581</u>

Current income tax of subsidiaries, after accounting for extraordinary item (refer to Note 40), was as follows:

	<u>2009</u>	<u>2008</u>
Current income tax from ordinary activity	4,162,623	1,635,581
Current income tax - extraordinary item	<u>-</u>	<u>(304,970)</u>
Total current income tax	<u>4,162,623</u>	<u>1,330,611</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	6,073
2007	26,533
2009	<u>3,863</u>
	<u>36,469</u>

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>2009</u>	<u>2008</u>
Consolidated profit before income tax	8,578,381	2,924,704
Profit before income tax - subsidiaries	(8,607,008)	(2,811,424)
Adjusted for consolidation elimination	<u>4,403,541</u>	<u>694,235</u>
Profit before income tax - the Company	4,374,914	807,515

(Expressed in million Rupiah, unless otherwise stated)

34. TAXATION (continued)

d. Income tax expense (continued)

	<u>2009</u>	<u>2008</u>
Income tax calculated at prevailing tax rate	1,224,976	242,255
Income subject to final tax	(3,244)	(1,919)
Non-deductible expenses	7,734	2,437
Income from investments in subsidiaries and associates	(1,231,675)	(226,427)
Gain from sales of investments in subsidiaries	-	(11,484)
Adjustment related to the changes of income tax rate	(1,115)	3,884
Unrecognised tax loss carryforward	<u>12,617</u>	<u>522</u>
Income tax expense - the Company	9,293	9,268
Income tax expense - subsidiaries	<u>4,109,808</u>	<u>1,592,708</u>
Consolidated income tax expense	<u><u>4,119,101</u></u>	<u><u>1,601,976</u></u>

e. Deferred tax assets

	<u>2009</u>	<u>2008</u>
The Company		
Tax loss carried forward	9,117	19,417
Provision for employee benefits	<u>1,007</u>	-
Deferred tax assets at the end of the year	<u><u>10,124</u></u>	<u><u>19,417</u></u>
Deferred tax assets at the beginning of the year	19,417	28,685
Charged to consolidated statement of income	<u>(9,293)</u>	<u>(9,268)</u>
Deferred tax assets at the end of the year	<u><u>10,124</u></u>	<u><u>19,417</u></u>
Subsidiaries		
Tax loss carried forward	370,292	496,885
Provision for employee benefits	833	4,572
Loss from changes in fair value of derivative instruments	6,830	-
Difference between commercial and tax net book value of fixed assets	-	(8,048)
Difference in fixed assets under finance lease and lease instalments	<u>-</u>	<u>(16,471)</u>
	377,955	476,938
Unrecognised deferred tax assets	<u>(350,492)</u>	<u>(452,531)</u>
Deferred tax assets at the end of the year	<u><u>27,463</u></u>	<u><u>24,407</u></u>
Deferred tax assets at the beginning of the year	24,407	8,138
Charged to equity	6,830	-
Charged to consolidated statement of income	14,096	16,269
Adjustment related to changes of reporting currency of the subsidiary - charged to equity	<u>(17,870)</u>	-
Deferred tax assets at the end of the year	<u><u>27,463</u></u>	<u><u>24,407</u></u>
Consolidated		
Tax loss carried forward	379,409	516,302
Provision for employee benefits	1,840	4,572
Loss from changes in fair value of derivative instruments	6,830	-
Difference between commercial and tax net book value of fixed assets	-	(8,048)
Difference in fixed assets under finance lease and lease instalments	<u>-</u>	<u>(16,471)</u>
	388,079	496,355
Unrecognised deferred tax assets	<u>(350,492)</u>	<u>(452,531)</u>
Deferred tax assets at the end of the year	<u><u>37,587</u></u>	<u><u>43,824</u></u>

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

Schedule 5/50

34. TAXATION (continued)

e. Deferred tax assets (continued)

	<u>2009</u>	<u>2008</u>
Deferred tax assets at the beginning of the year	43,824	36,823
Charged to equity	6,830	-
Charged to consolidated statement of income	4,803	7,001
Adjustment related to changes of reporting currency of the subsidiary - charged to equity	<u>(17,870)</u>	<u>-</u>
Deferred tax assets at the end of the year	<u>37,587</u>	<u>43,824</u>

Due to several subsidiaries are in a loss position and only as a head office, there is a possible 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>2009</u>	<u>2008</u>
Subsidiaries		
Tax loss carried forward	116,270	-
Provision for employee benefits	10,307	2,212
Mining properties	(2,444,658)	(2,628,436)
Difference between commercial and tax net book value of fixed assets	(445,588)	(474,139)
Deferred exploration and development expenditure	(36,455)	(43,943)
Loss from changes in fair value of derivative instruments	55,616	-
Difference in fixed assets under finance lease and lease instalments	<u>(74,336)</u>	<u>-</u>
Unrecognised deferred tax assets	<u>(2,818,844)</u>	<u>(3,144,306)</u>
Deferred tax liabilities at the end of the year	<u>(2,933,399)</u>	<u>(3,144,306)</u>
Deferred tax liabilities at the beginning of the year	(3,144,306)	(473,922)
Charged to equity	55,616	-
Charged to consolidated statement of income	38,719	26,604
Acquisition of subsidiaries	-	(2,606,840)
Reversal related to the changes of incomes tax rate in mining properties	-	35,580
Exchange difference due to financial statement translation - charged to equity	<u>116,572</u>	<u>(125,728)</u>
Deferred tax liabilities at the end of the year	<u>(2,933,399)</u>	<u>(3,144,306)</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

On 13 August 2008 and 12 September 2008, SIS received tax assessment letters for various taxes for the fiscal year 2006, which showed SIS as having overpaid corporate income tax and VAT amounting to Rp 15,486 (US\$1,647,447) and Rp 46,471 (US\$4,943,723), respectively, and underpaid income tax articles 21 and 23 amounting to Rp 5 (US\$532) and Rp 142 (US\$15,106), respectively. Management of SIS disagreed with the tax assessment of corporate income tax and income tax article 23 and therefore filed objection letters to the DGT against the tax assessment amounting Rp 3,421 (US\$363,829). On 21 April 2009, DGT accepted the objection on income tax article 23 of Rp 142 (US\$15,106) and rejected the objection on 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 this report, the Company is being audited for all taxes for the fiscal year 2004, 2005, 2006, 2007 and 2008; and SIS is being audited for all taxes for the fiscal year 2008; and ATA is being audited for all taxes for the fiscal year 2005, 2006, 2007 and 2008. The Company, SIS and ATA 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, SIS' and ATA's financial position and cash flows.

