



adaro 



years
AN EVOLVING
STORY

ENERGY FOR CHANGE

September 2017

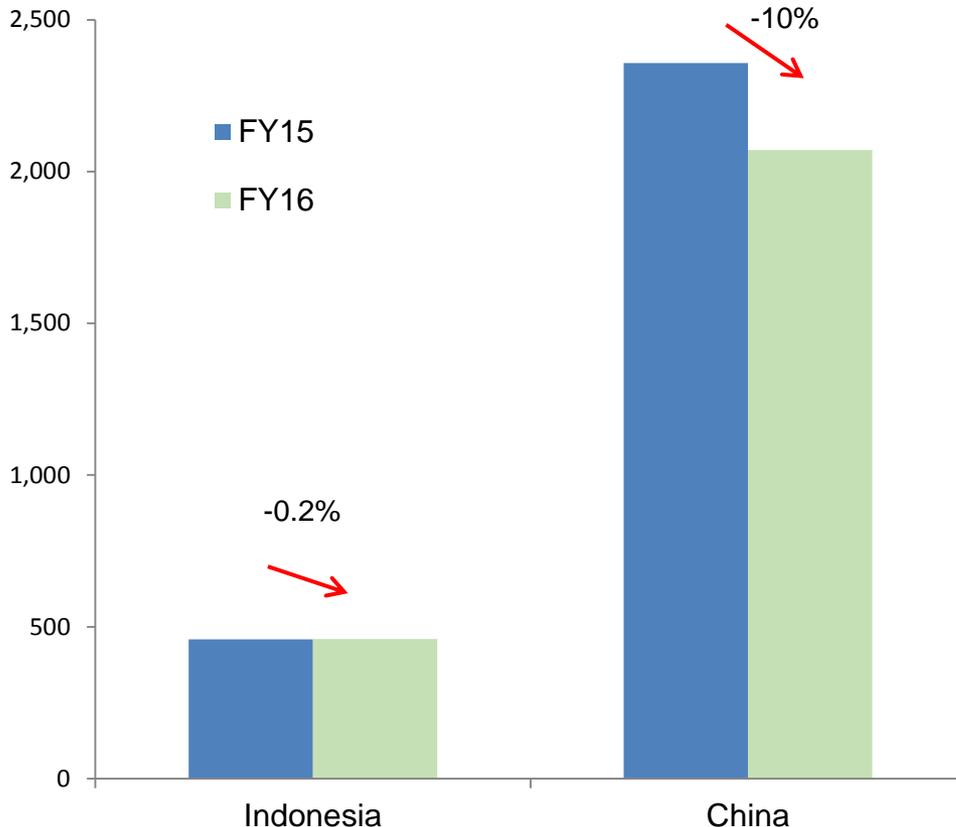


Key questions:

- What is the outlook of the coal industry?
- How was Adaro Energy's performance in 1H17 and what is the view for FY17?
- What is the progress of Adaro Energy's projects?
- What is Adaro Energy's strategy and future plans?

Supply control to continue

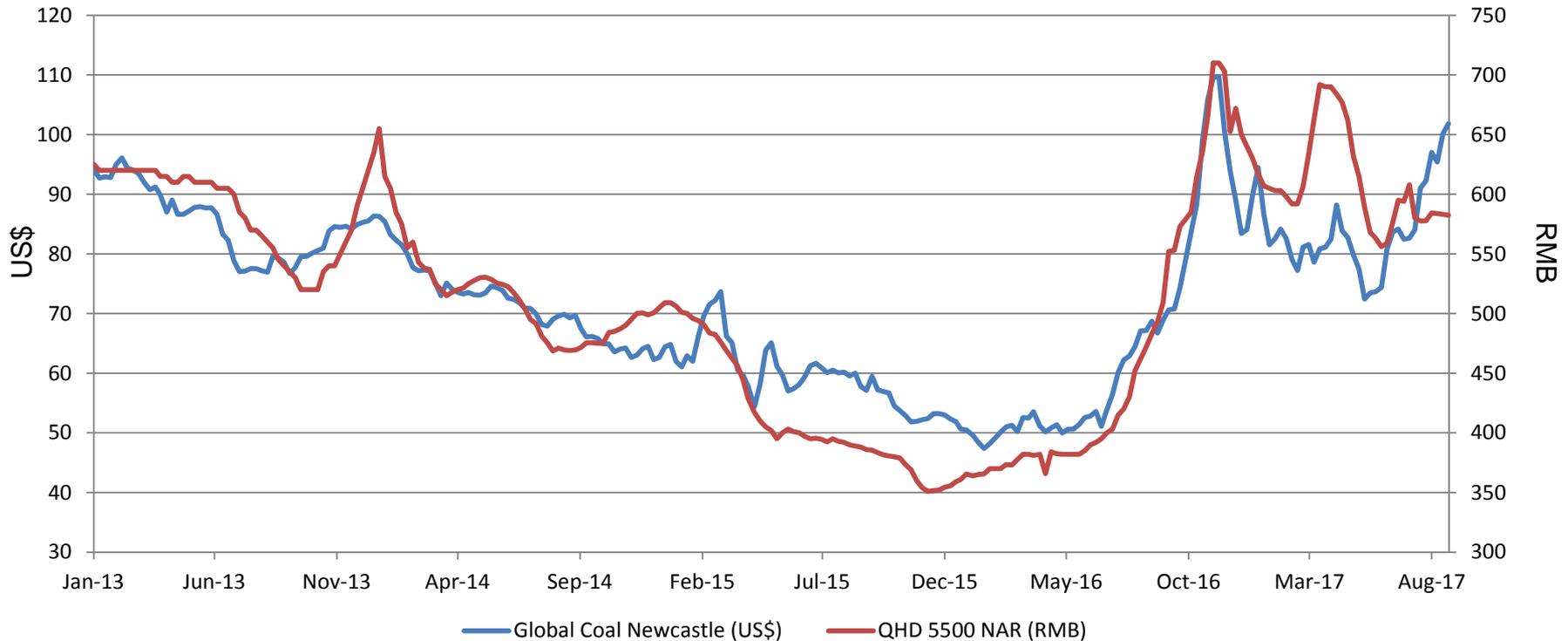
Coal Production (Mt)



