



**DELIVERING ENERGY
TO BUILD THE NATION**

May 2017

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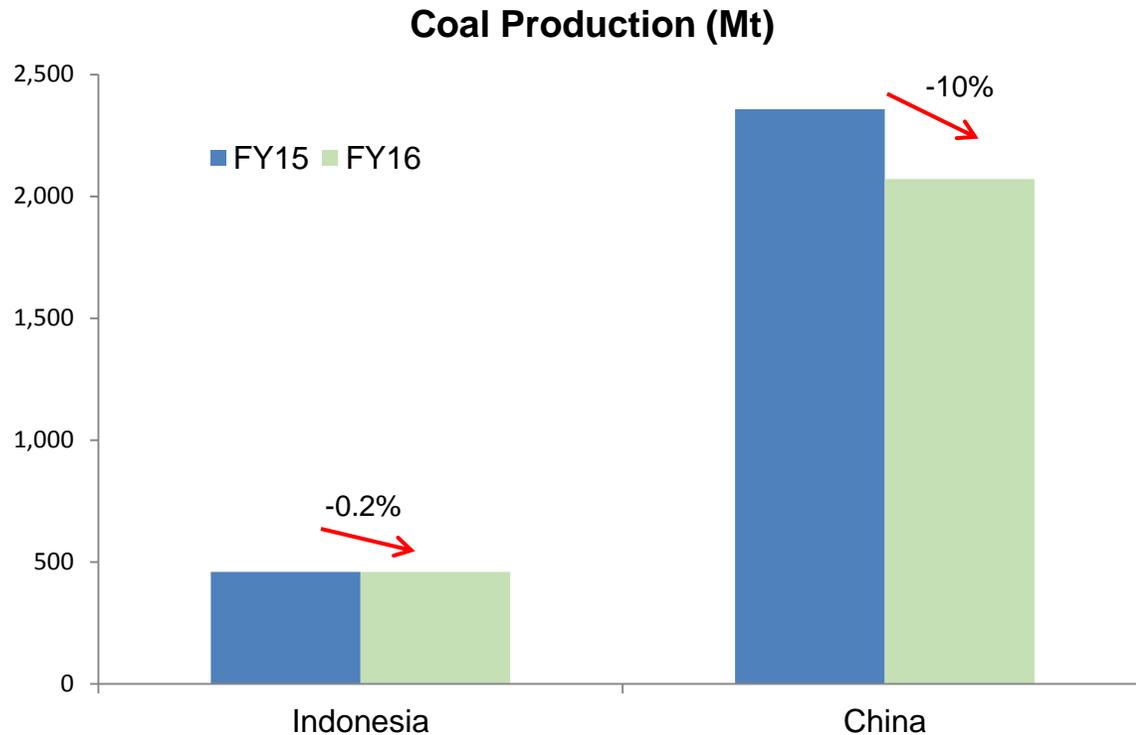
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Key questions:

- What is the outlook for coal supply and demand?
- How has Adaro performed?
- What is Adaro's strategy and future plan?

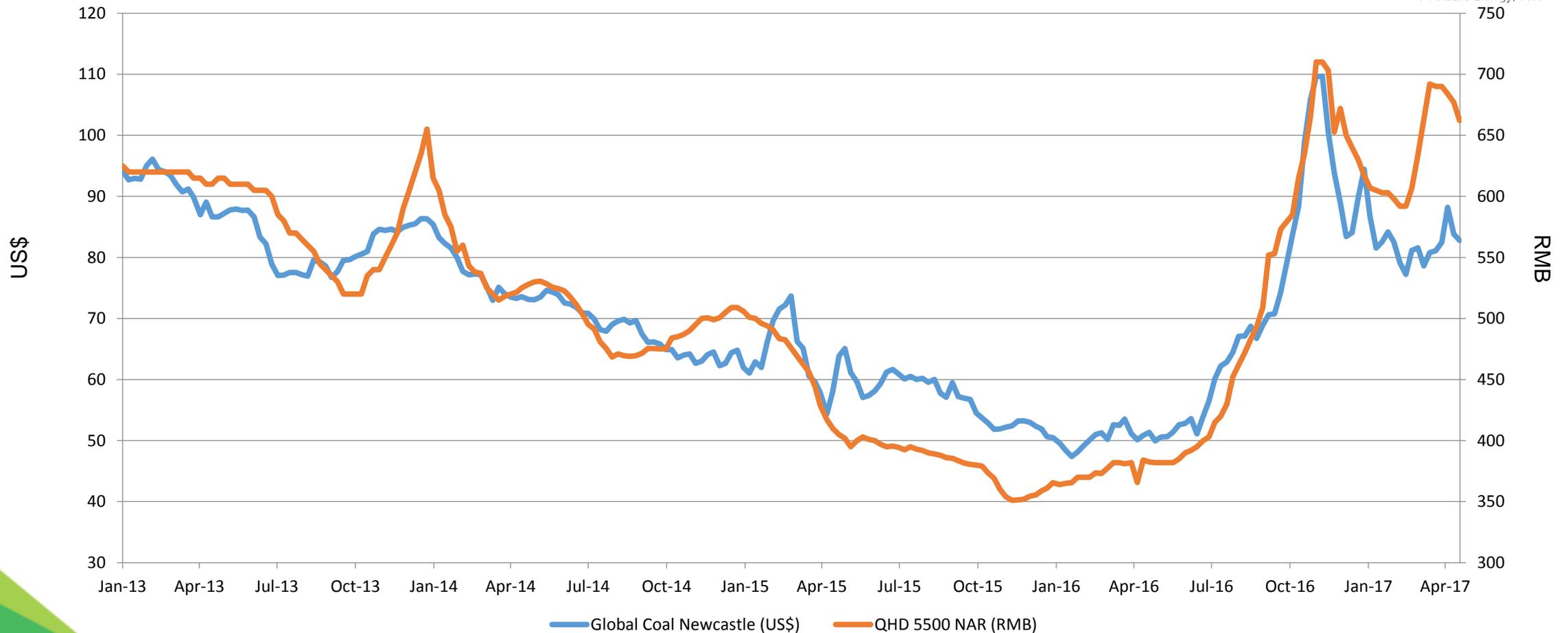
Supply response is apparent



Source: Adaro's research, IHS Energy, WoodMackenzie

- China coal production declined ~10% in 2016, due to:
 - Reduction of working days to 276 days from 330 days.
- China is expected to cut up to 1 Bt of excess capacity by 2020.
- China's coal supply cut should continue under government reforms.
- Indonesia coal production from CCoW miners were relatively flat in 2016, mainly due to:
 - Uncertainty in the coal market.
 - Tighter shipments procedures for coal export (i.e. submission of ET batubara, proof of royalty payment, etc.).

