



PT Adaro Energy Tbk

September 2020

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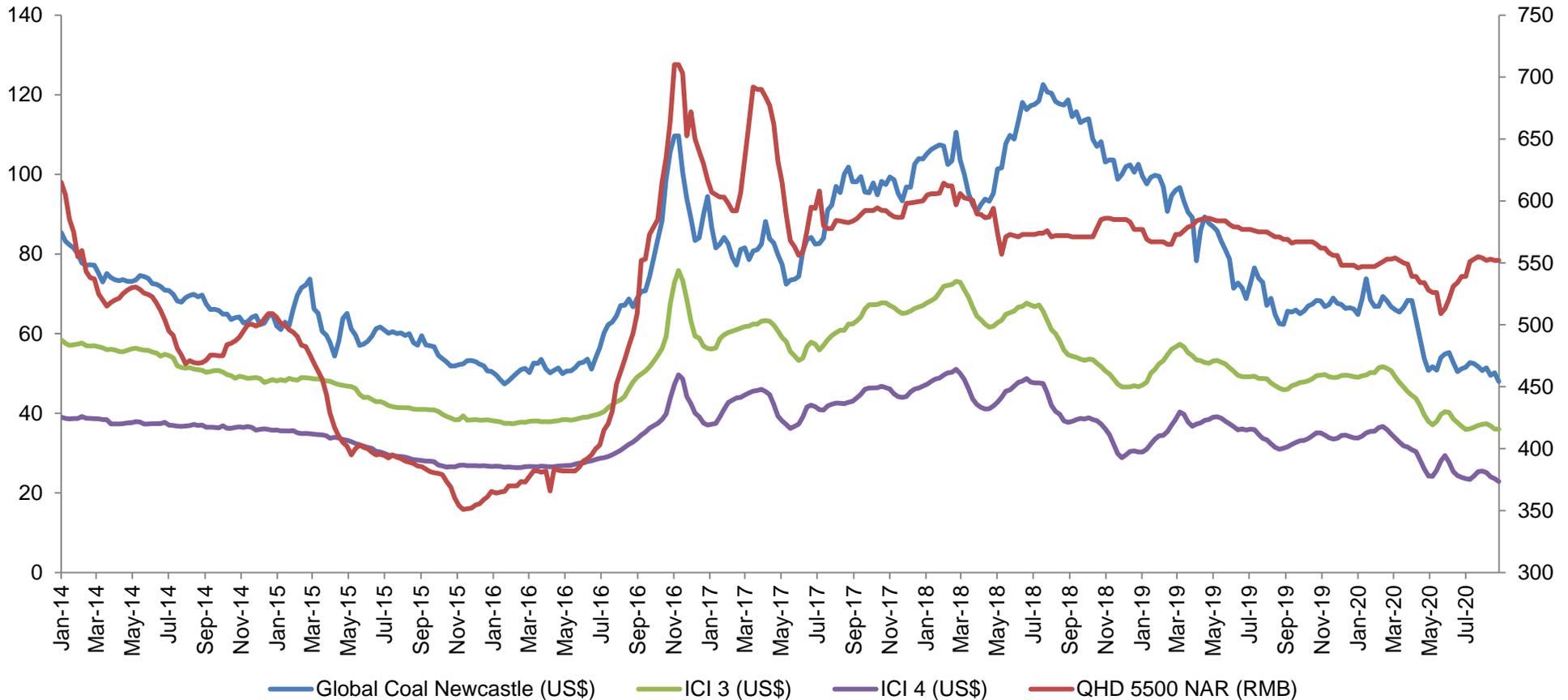
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Key Questions



- What are the recent trends in coal market and coal price?
- Any impact from Covid-19 to Adaro?
- What is the progress of Adaro's projects?
- How will your strategy to diversify the business model benefit Adaro?
- What is Adaro's approach to ESG?