Source: Adaro's research, IHS Energy, WoodMackenzie

- Supply reform in China is expected to continue, targeting up to 1 Bt of excess capacity cut.
- Indonesia is expected to maintain a relatively flat production, and as its domestic requirement increase, its export will decline.
- Australia is constrained by infrastructure capability.
- Overall coal supply continues to be sticky due to:
 - Higher cost structure as a result of high-grading during the downturn.
 - Limited funding availability.
 - Some miners are focusing on restructuring previous debts.
- Coal supply data continues to indicate that supply discipline is prevalent.

Coal price gaining back momentum

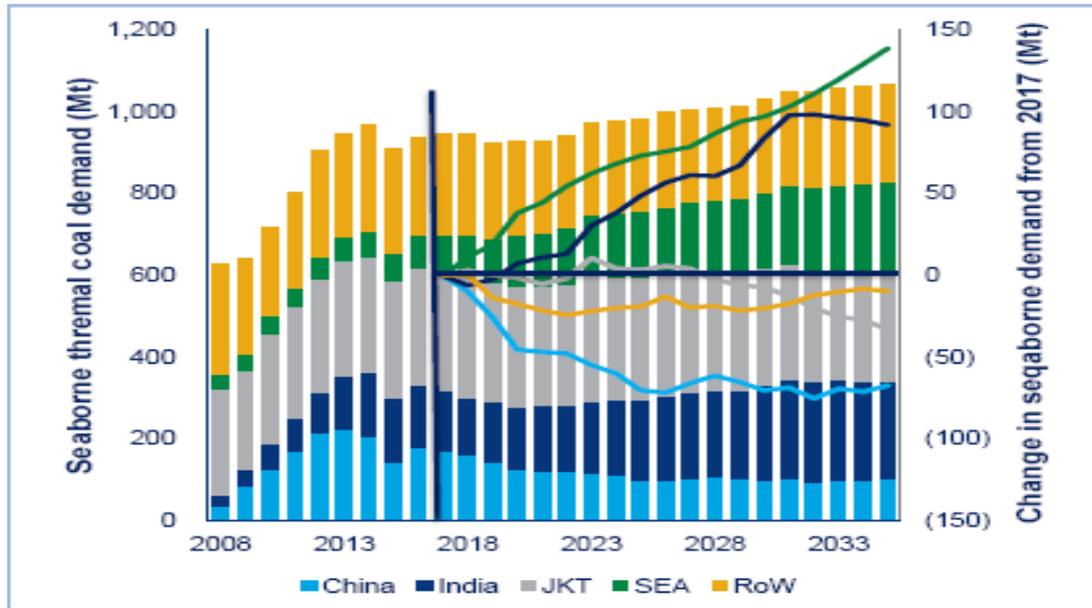


- Despite a better price outlook in 2017 vs 2016, uncertainties remain in the coal market.
- Higher summer demand and supply shortage due to unfavorable weather in Indonesia have helped maintain a robust price for seaborne coal.
- Domestic coal price in China has been persistently higher than China's price bracket.
- Coal prices are expected to remain fairly strong through the remainder of 2017.



Long term coal demand outlook remains robust...

Seaborne coal demand by country (Mt)



Note: JKT (Japan, Korea, Taiwan); SEA (Southeast Asia); RoW (rest of the world)

Source: Wood Mackenzie Thermal Trade H1 2017 Long-term Outlook

- China's share in seaborne market to decline.
- Increased potential from Southeast Asia, Indo-China, and India.
- Electrification in the developing world continues to drive coal demand. Despite progress in renewables, coal will still be preferred due to its affordability.