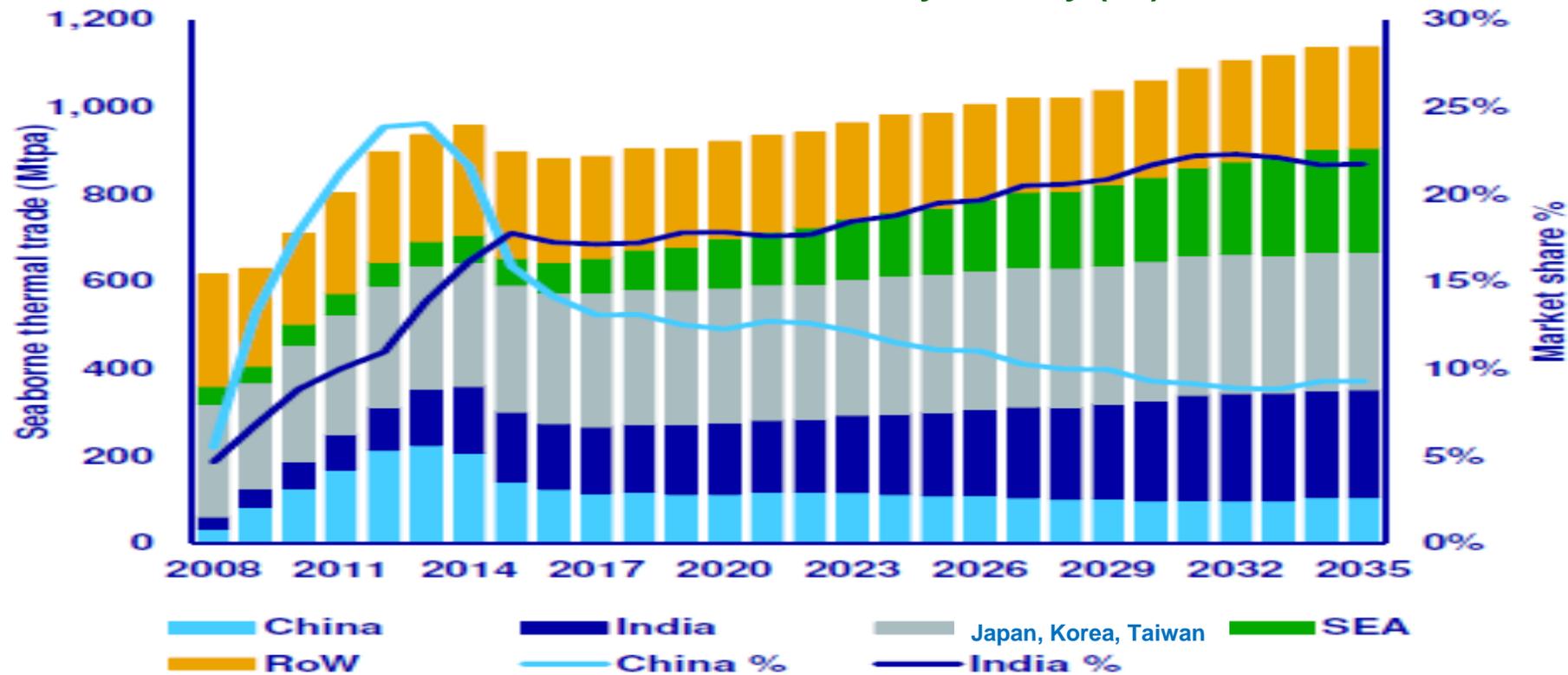
Coal price gaining back momentum



- China's supply reform was the turning point for global coal market.
- Supply disruption and seasonal high demand created a tight market and supported coal price.
- Supply discipline remains and demand gradually picks up.

Long term coal demand outlook remains robust...

Seaborne coal demand by country (Mt)

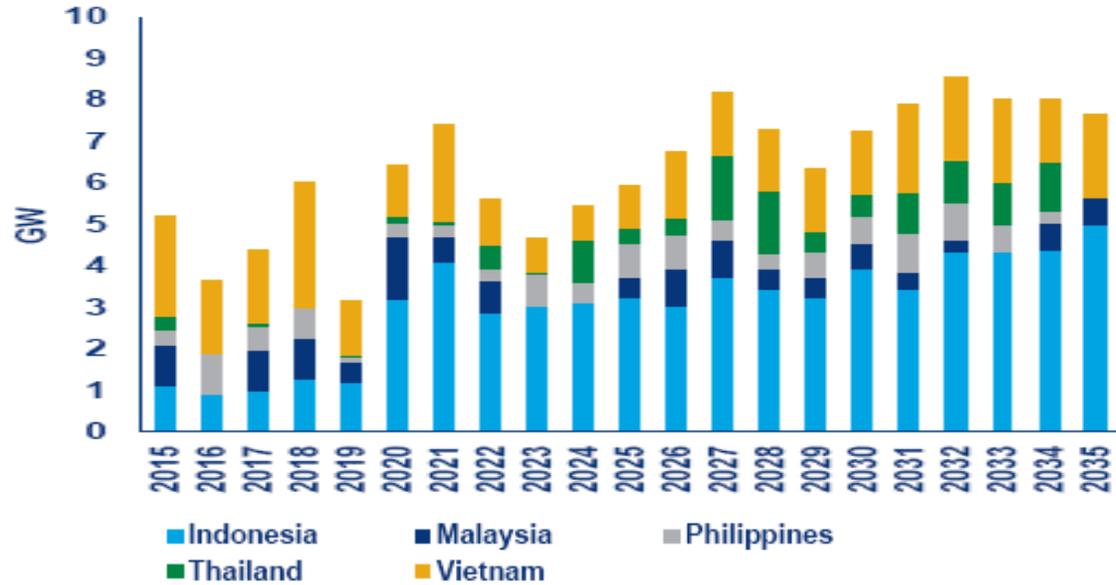


Source: WoodMackenzie

- China's share in seaborne market to decline.
- Increased potential from Southeast Asia, North Asia, and India.
- Electrification in the developing world continues to drive coal demand.

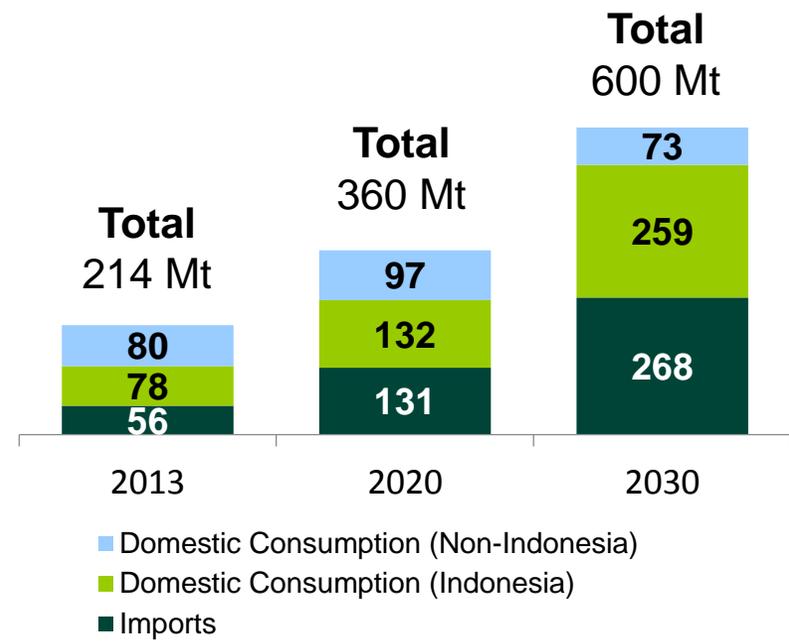
...especially from Southeast Asia

Coal capacity additions in Southeast Asia per annum



Source: WoodMackenzie Energy Market Service

Southeast Asia coal demand

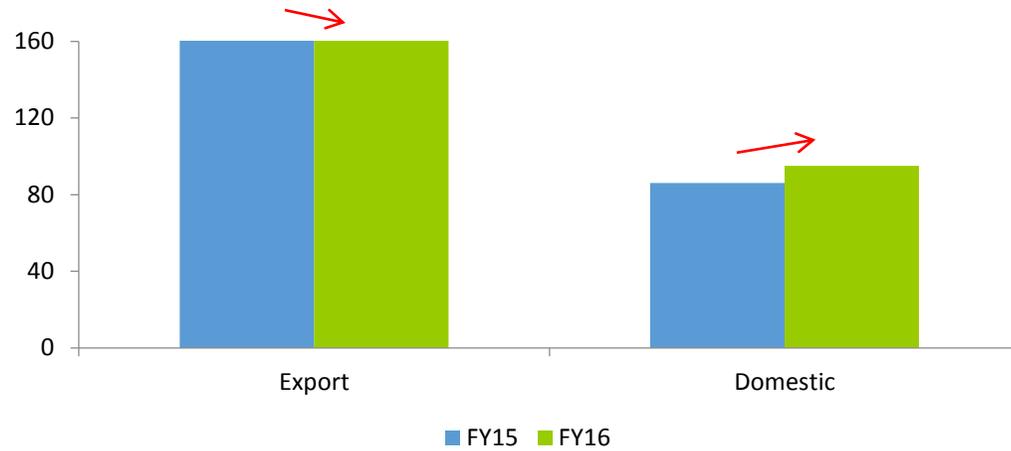


Source: Adaro's Research

- Coal remains as the fuel of choice for developing economies in Southeast Asia.
 - Affordable and abundant
- 2016-2017: additional ~10GW in coal fired capacity in SEA.
- SEA countries imported 75 Mt of coal in 2016, a y-o-y increase of 13 Mt.

