



*years*  
AN EVOLVING  
STORY

# ENERGY FOR CHANGE

February 2018



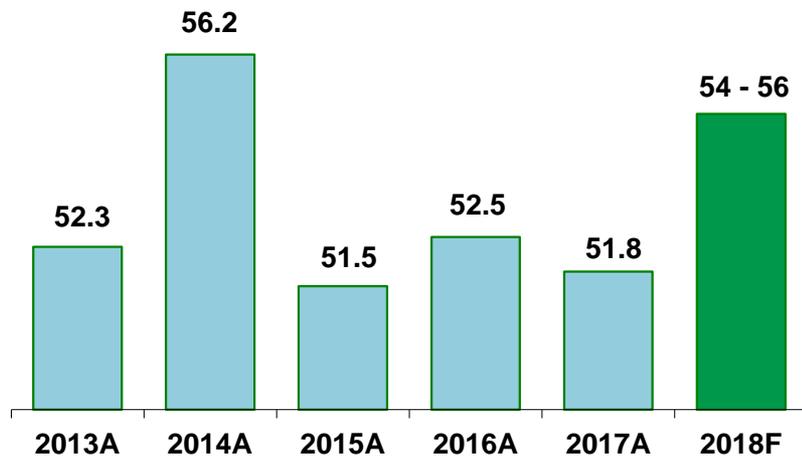
## Key questions:

- What is Adaro Energy guidance for 2018?
- What is the outlook for coal industry?
- What is the progress of Adaro Energy's projects?
- What is Adaro Energy's strategy and future plans?

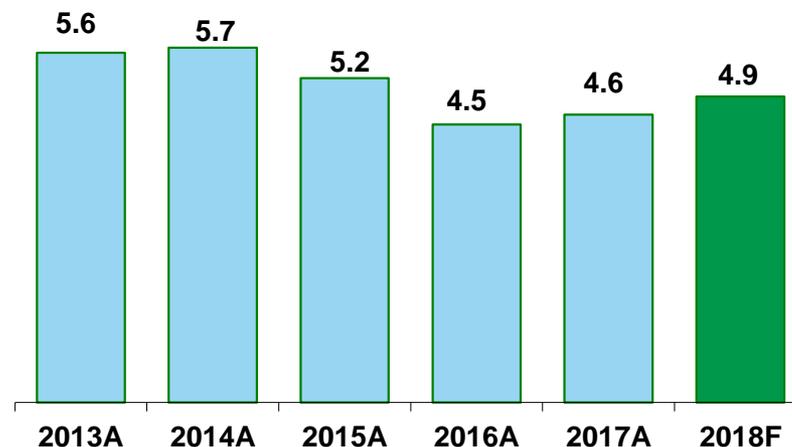
# Adaro Energy 2018 guidance



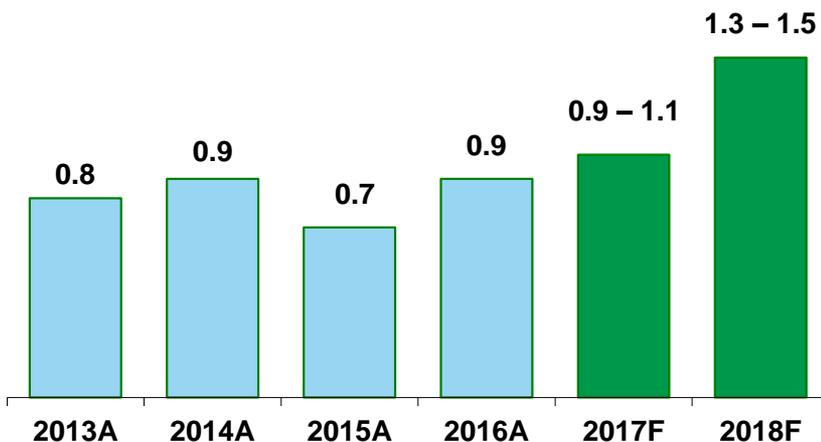
Coal production (Mt)



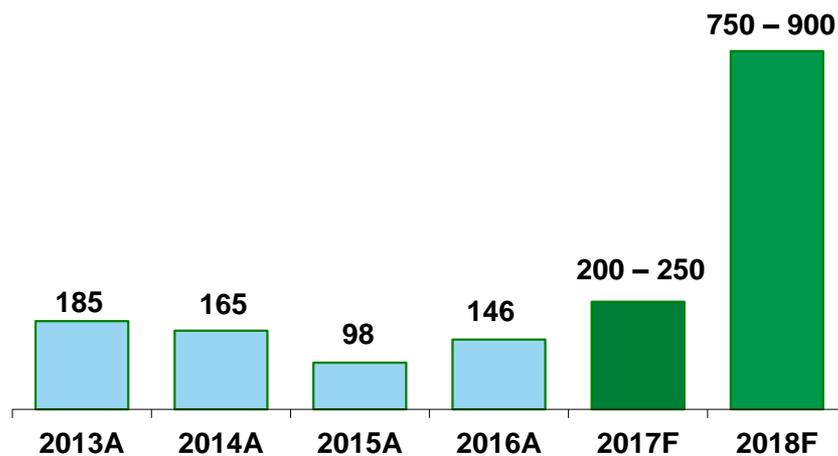
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)