(Expressed in million Rupiah, unless otherwise stated)

34. TAXATION (continued)

i. Changes in taxation law

In September 2008, the House of Representatives approved amendments to the income tax law. These were signed into law by the President on 23 September 2008 and hence are considered enacted. One of these amendments stipulates that the income tax for corporations will be set at a flat rate of 28% commencing 1 January 2009 and further reduced to 25% from 1 January 2010.

The reduction in tax rates does not impact on deferred tax balances that are expected to be reversed prior to 1 January 2009. However, it will impact on subsequent reversals.

The Group has performed an analysis of the periods in which its deferred tax assets and liabilities will be reversed and has revalued its deferred tax assets and liabilities accordingly. The net impact is a reduction in the balance of net deferred tax liabilities as at 31 December 2009 of Rp 5,967 (2008: balance of net deferred tax asset of Rp 6,862). This amount has been reflected in these consolidated financial statements.

35. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the balances and transactions with related parties are as follows:

a. Other receivables - related party

	<u>2009</u>	<u>2008</u>
Rupiah		
PT Anugerah Buminusantara Abadi	-	2,243
As a percentage of total assets	-	0.01%

Other receivables from related parties represents reimbursement of expenses incurred on behalf of related parties.

b. Trade payables to related parties

	<u>2009</u>	<u>2008</u>
PT Rahman Abdijaya	95,365	61,581
PT Pulau Seroja Jaya	29,592	21,882
PT Pulau Seroja Jaya Pratama	12,995	16,428
PT Anugerah Buminusantara Abadi	4,831	1,756
Orchard Maritime Logistics Pte Ltd	-	147,739
Total	<u>142,783</u>	<u>249,386</u>
As a percentage of total liabilities	<u>0.57%</u>	<u>1.27%</u>

c. Amounts due to related parties

	<u>2009</u>	<u>2008</u>
Rupiah		
PT Persada Capital Investama	-	432
PT Saratoga Sentra Business	-	432
	-	864
US Dollars		
PT Rachindo Investments	4,700	5,475
Total	<u>4,700</u>	<u>6,339</u>
As a percentage of total liabilities	<u>0.02%</u>	<u>0.03%</u>

Amounts due to related parties arose from reimbursement of expenses paid by the related parties on behalf of the Group. Related parties re-charged expenses paid on behalf of the Group at cost.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/52

(Expressed in million Rupiah, unless otherwise stated)

35. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**d. Revenue**

	<u>2009</u>	<u>2008</u>
Orchard Maritime Logistics Pte Ltd	-	2,135
PT Padangbara Sukses Makmur	-	260
Total	<u>-</u>	<u>2,395</u>
As a percentage of total revenue	<u>-</u>	<u>0.01%</u>

As at 30 April 2009, OML has been consolidated into the Group, and therefore balances and transactions between OML and the Group have been eliminated.

e. Cost of revenue

	<u>2009</u>	<u>2008</u>
Cost of revenue from related parties:		
Mining service:		
- PT Rahman Abdijaya	527,291	413,569
Coal barging services:		
- PT Pulau Seroja Jaya	100,484	131,894
- PT Pulau Seroja Jaya Pratama	60,827	83,353
Rental:		
- PT Anugerah Buminusantara Abadi	33,906	20,281
Coal purchases:		
- PT Padangbara Sukses Makmur	-	16,693
- PT Padang Sejahtera	-	8,070
Coal handling and barging services:		
- Orchard Maritime Logistics Pte Ltd	-	483,083
	<u>722,508</u>	<u>1,156,943</u>
As a percentage of total cost of revenue	<u>4.54%</u>	<u>8.80%</u>

As at 30 April 2009, OML has been consolidated into the Group, and therefore balances and transactions between OML and the Group have been eliminated.

Refer to Note 39 for further description of the transaction.

f. Interest expense

	<u>2009</u>	<u>2008</u>
PT Padangbara Sukses Makmur	-	159
As a percentage of total interest expense and finance charges	<u>-</u>	<u>0.03%</u>

g. The nature of relationships with related parties

<u>Related parties</u>	<u>Relationship with related parties</u>
Orchard Maritime Logistics Pte Ltd ^{a)}	Indirect subsidiary
PT Anugerah Buminusantara Abadi	Associates
PT Rachindo Investments	Associates
PT Persada Capital Investama	Shareholder
PT Saratoga Sentra Business	Shareholder
PT Padangbara Sukses Makmur	Affiliate
PT Padang Sejahtera	Affiliate
PT Pulau Seroja Jaya	Affiliate
PT Pulau Seroja Jaya Pratama	Affiliate
PT Rahman Abdijaya	Affiliate

^{a)} Consolidated since 30 April 2009

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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/53

(Expressed in million Rupiah, unless otherwise stated)

36. BASIC EARNINGS PER SHARE

	<u>2009</u>	<u>2008</u>
Net income attributable to shareholders	4,367,252	887,198
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u>31,985,962</u>	<u>25,469,531</u>
Basic earnings per share (full amount)	<u>136.5</u>	<u>34.8</u>

The Group does not have any dilutive ordinary shares at 31 December 2009 and 2008.

