



adaro 



years
AN EVOLVING
STORY

ENERGY FOR CHANGE

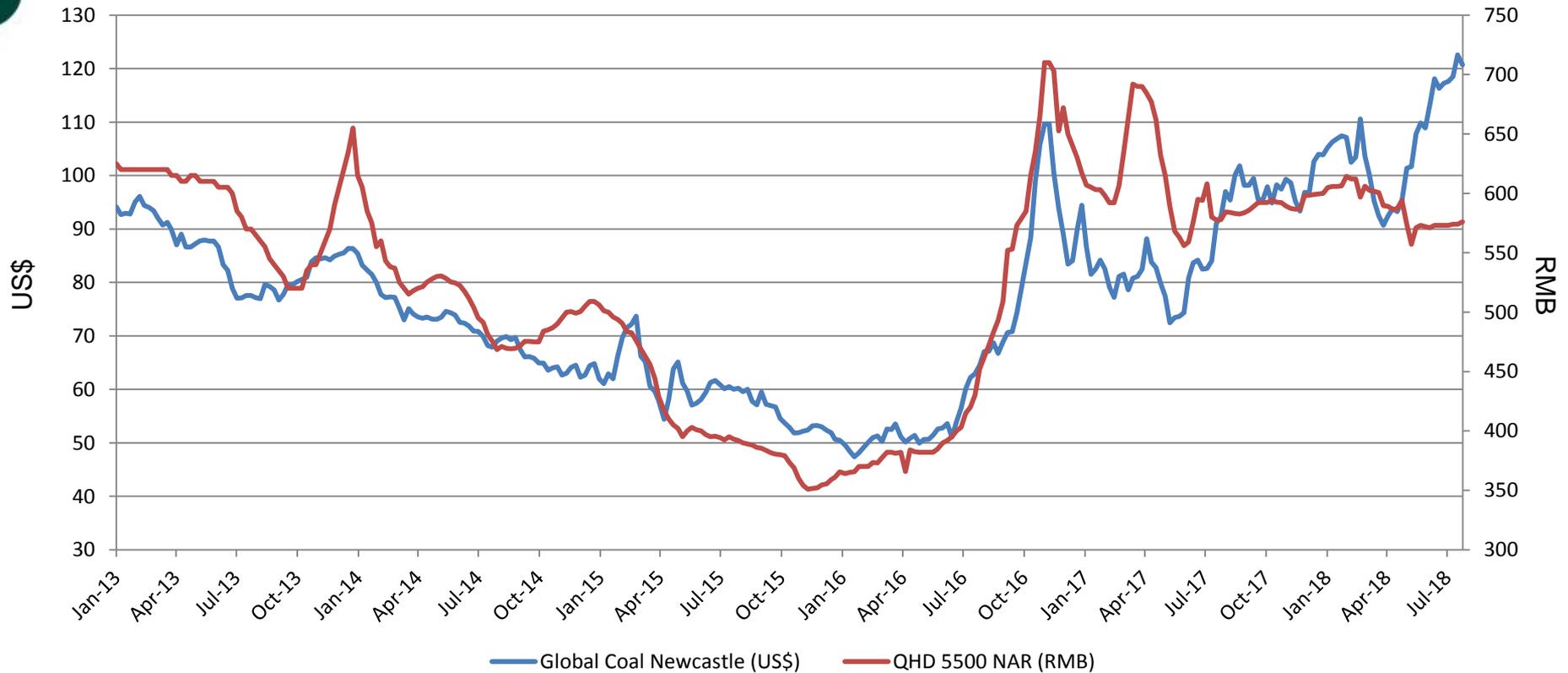
August 2018



Key questions:

