



A view of the Balangan Coal's pit from SIS view point: We produced 0.89 Mt of Balangan coal and sold 0.88 Mt in 2014.

# Adaro Energy

## Quarterly Activities Report

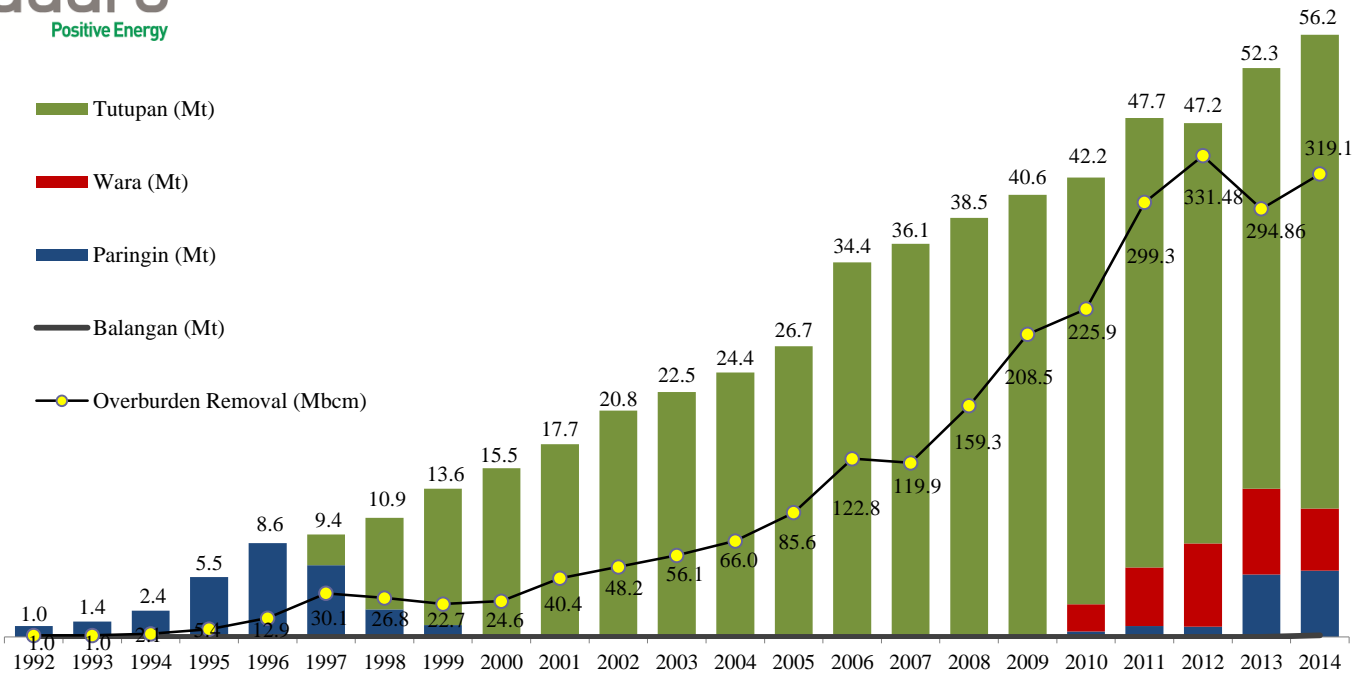
### Fourth Quarter of 2014

For the Three Months Ending December 31, 2014

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Adaro continued to meet its performance targets, even in the challenging coal market conditions and remains on track to create maximum sustainable value from Indonesian coal. We produced 56.21 million tonnes (Mt) of coal in 2014, which was better than our full year guidance of 54 Mt to 56 Mt.



Jakarta, January 29, 2015

Dear Capital Market Participants,

Welcome to Adaro Energy's (Adaro) Quarterly Activities Report for the fourth quarter of 2014 (4Q14). We regularly issue the quarterly activities report one month after the end of each quarter. The report focuses on our operations, business development, and exploration and covers our other activities.

### Highlights of the quarter:

- Our operations continued to deliver solid performance as we produced 14.45 million tonnes (Mt) during the quarter. We delivered better than our guidance for 2014 of 54 Mt to 56 Mt, with coal production of 56.21 Mt. **(page 3)**
- We sold 14.65 Mt of coal during the quarter to achieve 57.02 Mt of sales for the year as we continued to see good demand for our coal, particularly from Indonesia and India. **(page 3)**
- Balangan Coal produced 0.89 Mt and sold 0.88 Mt in 2014. **(page 3)**
- We paid an interim dividend of US\$30 million for the fiscal year 2014 on January 16<sup>th</sup> 2015.