37. MONETARY ASSETS AND LIABILITIES

As at 31 December 2009, the Group had monetary assets and liabilities denominated in foreign currencies as follows:

		<u>Foreign currency</u>	<u>Equivalent Rupiah</u>
Monetary assets			
Cash on hand	US\$	12,181	115
	S\$	3,994	27
	HK\$	2,077	3
Cash in banks	US\$	478,773,203	4,500,468
	S\$	899,546	6,026
	€	25,740,594	347,747
Deposits	US\$	653,888,484	6,146,551
Restricted cash and cash equivalents	US\$	1,008,966	9,484
Trade receivables	US\$	222,343,515	2,090,029
Advances	US\$	15,460,671	145,330
	S\$	93,429	626
	€	11,906,069	160,848
Other non-current assets	US\$	<u>4,494,794</u>	<u>42,251</u>
Total monetary assets			<u>13,449,505</u>
Monetary liabilities			
Trade payables	US\$	190,206,513	1,787,941
	S\$	194,320	1,302
	€	1,739,436	23,499
	¥	12,234,033	1,244
	A\$	101,828	859
	£	12,263	185
Accrued expenses	US\$	29,824,089	280,346
	€	726,406	9,814
Amounts due to related parties	US\$	500,000	4,700
Short-term bank loan	US\$	20,000,000	188,000
Royalties payable	US\$	78,515,264	738,044
Long-term loans:			
- Finance lease payables	US\$	86,224,449	810,510
- Bank loans	US\$	795,360,000	7,476,384
Senior Notes	US\$	785,090,227	<u>7,379,848</u>
Total monetary liabilities			<u>18,702,676</u>
Net monetary liabilities			<u>5,253,171</u>

If assets and liabilities in foreign currencies as at 31 December 2009 are translated using the exchange rate as at 22 March 2010, the total net foreign currency liabilities will decrease by approximately Rp 131,249.

38. 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.

(Expressed in million Rupiah, unless otherwise stated)

38. SEGMENT REPORTING (continued)

	2008				
	Coal mining and trading	Mining service	Others	Eliminations	Consolidated
Profit/(loss) before income tax	3,648,810	(471,599)	4,509	(257,016)	2,924,704
Income tax (expense)/benefit	(1,624,907)	11,075	(38,694)	50,550	(1,601,976)
Extraordinary Item	(372,741)	-	-	-	(372,741)
Pre-acquisition income	-	-	-	(126,390)	(126,390)
Minority interest in net loss of subsidiaries	-	-	-	63,601	63,601
Net income/(loss)	<u>1,651,162</u>	<u>(460,524)</u>	<u>(34,185)</u>	<u>(269,255)</u>	<u>887,198</u>
Segment assets	16,716,829	4,338,571	5,507,644	7,157,126	33,720,170
Segment liabilities	13,333,697	3,902,683	9,059,740	(6,603,574)	19,692,546
Capital expenditure	217,513	1,117,176	855,029	2,903	2,192,621
Depreciation and amortisation	66,003	292,060	43,678	557,379	959,120

Information concerning the Group's geographical segment for the years ended 31 December 2009 and 2008 is as follows:

	2009				
	Indonesia	Asia	Europe	America	Total
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>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	37,795,344	4,670,064	-	-	42,465,408
Capital expenditure	1,313,572	115,964	-	-	1,429,536
	2008				
	Indonesia	Asia	Europe	America	Total
Revenue:					
Coal mining and trading	3,878,805	9,034,706	2,754,709	1,129,136	16,797,356
Mining services	1,069,250	-	-	-	1,069,250
Others	<u>188,628</u>	<u>37,268</u>	-	-	<u>225,896</u>
Revenue	<u>5,136,683</u>	<u>9,071,974</u>	<u>2,754,709</u>	<u>1,129,136</u>	<u>18,092,502</u>
Segment assets	28,010,589	5,696,667	12,914	-	33,720,170
Capital expenditure	2,192,437	184	-	-	2,192,621

39. 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.

In addition, 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.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/56

(Expressed in million Rupiah, unless otherwise stated)

39. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**a. Coal mining, transportation, barging, transshipment, and other agreements (continued)**

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.

Contractor	Agreement type	Agreement date	Contract period end
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 and PT Pulau Seroja Jaya Pratama	Coal barging	30 November 2007	31 December 2010
PT Batuah Abadi Lines	Coal barging	18 February 2000	30 June 2012
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.

Coal producer	Agreement date	Contract period or production level (metric tonnes/MT)
PT Berau Coal (Binungan H3N)	22 November 2004	31 December 2010
PT Berau Coal (Binungan H4)	27 December 2004	31 December 2010
PT Berau Coal (Binungan Blok 1-4)	1 March 2007	31 December 2010
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 2010 or certain production level
PT Borneo Indobara	17 October 2006	31 August 2014 or certain production level
PT Indomining	14 August 2007	13 August 2012 or certain production level
PT Tunas Muda Jaya	8 April 2009	2013 or certain production level

The receivables arising from coal mining contract between SIS and the coal producers were pledged under the Senior Credit Facility (refer to Note 21b).

All of these agreements are pledged against the Senior Credit Facility (refer to Note 21b).

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 "Pembangkit Listrik Tenaga Uap" ("Coal fired Power Plant" or "PLTU"). The Government of Tabalong Regency will provide the right to use the land, which subsequently could request to have the land rights for 30 years and this could be extended according to the prevailing law.

As a compensation for land rights, MSW will supply electricity of 1.5 Mega Watts for regency street lighting.

c. Litigation

Dianlia was involved in litigation with Beckett Pte Ltd ("Beckett") relating to a foreclosure sale of 40% of the shares in Adaro and IBT (the "Pledged Shares") by Deutsche Bank AG, Singapore branch ("Deutsche Bank") to Dianlia in 2002 following a default on a loan to a subsidiary of Beckett in 1998.

Beckett filed a litigation against Deutsche Bank in Singapore for damages alleging, among other things, that Deutsche Bank failed to obtain the best price for the Pledged Shares according to the foreclosure sale (the "Suit"). In early 2005, Beckett applied to the Singapore High Court to add Dianlia as an additional defendant to the Suit and sought restoration of the Pledged Shares or damages if the foreclosure sale was validated.