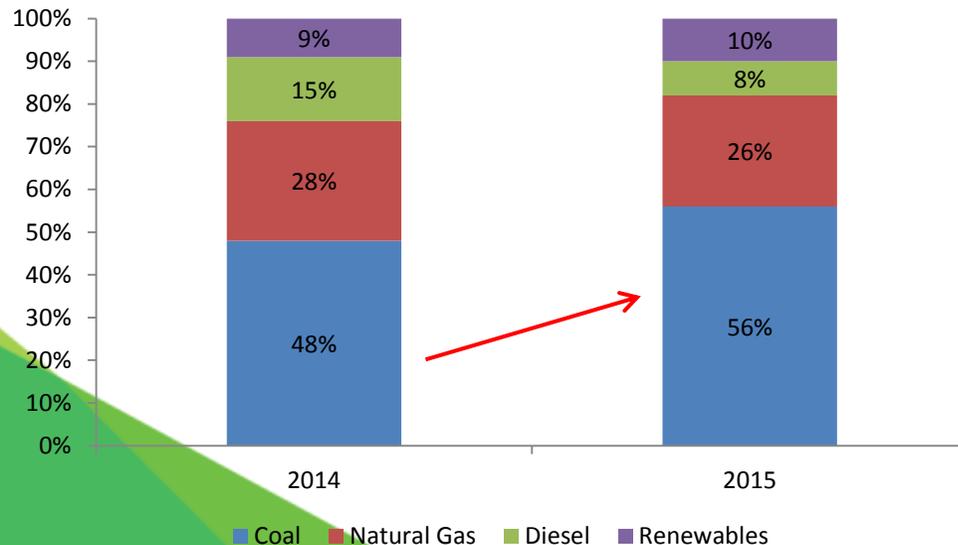
Quick look on Indonesia

Indonesia's Coal Sales (Mt)



- While Indonesia's coal production in 2016 was relatively flat y-o-y and its export decreased ~2% y-o-y...
- ...domestic coal demand in 2016 increased ~11% y-o-y.

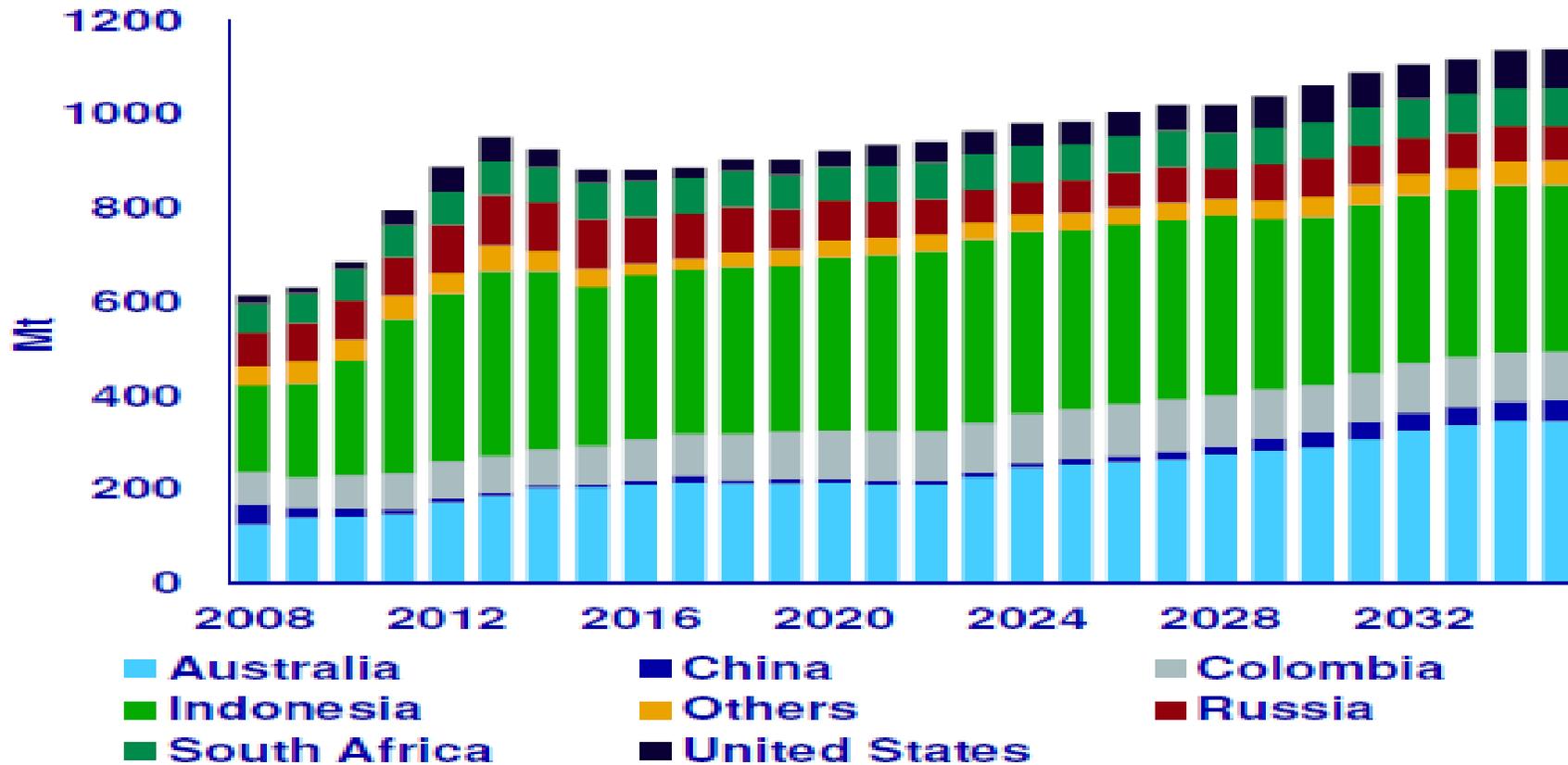
Indonesia's Electricity Generation by Source



- Coal accounted for 56% of Indonesia's electricity generation in 2015.
- Despite expected increase from gas and renewables, coal remains as key energy source for power generation in Indonesia.

Where will the supply come from?

Seaborne coal supply by country (Mt)



Source: WoodMackenzie Energy Market Service

- Along with the improvement of Indonesia's domestic demand, its share in the seaborne market will fall.
- Higher coal price is required to encourage production from Australia.

Indonesia is a major supplier to the global seaborne thermal coal market, but will there be enough coal from Indonesia?

With significant power projects in the pipeline, Indonesia has to prioritize domestic demand



Source: *Supplying and Financing Coal-Fired Power Plants in the 35 GW Programme – a study by APBI (ICMA) and PwC, 2016*

- A survey on Indonesia's top 15 coal companies shows that Indonesia's reserves are limited and may not be enough to fulfill demand in the long-term.