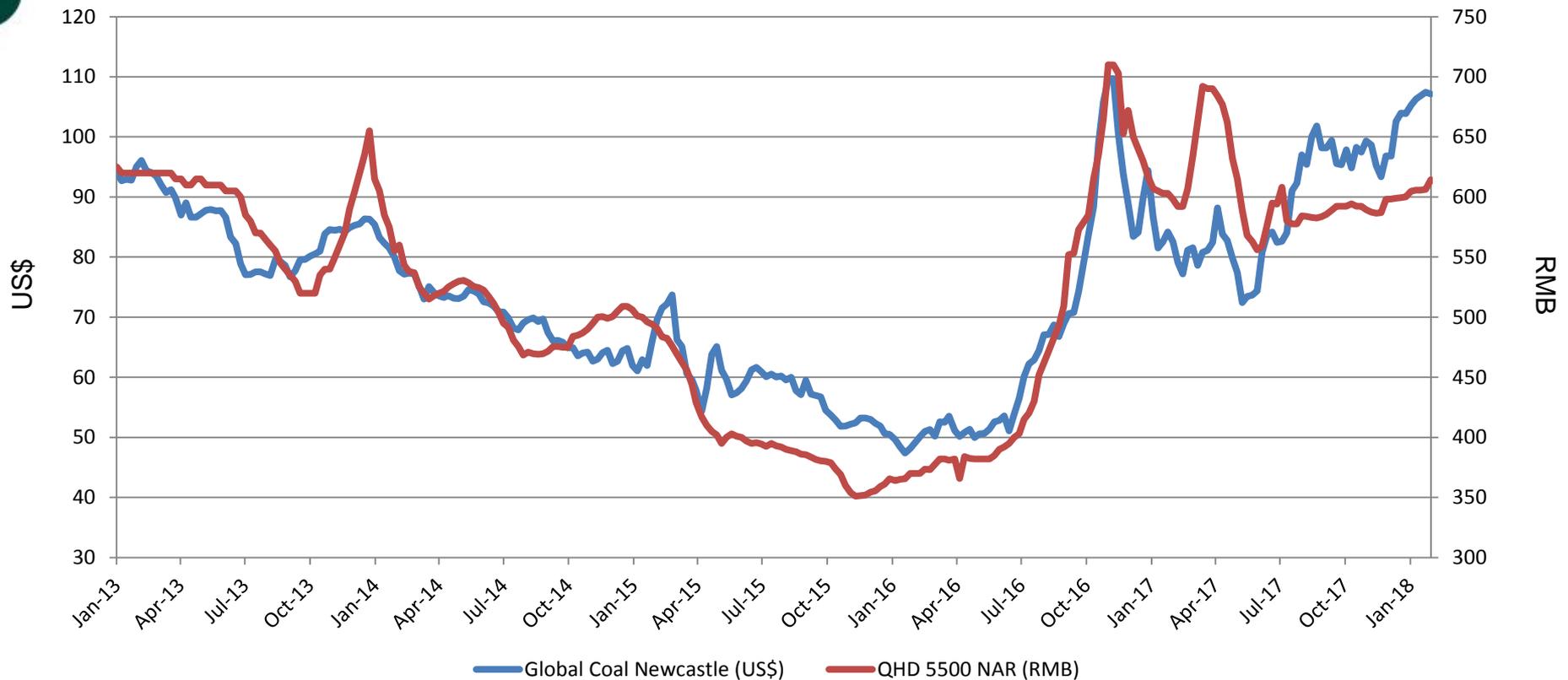


Capital expenditure (US\$ million)





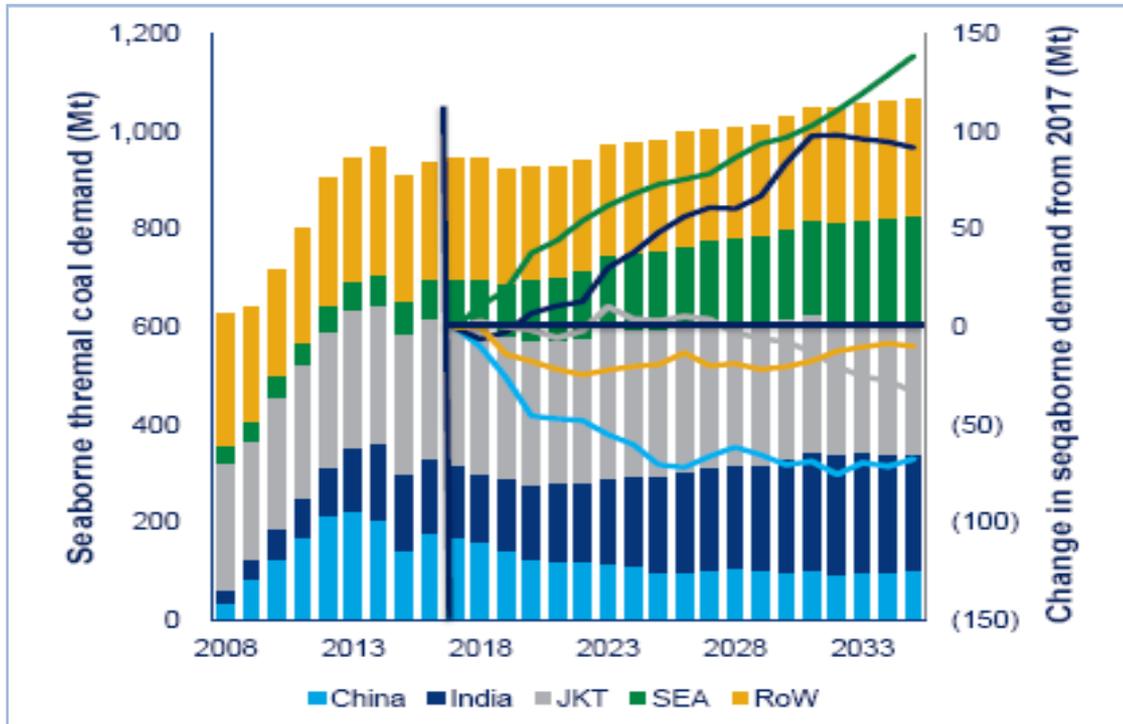
# Coal price gaining back momentum



- Despite higher demand for coal in 2017, supply was unable to catch up, therefore coal prices remained resilient.
- Domestic thermal coal price in China has been persistently higher than China's guided price band.

