



NEWS RELEASE FROM ADARO ENERGY

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ADARO ENERGY ACQUIRES CONTROL OF ORCHARD MARITIME LOGISTICS

Further Integration of Coal Supply Chain to Create Efficiencies and Support Growth

Jakarta, May 4th, 2009 – PT Adaro Energy Tbk (IDX : ADRO), (“Adaro” or the “Company”) is pleased to announce it has acquired 74.16% of Orchard Maritime 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. The acquisition was closed on April 30th, 2009.

The 74.16% controlling stake was sold by a consortium of previous shareholders of OML as follows: 18% from Saratoga Capital (Singapore) Pte. Ltd., 18% from BRS Investments Pte. Ltd. and 7.2% from Recapital Maritime Holdings Ltd. As part of the transaction, JPI also acquired 30.96% in OML by acquiring 86% in Coronado Holdings Pte. Ltd which owns 36% of OML.

President Director Garibaldi Thohir said, **“With the acquisition of OML, we can deliver on our stated strategy to create value, to improve our business by further integration and to strengthen our coal supply chain. We will have better control of the supply chain and less counter party risk.”**

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.

Adaro currently operates Indonesia largest single pit coal mine from a 3.5 billion tonne deposit (JORC-compliant estimate). Adaro Energy feels the size of its operation requires it to own more of its supply chain. While growth was achieved in the past using contractors, as production has increased every year since operations



began up to the 38.5 million tonnes of 2008, to continue this pace of growth Adaro needs to continue to integrate and control a portion of the barging and ship loading.

Operations Director Chia Ah Hoo says of the transaction, **“As our coal mine is located quite far inland it is imperative for the realization of our future plans that we acquire direct control of a portion of the inland maritime transportation and ship loading. This is an opportunity to acquire a well managed company with good strong cash flows. We must be completely integrated from pit to port. We are very excited about this acquisition and about the benefits it will bring Adaro Energy.”**

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 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 to 80 million tones per year 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.

Finance Director David Tendian said, **“Given the economic conditions and the meltdown in the stock market, asset prices have fallen, which provides an opportunity for Adaro Energy to acquire OML at a price below what it would have sold for last year.”**

Funding the Acquisition

The US\$78.55 million acquisition of 74.16% of OML will be 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).

Related Party Sellers

Three of the sellers, Saratoga Capital (Singapore) Pte Ltd, Recaptial Maritime Holdings Ltd and Triple A.R. Holdings Pte Ltd are related parties of Adaro Energy. The nature of the relationship with the related parties is one of affiliation. Adaro Energy's President Commissioner Edwin Soeryadjaya, Commissioner Ir. Subianto and Director Sandiaga S. Uno, who are also shareholders of Adaro Energy, are also shareholders and/or Board members of Saratoga Capital Pte Ltd, Triple A.R. Holdings Pte Ltd and Recaptial Maritime Holdings Ltd, respectively.

Description of OML

OML is a Singapore-based based coal barging and ship loading company that acquired the business of Orchard Maritime Services Pte Ltd. in 2006. OML transports coal in Indonesia from the place of production to the port of delivery. At the end of 2008, OML had fixed assets net of accumulated depreciation worth US\$96.7 million. OML owned 27 vessels in 2008, excluding vessels leased with an option to



purchase at the end of the charter, known as a bareboat hire purchase, or “BBHP”. Of the 27 vessel Of the 27 vessel there were 11 tug boats, 11 steel barges, 3 floating crane barges, 1 general cargo barge and 1 top deck cargo barge.

In 2006 OML began a period of debt-funded expansion. OML has borrowed from reputable banks such as DBS, Calyon and Sumitomo Mitsui Banking Corporation, subject to and in compliance with international level loan documents. At the end of 2008, OML had total net debt of US\$133.8 million. The borrowings enabled OML to improve its capital structure and fund growth.

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

Adaro Energy projects that OML’s barging volumes under contracts with Adaro, will increase 13% to 9.8 million tonnes in 2009 and up to 36.7 million tonnes in 2013. Adaro Energy projects that transshipment volumes under contracts with Adaro Energy will increase 17% to 12.5 million tonnes in 2009 and up to 23.1 million tonnes in 2013. This does not include non-Adaro Energy contract volumes.



Further Background

Adaro Energy's Coal Supply Chain

Adaro Energy's four mining contractors, including its own contractor PT Saptaindra Sejati, produce Adaro's coal, globally trademarked as Envirocoal, from the Tutupan mine in South Kalimantan. From Tutupan, Adaro's mining contractors haul the coal along Adaro's 75km haul road to its Kelanis river terminal. At Kelanis, the coal is crushed and loaded onto barges. It is at this point along Adaro's coal supply chain, and not until reaching the bulk terminal run by Adaro Energy's PT International Bulk Terminal ("IBT") that the transportation of the coal is put in charge of others.

From Kelanis, Adaro's six barging operators then barge the coal 240km down the Barito River, out into the open anchorage called Taboneo. The journey to Taboneo takes around 24 hours and it is here where the coal is loaded onto customers waiting vessels or barged to the ports of various domestic customers.

Adaro's current barging capacity is around 50 million tonnes, with the use of approximately 70 barge sets (barge and tug). Adaro Energy's largest barging and ship loading contractor will provide for approximately 50% of Adaro's 2009 requirements. OML is currently the second largest provider of barging and ship loading services to Adaro Energy, providing for approximately 25% of Adaro 2009 requirements.

In 2005, Adaro Energy was dependent upon two barging and ship loading operators but as part of the strategy of reducing concentration risk, Adaro increased the number of contractors it used to six. The next step to further improve control and reliability of this important part of the coal supply chain is to acquire a barging and ship loading company.

Adaro Energy's Taboneo open anchorage, located just outside the mouth of the Barito River, can handle vessels of any size. Using the services of three different contractors, the loading capacity at Taboneo is around 100,000 tonnes per day, using five floating cranes and one floating loading facility. Similarly to the barging, beginning in 2005, Adaro began to increase the number of its offshore loading operators, to avoid the risk of dependence on a single operator.

OML is Adaro Energy's largest ship loading operator, responsible for approximately 55% of Adaro's requirements.

Adaro Energy's also ships some coal through the IBT coal terminal at Pulau Laut. This terminal has a current handling capacity of 12 million tones and can handle ships up to 80,000 deadweight tones. Due to the extra barging distance and Adaro's scale of operation with constant and consistent flow of coal supply, it is operationally efficient and economical to focus transshipment of cargo from barges to vessels at Taboneo anchorage. With this strategy, Adaro has reduced the volume of cargo through IBT. Given the crucial role Taboneo plays in the delivery of Adaro's coal, especially as volumes increase in the future, it is imperative to have control over this part of the coal supply chain.



A Long Held Strategy

The strategy of further integration and improving the coal supply chain started many years ago. In 2005, Adaro sealed its 75km haul road, increasing production in 2006 by 30%. Since 2006, Adaro Energy has implemented a policy of procuring all of the fuel for the entire coal supply chain, rather than have those costs passed on from its contractors. To gain better control and to simplify management, in the middle of 2008, Adaro conducted IPO-funded acquisitions of the shares it did not already own in its various operating subsidiaries. At the end of 2008 Adaro Energy finalized the dredging of the Barito River channel and freed up a restrictive bottle neck. Adaro's long implemented strategy of further integration together with the plans for future growth require Adaro Energy to acquire OML to gain control over the last remaining and critical segment of the coal supply chain.



Adaro Energy's Coal Supply Chain Requires Control of the Barging and Ship Loading