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

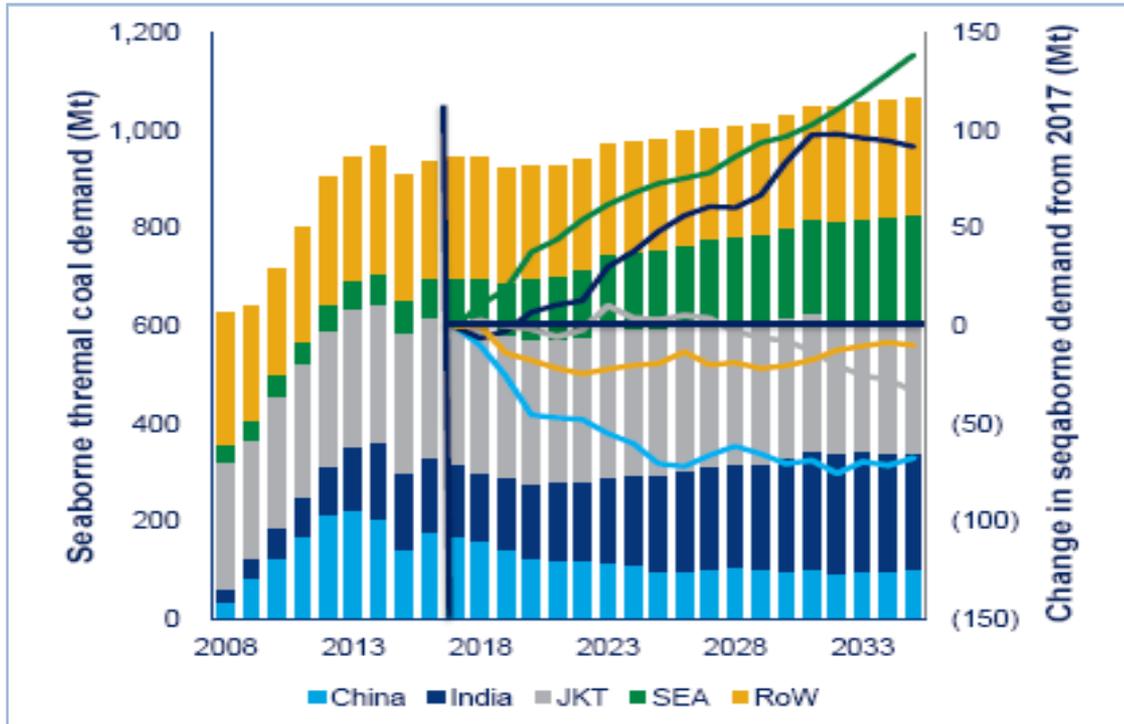
Robust price momentum continues



- Coal price remains resilient supported by supply tightness and firm coal demand.
- Seaborne thermal coal demand increased by 3% y-o-y in 2017 to ~919 Mt (Wood Mackenzie).
- Supply is expected to remain tight due to continued supply reform in China as well as funding and operational constraints.

Long term coal demand outlook remains robust...

Seaborne thermal coal demand by country (Mt)



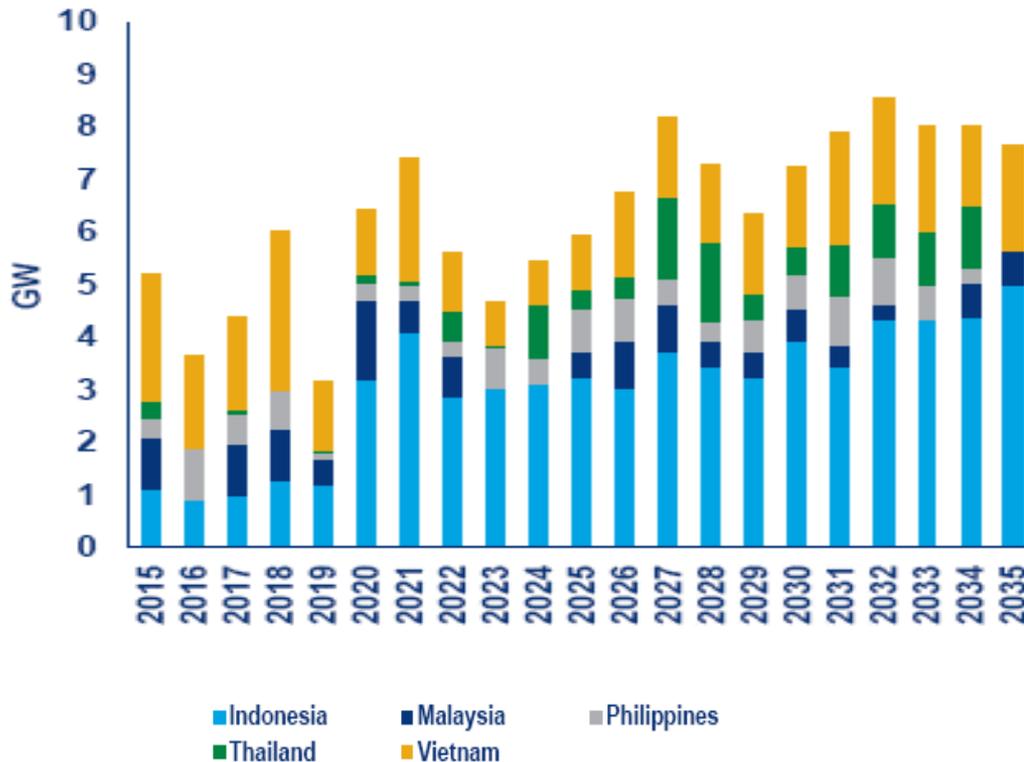
Note: JKT (Japan, Korea, Taiwan); SEA (Southeast Asia); RoW (rest of the world)

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

- 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 renewable energy push, coal will still be preferred due to its affordability.
- It is estimated that global seaborne thermal coal demand will grow modestly to reach 1.1 Bt by 2035.
 - The main risk is domestic policy in China and India.
- Approximately 300 GW of new coal plants are under construction in Asia today.