(Expressed in million Rupiah, unless otherwise stated)

39. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

c. Litigation (continued)

On 21 September 2007, the Singapore High Court rejected all Beckett's claims on Dianlia. On 27 April 2009, the Singapore Court of Appeal made its final and binding decision, in favour of Dianlia and found that the purchase of the Pledged Shares was lawful. The court also ordered Beckett to pay Dianlia all associated legal costs. However, there is no assurance that Beckett will not file other claims of a similar nature in the future.

d. 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. As at the date of this report, there is no result yet from the civil review (*Peninjauan Kembali*).

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.

e. Capital expenditures

As at 31 December 2009, Adaro has outstanding purchase orders for mining equipments amounting to US\$68.7 million and SIS for operational equipments amounting to US\$18.5 million.

f. Banking facility

On 5 September 2007, Adaro entered a bank facility agreement with HSBC to issue a bank guarantee with a total limit of US\$15,000,000 which includes Standby Documentary Credit amounting to US\$15,000,000, performance bonds amounting to US\$5,000,000 and tender bonds amounting to US\$5,000,000. This agreement has been amended and extended to 31 July 2010. 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\$15,000,000. This agreement has been amended and extended to 14 July 2010. This facility is not bound by any collateral.

The use of certain banking facilities require Adaro to maintain time deposits (refer to Note 5).

As at 31 December 2009, 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\$26.4 million (2008: US\$18.9 million). Those facilities had been issued in relation to sales contracts and reclamation guarantees.

g. Sales commitment

As at 31 December 2009, Adaro had various commitments to deliver 259.8 million metric tonnes of coal to various buyers, subject to price agreement. The coal will be periodically delivered from 2010 until 2022.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

(Expressed in million Rupiah, unless otherwise stated)

39. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

h. Forestry expenses

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.

i. 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 the milestones.

j. 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.

k. 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.

Most of Adaro's customers agreed to renegotiate the pricing terms in line with the Government requirement. 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. Although Adaro believes that it has meritorious defenses to these claims, there can be no assurance that these defenses will be successful. Adaro will continue to defend against these claims. As the outcome to this matter is uncertain and no reliable estimate can be made at this point, the Group did not recognise any provision in the consolidated financial statements.

l. 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.

m. DBS Bilateral Facility

On 24 February 2009, Adaro entered into a Multicurrency Revolving Credit Facility agreement with DBS Bank Ltd which acts 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 2009, Adaro has 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 21a).

(Expressed in million Rupiah, unless otherwise stated)

39. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

n. Letter of Credit Facility

On 8 April 2009, Coaltrade entered into a Letter of Credit Facility agreement with DBS Bank Ltd. Under this agreement, DBS Bank Ltd agreed to provide a letter of credit facility in an aggregate amount of US\$65 million for a period of 12 months after the date of the agreement. As at 31 December 2009, Coaltrade has not made any drawdown on this facility.

o. 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 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 amount</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 act as the guarantor for this loan facility. On 21 October 2009, Adaro made a US\$160 million drawdown from this facility and had made a full repayment of this drawdown on 23 November 2009. As at 31 December 2009, there is no amount outstanding under this facility. The interest rate changed during 2009 was 3.5% - 3.7%.

p. 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 Overland Conveyor, in purpose to support Adaro's increasing of coal production capacity with the total contract amounts (including provisional sum) 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 to 31 December 2009, there is no spending related to this contract.

q. 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.

r. New 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. While 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 licences under the Law.

PT ADARO ENERGY Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2009 AND 2008

Schedule 5/60

(Expressed in million Rupiah, unless otherwise stated)

39. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**r. New mining law No. 4/2009 (continued)**

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.

s. New 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 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 other capable mining services companies operate in the area. The regulation requires mining concession companies to conduct all coal extraction activities themselves within three years of the issuance of the regulation. Accordingly, Adaro will be required to develop its own extraction capabilities in lieu of relying on third party contractors.

Management believes that carrying out coal extraction activity by Adaro will not materially change the operating structure of Adaro's operations or SIS's (as a result of changes at Adaro or similar other customers of SIS).

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.

t. New 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 the domestic customers ("Domestic Market Obligation" or "DMO"). The DMO volume is based on a minimum percentage of domestic coal sales which will be determined by the Minister of Energy and Mineral Resources. The minimum DMO percentage and the price to be used for the DMO sales, which will follow international indices as the benchmark, will be determined by the Minister of Energy and Mineral Resources.

As of the date of this report, the mining industry is waiting for further implementation guidelines and instructions from the MoEMR.

40. EXTRAORDINARY ITEM

	<u>2009</u>	<u>2008</u>
Demurrage	-	677,711
Income tax expense	-	(304,970)
Net loss after tax	<u>-</u>	<u>372,741</u>

The amounts represent the demurrage which was incurred beyond normal activity of Adaro due to the bad weather in January to April 2008, which delayed coal loading and shipment.

41. 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 Director General of Mineral, Coal and Geothermal No. 1920/37.06/DJB/2008 dated 26 August 2008 and No. 1012/37.03/DJB/2009 dated 19 March 2009, 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 30,515 (2008: Rp 26,449).

(Expressed in million Rupiah, unless otherwise stated)

41. RECLAMATION GUARANTEE (continued)

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 the Company's mine closure plan.

42. RISK MANAGEMENT

The Group has conducted risk management procedures to identify, measure, monitor and manage its basic risks. In order to overcome the risk of operational revenue continuity into the Group in the future, the Group has long-term sales contracts with its customers. In addition, the Group also has long-term contracts with its mining contractors to ensure that the Group is able to meet the commitment of its long-term sales contracts.

The Group has carried out most of its sales contracts in US Dollars, which indirectly represents a natural hedge on the risk of fluctuation in the exchange rate of Rupiah to US Dollars and on the Group's loan in US Dollars.