# Long term coal demand outlook remains robust...

Seaborne thermal coal demand by country (Mt)



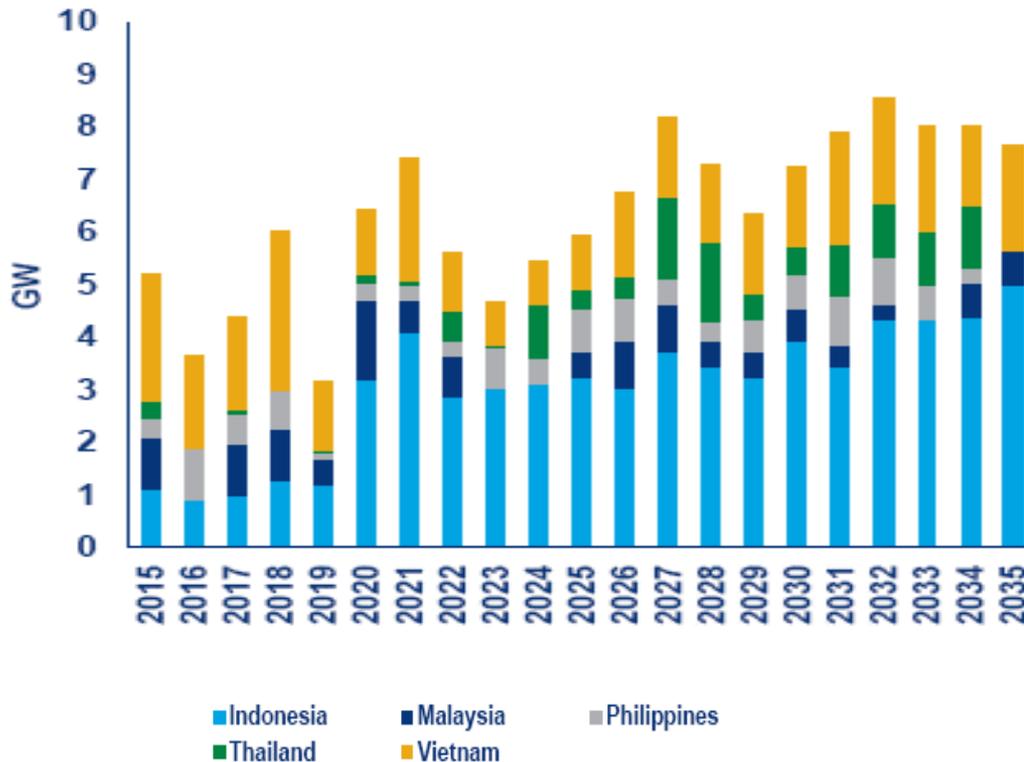
- As China's dominant role in the seaborne market gradually cedes, Southeast Asia and India will become the key drivers.
- Electrification in the developing world continues to drive coal demand. Despite progress in renewables, coal will still be preferred due to its affordability.
- Wood Mackenzie estimates modest growth in global seaborne thermal coal demand to reach 1.1 Bt by 2035.
  - The main risk is domestic policy in China and India.

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

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

# ...especially from Southeast Asia

Coal capacity additions in Southeast Asia per annum

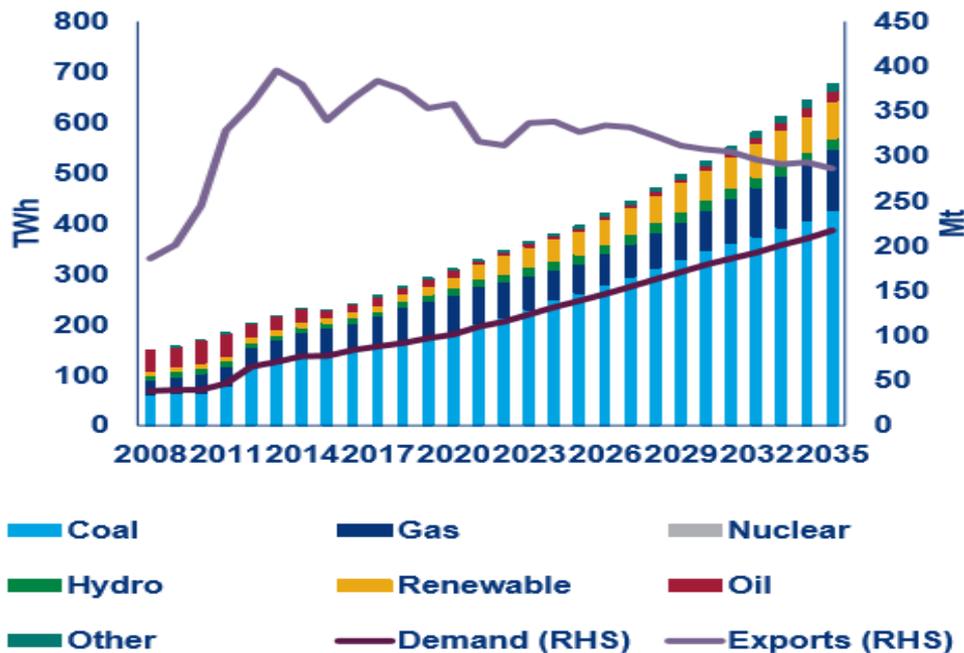


Source: WoodMackenzie Energy Market Service

- Coal remains as the fuel of choice for developing economies in Southeast Asia.
  - Affordable and abundant.
- Between 2018-2020 there will be ~13GW of coal fired capacity commissioning in SEA.
- Wood Mackenzie expects long term import demand growth of 125 Mtpa from SEA and India between 2017 and 2035.
- Coal's share in SEA power market will increase to approximately 50% from currently 32%.
- Electricity demand in SEA has grown at an average rate of 6% per annum.

# Quick look on Indonesia

Indonesia generation-mix and exports (TWh, Mt)



Source: Wood Mackenzie Coal Market Service

- Indonesia will need to constantly balance its export and domestic market, especially in the near term when exports remain high.
  - » With nearly 50 GW of coal capacity additions and domestic demand growing 2.5 times between now to 2035
- Despite expected increase from gas and renewables, coal remains as key energy source for power generation in Indonesia.
- Exports are expected to remain strong in the near term, staying around 350-360 Mt until 2020.