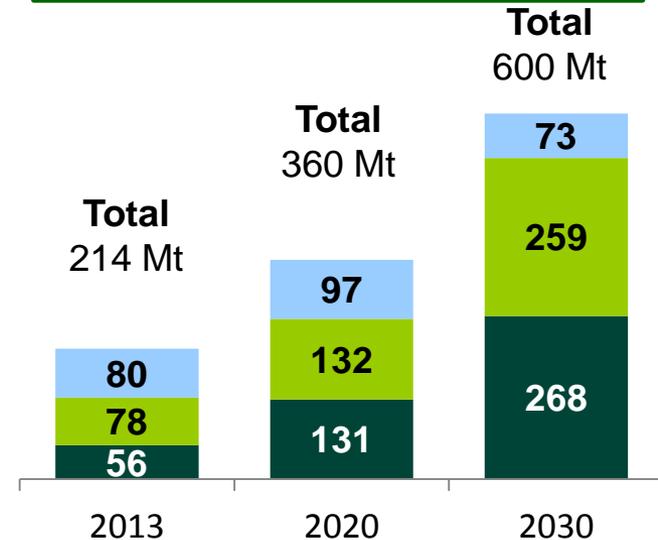
...especially from Southeast Asia

Coal capacity additions in Southeast Asia per annum



Source: WoodMackenzie Energy Market Service

Southeast Asia coal demand

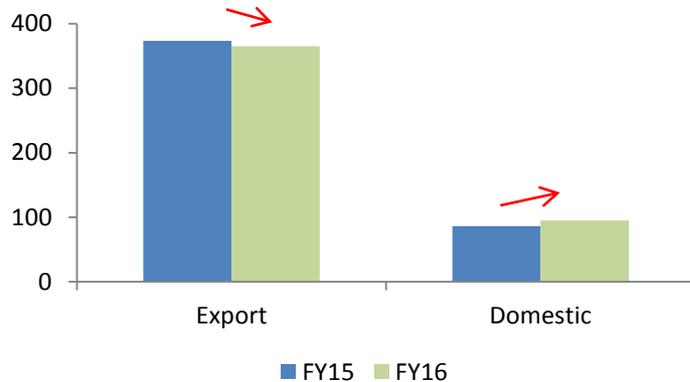


Source: Adaro's Research

- 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.
- Wood Mackenzie estimates that in 2017, SEA countries will import 88 Mt of coal.

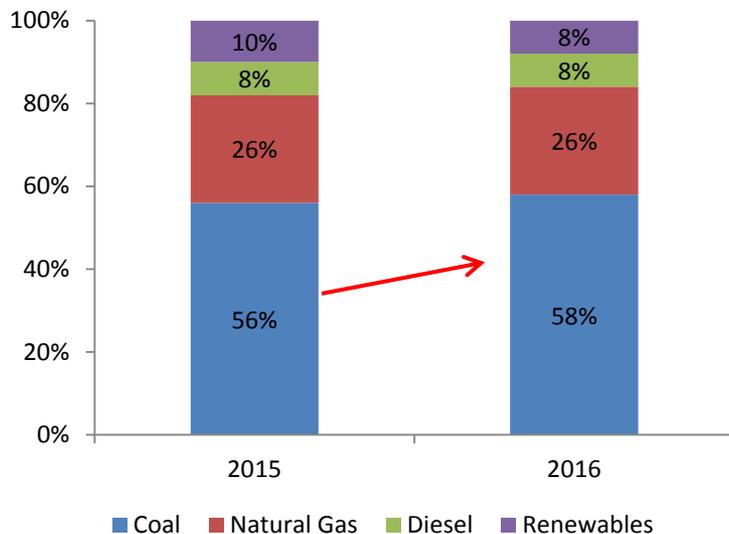
Quick look on Indonesia

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 58% of Indonesia's electricity generation in 2016.
- Despite expected increase from gas and renewables, coal remains as key energy source for power generation in Indonesia.

