



adaro



February 2016

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Adaro Energy Snapshot



Adaro Energy Highlights

- Among the largest single-concession coal producers in southern hemisphere
- Top 5 thermal coal exporter globally
- Major supplier to domestic market
- One of the world's lowest cost coal producers
- Envirocoal among the most 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"> ■ 2013A: 52.3 Mt ■ 2014A: 56.2 Mt ■ 2015A: 51.5 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"> ■ Fixed price and about 1/3 index-linked ■ Adjustment for heat content
JORC reserves / resources	<ul style="list-style-type: none"> ■ Reserves: 1.1 Bt as of YE2014 ■ Resources: 12.8 Bt (includes option to control 7.9 Bt) as of YE2013
Location	<ul style="list-style-type: none"> ■ South, East, Central Kalimantan, South Sumatra
License	<ul style="list-style-type: none"> ■ First generation Coal Cooperation Agreement valid until 2022 (AI)

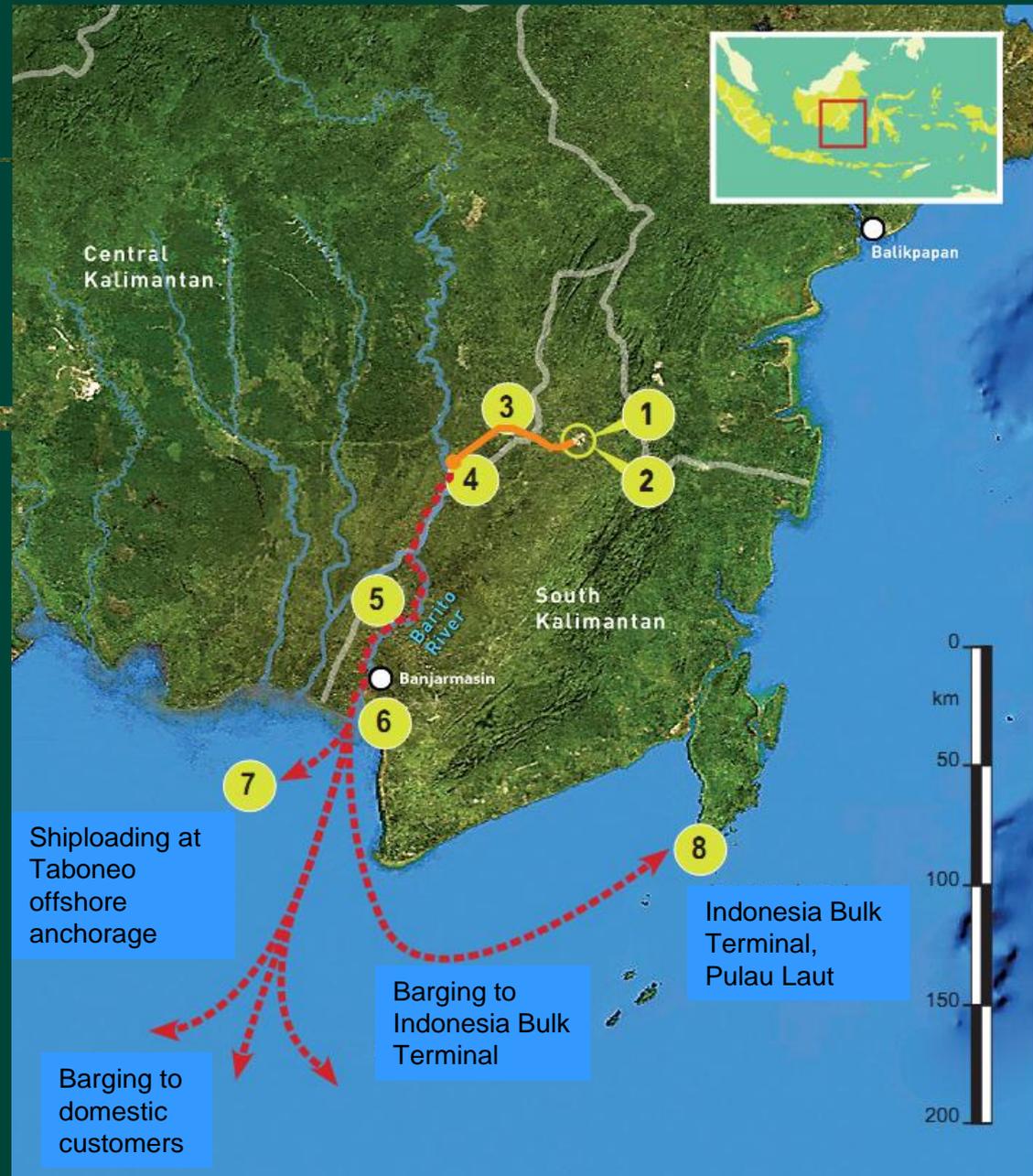
Journey in building our competitive advantage

- We have over 20 years experience of successful coal mining operations in Indonesia. In June 2005, our majority shareholders acquired Adaro through an LBO which entailed debt funding of US\$923 million and equity of US\$50 million.
- Since the LBO we started to integrate our business from pit to port and to power in order to distinguish our business and position it to succeed.
 - 2005: Acquired mining services company PT Saptaindra Sejati (SIS).
 - 2008: Acquired port operator PT Indonesia Bulk Terminal (IBT).
 - 2009: Acquired barging operator PT Maritim Barito Perkasa (MBP).
 - 2010: Established PT Adaro Power (AP).
- The results of this integration speak for itself. We are now reaping the rewards from vertical integration through lower cost, lower risk, improved reliability and improved productivity.
- Our move downstream into power is the right strategy for Adaro to create value, drive growth and participate in building Indonesia.

Our Reliable Coal Supply Chain

Majority of Adaro's coal come from the deposits in South Kalimantan mined by AI. The physical mining and transporting of coal to customers is done by contractors appointed by AI. We tightly control this coal supply chain by using a subsidiary company at each stage as one of the dominant contractors.

- 1 AI mining area, with coal extracted from the Tutupan, Wara & Paringin pits
- 2 AI performs mining activities supported by its contractors (SIS, PAMA, BUMA and RA)
- 3 Coal is trucked along haul road owned by AI to a port on the Barito River.
- 4 AI crushes the coal, stores it when necessary and loads it to barges at Kelanis river terminal
- 5 Coal is barged to the sea by our subsidiary MBP and third-party contractors.
- 6 At the river mouth, our subsidiary, SDM, dredges and maintains a shipping channel.
- 7 Shiploading and sea barging by MBP
- 8 Coal terminal and fuel storage by IBT