...especially from Southeast Asia

Coal capacity additions in Southeast Asia per annum

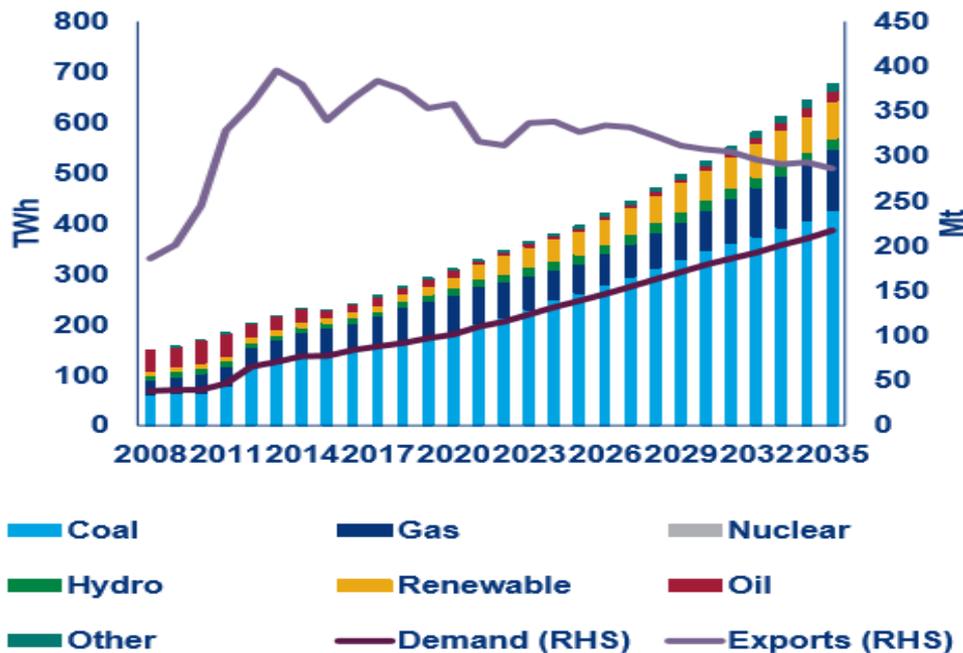


Source: WoodMackenzie Energy Market Service

- 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.
- Total SEA coal import in 2017 reached 87 Mt, 16% increase y-o-y.
- 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.
 - However, around 65 million people or 10% of SEA population still lack access to electricity.

Quick look on Indonesia

Indonesia generation-mix and exports (TWh, Mt)



Source: Wood Mackenzie Coal Market Service

- Coal is Indonesia's largest export product and 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

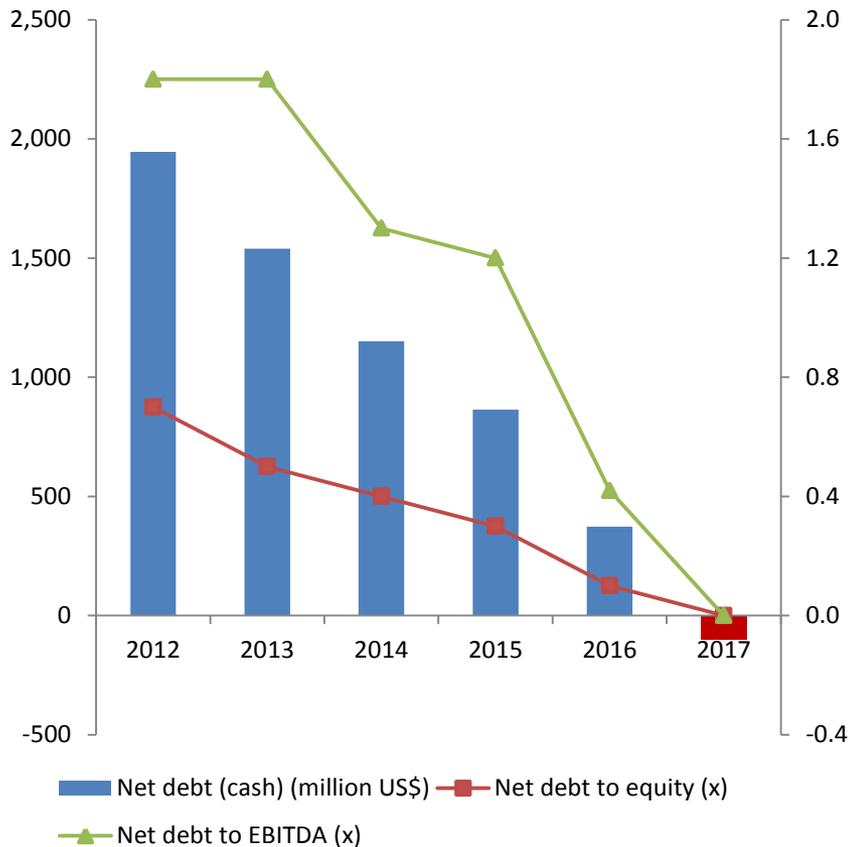


OPERATIONAL	1H18	1H17	% Change
Production (Mt)	24.06	25.13	-4%
Sales (Mt)	23.81	25.27	-6%
OB removal (Mbcm)	123.01	111.78	10%
FINANCIAL (US\$ millions, unless indicated)	1Q18	1Q17	% Change
Net Revenue	764	727	5%
Core Earnings	109	132	-17%
Operational EBITDA	273	276	-1%
Cash	1,124	1,113	1%
Net Debt	37	299	-88%
Net Debt to Equity (x)	0.01	0.08	-
Net Debt to Last 12 months Operational EBITDA (x)	0.03	0.31	-
Free Cash Flow	115	182	-37%
Cash from Operations to Capex (x)	2.66	25.34	-