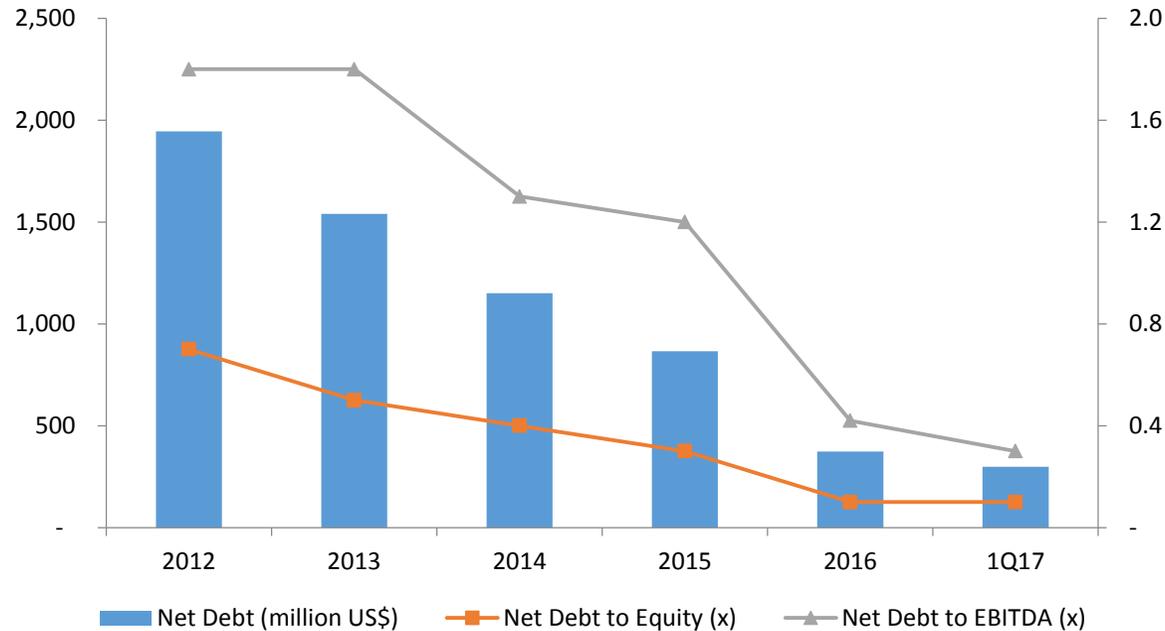
Performance of Adaro Energy

Resilient operational and financial results

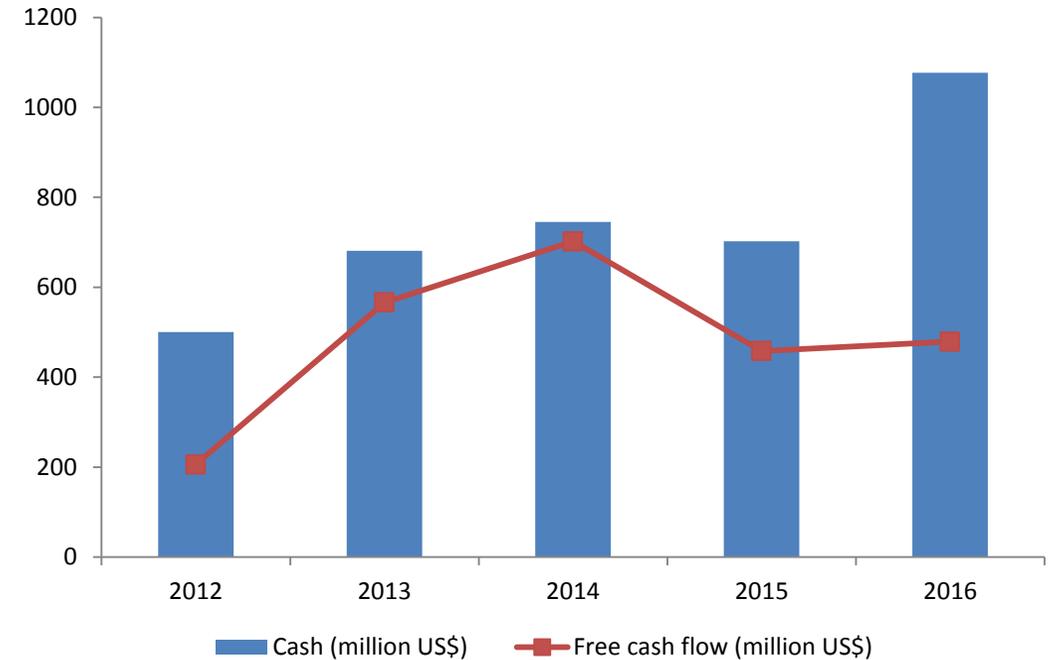
OPERATIONAL	1Q17	1Q16	% Change
Production (Mt)	11.86	12.64	-6%
Sales (Mt)	12.03	13.47	-11%
OB removal (Mbcm)	54.76	53.58	2%
FINANCIAL (US\$ millions, unless indicated)	1Q17	1Q16	% Change
Net Revenue	727	586	24%
Core Earnings	132	81	63%
Operational EBITDA	276	192	44%
Cash	1,113	709	57%
Net Debt to Equity (x)	0.08	0.24	-
Net Debt to Last 12 months Operational EBITDA (x)	0.31	1.12	-
Free Cash Flow	182	65	180%
Cash from Operations to Capex (x)	25.34	7.78	-

Solid balance sheet and strong cash generation

Net Debt Position and Leverage Ratios



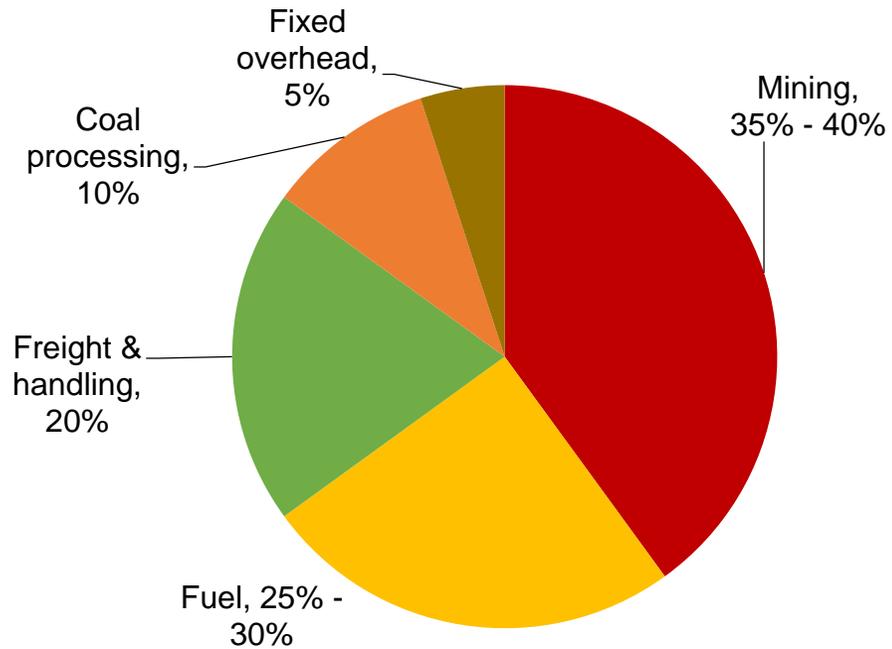
Cash and Free Cash Flow (million US\$)