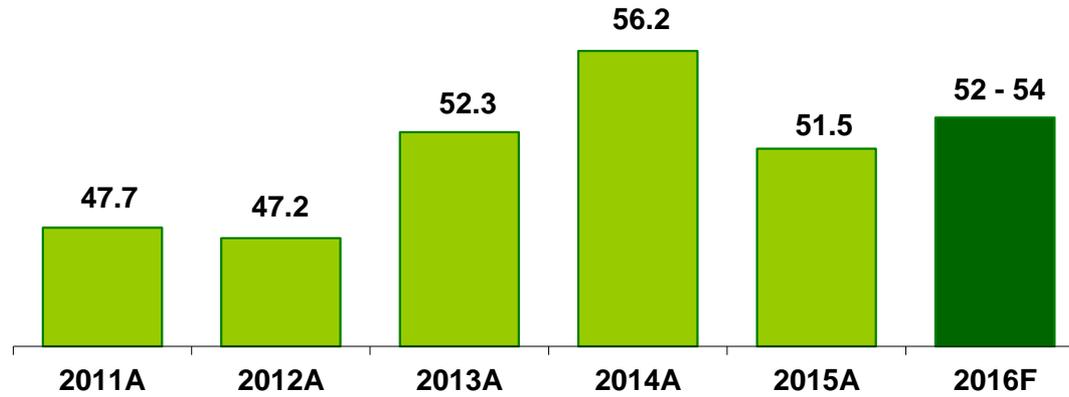


Adaro's Operational and Financial Highlights

OPERATIONAL	FY 2015	FY 2014	% Change
Production (Mt)	51.46	56.21	-8%
Sales (Mt)	53.11	57.02	-7%
OB removal (Mbcm)	266.97	319.09	-16%
FINANCIAL (US\$ millions, unless indicated)	9M 2015	9M 2014	% Change
Net Revenue	2,112	2,507	-16%
Core Earnings	228	290	-21%
Net Income	181	224	-19%
Operational EBITDA	568	700	-19%
Cash	785	1,628	-52%
Coal Cash Cost (ex royalty) US\$ per tonne	28.61	32.80	-13%
Net Debt to Equity (x)	0.26	0.36	-
Net Debt to LTM EBITDA (x)	1.18	1.31	-
Free Cash Flow	356	408	-13%
Cash from Operations to Capex (x)	7.57	6.06	-

Adaro Coal Production Guidance

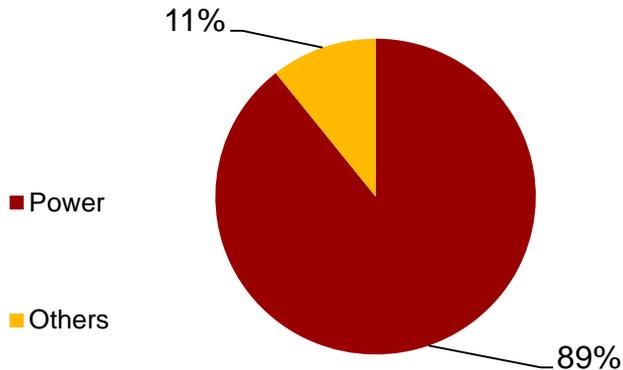
Production Volumes (Mt)



- Production guidance for 2016 is 52 to 54 Mt, slight increase over 2015.
- Persistent oversupply over the past few years has kept coal prices subdued.
- We are taking control of our production and do not want to sell our coal at steep discount.

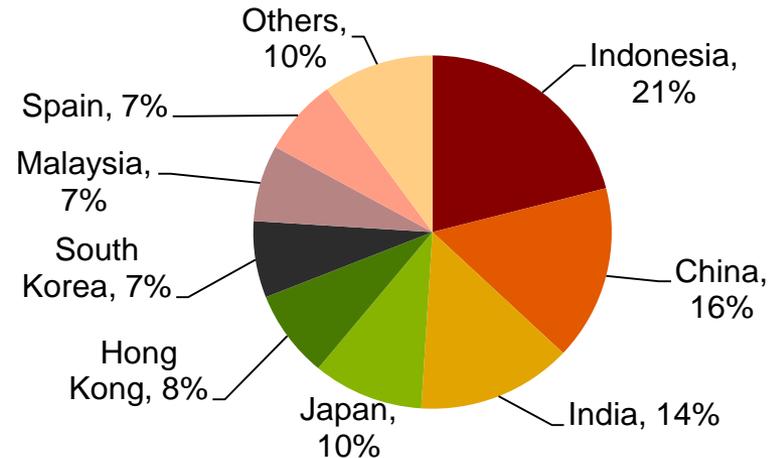
Diversified Customer Base with Long-term Contracts

Customer type by % volume (FY15)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (FY15)



* Others include Taiwan, The Philippines, Thailand, Vietnam and the USA.

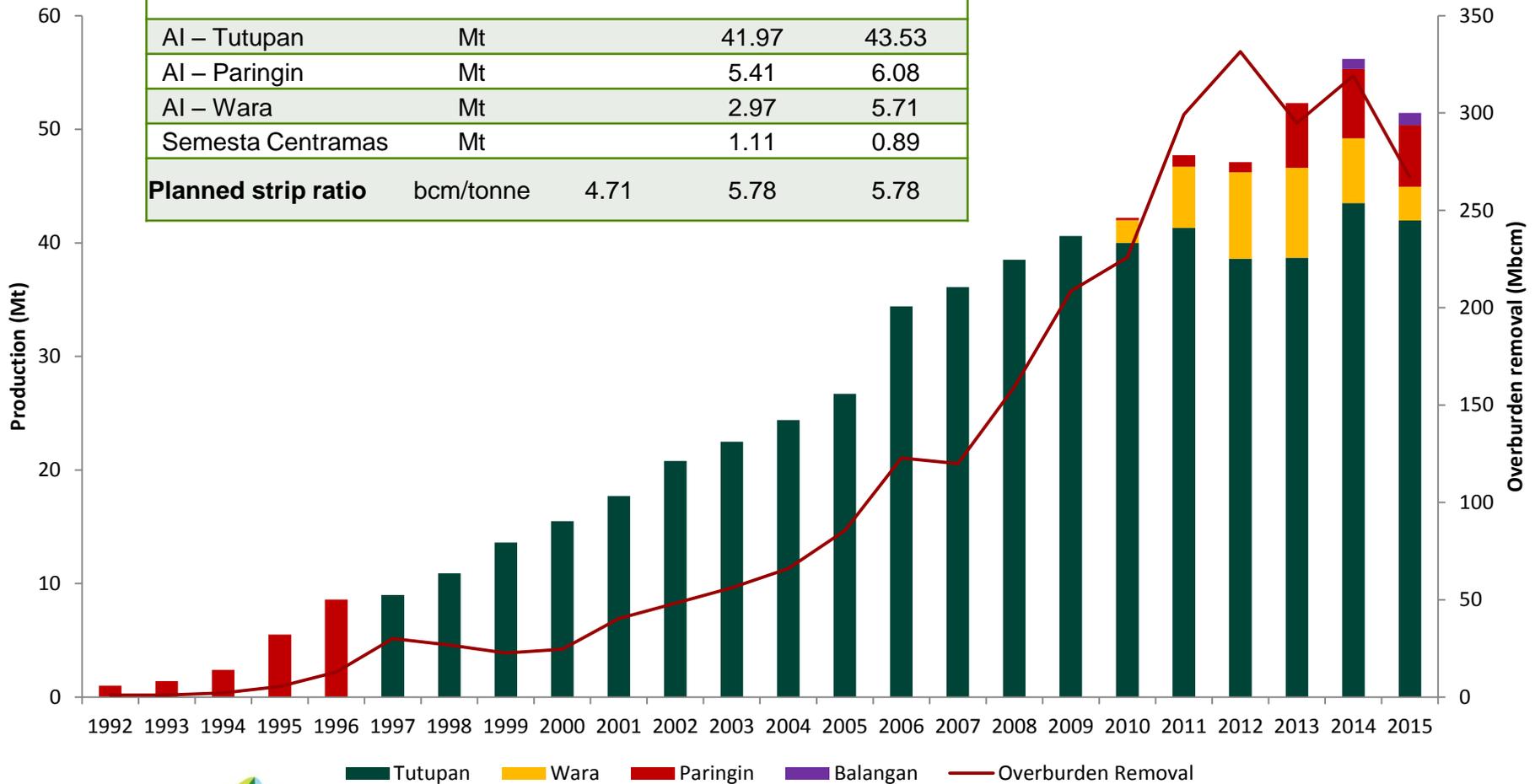
Mostly sovereign backed power companies, over 50% have relationship more than 10 years

- Average length of coal supply agreement is 5 years.
- Many of our contracts are reset annually, with a combination of negotiated, fixed and index-linked pricing. There is a trend of more short-term pricing in the mix.