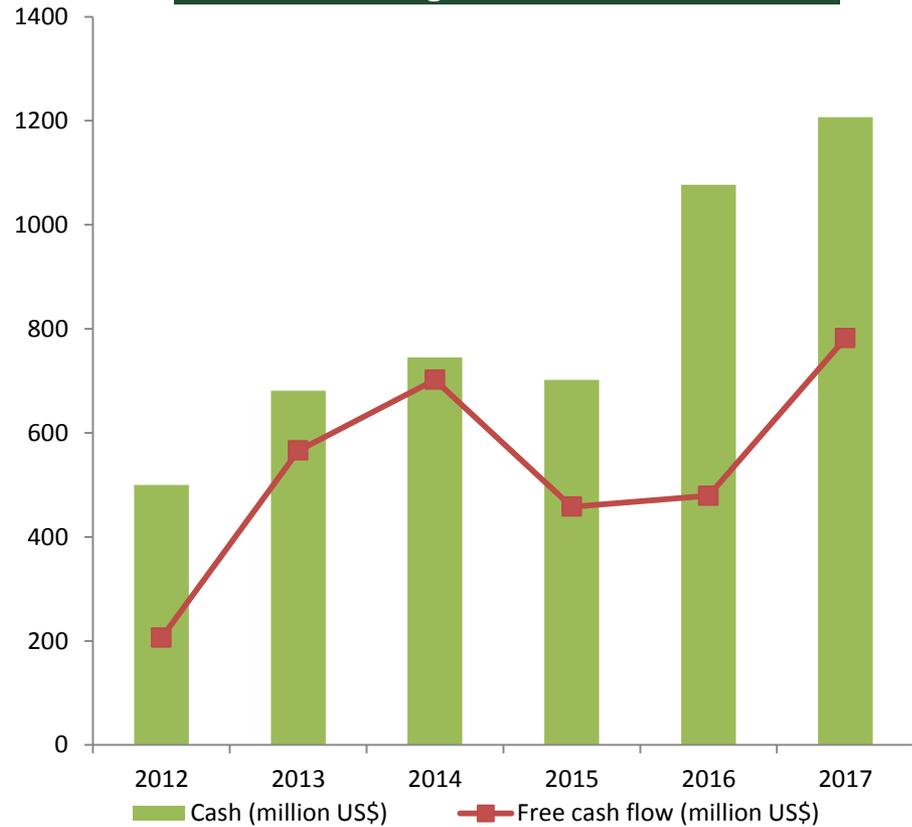
Solid balance sheet and strong cash generation



Reduced debt and achieved net cash

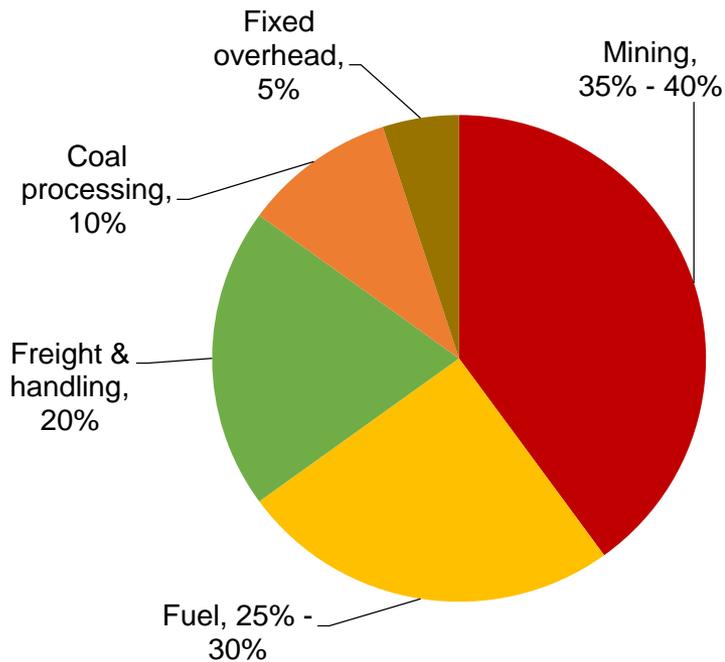


Strong cash balance and free cash flow generation

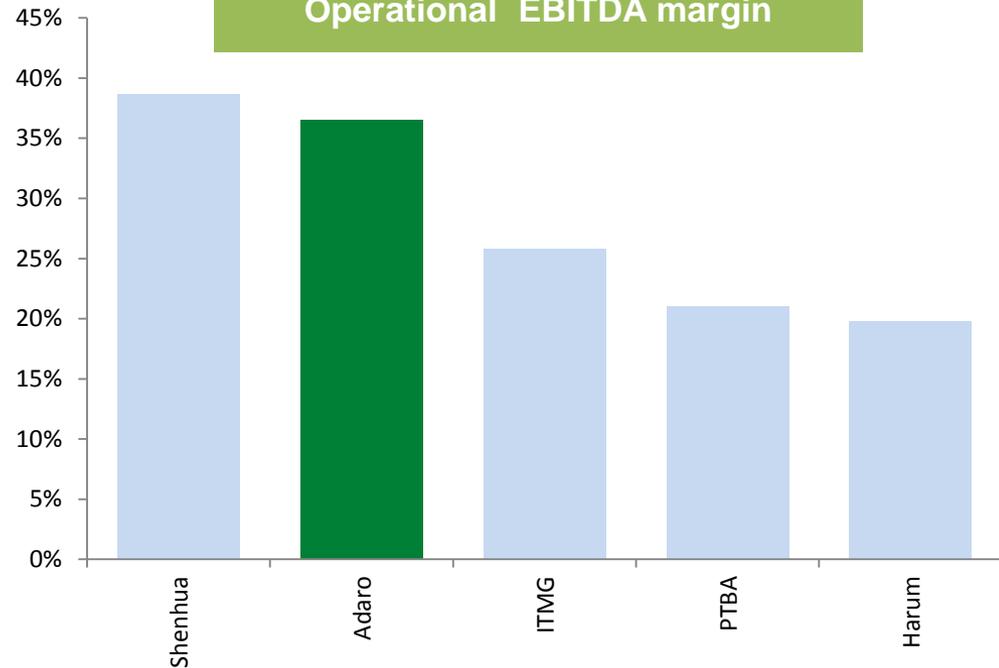


Cost control – key in delivering strong performance

Adaro's estimated coal cash cost breakdown (1Q18)