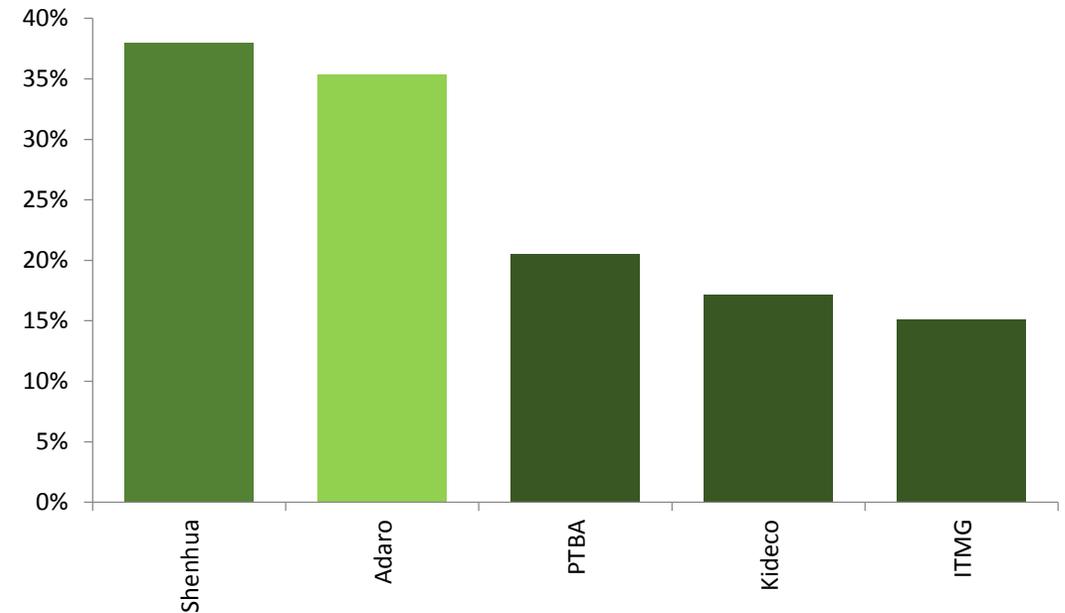
- Focus on deleveraging.
- Healthy balance sheet, strong capital structure and cash preservation.
- Investment grade rating (BBB-) from Japan Credit Rating Agency with a STABLE outlook.

Cost control – key in delivering strong performance

Adaro's Estimated Coal Cash Cost Breakdown (1Q17)



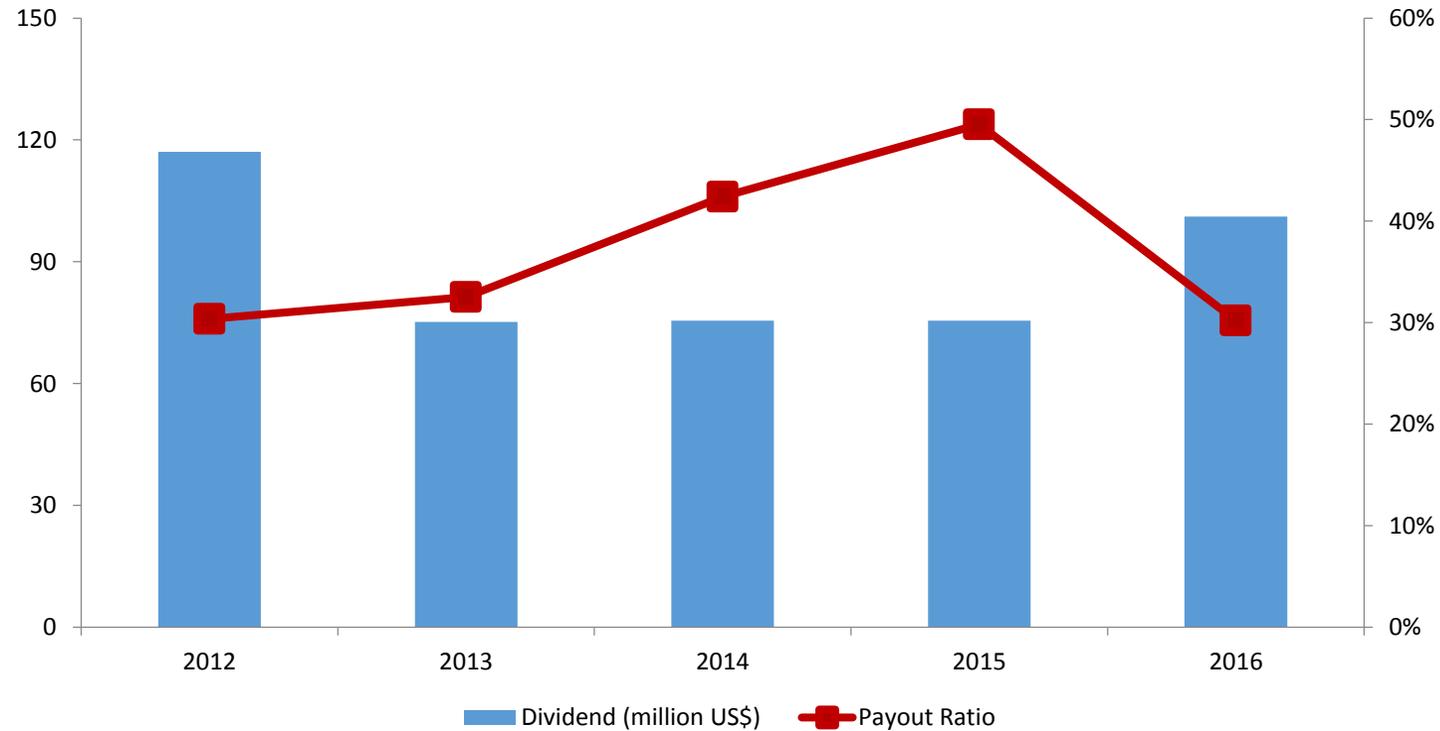
Operational EBITDA Margin



Source: Bloomberg, based on trailing 12M EBITDA

Adaro has one of the highest operational EBITDA margin among thermal coal peers

Delivering return to shareholder



- Adaro has continued to pay dividend through the cyclical downturn.
- Although we have no fix dividend payout ratio, but since our IPO in 2008, our average dividend payout ratio is ~43%.
- Since the IPO we have paid US\$986 million in dividend.
- Total dividend for 2016 is US\$101.1 million, including interim dividend of US\$60.8 million paid in January 2017 and final cash dividend of US\$40.3 million will be paid on May 26, 2017.



Snapshot of Adaro Energy

Who is Adaro Energy?



- Among the largest single-concession coal producers in the southern hemisphere.
- Top 5 thermal coal exporter globally.
- Major supplier to Indonesia's domestic markets.
- One of the world's lowest-cost coal producers.
- Envirocoal is an environmentally friendly coal.
- Vertically integrated business model.
- Strong credit profile.
- High visibility of future earnings.
- Reputable and experienced management and controlling shareholders.

Production	<ul style="list-style-type: none">■ 2014A: 56.2 Mt■ 2015A: 51.5 Mt■ 2016A: 52.6 Mt
Envirocoal	<ul style="list-style-type: none">■ Sub-bituminous, medium calorific value, ultra-low pollutants■ Trademark registered in many jurisdictions
Customers	<ul style="list-style-type: none">■ More than 50 customers in 12 countries■ Blue-chip power generation utilities
Pricing	<ul style="list-style-type: none">■ Based on fixed negotiation and index-linked■ Adjustment for heat content
JORC reserves / resources	<ul style="list-style-type: none">■ Reserves: 1.1 Bt as of YE2015■ Resources: 12.8 Bt (includes option to control 7.9 Bt) as of YE2015
Location	<ul style="list-style-type: none">■ South, East and Central Kalimantan, South Sumatra
Credit Rating	<ul style="list-style-type: none">■ BBB- (JCR)

Business model that creates sustainable value

Three pillars of growth integrating pit-to-power

PT Adaro Energy, Tbk (AE)