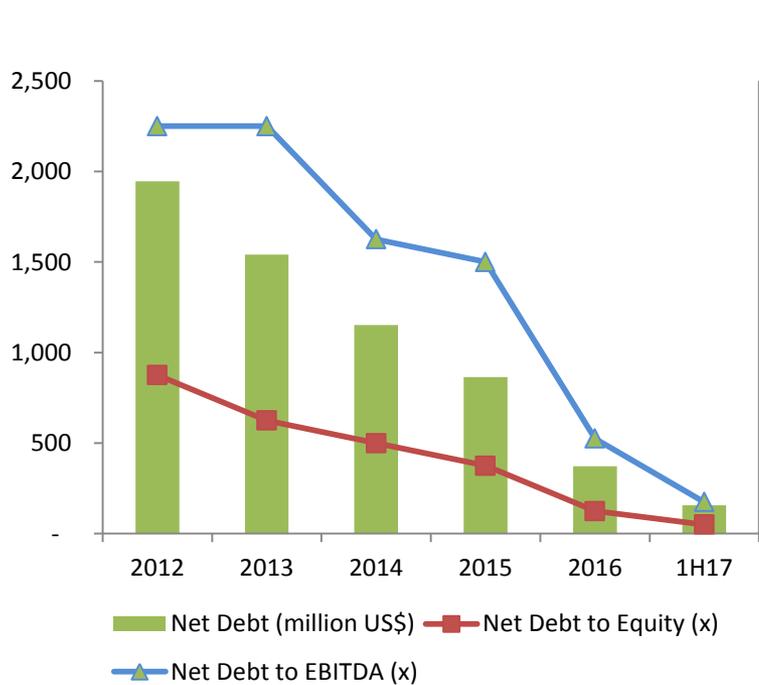


Resilient operational and financial results

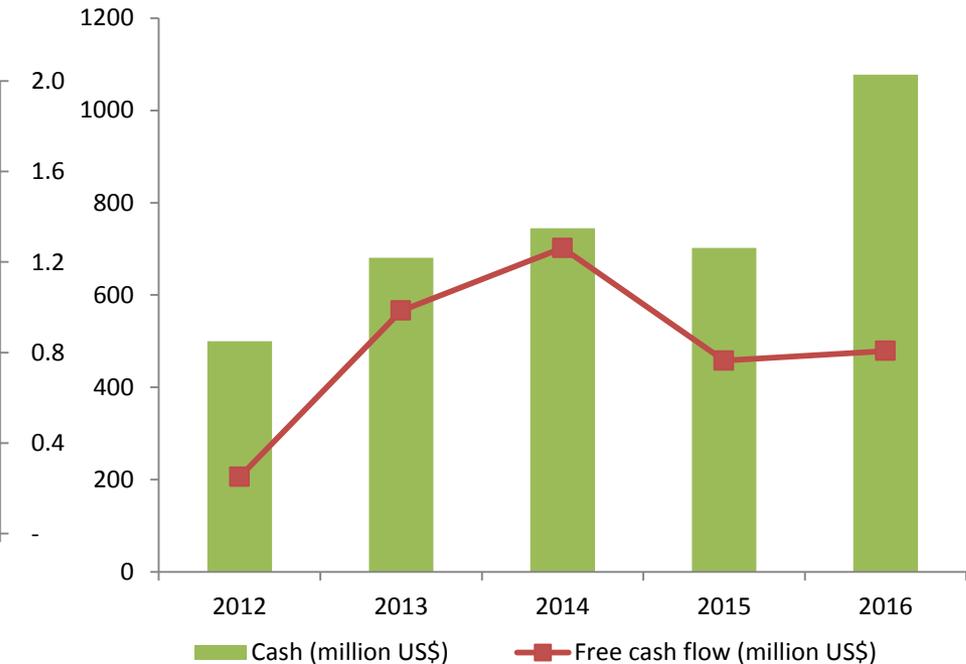
OPERATIONAL	1H17	1H16	% Change
Production (Mt)	25.13	25.86	-3%
Sales (Mt)	25.27	27.13	-7%
OB removal (Mbcm)	111.78	111.23	0%
FINANCIAL (US\$ millions, unless indicated)	1H17	1H16	% Change
Net Revenue	1,549	1,176	32%
Core Earnings	299	170	76%
Operational EBITDA	626	397	58%
Cash	1,236	828	49%
Net Debt to Equity (x)	0.04	0.20	-
Net Debt to Last 12 months Operational EBITDA (x)	0.14	0.94	-
Free Cash Flow	405	178	128%
Cash from Operations to Capex (x)	15.78	5.12	-

Solid balance sheet and strong cash generation

Net Debt Position and Leverage Ratios



Cash and Free Cash Flow (million US\$)

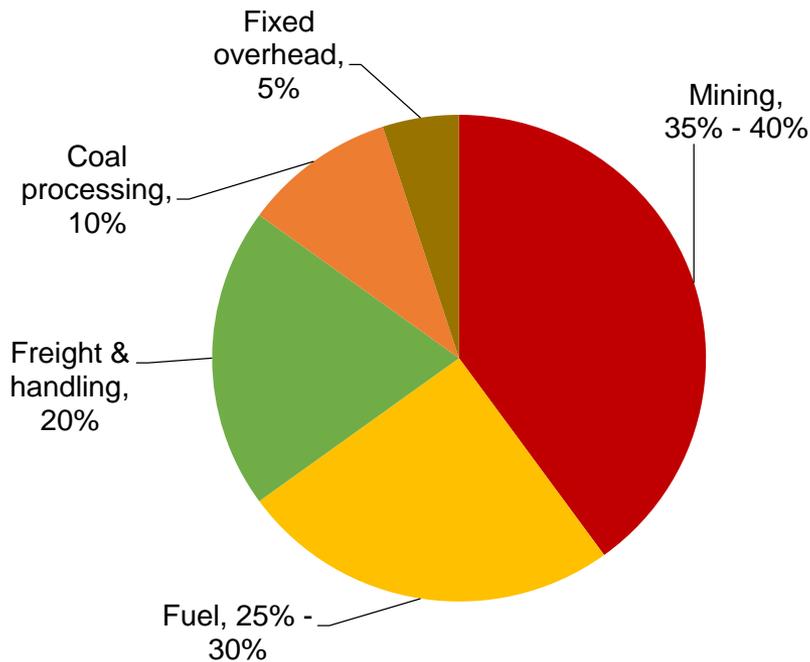


- Healthy balance sheet, strong capital structure and cash preservation.
- Investment grade rating (BBB-) from Japan Credit Rating Agency with a POSITIVE outlook.

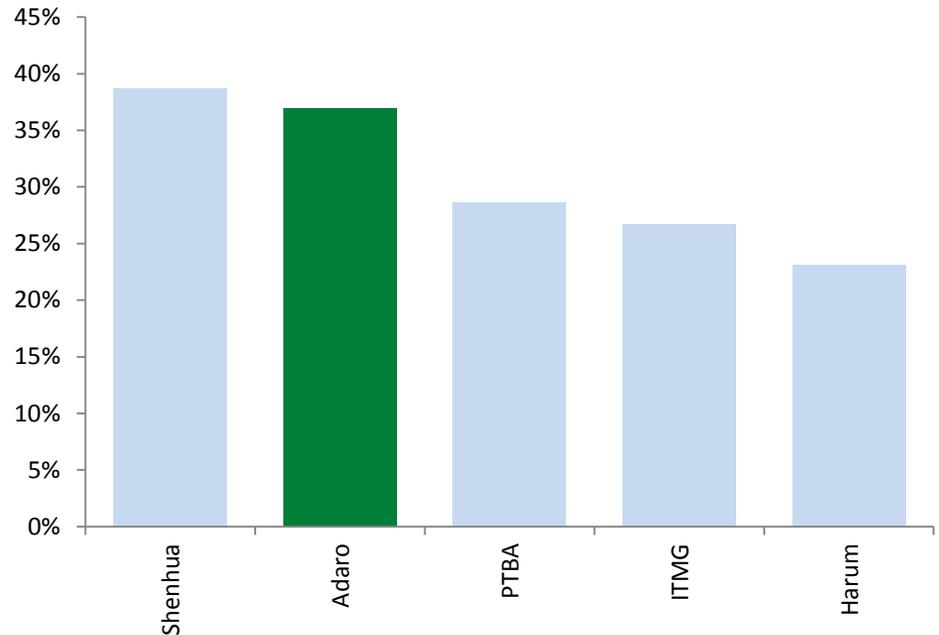


Cost control – key in delivering strong performance

Adaro's estimated coal cash cost breakdown (1H17)