Strong relationship with many top-tier, blue chip investment grade clients base mitigates non risk payment

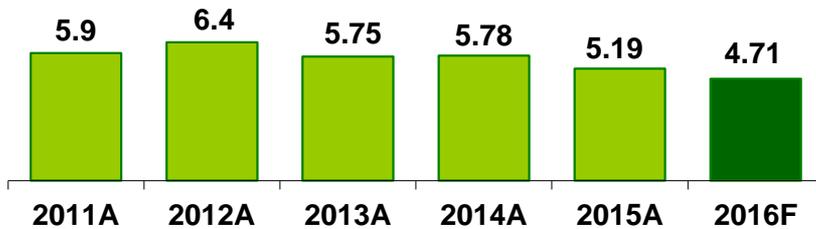
Proven Track Record of Production Growth

	Units	2016 Guidance	2015 Actual	2014 Actual
Production volume	Mt	52 - 54	51.5	56.2
AI – Tutupan	Mt		41.97	43.53
AI – Paringin	Mt		5.41	6.08
AI – Wara	Mt		2.97	5.71
Semesta Centramas	Mt		1.11	0.89
Planned strip ratio	bcm/tonne	4.71	5.78	5.78

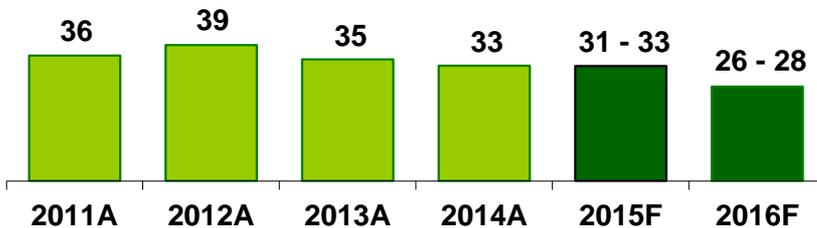


Cost Discipline While Maintaining Long Term Plan

Consolidated Planned Strip Ratio (bcm/t)



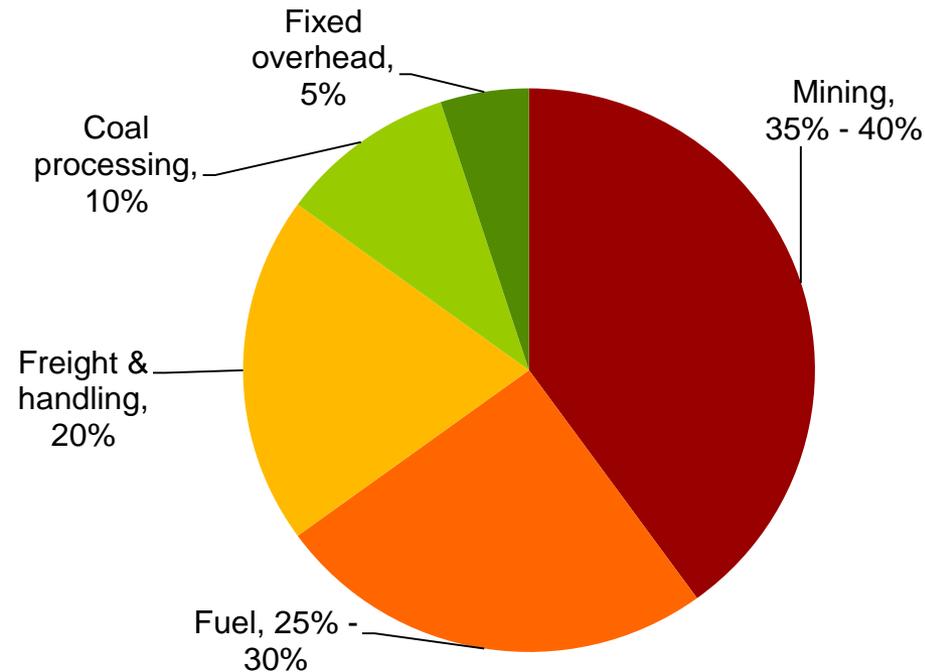
Coal Cash Cost (ex-royalty, US\$/t)



- Our vertically integrated business model enables us to better control cost.
- We own or control each part of our coal supply chain.
- Our investment in overburden removal made during the good times has shown its return.
- We have the flexibility to adjust our strip ratio without harming our reserves and LT plan.
- Lower diesel price in 2015 provides us with short term cost relief.
- We are on track to achieve 2015 coal cash cost guidance of US\$31 – 33 per tonne.

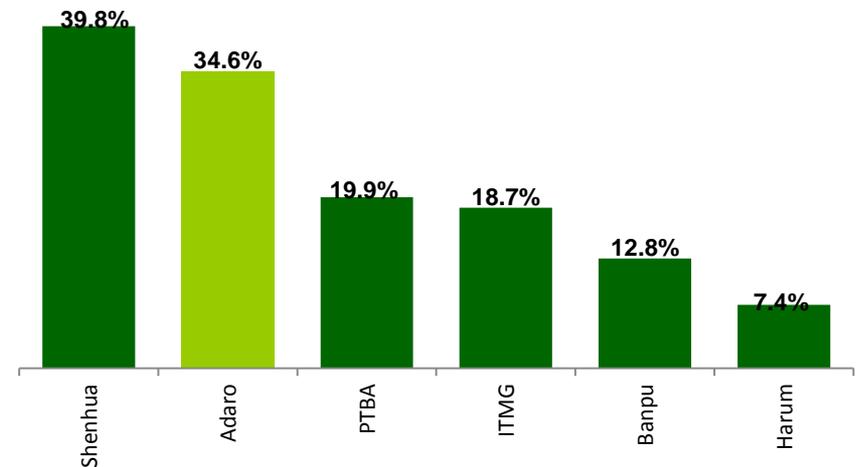
Cost control key to deliver strong performance

Adaro's Estimated Coal Cash Cost Breakdown (9M15)