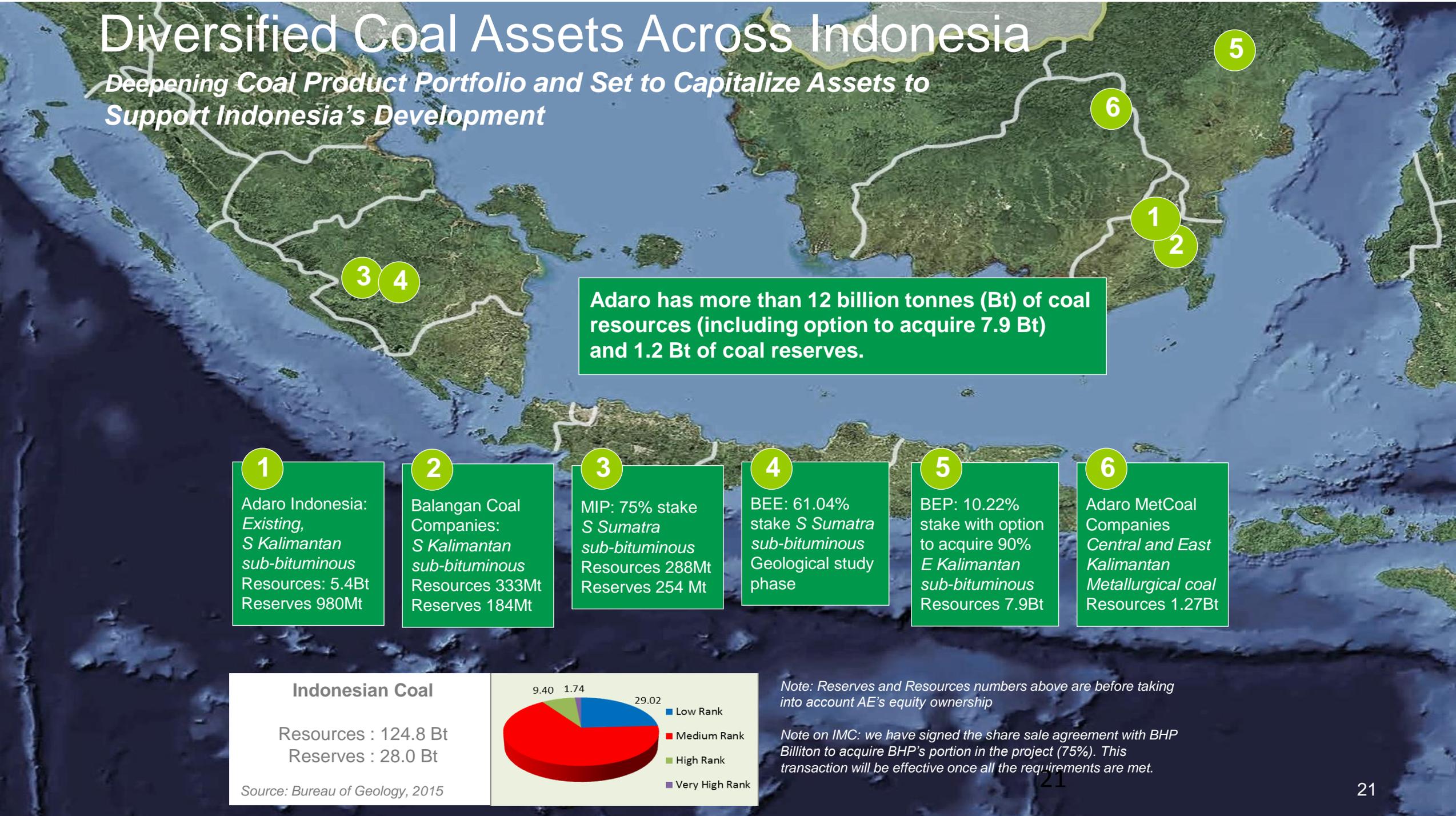
*Simplified Corporate Structure

Adaro Coal Mining



Diversified Coal Assets Across Indonesia

Deepening Coal Product Portfolio and Set to Capitalize Assets to Support Indonesia's Development



Adaro has more than 12 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.2 Bt of coal reserves.

1
Adaro Indonesia:
Existing, S Kalimantan sub-bituminous
Resources: 5.4Bt
Reserves 980Mt

2
Balangan Coal Companies:
S Kalimantan sub-bituminous
Resources 333Mt
Reserves 184Mt

3
MIP: 75% stake
S Sumatra sub-bituminous
Resources 288Mt
Reserves 254 Mt

4
BEE: 61.04% stake
S Sumatra sub-bituminous
Geological study phase

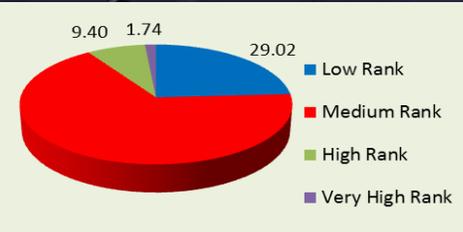
5
BEP: 10.22% stake with option to acquire 90%
E Kalimantan sub-bituminous
Resources 7.9Bt

6
Adaro MetCoal Companies
Central and East Kalimantan Metallurgical coal
Resources 1.27Bt

Indonesian Coal

Resources : 124.8 Bt
Reserves : 28.0 Bt

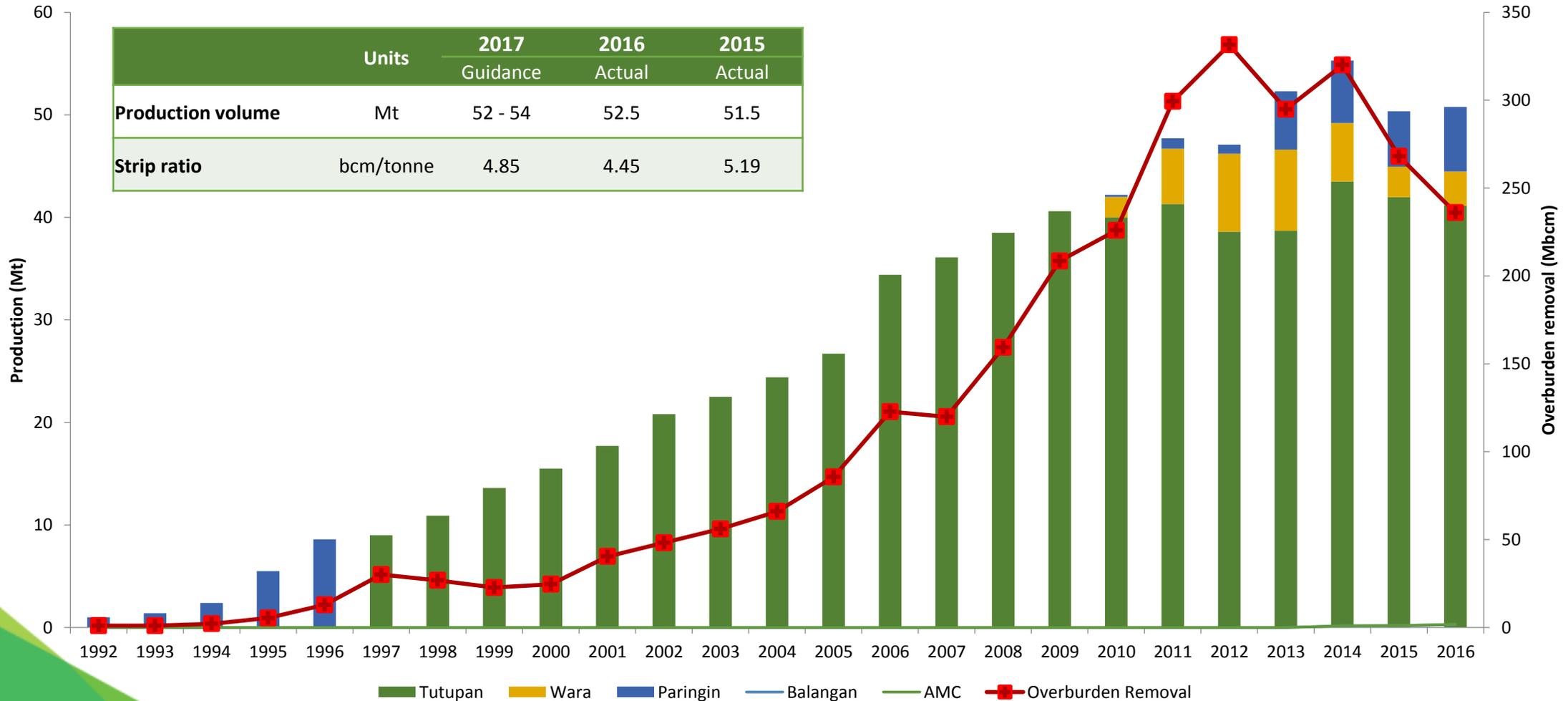
Source: Bureau of Geology, 2015



Note: Reserves and Resources numbers above are before taking into account AE's equity ownership

Note on IMC: we have signed the share sale agreement with BHP Billiton to acquire BHP's portion in the project (75%). This transaction will be effective once all the requirements are met.