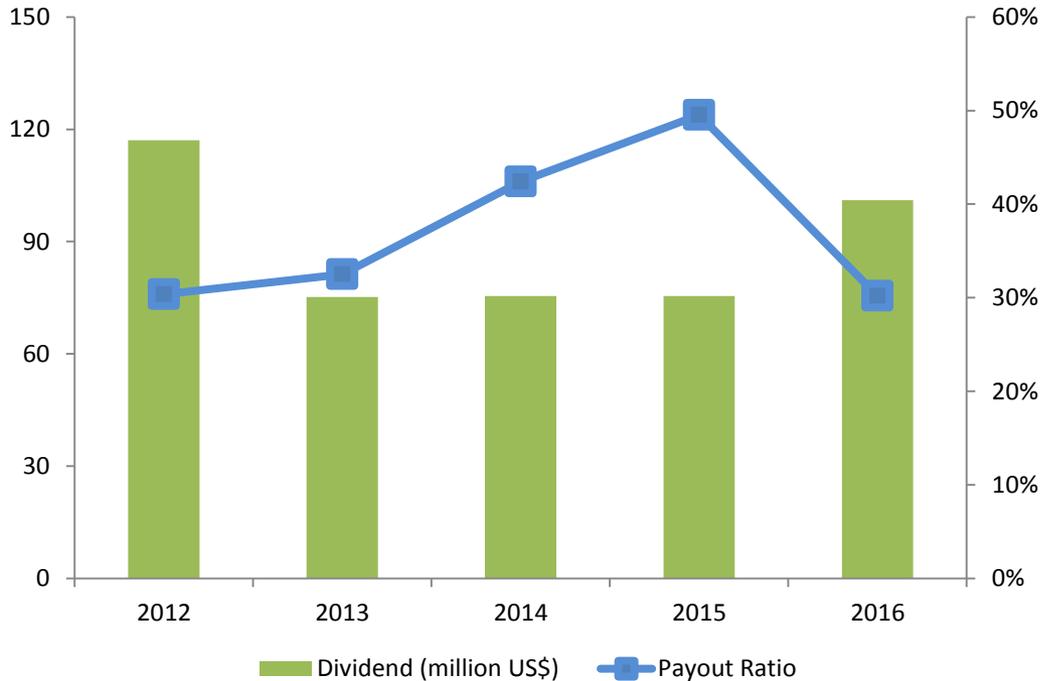
Operational EBITDA margin



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.
- Dividend payout ratio since IPO in 2008 averages ~38% and in total we have paid US\$965 million in dividend.
- Total dividend for 2016 was US\$101.1 million.



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: 1.2 Bt as of YE2016 ■ Resources: 13.5 Bt (includes option to control 7.9 Bt) as of YE2016
Location	<ul style="list-style-type: none"> ■ South, East and Central Kalimantan, South Sumatra
Credit Rating	<ul style="list-style-type: none"> ■ BBB- (JCR) with Positive outlook



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 Assets

Diversified Coal Assets Across Indonesia 5

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

1

Adaro Indonesia:
88.5% 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

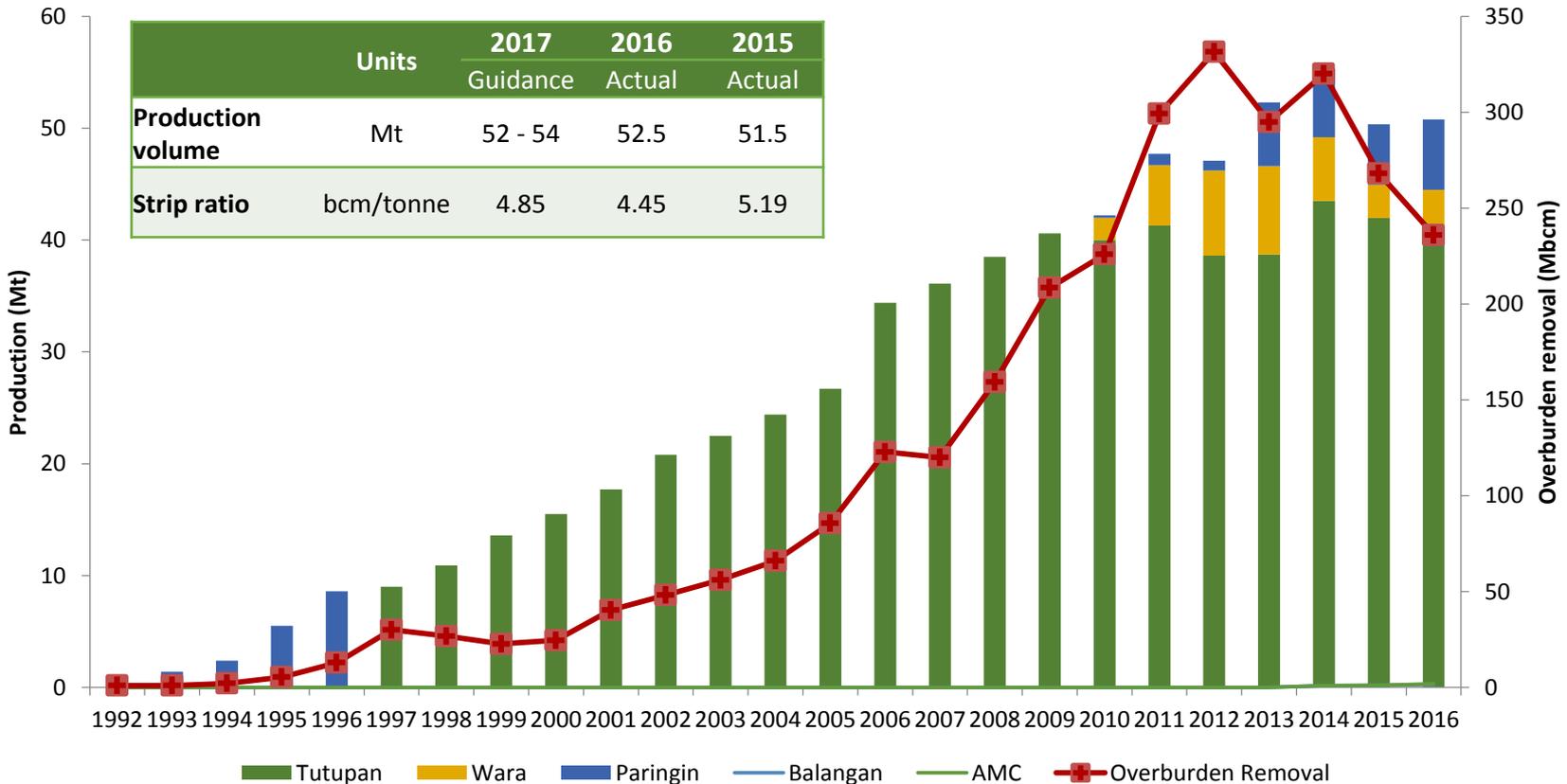
Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal Resources 1.27Bt