Adaro's coal cash cost ex-royalty for 9M15: US\$28.61/tonne

EBITDA Margin

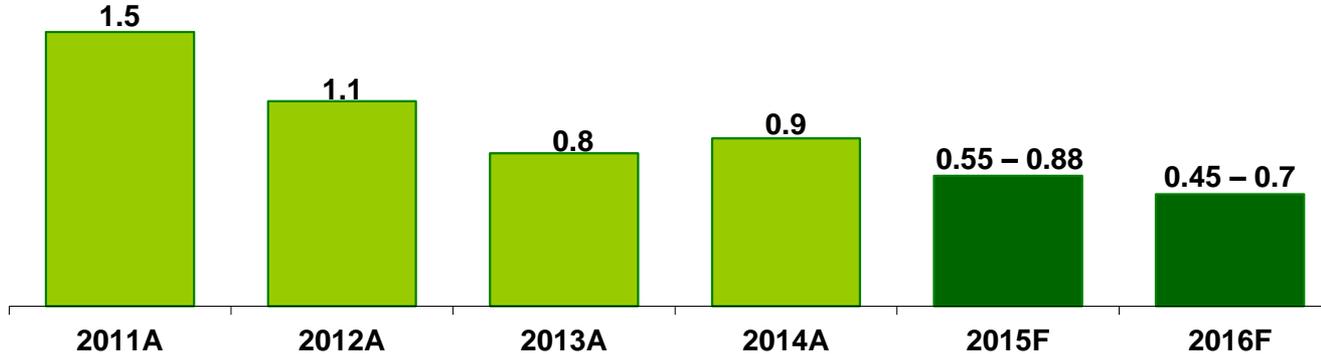


Source: Bloomberg, based on trailing 12M EBITDA

Adaro has one of the highest EBITDA margin in Indonesia thermal coal

Solid profitability despite market downturn

Operational EBITDA (US\$ billions)

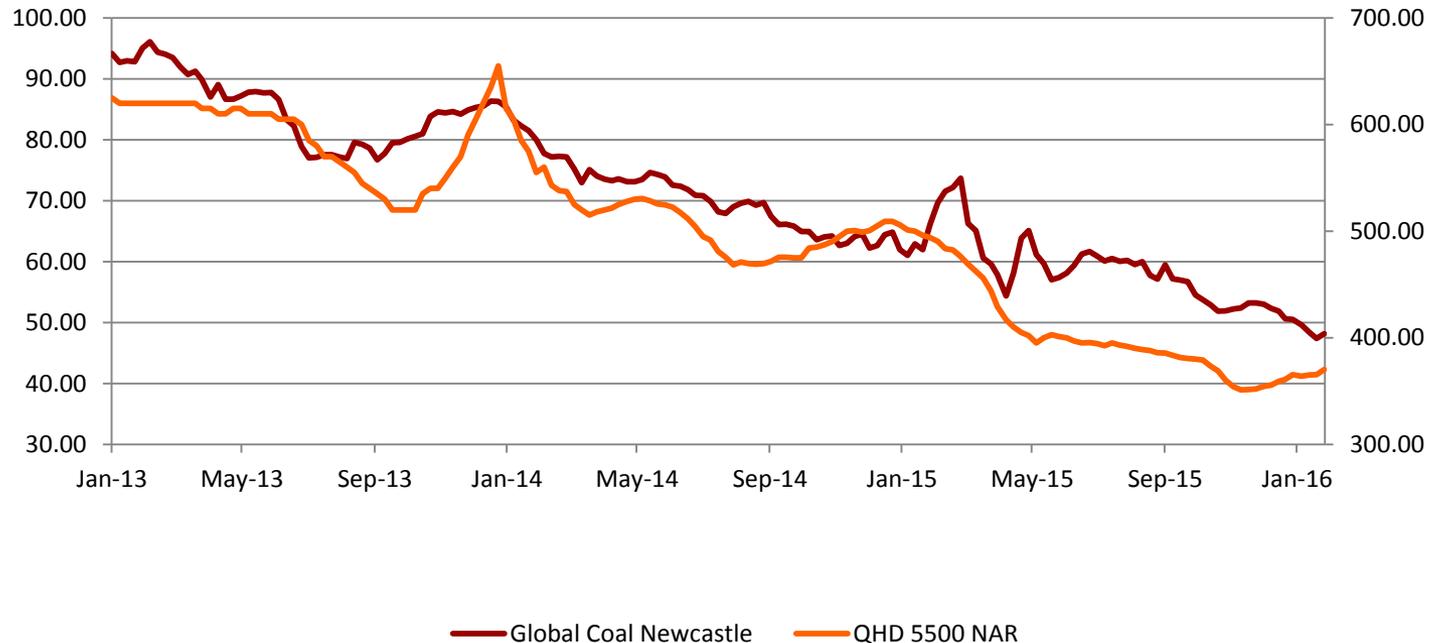


- Our low-cost operations enable us to maintain a solid Operational EBITDA margin despite falling coal price.
- In 9M15, our Operational EBITDA margin of 26.9% was among the best in Indonesian thermal coal.
- We are on track to achieve our 2015 EBITDA target.
- We have a strong balance sheet with cash balance of \$785 million as of 9M15.

Thermal coal prices impacted by China market and chronic oversupply

US\$/tonne

RMB/tonne



- Seaborne thermal coal prices are now being driven more by Chinese domestic market price rather than traditional buyers, such as the Japanese Power Utilities (JPUs).
- The drop in oil prices and weakening key currencies of major exporting countries against USD helped coal producers maintain supply in a falling coal price market.