Operational EBITDA margin

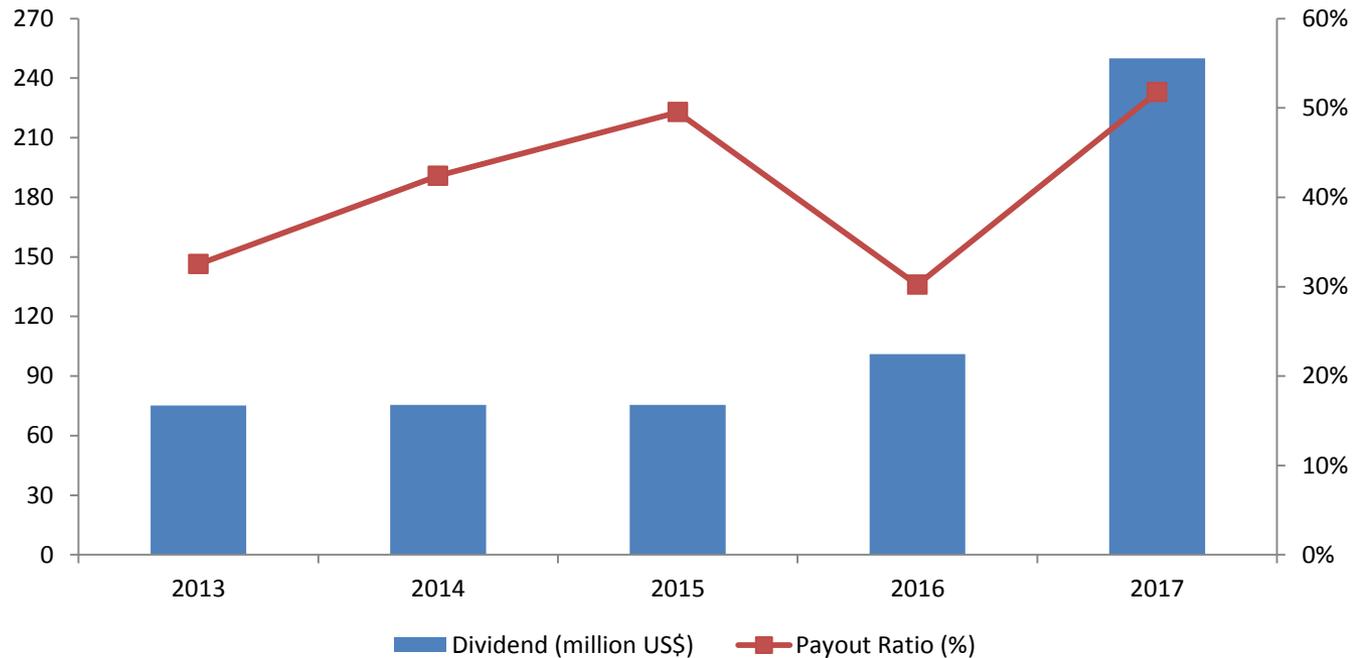


Source: Bloomberg, based on trailing 12M EBITDA

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



Delivering return to shareholder



- We are committed deliver return to our shareholder through consistent dividend payment.
- Dividend payout ratio since IPO in 2008 averages ~39% and in total we have paid US\$1.2 billion in dividend.
- Total dividend for fiscal year 2017 is US\$250 million, or 51.75% of profit.



Business model that creates sustainable value



PT Adaro Energy, Tbk (AE)

*Simplified Corporate Structure

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





Adaro Mining

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.