# Resilient operational and financial results

<b>OPERATIONAL</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Production (Mt)	51.79	52.64	-2%
Sales (Mt)	51.82	54.09	-4%
OB removal (Mbcm)	238.70	234.13	2%
<b>FINANCIAL (US\$ millions, unless indicated)</b>	<b>9M17</b>	<b>9M16</b>	<b>% Change</b>
Net Revenue	2,439	1,778	37%
Core Earnings	495	281	76%
Operational EBITDA	1,006	625	61%
Cash	1,259	964	31%
Net Debt (Cash)	(141)	511	-128%
Net Debt to Equity (x)	Net cash	0.14	-
Net Debt to Last 12 months Operational EBITDA (x)	Net cash	0.65	-
Free Cash Flow	623	352	77%
Cash from Operations to Capex (x)	11.99	6.81	-

# Summary of Adaro's operational achievement in 2017



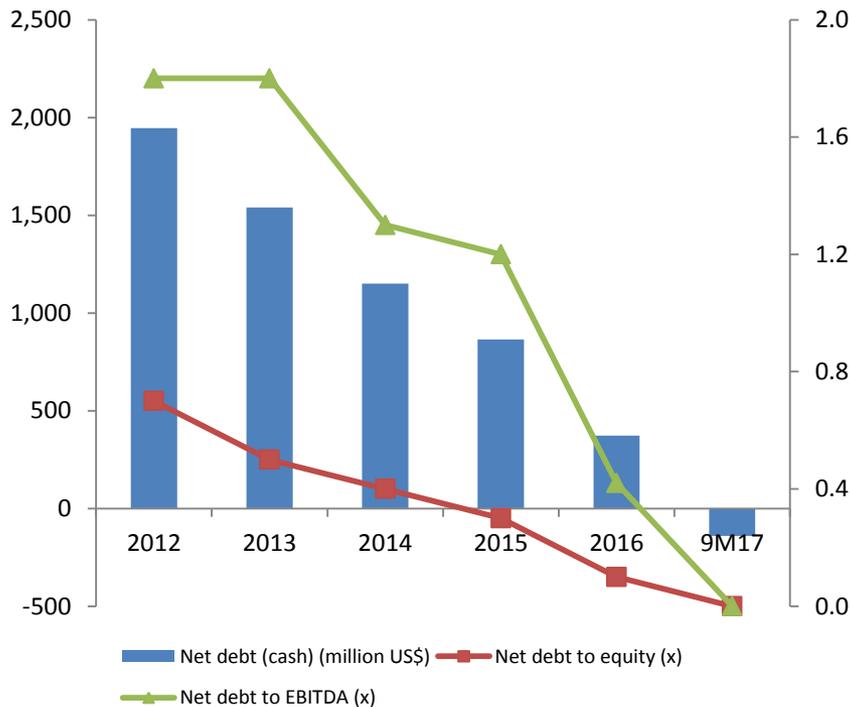
	Units	4Q17	3Q17	4Q17 vs. 3Q17	4Q16	4Q17 vs. 4Q16	FY17	FY16	FY17 vs. FY16
Coal Production	Mt	12.43	14.23	-13%	13.31	-7%	51.79	52.64	-2%
Sales Volume	Mt	12.39	14.17	-13%	13.64	-9%	51.82	54.09	-4%
Overburden Removal	Mbcm	55.53	71.40	-22%	59.35	-6%	238.70	234.13	2%
Strip ratio	x	4.47	5.02	-11%	4.46	0%	4.61	4.45	4%

- Adaro's total coal production in 2017 reached 51.79 Mt, 2% lower y-o-y.
- Blended average strip ratio for 2017 was 4.61x.
- Production and SR were below initial target as heavy rains continued throughout the year and affected our operations.
- Despite lower SR than planned, we continue to maintain our long-term coal reserves.
- Coal sales was dominated by emerging Asian countries (see page 19).

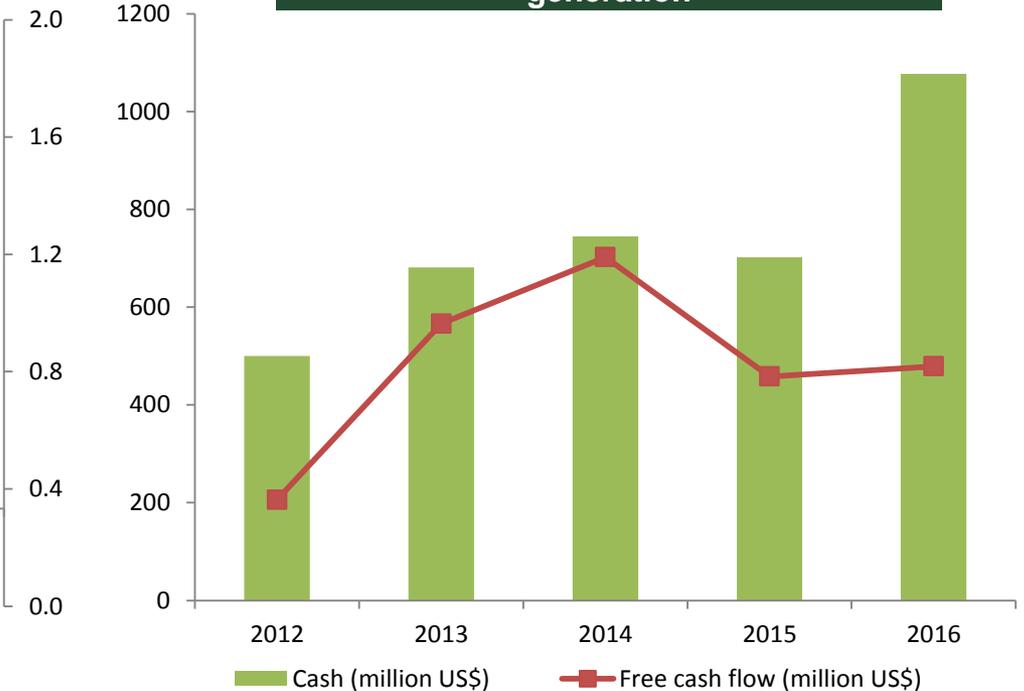
# Solid balance sheet and strong cash generation