In order to reduce the risks caused by fluctuation in the interest rate 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 Group also faces commodity price risk relating to its purchases of fuel necessary to run its operations. On a selective basis, the Group enters into fuel hedging contracts for its fuel requirements, under which the Group will pay a fixed fuel price and receive floating fuel price on certain fuel volume for the next three months to one year.

43. SUBSEQUENT EVENTS

Additional acquisition of 20% interest in JCI

On 27 January 2010, ATA acquired additional 20% interest in JCI for US\$10,000,000. As a result of this acquisition, ATA increased its direct and indirect ownership in JCI and SIS to 100%.

44. NEW ACCOUNTING STANDARDS

The Indonesian Institute of Accountants has issued the following revised accounting standards that are applicable for the consolidated financial statements covering periods beginning on or after 1 January 2010:

- SFAS 26 (Revised 2008) - Borrowing Costs;
- SFAS 50 (Revised 2006) - Financial Instruments: Presentation and Disclosures; and
- SFAS 55 (Revised 2006) - Financial Instruments: Recognition and Measurement.

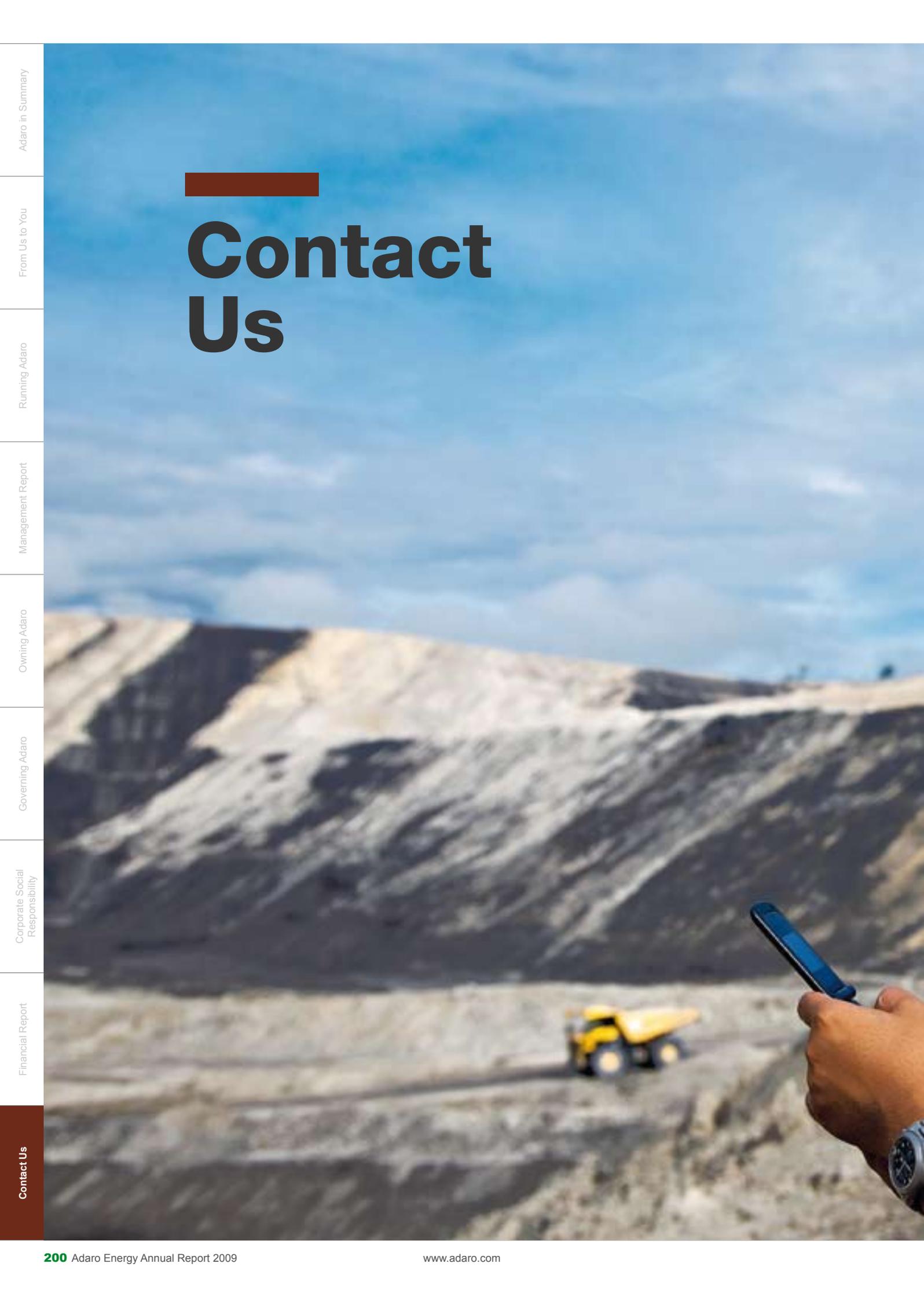
The Indonesian Institute of Accountants has also issued the following revised accounting standards that may be applicable to the Group's consolidated financial statements covering periods beginning on or after 1 January 2011:

- SFAS 1 (Revised 2009) - Presentation of Financial Statements;
- SFAS 2 (Revised 2009) - Statement of Cash Flows;
- SFAS 4 (Revised 2009) - Consolidated and Separate Financial Statements;
- SFAS 5 (Revised 2009) - Operating Segments;
- SFAS 12 (Revised 2009) - Interest in Joint Ventures;
- SFAS 15 (Revised 2009) - Investments in Associates;
- 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; and
- SFAS 58 (Revised 2009) - Non-current Assets Held for Sale and Discontinued Operations.

The Group is still considering the impact of these revised standards on the consolidated financial statements.

45. RECLASSIFICATION OF ACCOUNTS

Comparative figures in the consolidated financial statements for the year ended 31 December 2008 have been amended to conform to the basis on which the consolidated financial statements for the year ended 31 December 2009 have been presented.