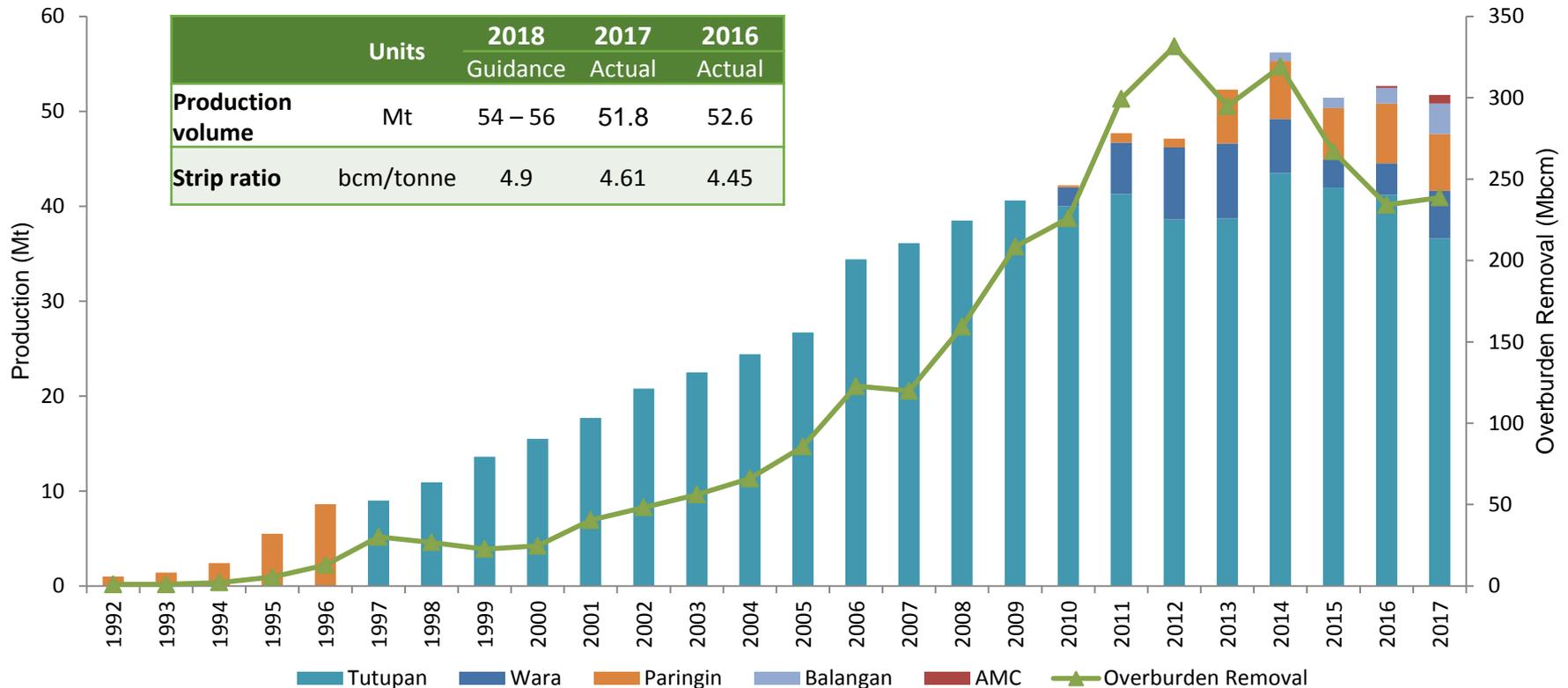


Note: Reserves and Resources numbers above are before taking into account AE's equity ownership

Over two decades of solid production performance



Adaro's historical production

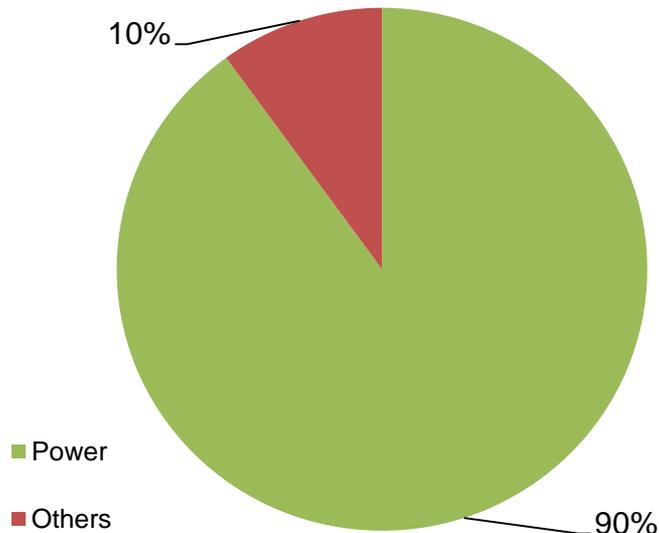


- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.
- Continued focus on productivity, safety and sustainability will support value creation for shareholder.

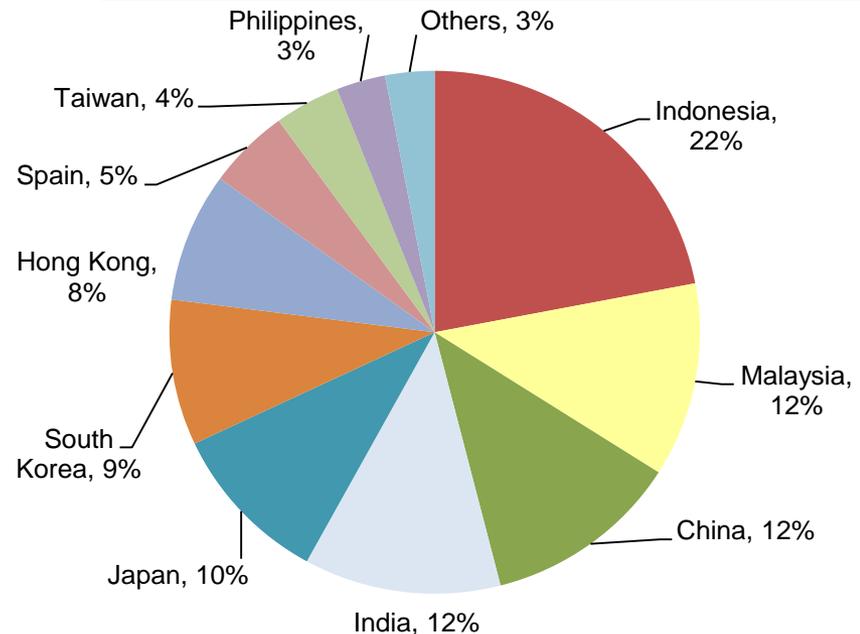


Strong customer base with focus on Indonesia

Customer type by volume (1H18)



Geographical breakdown of customers (1H18)