### Adaro Energy's guidance for 2015:

- Production volume : 56 Mt to 58 Mt
- Coal cash cost (ex. Royalty) : US\$31 to US\$33/tonne
- Planned strip ratio : 5.33x
- Operational EBITDA : US\$550 million to US\$800 million
- Capital Expenditure : US\$75 million to US\$125 million

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

Yours faithfully,



Cameron Tough  
GM, Head of Corporate Secretary & Investor Relations Division  
PT Adaro Energy, Tbk.

## STRENGTHENING OUR CORE FOR BUSINESS SUSTAINABILITY

Our operations continued to deliver solid performance and achieved better than our guidance for 2014, as we increased coal production 8% to 56.21 million tonnes (Mt) from both PT Adaro Indonesia (AI) and Balangan Coal through PT Semesta Centramas (SCM). We finished the year strong with record quarterly production of 14.45 Mt, a 6% increase compared to the same period of last year. The increase was mainly due to a combination of sound contractors' performance and normal weather conditions. We sold 14.65 Mt of coal during the quarter to achieve 57.02 Mt of sales for the year as we continued to see good demand for our coal, particularly from Indonesia and India.

We increased overburden removal 8% to 77.55 million bank cubic meter (Mbcm). AI's actual strip ratio during 4Q14 was 5.41x, resulting in an actual strip ratio of 5.69x for 2014. Meanwhile, SCM's actual strip ratio during 4Q14 was 3.93x, resulting in an actual strip ratio of 4.69x for 2014. We are able to lower our strip ratio for three years in a row without harming our long-term mine plan due to investment we made to increase overburden removal during the higher coal price environment. Furthermore, the lower average planned strip ratio remained higher than the life of mine strip ratio.

Our focus in 2015 is to continue to look for cost reduction, maintain reliability of supply to our customers, and improve efficiency and productivity in each part of our coal supply chain. Despite the continued weakness in the coal price, Adaro is doing relatively well and remains on track to create maximum sustainable value from Indonesian coal.

	Units	4Q14	3Q14	4Q14 vs. 3Q14	4Q13	4Q14 vs. 4Q13	FY14	FY13	FY14 vs. FY13
<b>Coal Production</b>	<b>Mt</b>	<b>14.45</b>	<b>13.89</b>	<b>4%</b>	<b>13.59</b>	<b>6%</b>	<b>56.21</b>	<b>52.27</b>	<b>8%</b>
AI - Tutupan	Mt	11.38	10.61	7%	9.67	18%	43.53	38.65	13%
AI - Paringin	Mt	1.42	1.70	(16)%	1.69	(16)%	6.08	5.74	6%
AI - Wara	Mt	1.21	1.25	(3)%	2.23	(46)%	5.71	7.87	(27)%
Balangan Coal	Mt	0.44	0.33	33%	-	-	0.89	-	-
<b>Sales Volume</b>	<b>Mt</b>	<b>14.65</b>	<b>14.13</b>	<b>4%</b>	<b>14.36</b>	<b>2%</b>	<b>57.02</b>	<b>53.46</b>	<b>7%</b>
AI - E5000	Mt	4.73	4.53	4%	8.55	(45)%	18.26	34.09	(46)%
AI - E4700 / E4900	Mt	7.88	7.58	4%	3.29	140%	30.79	8.43	265%
AI - E4000	Mt	1.55	1.50	3%	2.41	(36)%	6.64	9.64	(31)%
Balangan Coal	Mt	0.49	0.33	48%	-	-	0.88	-	-
Coaltrade's 3rd party	Mt	-	0.19	-	0.11	-	0.45	1.30	(65)%
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>77.55</b>	<b>92.01</b>	<b>(16)%</b>	<b>71.83</b>	<b>8%</b>	<b>319.09</b>	<b>294.86</b>	<b>8%</b>
AI	Mbcm	75.82	90.46	(16)%	71.83	6%	314.92	294.86	7%
Balangan Coal	Mbcm	1.73	1.55	12%	-	-	4.17	-	-

## MINING ASSETS

### PT Adaro Indonesia (AI)

During 4Q14, AI produced 14.01 Mt and sold 14.16 Mt of Envirocoal. Our coal mining, coal hauling and overburden removal were 98%, 99% and 97% of the plan as of the end of 2014. Our subsidiary, PT Saptaindra Sejati (SIS), and PT Pamapersada Nusantara (PAMA) operate in the Tutupan pit, PT Rahman Abdijaya (RA) operates in the Wara pit and PT Bukit Makmur Mandiri Utama (BUMA)

operates in the Paringin pit. The following table shows the percentage breakdown of overburden removal and coal production activities of our mining contractors:

Contractors	Overburden Removal (%)		Coal Production (%)	
	4Q14	FY14	4Q14	FY14
PAMA	44%	43%	38%	38%
SIS	34%	36%	38%	39%
BUMA	14%	14%	10%	11%
RA	8%	7%	14%	12%

In 4Q14, we loaded 68% of our coal tonnage to vessels through floating cranes, 9% by self-gearred vessels and 7% through IBT terminal, with 16% barged directly to domestic customers. We employ four barging contractors and one shiploading contractor, including our own subsidiary, PT Maritim Barito Perkasa (MBP). The commercial operation of our Floating Transfer Unit (FTU) allows us to only have MBP as the shiploading contractor with subcontractors working under MBP. During 4Q14, MBP handled the largest volume for AI with 53% for barging activities, compared to 54% in 4Q13, and 93% for shiploading activity, compared to 68% in 4Q13. In 4Q14, the average barge cycle time from our Kelanis Dedicated Coal Terminal to Taboneo anchorage and then back to Kelanis was 96 hours, a 9% decrease from 105 hours in 4Q13.

During 4Q14, exploration activities focused on drilling to gather geology, geo-hydrology, and acid mine drainage data. We drilled 79 holes with total depth of 13,897 meters and spent US\$664,728 on exploration in the quarter, a 36% increase from US\$487,153 in the same period last year. For 2014, our exploration spending totaled US\$2.96 million, a 20% increase from US\$2.47 million in 2013.

We continued to be a leading supplier to the domestic market and are committed to meeting Indonesia's growing coal demand. The following table shows the geographical breakdown of customers by tonnage.

Geographical Breakdown of Customers as of FY14	%
Indonesia	22
India	15
Japan	12
China	10
Korea	9
Spain	7
Hong Kong	9
Malaysia	6
Others *)	10
<b>Total</b>	<b>100</b>

Note: \*) Below 5% including Taiwan, the Philippines, Thailand and the USA

## PT Semesta Centramas (SCM)

SCM is one of the three coal licenses (IUP) that forms Balangan Coal. It is the latest coal asset that we acquired and is strategically located 11km southeast of AI's concession. It started commercial operations on the first half of 2014. We employ our subsidiaries, SIS and MBP, for all the coal production and logistic activities of SCM.

During 4Q14, we produced 0.44 Mt of Balangan coal and total production in 2014 was 0.89 Mt. In 4Q14, SCM sold 0.49 Mt of Balangan coal and total sales in 2014 was 0.88 Mt. The actual strip ratio for the mine was 3.93x in 4Q14, which resulted in an actual strip ratio of 4.69x in 2014.

## MINING SERVICES

### PT Saptaindra Sejati (SIS)

In 4Q14, AI accounted for 64% of SIS's total overburden removal and 67% of coal production. In 2014, AI accounted for 64% and 70% of SIS's total overburden removal and coal production, respectively. AI remains SIS's largest customer. In 2014, SIS handled the mining activities at Balangan Coal and continues to prioritize serving the Adaro Group.

	Units	4Q14	3Q14	4Q14 vs 3Q14	4Q13	4Q14 vs 4Q13	FY14	FY13	FY14 vs FY13
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>40.68</b>	<b>50.68</b>	<b>(20)%</b>	<b>39.86</b>	<b>2%</b>	<b>173.91</b>	<b>162.98</b>	<b>7%</b>
AI	Mbcm	26.14	32.80	(20)%	25.87	1%	112.14	103.21	9%
Balangan Coal	Mbcm	1.73	1.55	12%	-	-	4.17	-	-
Others	Mbcm	12.81	16.33	(22)%	13.99	(8)%	57.60	59.77	(4)%
<b>Coal Production</b>	<b>Mt</b>	<b>8.11</b>	<b>7.72</b>	<b>5%</b>	<b>7.32</b>	<b>11%</b>	<b>30.28</b>	<b>27.88</b>	<b>9%</b>
AI	Mt	5.42	5.19	4%	5.25	3%	21.18	19.74	7%
Balangan Coal	Mt	0.44	0.33	33%	-	-	0.89	-	-
Others	Mt	2.25	2.20	2%	2.07	9%	8.21	8.14	1%

### PT Jasa Power Indonesia (JPI)

JPI is the owner of our Out of Pit Overburden Crusher and Conveyor (OPCC). As of 31 December 2014, we have completed the physical construction of OPCC and are currently doing certain testing procedure.

## LOGISTICS

### PT Maritim Barito Perkasa (MBP)

In 4Q14, coal volume for AI accounted for 90% and 96% of MBP's total coal barged and coal loaded to ships, respectively. Total coal barged and total coal shipped from AI were 94% and 98% of MBP's 2014 volume.