**Reduced debt and achieved net cash**



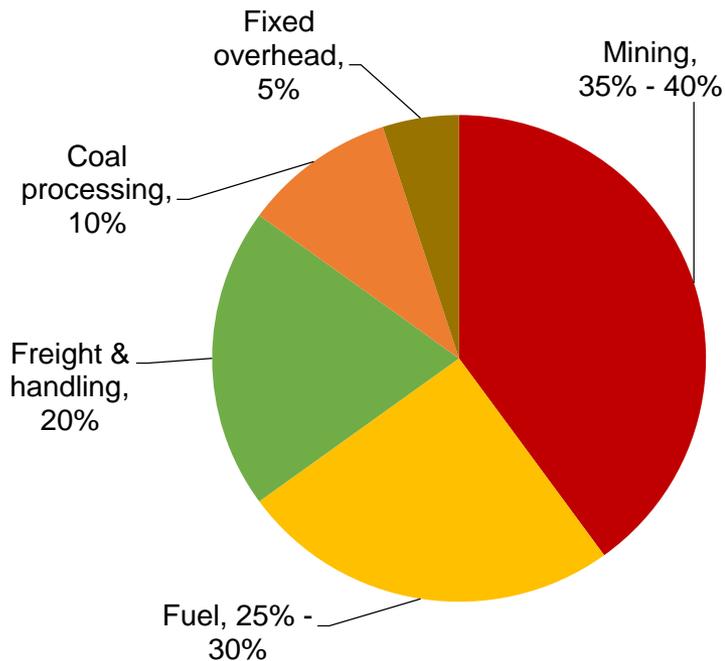
**Strong cash balance and free cash flow generation**



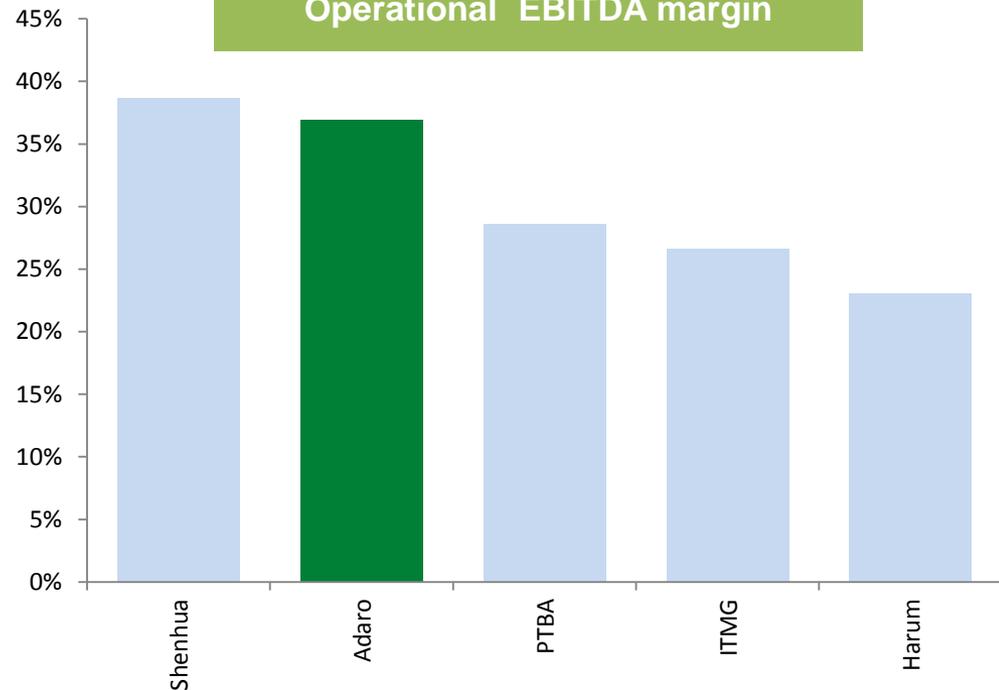
- Discipline debt repayment, combined with higher operating cash flow enabled us to achieve net cash position.
- Investment grade rating (BBB-) from Japan Credit Rating Agency with a POSITIVE outlook.

# Cost control – key in delivering strong performance

Adaro's estimated coal cash cost breakdown (9M17)