Contact Us

Adaro in Summary

From Us to You

Running Adaro

Management Report

Owning Adaro

Governing Adaro

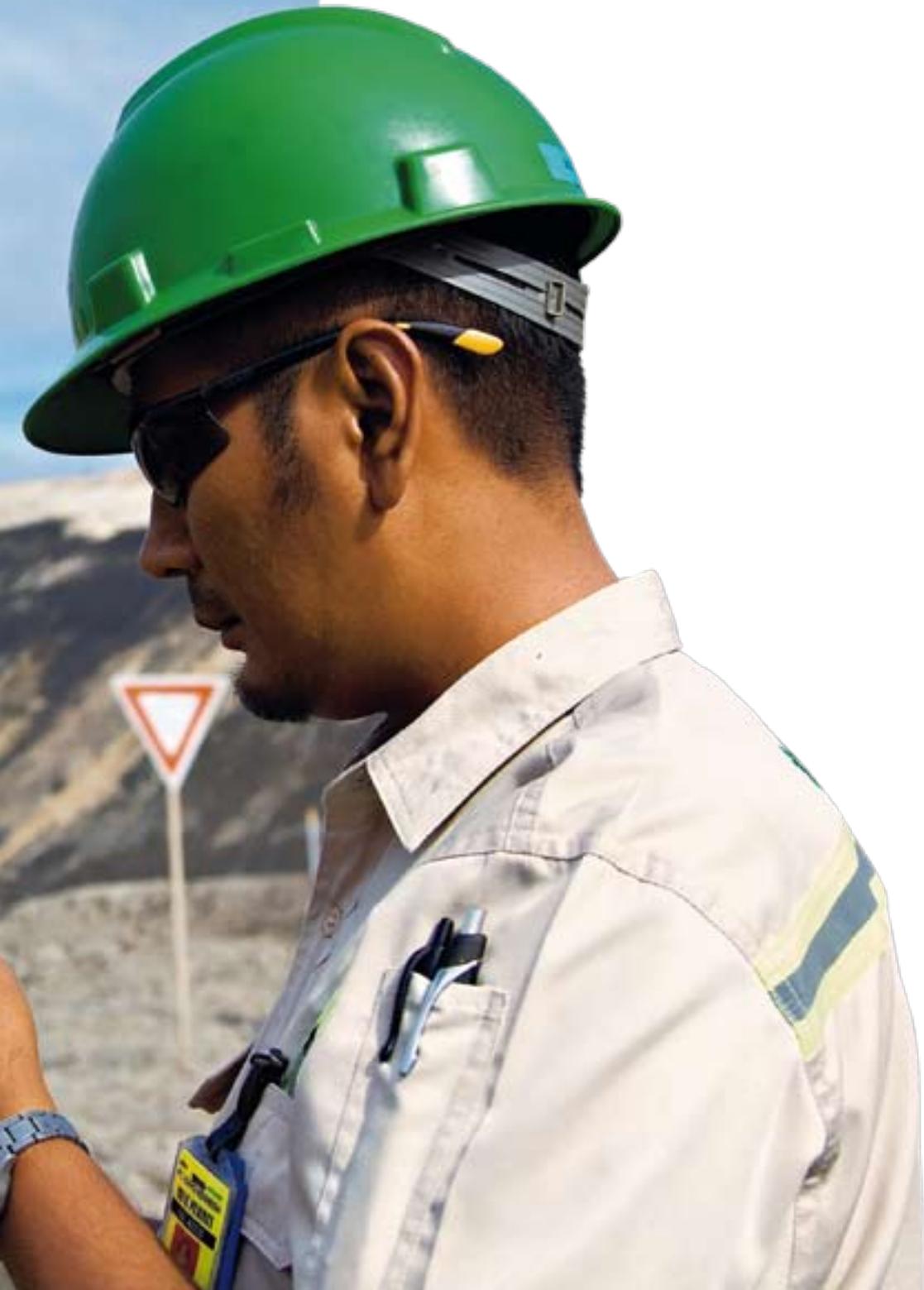
Corporate Social Responsibility

Financial Report

Contact Us

200-208

Key Personnel and Business Units	202
Management's Responsibility for Annual Report	203
Glossary	204
Corporate Identity	207
Additional Information	208



Key Personnel & Business Units

Board of Commissioners

Edwin Soeryadjaya	- President Commissioner
Theodore Permadi Rachmat	- Vice President Commissioner
Ir. Subianto	- Commissioner
Lim Soon Huat	- Commissioner
Ir. Palgunadi T. Setyawan	- Independent Commissioner
Djoko Suyanto *)	- Independent Commissioner

*) Resigned in October 2009, was elected as the Coordinating Minister for Political, Security, and Law affairs

Board of Directors

Garibaldi Thohir	- President Director
Christian Ariano Rachmat	- Vice President Director
Sandiaga S. Uno	- Director
Andre J. Mamuya	- Director of Corporate Affairs and Corporate Secretary
David Tendian	- Director of Finance
Chia Ah Hoo	- Director of Operations
Alastair Grant	- Director of Marketing

Legal

Indra Aman	- Chief Legal Officer
------------	-----------------------

Senior Managers of the Adaro Group

Adrian Lembong	- Business Development (AE)
Cameron Tough	- Investor Relations (AE)
Devindra Ratzarwin	- Deputy Corporate Secretary (AE)
Djohan Nurjadi	- Human Resources and IT (AE)
Heri Gunawan	- Corporate Finance (AE)
Salim Wibowo Halim	- Corporate Planning (AE)
Susanti	- Finance & Accounting (AE)
Hendry Chandra	- Internal Audit (AE)
Richard Tampi	- External Relations (AE)
Ariya Somanatta	- Head of Internal Affairs (AE)
Geoffrey John Palmer	- Marketing (AI)
Priyadi	- Operations (AI)
Terry Ng	- Supply Chain (AE)
Sonny Sidjaja	- Marketing & Operations (IBT)
Asep Kusuma	- Operations (SIS)
Ari Wibowo	- Accounting & Tax (SIS)
Barry Jones *)	- Terminal Service (IBT)