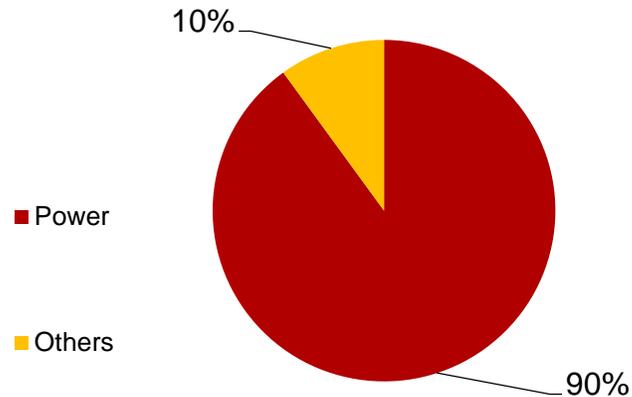
Over Two Decades of Solid Production Performance



- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.

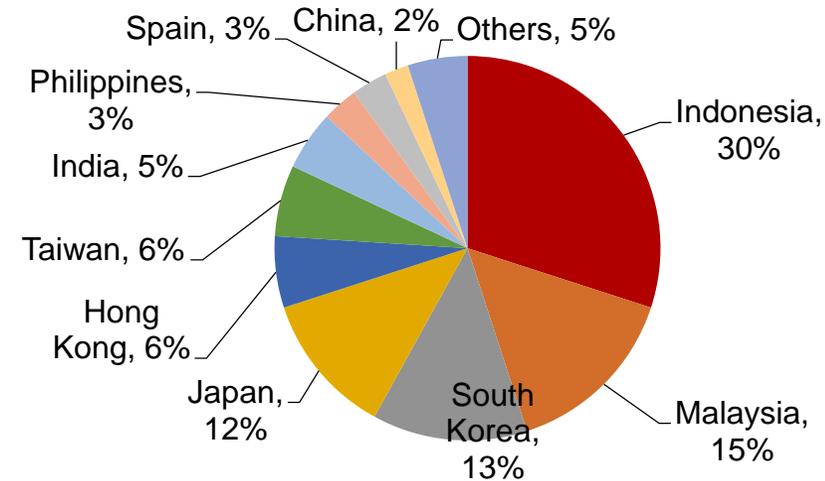
Strong Customer Base with Focus on Domestic Market

Customer type by % volume (1Q17)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (1Q17)



* Others include The USA, Vietnam, Singapore and the Netherlands.

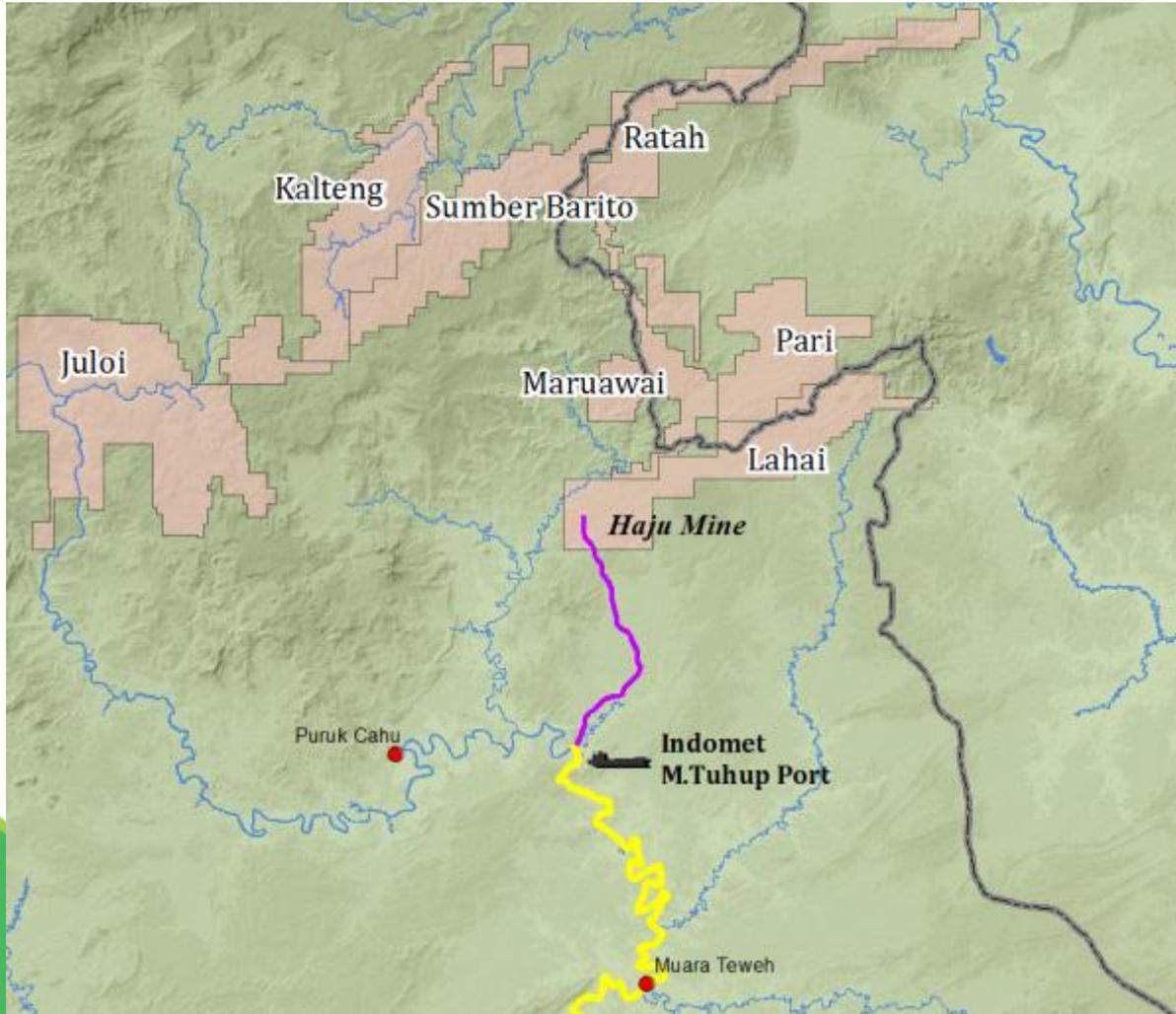
Most customers are sovereign backed power companies, and with over 50% have had a relationship of more than 10 years

- Average length of coal supply agreement is 3 to 5 years.
- Many of our contracts are reset annually, with a combination of negotiated, fixed and index-linked pricing.

Strong relationship with many blue-chip investment-grade clients mitigates risk

Adaro's Metallurgical Coal Asset

Adaro MetCoal Companies (AMC) in Central and East Kalimantan



- Adaro Energy completed the acquisition of AMC from BHP Billiton for 7 CCOW's in Central and East Kalimantan.
- The transaction value was \$120 million for 75% of the properties. Adaro now owns 100% of the asset.
- First coal production has started at the Haju mine which has a production capacity of 1 million tonnes a year. Coal is mined and hauled to a barge loading site at Muara Tuhup on the Barito river.

Adaro Mining Services and Logistics



Ensuring operational excellence

Strengthens Adaro's Earnings Profile as Contribution to Parent Co Increases

- Key part of our vertical integration.
- Ensures operational excellence, productivity improvement and timely reliable delivery to customers.
- Non coal mining business accounted for 31% of Adaro Energy EBITDA in 2016. This contribution is expected to grow going forward.
- Actively pursue third-party revenue growth from these businesses.