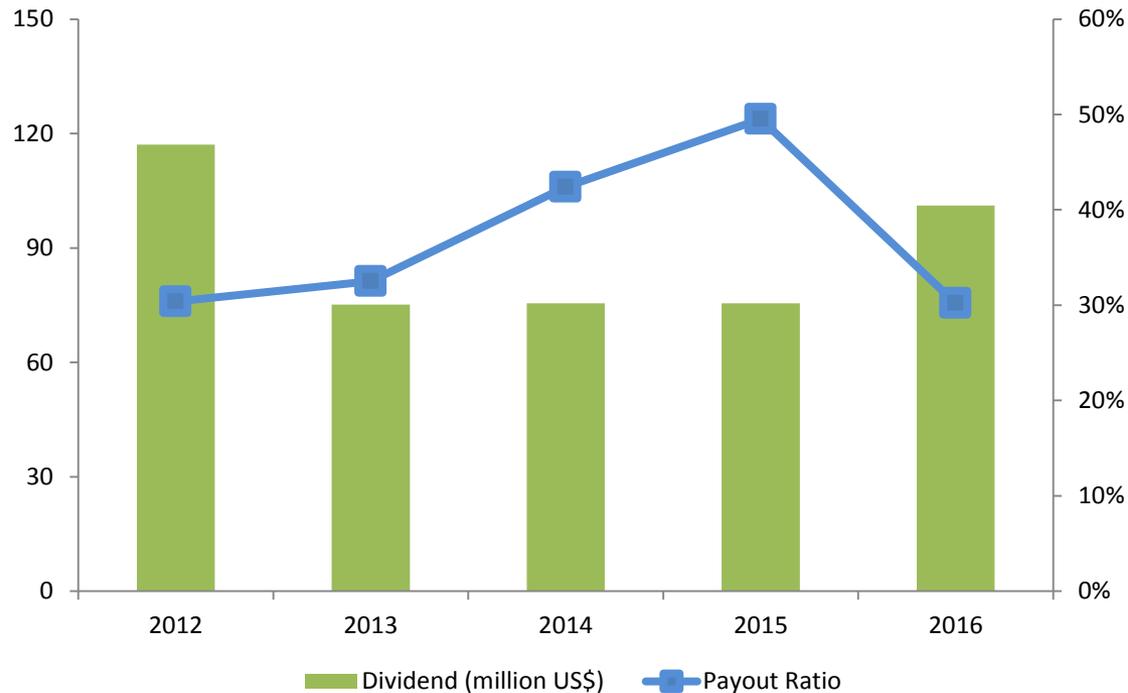
Operational EBITDA margin



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\$1.07 billion in dividend.
- In January 2018, we distributed interim dividend of US\$101 million.



# Business model that creates sustainable value



## PT Adaro Energy, Tbk (AE)

\*Simplified Corporate Structure

Adaro Mining		Adaro Mining Services		Adaro Logistics		Power	
<b>Adaro Indonesia (AI)</b> 88.5%	Coal mining, S Kalimantan	<b>Saptaindra Sejati (SIS)</b> 100%	Coal mining and haulier contractor	<b>Maritim Barito Perkasa (MBP)</b> 100%	Barging & shiploading	<b>Makmur Sejahtera Wisesa (MSW)</b> 100%	Operator of 2x30MW mine-mouth power plant in S. Kalimantan
<b>Balangan Coal</b> 75%	Coal mining, S Kalimantan	<b>Jasapower Indonesia (JPI)</b> 100%	Operator of overburden crusher and conveyor	<b>Sarana Daya Mandiri (SDM)</b> 51.2%	Dredging & maintenance in Barito River mouth	<b>Bhimasena Power (BPI)</b> 34%	Partner in 2x1000MW power generation project in Central Java
<b>Mustika Indah Permai (MIP)</b> 75%	Coal mining, S Sumatra	<b>Adaro Eksplorasi Indonesia (AEI)</b> 100%	Mining exploration	<b>Indonesia Multi Purpose Terminal (IMPT)</b> 100%	Port management & terminal operator	<b>Tanjung Power Indonesia (TPI)</b> 65%	Partner in 2x100MW power plant project in S. Kalimantan
<b>Bukit Enim Energi (BEE)</b> 61%	Coal mining, S Sumatra	<b>Adaro Mining Technologies (AMT)</b> 100%	Coal research & development	<b>Indonesia Bulk Terminal (IBT)</b> 100%	Coal terminal & fuel storage		
<b>Adaro MetCoal (AMC)</b> , 100%	Coal mining, C Kalimantan E Kalimantan						
<b>Bhakti Energi Persada (BEP)</b> 10.2%	Coal mining, E Kalimantan						





# Adaro Mining

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# Diversified Coal Assets Across Indonesia 5

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



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.

**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

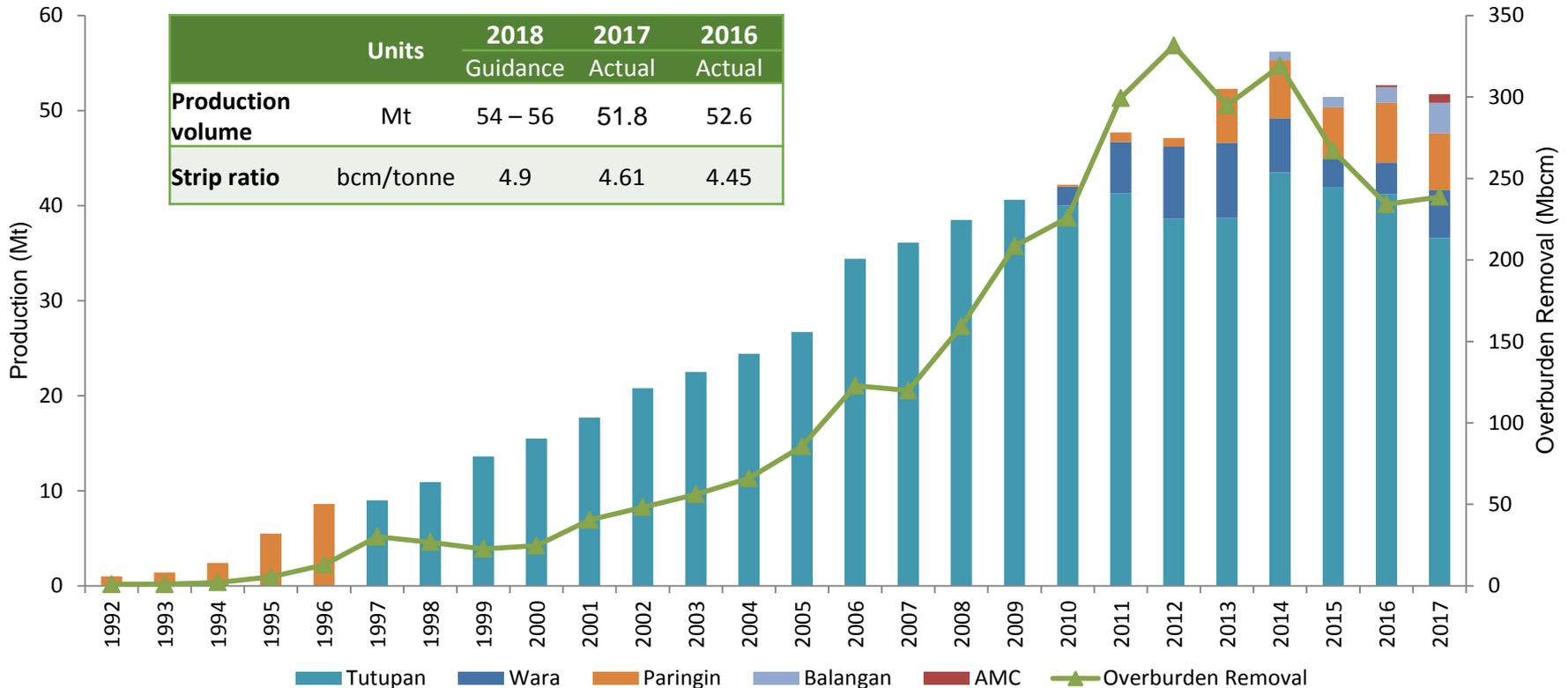


*Note: Reserves and Resources numbers above are before taking into account AE's equity ownership*