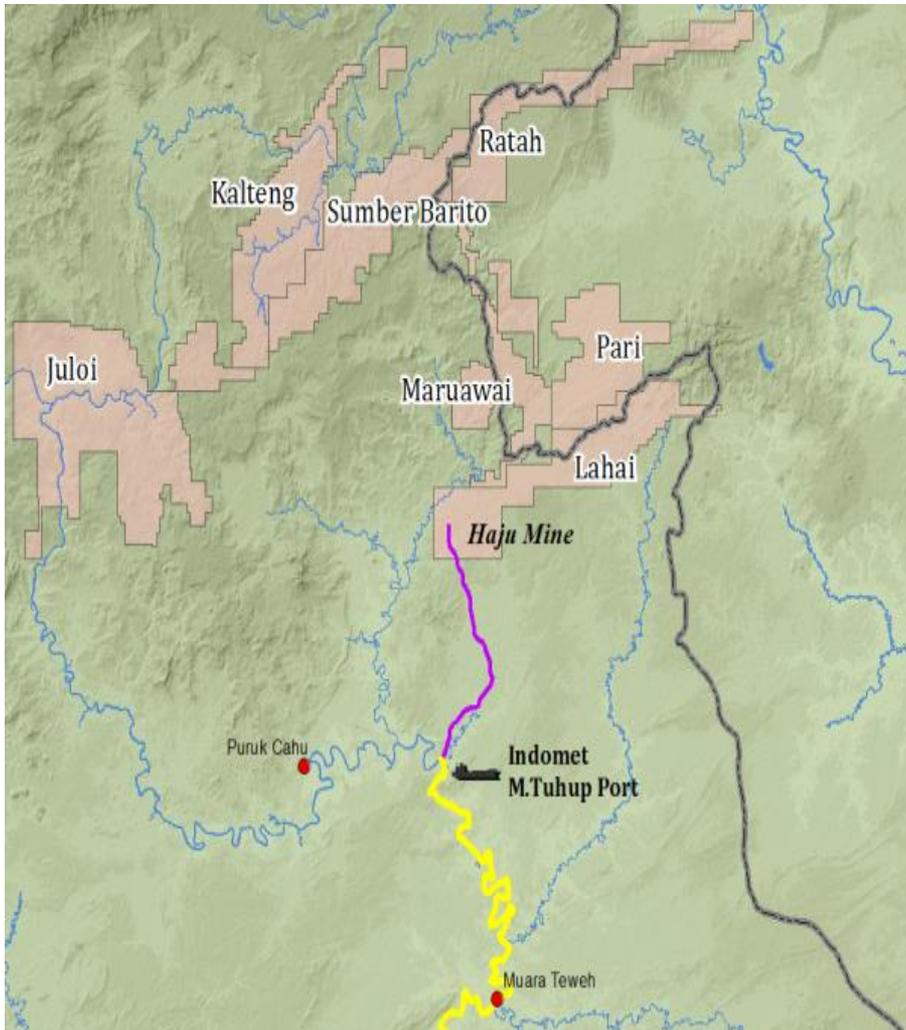
* Others include cement, pulp & paper, and industrial

* Others include Thailand, USA, Vietnam, Singapore and The Netherlands

- 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 Adaro Logistics

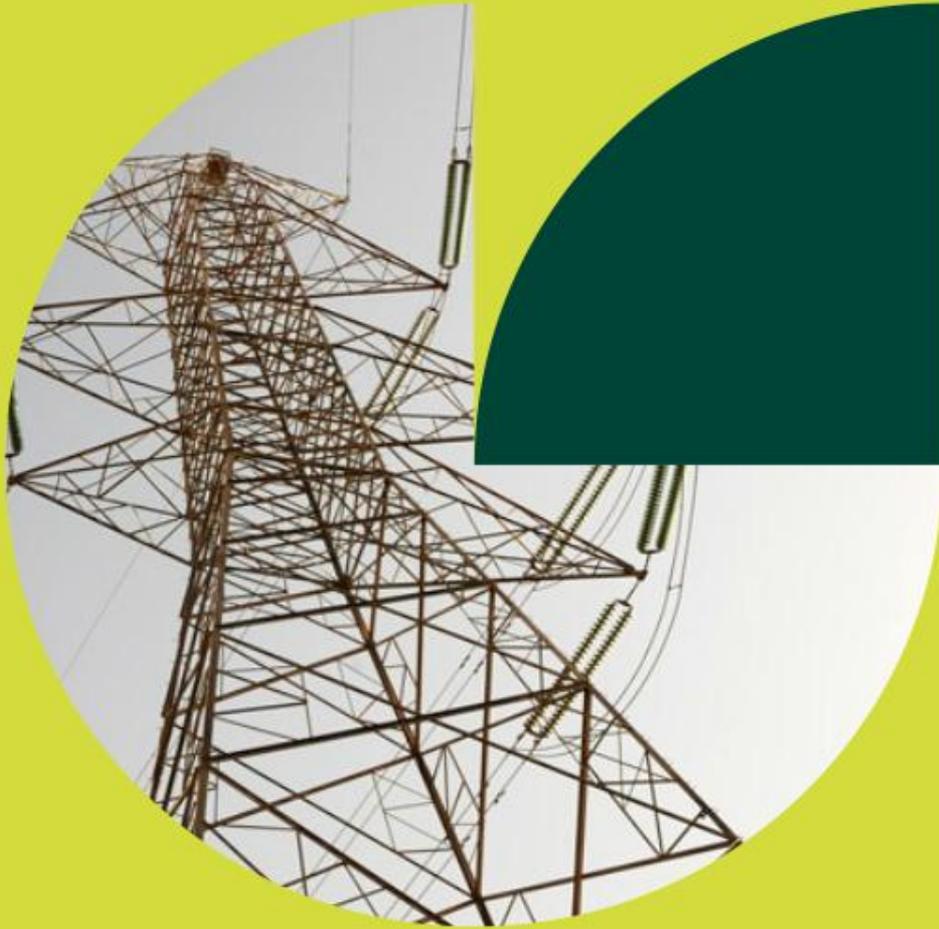


Ensuring operational excellence

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 20% of Adaro Energy EBITDA in 2017. 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