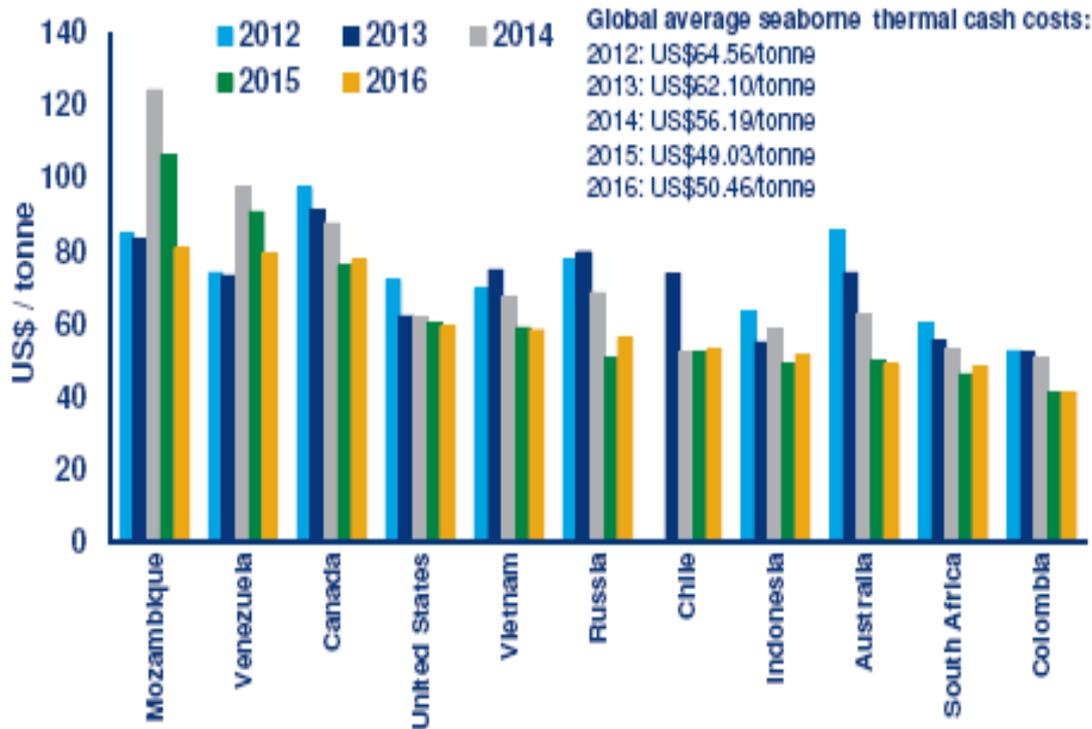
Market Update – Prices in February 2016

	19 Feb 2016	Week-on-Week	Month-to-Date Average	Month-on-Month	Year-to-Date Average	Year-on-Year % YoY
Bituminous (US\$/Tonne)						
gCN	51.00	▲ 0.90	50.08	▲ 0.58	49.28	▼ (16.65) -25%
API2	42.36	▼ (1.06)	43.54	▼ (3.72)	45.28	▼ (14.71) -25%
API3	41.27	▲ 1.39	40.31	▲ 1.73	39.51	▼ (14.57) -27%
API4	52.42	▲ 0.81	52.02	▲ 2.19	51.03	▼ (10.62) -17%
Aus Off-Spec (Platts)	40.10	▲ 0.40	39.93	▲ 0.02	39.93	▼ (13.40) -25%
Sub-Bituminous Indonesia (US\$/Tonne)						
ICI3 - 5000 GAR	37.79	▲ 0.20	37.58	▼ (0.41)	37.71	▼ (10.81) -22%
ICI4 - 4200 GAR	26.37	▲ 0.02	26.38	▼ (0.28)	26.51	▼ (8.88) -25%
South China CFR (US\$/Tonne)						
6000 NAR	46.10	▼ (0.45)	46.57	▲ 0.08	46.38	▼ (21.19) -31%
5500 NAR	43.65	▲ 0.05	43.72	▼ (0.83)	44.16	▼ (15.78) -26%
4900 NAR	41.75	▲ 0.05	41.72	▼ (0.20)	41.74	▼ (13.43) -24%
Qinhuangdao Coal FOBT (RMB/Tonne)						
5500 NAR	373.50	▲ 3.50	371.17	▲ 6.33	367.94	▼ (126.25) -26%
5000 NAR	334.00	▲ 2.00	332.67	▲ 5.33	329.81	▼ (97.19) -23%
4500 NAR	290.00	▲ 0.00	290.00	▲ 4.00	287.63	▼ (112.38) -28%

- The declining oil prices, depreciation of key currencies against USD kept global thermal coal prices from major exporting countries subdued.
- In addition, sluggish demand from China became another factor that caused Pacific thermal coal prices (gCN and Aus Off-Spec) to be under pressure
- Chinese domestic coal prices also showed a down trend. Shenhua and other big miners decided to cut their prices due to high stocks at port and weak demand from utilities.
- Despite cost improvements, thermal coal margins continue to fall.

2015: Falling coal cash cost supports production

Seaborne thermal coal cash cost (CV adjusted)



2015 Cost change (%)

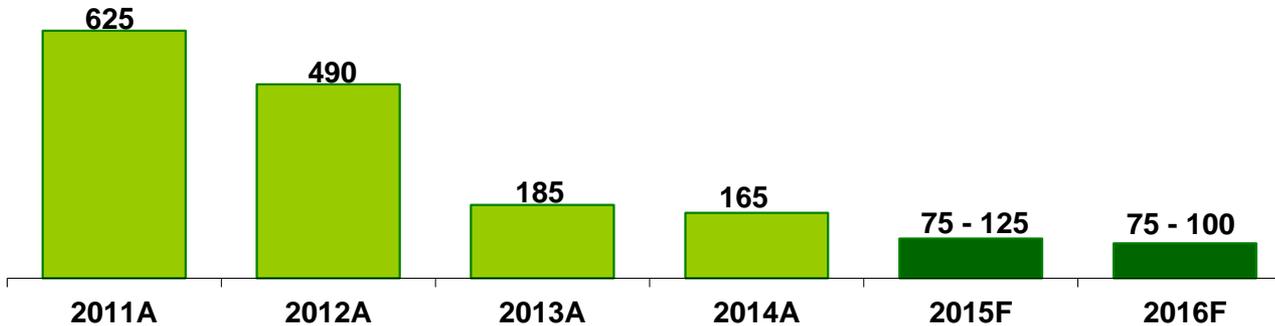


Source: Wood Mackenzie, Dataset: November 2015, "Nominal terms"

Cost reductions are more apparent for countries cost in local currencies. Thus several coal producers are still able to increase production.

Investing in the three engines of growth

Capital Expenditure (US\$ millions)

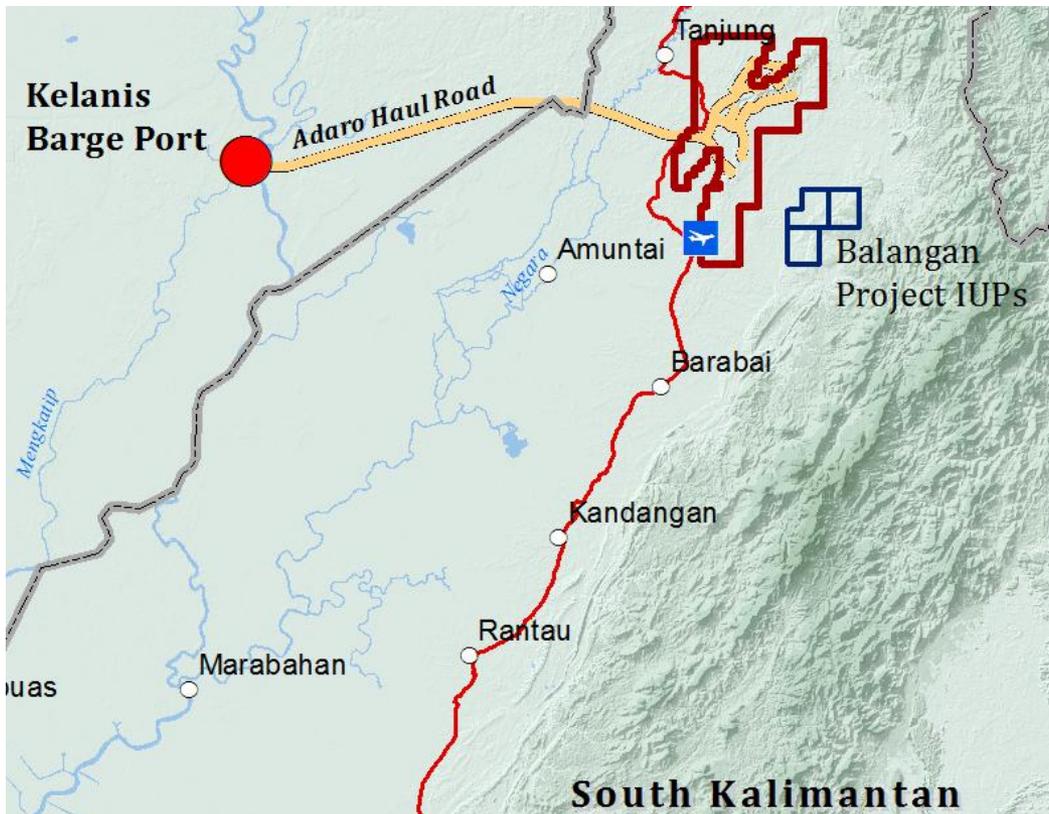


- Although we have reduced our capex spending, it is not at the expense of growth.
- We made the investment in our mining asset, heavy equipment and in infrastructure back in 2010 – 2012.
- Heavy equipment capacity at Adaro Indonesia is ~60 Mtpa. We are positioned to capitalize on market upturn.
- To finance our power venture, we are looking for project financing, non-recourse to the parent from export credit agencies, which will be able to provide us with long term financing at a competitive rate.