# Over two decades of solid production performance



## Adaro's historical production



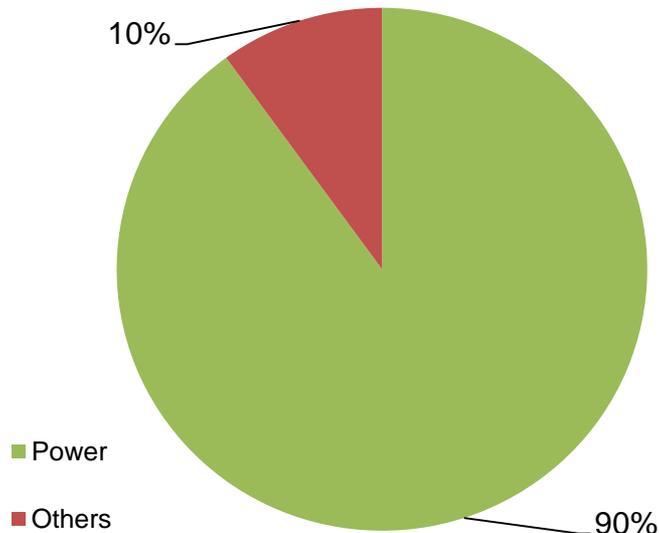
- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.
- Continued focus on productivity, safety and sustainability will support value creation for shareholder.



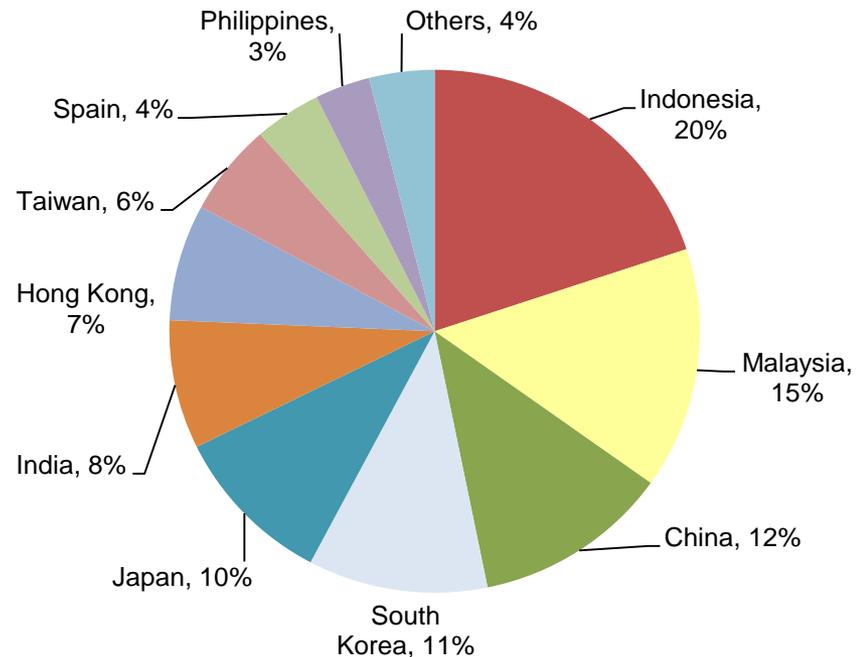
# Strong customer base with focus on Indonesia



Customer type by volume (2017)



Geographical breakdown of customers (2017)



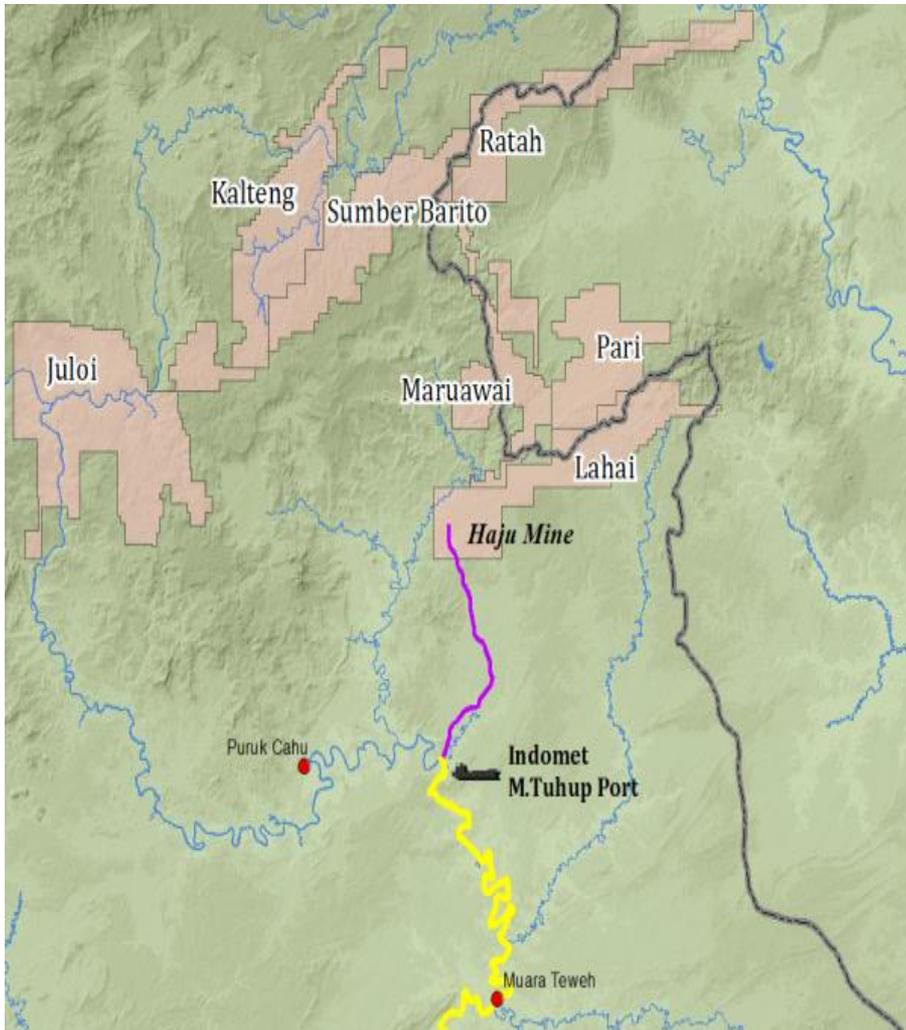
\* Others include cement, pulp & paper, and industrial