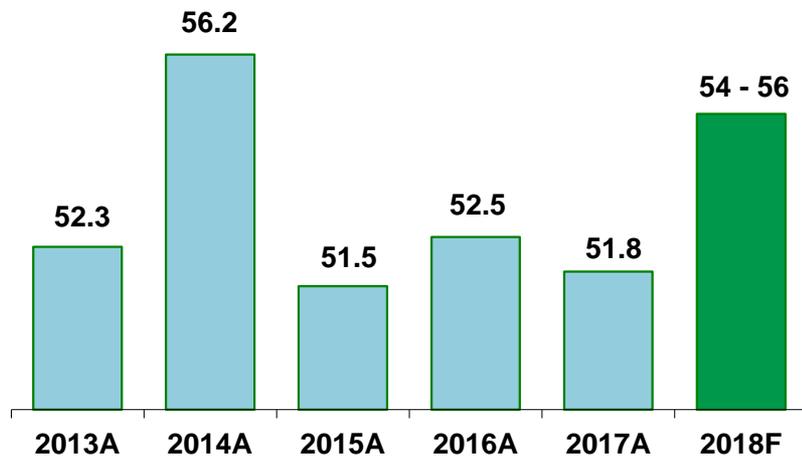
	Bhimasena Power Indonesia	Tanjung Power Indonesia
Capacity	2x1000 MW	2x100 MW
Stake Acquired	34%	65%
Partner(s)	J-Power (34%), Itochu (32%)	Korea EWP (35%)
Location	Central Java	South Kalimantan
Development Progress	<ul style="list-style-type: none"> Signed 25 years PPA with PLN Total Capex: US\$4.2 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
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.

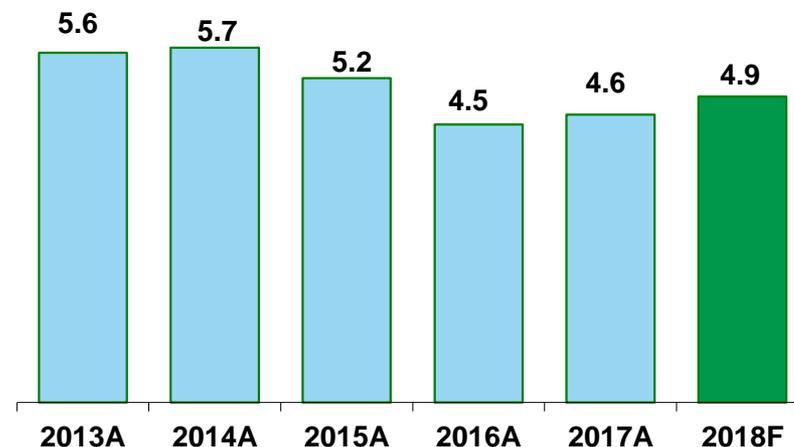
Adaro Energy 2018 guidance



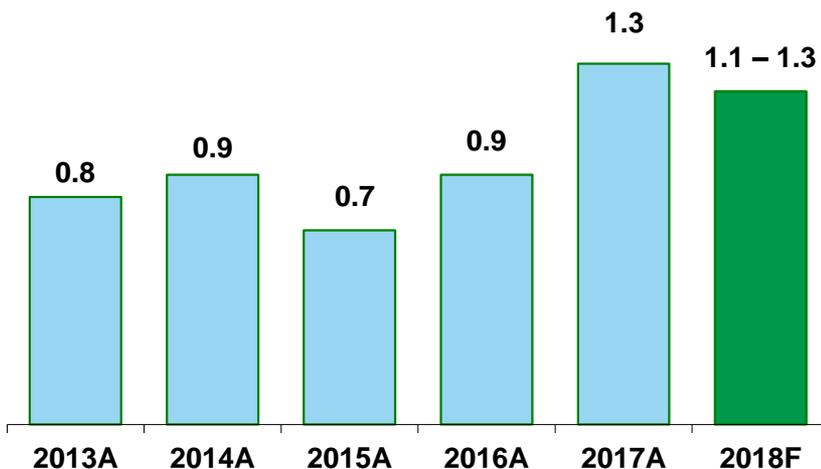
Coal production (Mt)



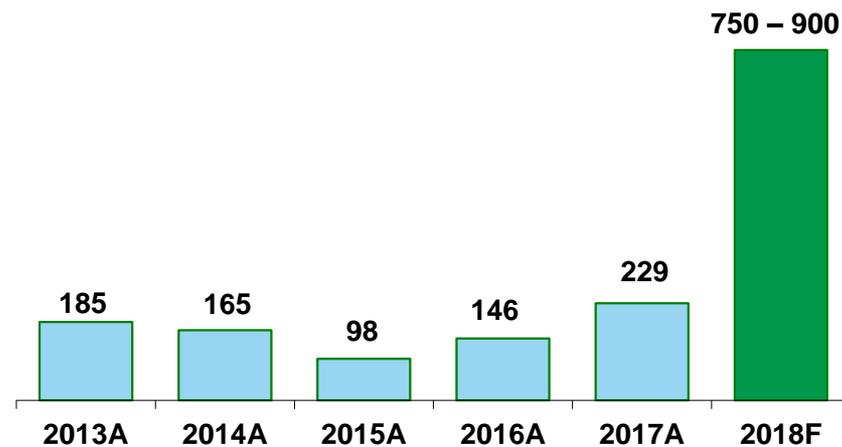
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital expenditure (US\$ million)



Conclusions and takeaways

- Coal market is poised towards supply and demand balance.
- Long term fundamental for coal remains promising.
 - Indonesia, Southeast Asia and India will be the main drivers.
- We offer a complete coal product portfolio from low CV thermal coal to hard coking coal, providing us with flexibility in the coal market.
- Our resilient business model with eight business pillars 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.

Thank you