Balangan acquisition

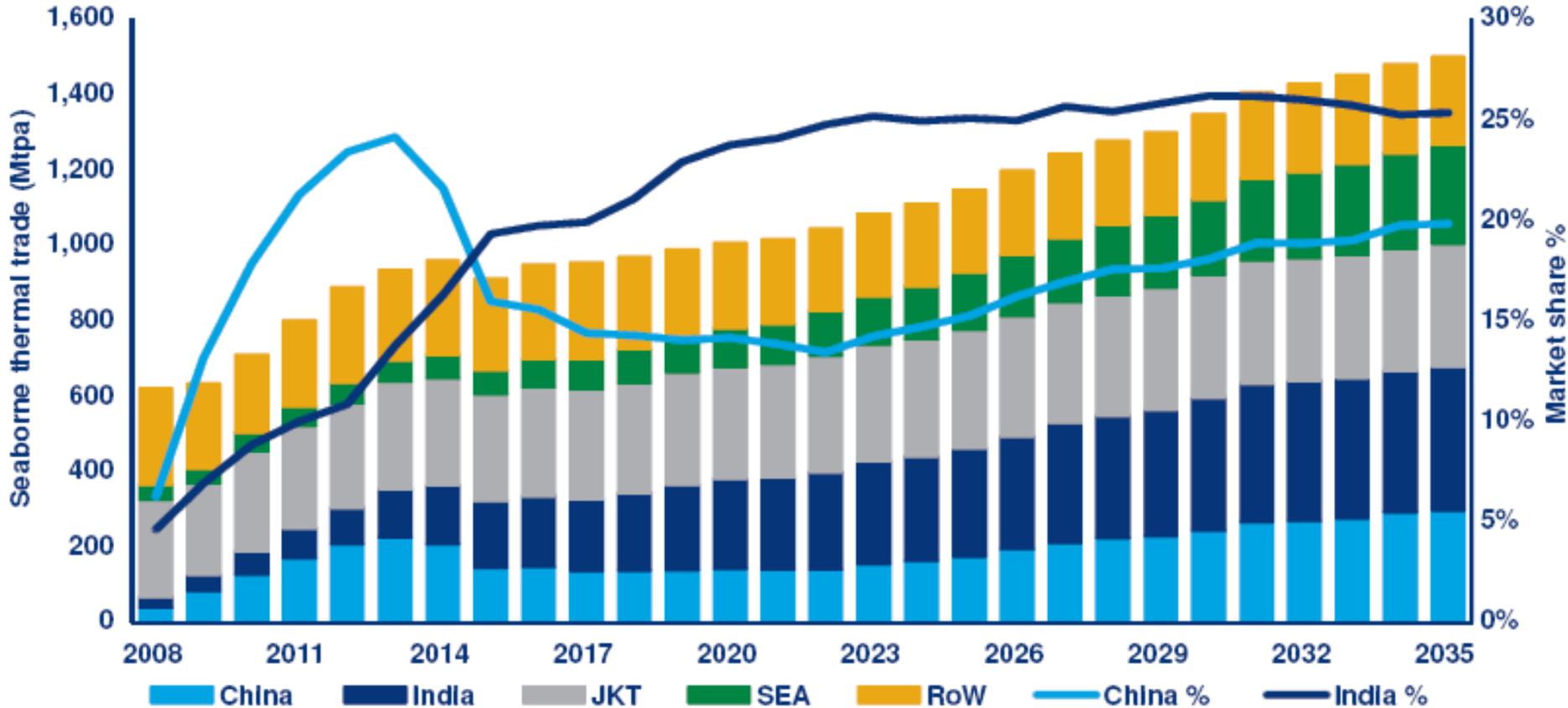
JORC Compliant Coal Resources and Reserves (Millions of ROM Tonnes)

	Total (Mt)	Total Moisture %	Ash % (GAR)	Total Sulfur % (GAR)	Calorific Value (kcal/kg, GAR)
Resources	172.3	31.9	1.9	0.08	4,436



- Purchased 75% for US\$30.4 million enterprise value in 1Q13.
- Strategically located 11 km southeast from Adaro's concession in S. Kalimantan.
- Initial capex plan to get up and running is US\$15 million and will use our contractor SIS for mining services.
- We produced 0.89Mt of Balangan coal and sold 0.88Mt in FY14.