Adaro has more than 13.5 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.2 Bt of coal reserves.



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

Over two decades of solid production performance

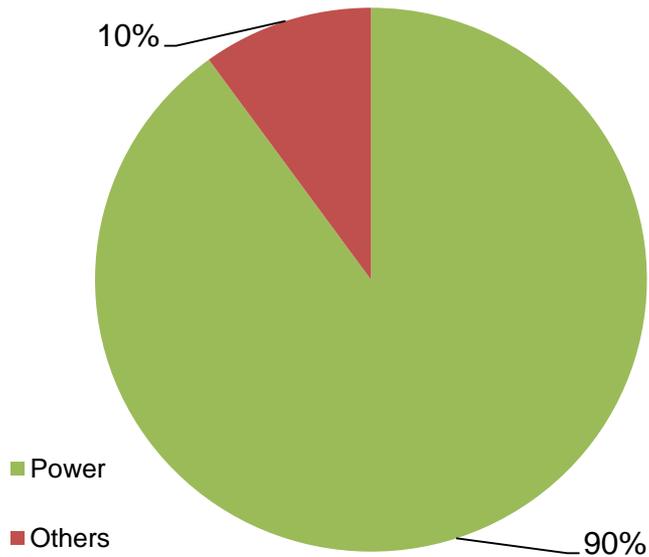


- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.
- Continued focus on productivity, safety and sustainability will support value creation for shareholder.

Strong customer base with focus on Indonesia

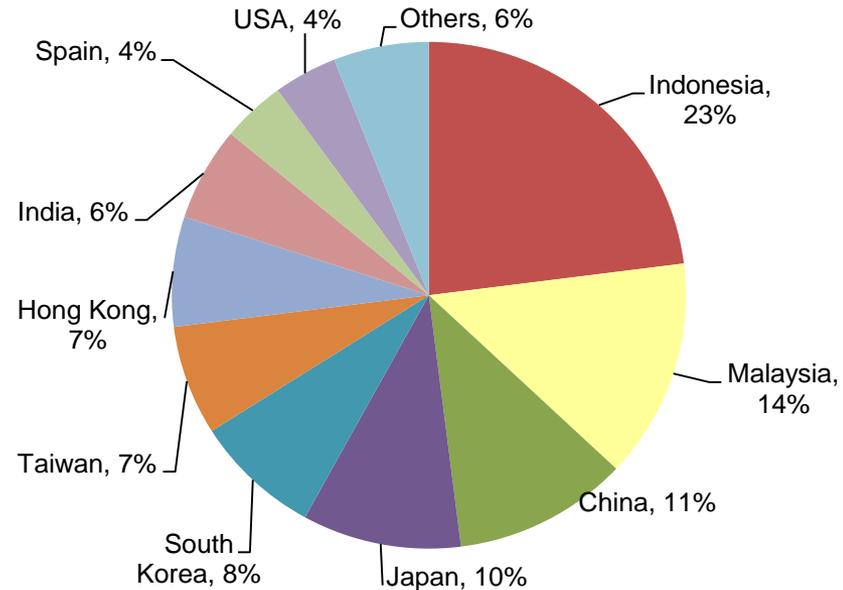


Customer type by % volume (1H17)