*) Resigned January 2010

Contact Address

Menara Karya 23rd Fl
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 from PT Adaro Energy Tbk)

Tjahyono Imawan	- Vice President Commissioner
Kardinal A. Karim	- Commissioner
Lukman Tirtaguna	- Commissioner
Ir. Budiardjo Sosrosukarto	- Commissioner

Board of Directors (other than members from PT Adaro Energy Tbk)

Ir. Anis Sulistiadi	- President Director
Budi Rachman	- Vice President Director and Director of Operations

Bimantoro Adisanyoto	- Director of HRGA
Christina Hiu	- Director of Finance
Ateng Kurnia	- Plant Director

Contact Address

Graha Saptaindra Sejati
Jalan T.B. Simatupang Kav. 18
Jakarta 12430, Indonesia
Phone: +6221-769-3378
Fax: +6221-769-3379

Orchard Maritime Logistics Pte. Ltd. ("OML") / PT Maritim Barito Perkasa ("MBP") / PT Harapan Bahtera Indonusa ("HBI")

Board of Commissioners (other than members from PT Adaro Energy Tbk)

Goh Khoon Teen Paul	- Commissioner
---------------------	----------------

Board of Directors (other than members from PT Adaro Energy Tbk)

Pepen Handianto Danuatmadja	- President Director
Goh Khoon Teen Paul	- Director

Contact Address

115 Amoy Street #02-00
Singapore 069935

PT Makmur Sejahtera Wisesa ("MSW")

Board of Commissioners (other than members from PT Adaro Energy Tbk)

Erry Firmansyah	- Commissioner
-----------------	----------------

Board of Directors (other than members from PT Adaro Energy Tbk)

Joseph Francis Chong	- President Director
Fakhrol Azmi Bin Harun	- Director

PT Sarana Daya Mandiri ("SDM")

Board of Commissioners (other than members from PT Adaro Energy Tbk)

Max Tamaela	- Commissioner
Wiranata Halim	- Commissioner

Board of Directors (other than members from PT Adaro Energy Tbk)

Fakhrol Azmi Bin Harun	- President Director
Ceri Wibisono	- Director of General Affairs
Ade Mohammad Yusuf	- Director of Business Development
Ir. Sonny Sidjaja	- Director of Operations

PT Indonesia Bulk Terminal ("IBT")

Board of Directors (other than members from PT Adaro Energy Tbk)

Adrian Lembong	- Director
----------------	------------

Coaltrade International Pte. Ltd ("Coaltrade")

Board of Directors (other than members from PT Adaro Energy Tbk)

Tsang Edwin Kin-Wah	- Director
Chong Siong Siang Peter	- Director

Contact Address

No. 1 Finlayson Green #16-01
Singapore 049246
Phone: (+65) 6336-8989
Fax: (+65) 6226-7082

Management's Responsibility for Annual Report

Annual Report 2009

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 2009 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

Board of Directors

Garibaldi Thohir
President Director

Christian Ariano Rachmat
Vice President Director

Sandiaga Salahuddin Uno
Director

Andre Johannes Mamuaya
Director & Corporate Secretary

David Tendian
Director

Chia Ah Hoo
Director

Alastair Bruce Grant
Director

Glossary

AE – PT Adaro Energy, Tbk.

AI – PT Adaro Indonesia.

Andesite – A dark, fine-grained, brown or grayish volcanic rock.

Anthracite – It is a hard, brittle, and black lustrous coal, often referred to as hard coal, containing a high percentage of fixed carbon and a low percentage of volatile matter. The moisture content of fresh-mined anthracite generally is less than 15 percent. The heat content of anthracite ranges from 22 to 28 million BTU per short ton on a moist, mineral-matter-free basis.

API2 – API2 index is the benchmark price reference for coal imported into northwest Europe. It is calculated as an average of the Argus cif Rotterdam assessment and McCloskey's northwest European steam coal marker.

API4 – API4 index is the benchmark price reference for coal exported out of South Africa's Richards Bay terminal.

ARA – Antwerp/Rotterdam/Amsterdam. Major coal importing ports in Northwest Europe.

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.

Backlog of Coal – uncompleted delivery of coal which can result in demurrage.

Backwardation – When a derivative instrument (future or swap) price is below the expected future spot price.

Barge – a flat bottomed vessel usually without propulsion used for carrying cargo in rivers and open sea. A tug provides the propulsion power by pulling or pushing the barge(s).

Baltic Freight Index (BFI) – An index reflecting a 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 percent 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 percent. The heat content of bituminous coal ranges from 21 to 30 million Btu per ton on a moist, mineral matter-free basis.

Black coal – A general term for coal of either sub-bituminous, bituminous or anthracite rank.

Borehole – Any deep or long drill-hole, usually associated with a diamond drill or an oil well drill.

Briquet – A block of compressed coal, used as fuel.

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 checks badly upon drying.

BTU (British Thermal Unit) – The amount of heat needed to raise the temperature of one pound of liquid water by one degree Fahrenheit at its point of maximum density. One Btu is equivalent to 252 calories, 0.293 watt-hours, or 1,055 joules. The Btu is a convenient measure by which to compare the energy content of various fuels.

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 or BTU/pound.

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).

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.

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-black 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 is 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 crushing terminal.

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 (SO₂) 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.

Contango – When a derivative instrument (future or swap) price is above the expected future spot price.

Conveyor – The means of transporting coal from the boot end to the underground bin or surface. It consists of an endless belt being driven by a motor drum system over a structure roller assembly.

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.

Dip – The slope of the coal seam.

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 the 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 – Adaro's internationally trademarked coal that is environmentally friendly, with low sulphur content of 0.1%, ash content between 1-2.5%, 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 ship that is specialized in lifting heavy loads. The floating crane tranships coal onto barges, which then transport it to power stations.

Floating Loading Facility (FCF) – 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.

Formation – A large body of rock characterized by homogeneity of its composition and texture.

GAD – Gross air dried.

GAR – Gross as received.

Gearless – A ship without means on board for the loading/unloading of cargo.

Geology – 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.