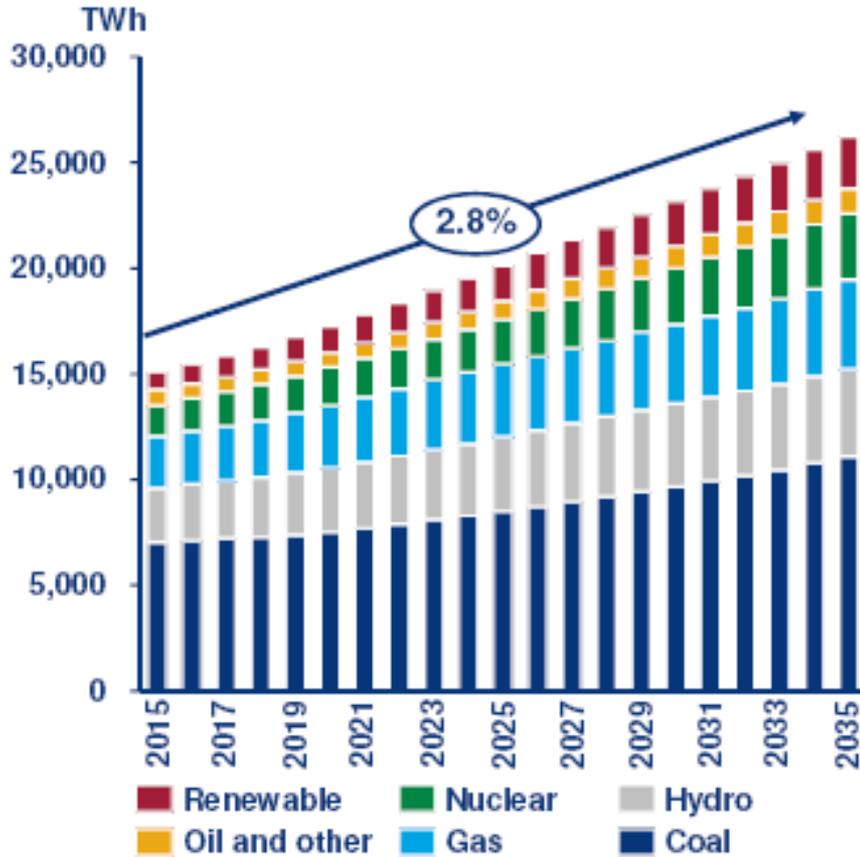
Long Term Global Thermal Coal Demand



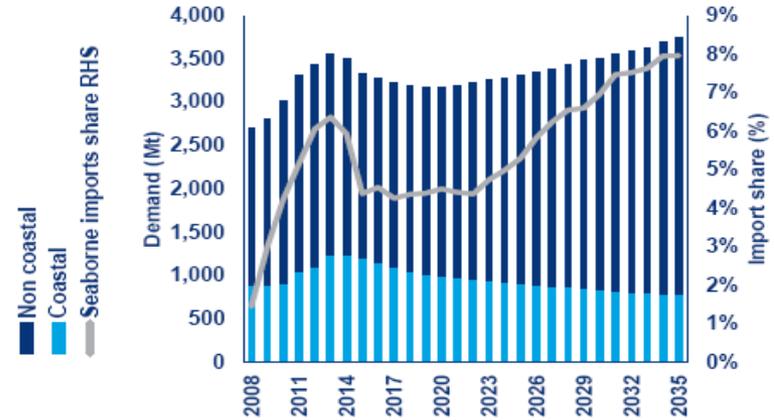
- Global thermal coal markets will continue to be driven by electrification in the developing world, where scalable and economic alternatives are limited. Coal imports remain weak in the near-term but stronger post-2020.
- India overtook China as largest coal importer in 2015.

Coal remains important in global energy mix

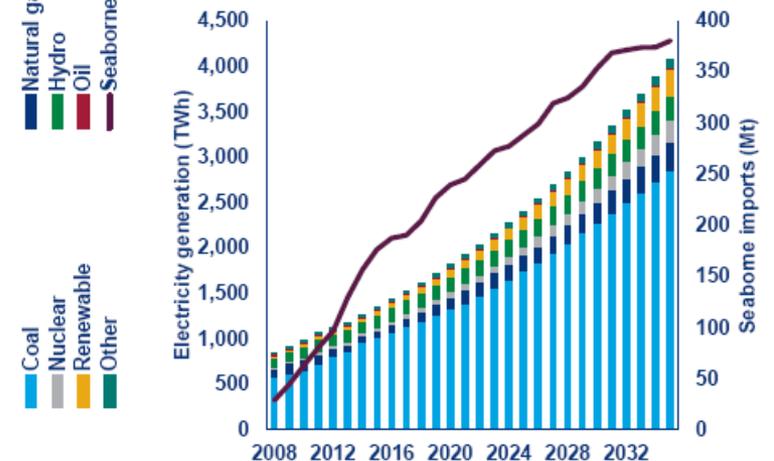
Global electricity production by fuel type



China thermal coal demand



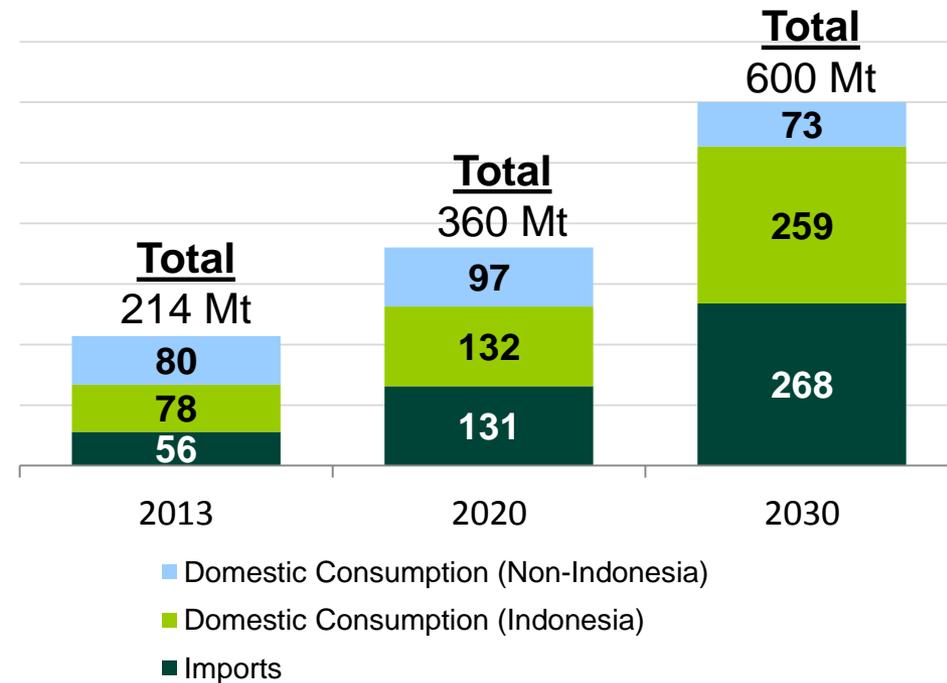
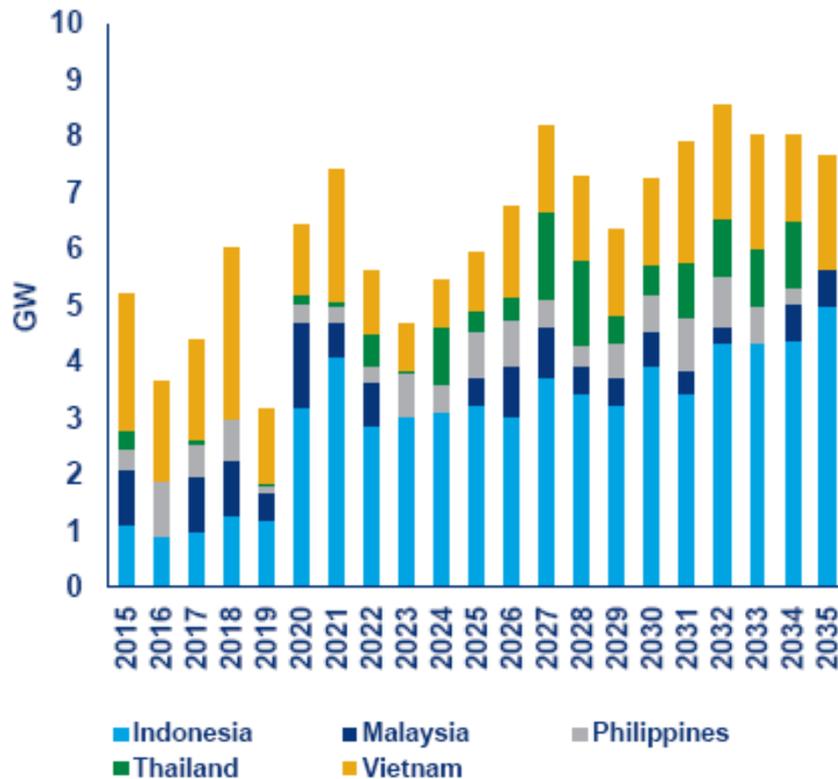
India energy mix and coal import



Fueling southeast asia's coal requirements

Coal capacity additions in Southeast Asia

Southeast Asia coal demand



Our strategy to create sustainable value

Three engines of growth integrating pit-to-power

Adaro Energy (AE)



*Simplified Corporate Structure

Adaro Energy Mining Assets

Adaro has 12 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.1 Bt of coal reserves.