* Others include cement, pulp & paper, and industrial

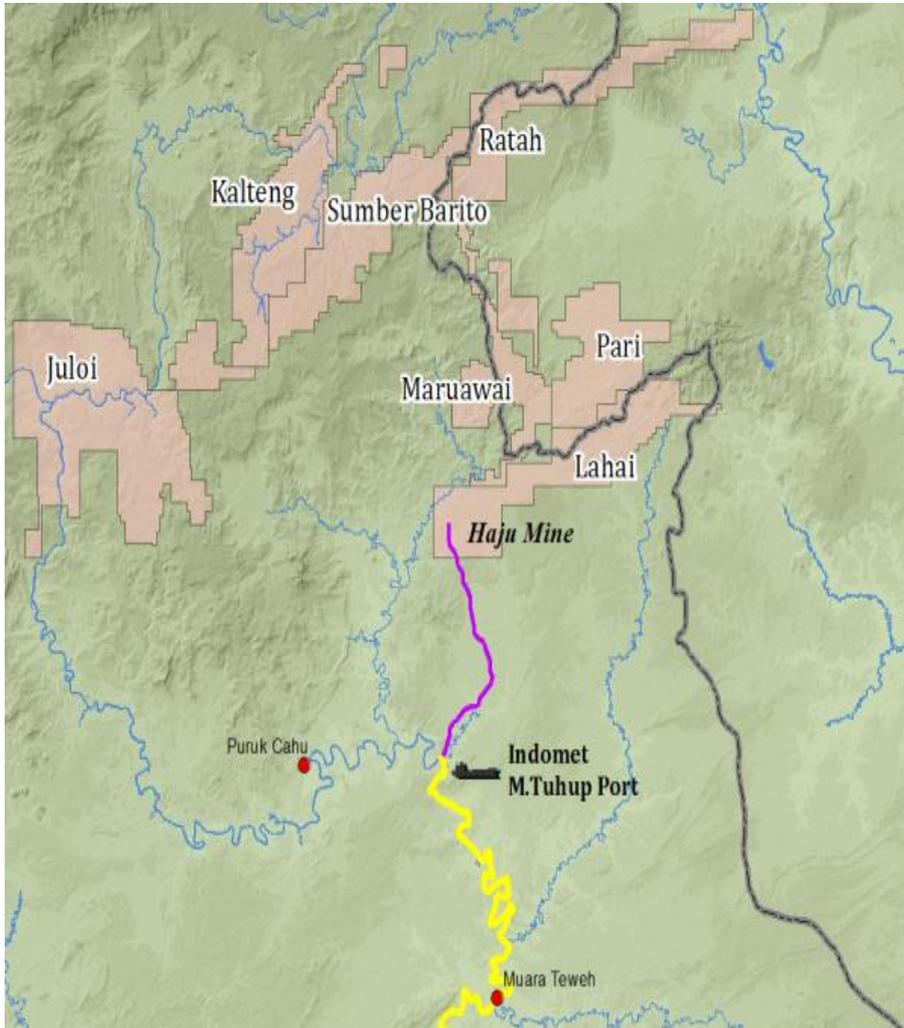
Geographical breakdown of customers (1H17)



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

- Most customers are sovereign backed power companies, with over 50% have had a relationship of more than a decade
- 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

Snapshot of Adaro MetCoal Companies (AMC)



- Adaro Energy completed the acquisition of AMC from BHP Billiton for 7 CCOWs 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

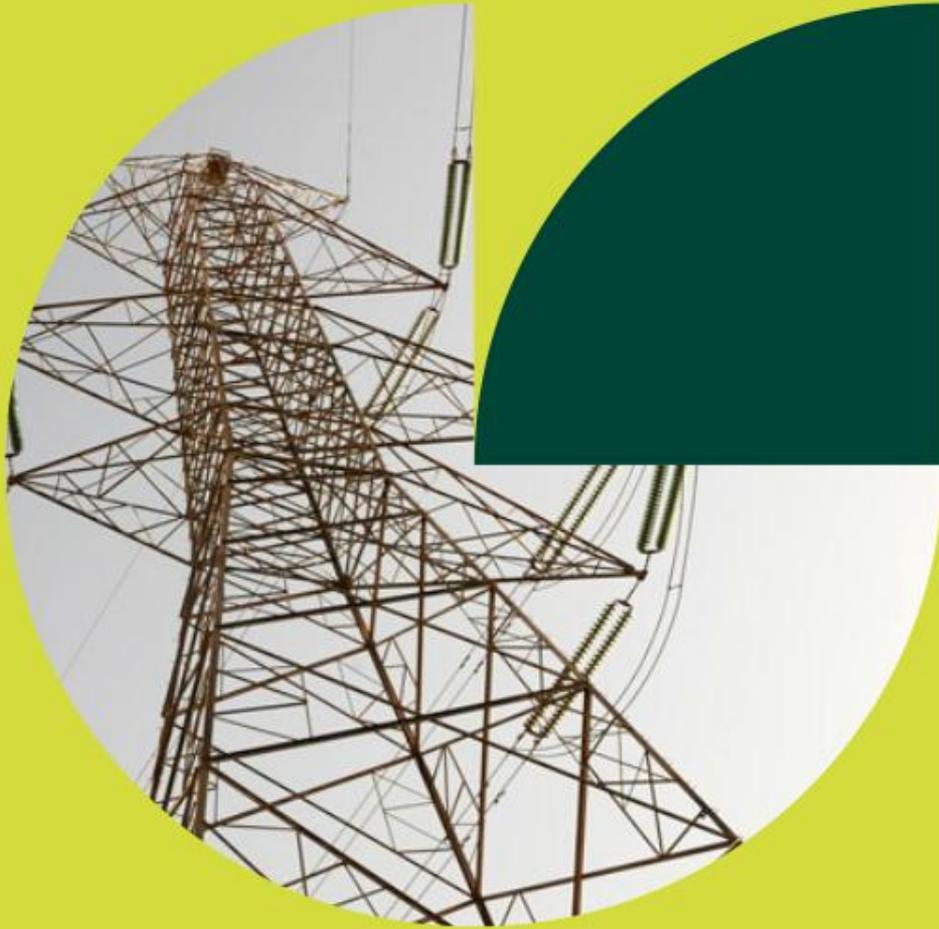


Ensuring operational excellence

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.