	Units	4Q14	3Q14	4Q14 vs 3Q14	4Q13	4Q14 vs 4Q13	FY14	FY13	FY14 vs FY13
<b>Coal Barged</b>	<b>Mt</b>	<b>8.08</b>	<b>8.09</b>	<b>(0)%</b>	<b>7.49</b>	<b>8%</b>	<b>31.80</b>	<b>27.36</b>	<b>16%</b>
AI	Mt	7.29	7.49	(3)%	7.12	2%	29.83	25.85	15%
Balangan Coal	Mt	0.44	0.33	33%	-	-	0.83	-	-
Others	Mt	0.35	0.27	30%	0.37	(5)%	1.14	1.51	(24)%
<b>Coal Loaded</b>	<b>Mt</b>	<b>9.83</b>	<b>9.50</b>	<b>3%</b>	<b>6.11</b>	<b>61%</b>	<b>37.11</b>	<b>20.83</b>	<b>78%</b>
AI	Mt	9.47	9.27	2%	6.11	55%	36.52	20.83	75%
Balangan Coal	Mt	0.36	0.23	57%	-	-	0.59	-	-
Others	Mt	-	-	-	-	-	-	-	-

## QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In the quarter, Adaro experienced five lost time injuries (LTI), resulting in a lost time injury frequency rate (LTIFR) of 0.2 for 4Q14 and 0.18 for FY14. This LTIFR means that there were 1 LTI per 5.6 million hours worked in the quarter. Total man-hours worked during the quarter were 24,847,133 hours, and 100,891,114 hours for FY14.

AI planted the reclamation area of approximately 41 hectares in Tutupan and Paringin with more than 67,000 trees. AI has reclaimed a total of 1,405 hectares of land to date.

## COAL MARKET ANALYSIS

The international coal prices of Global Coal Newcastle and Australian Hi-Ash 5500NAR, remained under pressure in 4Q14, averaging US\$63.85/tonne and US\$53.89/tonne, respectively. A drop in oil prices and depreciation of key coal export countries' currencies against the USD, were lead factors behind the decline in international coal prices.

The Chinese domestic coal price of Qinhuangdao Index of 5500NAR increased during the quarter, supported by a Chinese government policy to limit imports. In mid-October 2014, Chinese regulators imposed a new six percent import tax on thermal coal, consequently reducing the competitiveness of imported coals. However, Indonesian supply is exempt due to the free trade agreement between China and the Association of Southeast Asian Nations. As a result, Indonesian prices for 5,000 GAR material declined by five percent quarter-on-quarter, holding up better than the Australian Hi-Ash 5500 NAR price, which declined by seven percent.

In December 2014, Chinese regulators announced new import coal quality requirements. The new requirements focus on trace elements, detailing maximum limits for Phosphorus, Chlorine, Arsenic, Mercury and Fluorine. China Inspection and Quarantine Services (CIQ) were appointed as the sole quality surveyor. However,

the new regulation has limited impact on Adaro due to the ultra-low pollutant characteristics of Envirocoal.

In India, high utilization of coal-fired power generation, as well as disruptions in domestic supply, resulted in 4Q14 imports increasing by 20 million tonnes year-on-year. Indian coal imports are expected to continue to grow in 2015 due to lower than forecast domestic supply and continued demand growth.

Domestic coal demand grew steadily through the year, though not as much as expected at the start of the year because of coal fired power plants commissioning delays. Future coal demand growth seems assured given the government plans for new coal fired power plants.

## NEWS FLOW

### Award and Recognition

- 1.) Best Investor Relations by an Indonesian Company for 2014 from IR Magazine
- 2.) International Business Award (Stevie) for 2014:
  - a. Best website in metals & mining sector
  - b. Best corporate social responsibility program of the year in Asia & Oceania
  - c. 2<sup>nd</sup> place for print annual report in Asia & Oceania
- 3.) Bronze class in RobecoSAM 2015 Sustainability Yearbook



## SHAREHOLDERS INFORMATION

As the end of 4Q14, the total free float of Adaro shares was 11,364,976,613 or 35.53% of the total Adaro shares. During 4Q14, there was no significant movement in the ADRO share price. It opened at Rp1,060 on October 1, 2014, and closed at Rp1,040 on December 30, 2014. During 4Q14, the share price ranged between Rp1,060 and Rp940. As the end of 2014, the total volume was 42.6 million, and ADRO's market capitalization was US\$2.66 billion, an 8% decrease from US\$2.90 billion at the end of 2013. We remained one of Indonesia's largest mining companies listed on the Indonesia Stock Exchange. At the end of 2014, our analyst consensus rating was 3.46 (on a scale of 5) as a result of 8 buys, 16 holds, and 2 sells.