- 1**

Adaro Indonesia: Existing, South Kalimantan sub-bituminous Resources 4.9 Bt, Reserves 900 Mt
- 2**

Balangan: South Kalimantan sub-bituminous Resources 172 Mt
- 3**

MIP: 75% stake South Sumatra sub-bituminous Resources 288 Mt, Reserves 254 Mt
- 4**

BEE: 61.04% stake South Sumatra sub-bituminous Geological study phase
- 5**

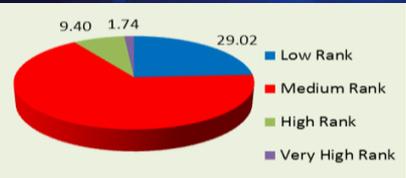
BEP: 10.22% stake with option to acquire 90% East Kalimantan sub-bituminous Resources 7.9 Bt
- 6**

IMC: 25% joint venture with BHP Central Kalimantan Metallurgical coal Resources 1.27 Bt*

Indonesian Coal: Resources 160.65 Bt Reserves 28.02 Bt

Sumatra: Resources 75.03 Bt Reserves 13.22 Bt

Kalimantan: Resources: 85.25 Bt Reserves: 14.80 Bt



Due to additional drilling and updated model, IMC increased resources to 1.27 Bt from 774 Mt.
 Source: BHP Billiton Annual Report 2013, page 76-77

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

Adaro Logistics and Mining Services

- Key part of our vertical integration.
- Ensure operational excellence, productivity improvement and timely reliable delivery to customers.
- We expect growing contribution from the non coal mining part of our business.
- Non coal mining contributed 37% of Adaro Energy EBITDA in 2014.
- SIS is doing ~40% of Adaro's volume.
- MBP is doing ~50% of coal barging and 100% of ship-loading.
- We actively pursue third party revenue growth from these businesses.



Adaro Power



Strategy to build our power division

- Commercially and financially attractive with solid IRR and low-cost long-term project financing.
- Creates a new captive market and helps meet our DMO.
- Helps to lessen volatility in Adaro's business model.
- Contributes to the development of our country's energy needs.
- In the next 10 years, PLN has plans to add 70 GW of electricity generation in Indonesia.
- We are looking to participate in power projects in South and East Kalimantan, as well as South Sumatra and Java.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Coal-fired	3,283	1,499	492	4,068	16,497	3,125	2,660	2,035	4,275	4,155	42,089
Others	511	2,714	5,887	5,170	2,822	1,952	1,658	2,582	1,871	3,178	28,345
Total	3,794	4,213	6,379	9,238	19,319	5,077	4,318	4,617	6,146	7,333	70,434

Existing Adaro Power's Project Pipelines

	Bhimasena Power Indonesia	Tanjung Power Indonesia	East Kalimantan Power Project
Capacity	2x1000 MW	2x100 MW	2x300 MW
Stake Acquired	34%	65%	49%
Partner(s)	J-Power (34%) and Itochu (32%)	Korea EWP (35%)	Shenhua Overseas
Location	Central Java	South Kalimantan	East Kalimantan
Development Progress	<ul style="list-style-type: none"> Signed 25 years PPA with PLN Total Capex: US\$4 billion Acquired more than 87% of the power block. Received the approval of AMDAL and has the construction permits. 	Signed the PPA with PLN in October 2014	<ul style="list-style-type: none"> Signed MoU between Adaro Power, Shenhua Overseas, and Bhakti Energy Persada. Will use low heat value coal. Pre-feasibility and feasibility studies and other preparatory work are expected to begin soon Will use the latest, most efficient and environmentally friendly technology
Financing	Non-recourse project debt financing. Combination of ECA and commercial loan	Non-recourse project debt financing. Combination of ECA and commercial loan	Non-recourse project debt financing
Expected Debt vs. Equity	80:20	75:25	N/A

Diversify and Secure Predictable Long-term Demand for Our Coal

Thank You

Delivering
Positive
Energy



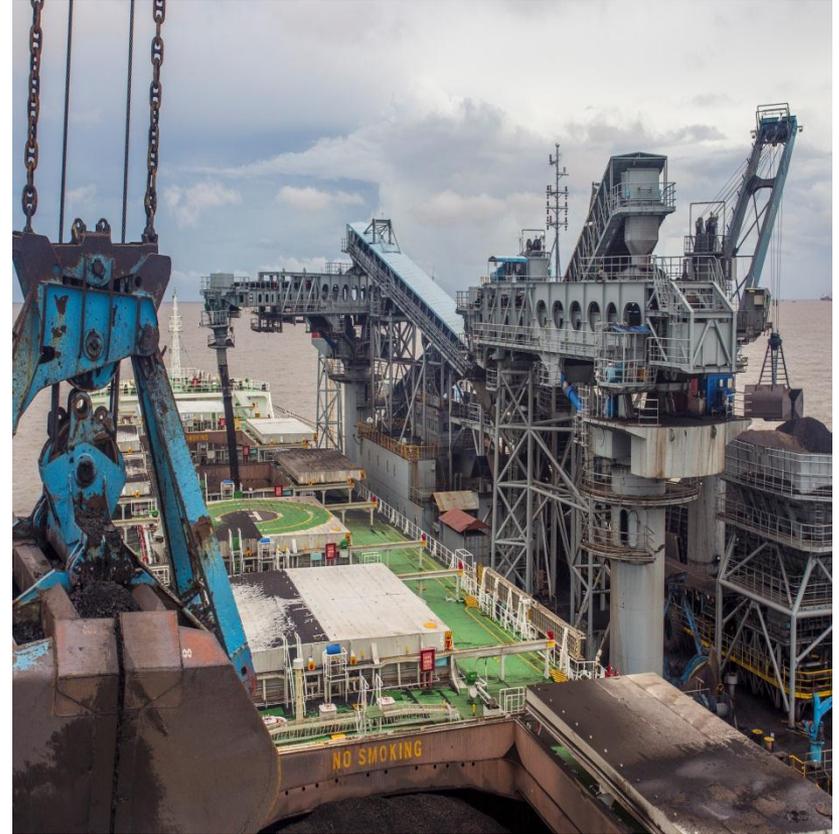
This presentation is also available on <http://www.adaro.com/investing/investor-presentations-and-events-calendar/>

Appendix

- Profile of PT Maritim Barito Perkasa
- Profile of PT Sarana Daya Mandiri
- Profile of PT Saptaindra Sejati

PT Maritim Barito Perkasa (MBP)

- 68 sets of tugs and barges used by Adaro with an average capacity of 12,522 dwt.
- Offshore coal loading at Taboneo with capacity up to 165,000 tonnes/day – floating cranes (15,000t-20,000t/day), FTU (60,000t/day) and self-loading geared vessels.
- FY14 coal transport volume: 31.8Mt.
- FY14 coal loading volume: 37.1Mt.
- FY14 EBITDA: \$74 million.



PT Sarana Daya Mandiri (SDM)

- SDM dredged the Barito river channel in 2008, increasing **capacity to 200Mt** per year and 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 Saptaindra Sejati (SIS)

- One of Indonesia's leading mining contractors.
- FY14 overburden removal volume: 173.9Mbcm.
- FY14 coal production volume: 30.3Mt.
- FY14 EBITDA: \$121 million.