Adaro Power



Building the foundation of Adaro's future

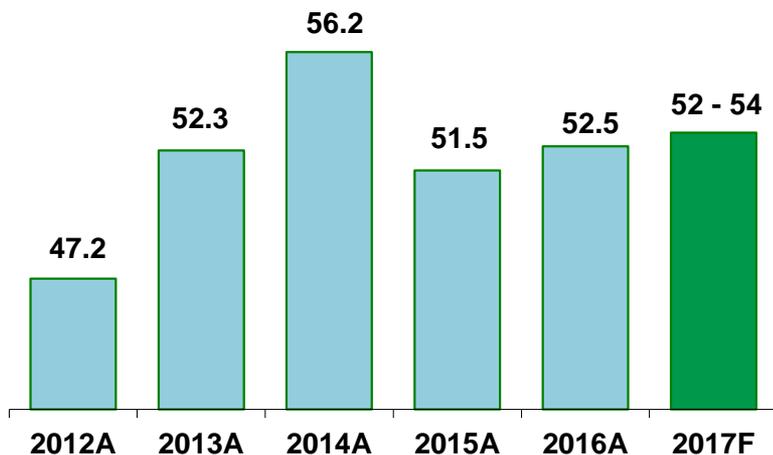
	Bhimasena Power Indonesia	Tanjung Power Indonesia
Capacity	2x1000 MW	2x100 MW
Stake Acquired	34%	65%
Partner(s)	J-Power (34%), Itochu (32%)	Korea EWP (35%)
Location	Central Java	South Kalimantan
Development Progress	<ul style="list-style-type: none"> Signed 25 years PPA with PLN Total Capex: US\$4.2 billion Concluded financing close on June 6th, 2016. Expected COD: 2020 Expected coal requirement: 7 Mtpa 	<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	Non-recourse project debt financing. Combination of ECA and commercial loan
Expected Debt vs. Equity	80:20	75:25

- Commercially and financially attractive with solid IRR and low-cost long-term project financing.
- Creates captive demand for Adaro's coal and helps meet our domestic market obligation.
- Provides a stable revenue stream and 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.

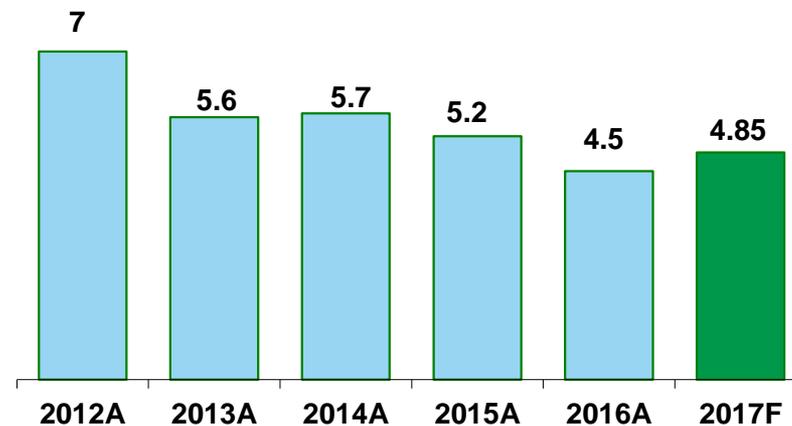
Adaro Energy 2017 guidance



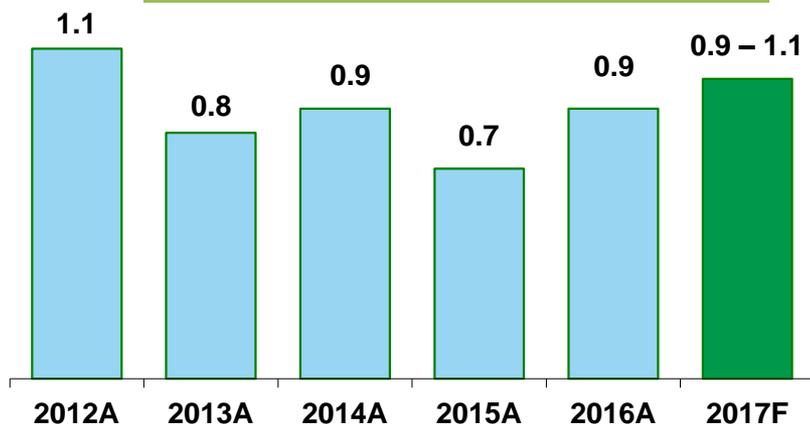
Coal production (Mt)



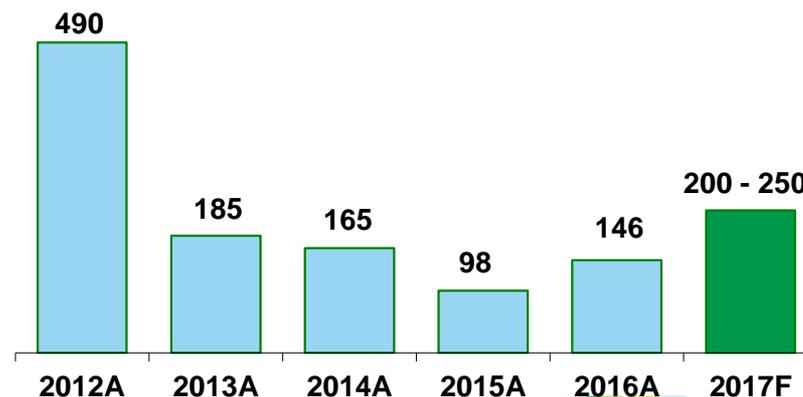
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital expenditure (US\$ million)



Conclusions and takeaways

- Coal market is poised to reach supply and demand balance.
- Indonesia to lessen coal export and focus on the domestic market.
 - Coal production capped to 400 Mtpa in 2019.
- Long term fundamental for coal remains promising.
 - Indonesia, Southeast Asia and India 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 the strongest in its history.

Thank you