GlobalCOAL – It is 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.

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.

Haulage – The drawing or conveying, in cars or otherwise, or movement of men, supplies, ore and waste both underground and on the surface.

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.

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 repletion 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 Jasapower Indonesia.

JPU – Japanese power utilities.

Laytime – Time allowed for the vessel's cargo to be loaded/discharged without incurring demurrage.

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 mechanical shover or other machine for loading coal, ore, mineral, or rock.

Low-rank coal – Coal that contains 70%-80% carbon, with high moisture content (>35%), and low calorific value (<5100 kcal/kg adb).

LTIFR – Lost Time Injury Frequency Rate or the number of lost time injuries multiplied by 1,000,000 divided by the number of man-hours in the reporting period.

MBP – PT Maritim 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.

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.

Mine-mouth power plant – A coal burning power-generating plant built near a coal mine.

MSW – PT Makmur Sejahtera Wisesa.

Newcastle Coal Price – The price of coal which is exported 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 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.

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 60,000 tonnes and 85,000 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 mineable 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).

Glossary

Pyrite – A hard, heavy, shiny, yellow mineral, FeS₂ or iron disulphide; generally in cubic crystals. Also called iron pyrites, fool's gold, sulphur balls.

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 currently or potentially feasible.

Richards Bay Coal Terminal (RCBT) – It is one of the largest export coal terminals in the world, located in South Africa, with a design capacity of 76 million tonnes per annum. Richards Bay coal price refers to the price of coal coming from South Africa.

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 processing and raw stockpile areas – the ROM area.

S – Sulphur. Forms sulphur dioxide during coal combustion.

SDM – PT Sarana Daya Mandiri.

Seaborne coal – coal that is marketed outside the mining area and is transported by sea.

Seam – Layer or bed (of coal).

Self-propelled barge – Powered barge (See "barge") which can be used to carry heavy bulk items such as coal.

Silt – A fine-grained sediment having a particle size intermediate between that of fine sand and clay.

SIS – PT Saptaindra Sejati.

Steaming Coal – Coal used to provide heat for steam raising as part of the electricity generation process, also called thermal coal.

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 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 – Also called as black coal that ranks between lignite and bituminous coal with moisture content between 20% and 30% of inherent moisture by weight, and heat content ranging between 7,800 and 9,500 Btu per pound of coal.

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 uses a boiler/turbine system that operates at 1075 degrees F; subcritical plants operate at 850 degrees F. A supercritical plant is much more efficient than a subcritical plant, producing more power from less coal with lower emissions.

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.

Thermal Coal – Coal that is used for the generation of heat for steam raising and other general industry application. These coals generally do not exhibit any coking properties.

Transshipment – Transfer of coal from a barge to a ship.

Topographic – Relating to the arrangement or accurate representation of the physical features of an area.

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.

UNITS OF MEASURE

ADB – Air dried basis.

BCM – Bank cubic meter.

DAF – Dry and ash free. Also known as Maf (Moisture and ash free), indicates that the fuel heating value has been measured in the absence of inherent moisture and ash forming minerals.

DWT – Deadweight tons. Deadweight cargo capacity is the weight (in tons or tonnes) of the cargo required to sink the ship to her loadline after allowing for bunkers, stores, etc.

Kcal (gar) – Kilo calorie (gross as received).

MW – Mega Watt. One million watts of electricity.

TPH – Tonnes per hour.

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	6.46%
GSCO-ADCORPHOLDINGS	5.18%
Public	44.45%*

*includes the remaining ownership held by key shareholders.

Line of Business

Integrated Coal Mining through Subsidiaries

Address

Menara Karya, 23rd Floor
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 05555

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 Friday, 23 April 2010 at the Four Seasons Hotel, Ballroom, Jl. HR. Rasuna Said, Jakarta 12960.

For further information please contact:

Andre J. Mamuaya, Director of Corporate Affairs and Corporate Secretary
Cameron Tough, Head of Investor Relations
Tel. : (6221) 521 1265
Fax. : (6221) 5794 4685
Email : 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 2010:

* Jan 29	4Q09 Quarterly Activities Report
* Mar 31	FY09 Financial Press Release
* Mar 31	FY09 Audited Financial Statements and Notes
* April 08	Annual Report 2009 distribution
* April 30	1Q10 Quarterly Activities Report
* April 30	1Q10 Financial Press Release
* April 30	1Q10 Unaudited Financial Statements and Notes
* July 30	2Q10 Quarterly Activities Report
* August 31	Limited Review 1H10 Financial Statements and Notes
* August 31	1H10 Financial Press Release
* October 29	3Q10 Quarterly Activities Report
* October 29	9M10 Financial Press Release
* October 29	9M10 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 investment 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 result, 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.

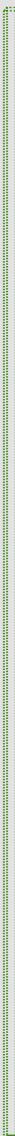
Volume of Adaro's Overburden and Sedimentation Removal in 2009

Through careful planning, engineering and execution we have developed our mine to become the largest single site 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 2009.

51,000 m



42,000 m



10,668 m



8,848 m



1,200 m



381 m



828 m



EMPIRE STATE BUILDING, NY, USA	BURJ KHALIFA, DUBAI, UAE	ADARO'S TOWER OF SEDIMENTATION * WITH BASE AREA THE SIZE OF A FOOTBALL FIELD	ELEVATION OF MOUNT EVEREST	THE AVERAGE ALTITUDE OF A MID-LONG DISTANCE FLIGHT	ADARO'S TOWER OF OVERBURDEN * WITH BASE AREA THE SIZE OF A FOOTBALL FIELD	TOP OF THE STRATOSPHERE
--------------------------------	--------------------------	---	----------------------------	--	--	-------------------------



PT Adaro Energy Tbk
Menara Karya 23rd Floor
Jl. H.R Rasuna Said Blok X-5
Kav 1-2 Jakarta 12950
Indonesia
T +62-21 5211265
F +62-21 57944687

www.adaro.com
IDX : ADRO

www.adaro.com