Highlights of mining services and logistics



Name	Information
PT Saptaindra Sejati (SIS)	<ul style="list-style-type: none"> • One of Indonesia's leading mining contractors. • Owns more than 1,500 heavy equipment. • 1Q17 overburden removal volume: 39.96 Mbcm. • 1Q17 coal production volume: 7.51 Mt.
PT Maritim Barito Perkasa (MBP)	<ul style="list-style-type: none"> • Barging and ship-loading contractor. • 95 sets of tugs and barges with capacity of 514,200 dwt. • Offshore coal loading at Taboneo with capacity up to 165,000 tonnes per day via floating cranes (15,000-20,000tpd), FTU (60,000tpd) and self-loading geared vessels. • 1Q17 coal transport volume: 9.72 Mt.
PT Sarana Daya Mandiri (SDM)	<ul style="list-style-type: none"> • SDM dredged the Barito river channel in 2008, increasing capacity to 200 Mt per year. It now manages and maintains the channel. • Adaro owns 51.2% of SDM, with the local port authority and local government owning the remaining interest.
PT Indonesia Bulk Terminal (IBT)	<ul style="list-style-type: none"> • Onshore coal port and fuel facilities in Pulau Laut, South Kalimantan. • Signed strategic partnership with PT Pertamina (Persero) in infrastructure, transportation and fuel supply.

Adaro Power



MSW's 2x30 MW mine-mouth power plant in Tanjung, South Kalimantan

Building our future through Adaro Power



Indonesia's Additional Electricity Generation Capacity (MW)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Coal-fired	3,027	1,024	3,397	17,175	4,548	1,781	400	700	500	2,250	34,802
Others	1,113	3,463	9,041	4,223	1,325	1,184	2,416	3,698	7,918	11,357	45,738
Total	4,140	4,487	12,438	21,398	5,873	2,965	2,816	4,398	8,418	13,607	80,540

Source: RUPTL 2016 – 2025, PT PLN (Persero)

- Huge potential to tap into as in the next 10 years PLN plans to add **80.5 GW** of electricity generation in Indonesia.
- Indonesia's electrification ratio of 87.5% (2015) lags behind other SEA countries.
- Commercially and financially attractive with solid IRR and low-cost long-term project financing.
- Creates a new captive market and helps meet our domestic market obligation.
- Helps to lessen volatility in Adaro's business model.
- Contributes to the development of Indonesia's energy needs.
- Extending beyond coal to gas and renewables to replicate Indonesia's energy mix.
- Currently operating a 2x30 MW mine-mouth power plant in South Kalimantan.

Adaro's First IPP: Central Java Power Project

Reached financial close and has started construction



	Bhimasena Power Indonesia
Capacity	2x1000 MW
Stake Acquired	34%
Partner(s)	J-Power (34%), Itochu (32%)
Location	Central Java
Development Progress	<ul style="list-style-type: none"> • Signed 25 years PPA with PLN • Total Capex: US\$4.2 billion • Concluded financing close on June 6th, 2016. • Expected COD: 2020 • Expected coal requirement: 7 Mtpa
Financing	Non-recourse project debt financing. Combination of ECA and commercial loan
Expected Debt vs. Equity	80:20

- Indonesia's first largest IPP to use Ultra Super-Critical (USC) boiler technology, which is environmentally friendly, highly efficient and able to burn low CV coal.
- Adaro to become main coal supplier to this project.
- Guaranteed by the Government of Indonesia through Indonesia Infrastructure Guarantee Fund.

Pipeline of power project

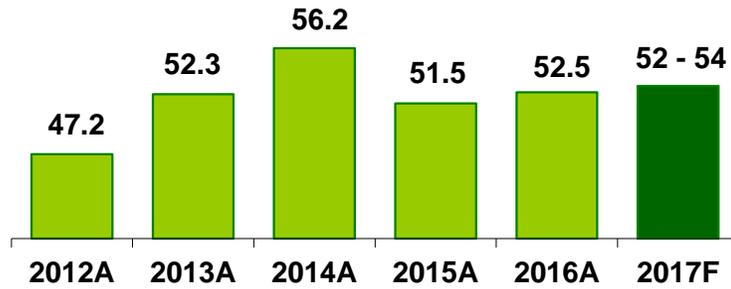
Diversify and secure predictable long-term coal demand

	Tanjung Power Indonesia
Capacity	2x100 MW
Stake Acquired	65%
Partner(s)	Korea EWP (35%)
Location	South Kalimantan
Development Progress	<ul style="list-style-type: none">• Signed PPA with PLN• Total Capex: \$545 million• Concluded financing close in Jan 2017• Expected COD: 2019• Expected coal requirement: 1 Mtpa
Financing	Non-recourse project debt financing. Combination of ECA and commercial loan
Expected Debt vs. Equity	75:25

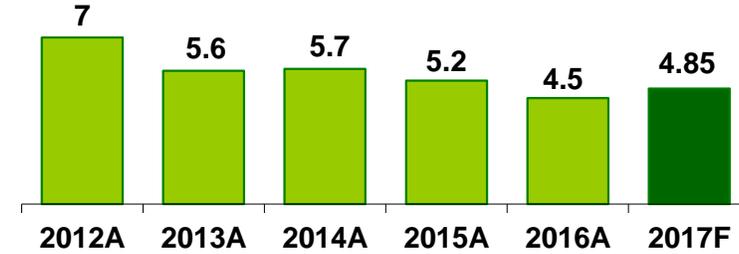
Adaro Energy guidance for 2017



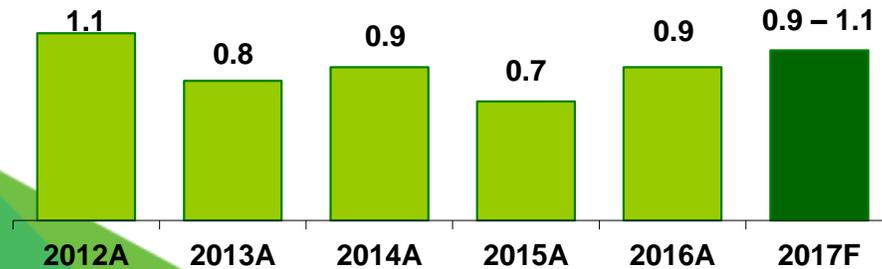
Coal Production (Mt)



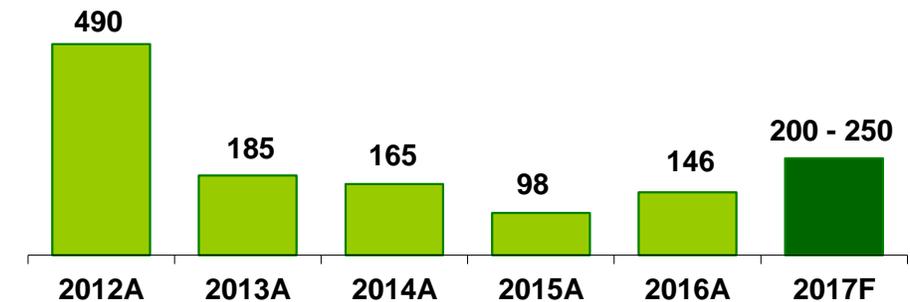
Consolidated Planned Strip Ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital Expenditure (US\$ million)



Conclusions and takeaways

- Coal market is moving in positive direction towards supply and demand balance.
- China's supply reform has provided the much-needed support for coal market.
- Indonesia to lessen coal export and focus on the domestic market.
- Long term fundamental for coal remains promising.
 - Indonesia and Southeast Asia will be the main drivers.
- Our resilient business model is geared up to take the opportunity.
 - Multiple opportunities across the value chain.
 - Each engine of growth is expected to grow along with the growth of coal fired power generations in Indonesia and Southeast Asia.
- Adaro's financials is in a better, stronger position than five years ago.
 - Continue to deleverage and preserve cash.

THANK YOU

www.adaro.com