\* Others include Thailand, Singapore, New Zealand, The Netherlands and Vietnam

- Most customers are sovereign backed power companies, with over 50% have had a relationship for more than a decade
- Average length of coal supply agreement is 3 to 5 year.
- 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.
- In 2017, AMC produced 0.9 Mt of coal.



# Adaro Services and Logistics

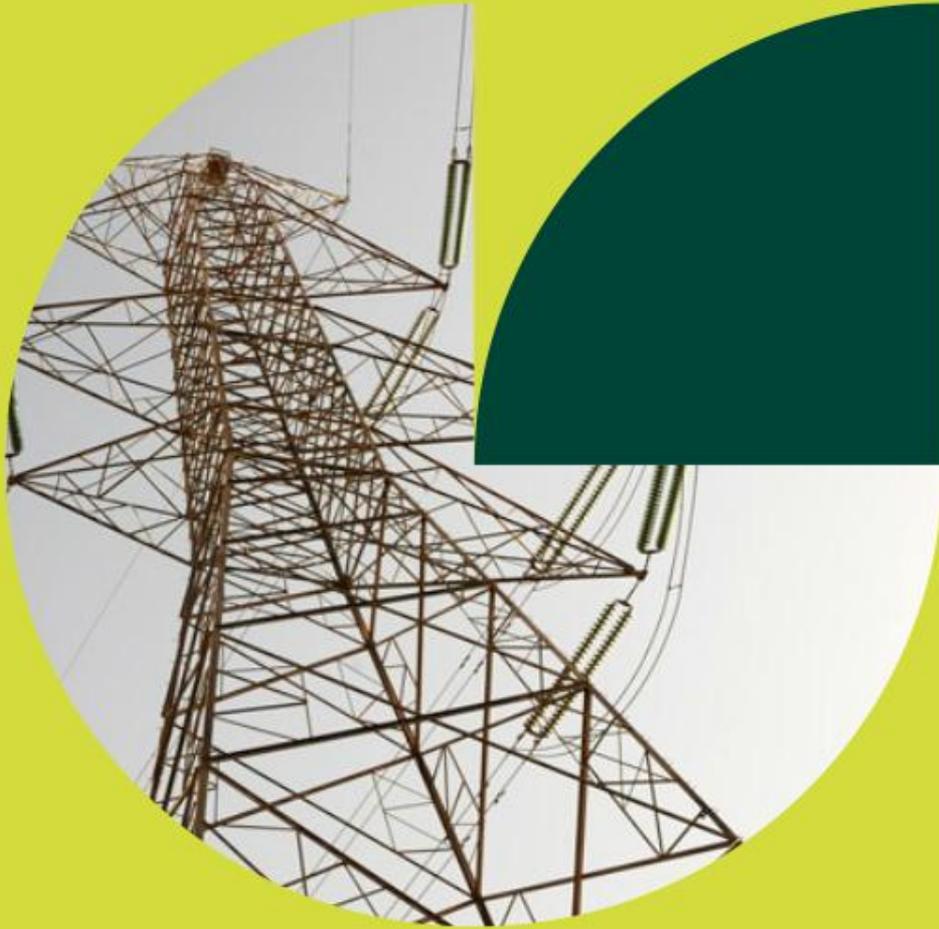


# Ensuring operational excellence

*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
<b>Capacity</b>	2x1000 MW	2x100 MW
<b>Stake Acquired</b>	34%	65%
<b>Partner(s)</b>	J-Power (34%), Itochu (32%)	Korea EWP (35%)
<b>Location</b>	Central Java	South Kalimantan
<b>Development Progress</b>	<ul style="list-style-type: none"> <li>Signed 25 years PPA with PLN</li> <li>Total Capex: US\$4.2 billion</li> <li>Concluded financing close on June 6<sup>th</sup>, 2016.</li> <li>Expected COD: 2020</li> <li>Expected coal requirement: 7 Mtpa</li> </ul>	<ul style="list-style-type: none"> <li>Signed PPA with PLN</li> <li>Total Capex: \$545 million</li> <li>Concluded financing close in Jan 2017</li> <li>Expected COD: 2019</li> <li>Expected coal requirement: 1 Mtpa</li> </ul>
<b>Financing</b>	Non-recourse project debt financing. Combination of ECA and commercial loan	Non-recourse project debt financing. Combination of ECA and commercial loan
<b>Debt vs. Equity</b>	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.

# Conclusions and takeaways

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- Coal market is poised to reach supply and demand balance.
- Indonesia to lessen coal export and focus on the domestic market.
- 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.
  - Discipline debt repayment and strong cash flow generation enabled us to achieve net cash position in 9M17.

# Thank you