Price of various thermal coal types

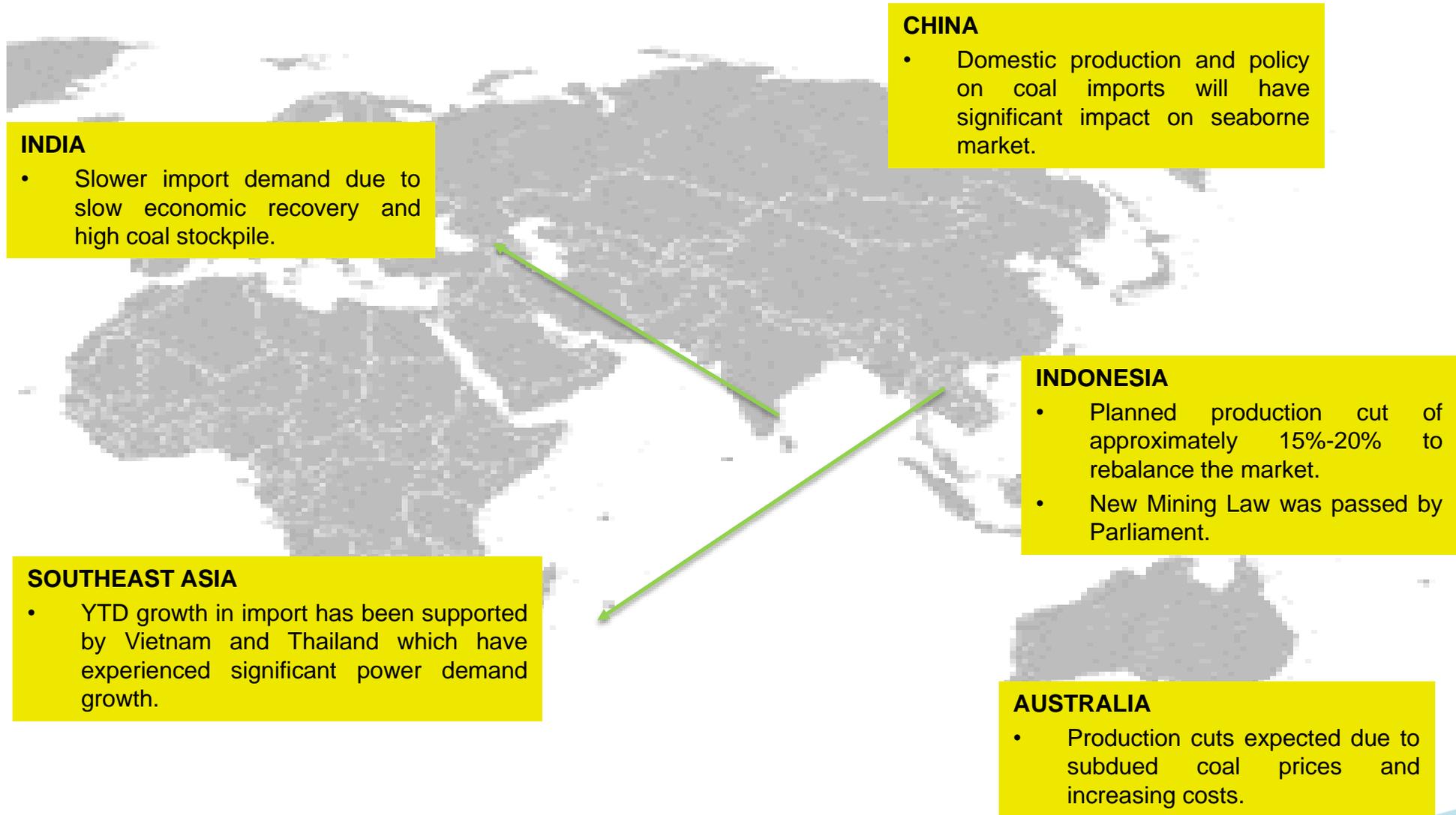


- Coal price has been under pressure as a result of slower demand due to lower industrial and business activities in the wake of Covid-19 pandemic.
- The positive trade flow in 1Q20 was in contrast with 2Q20. Near-term market uncertainties remain.

Challenges Remain in the Short Term

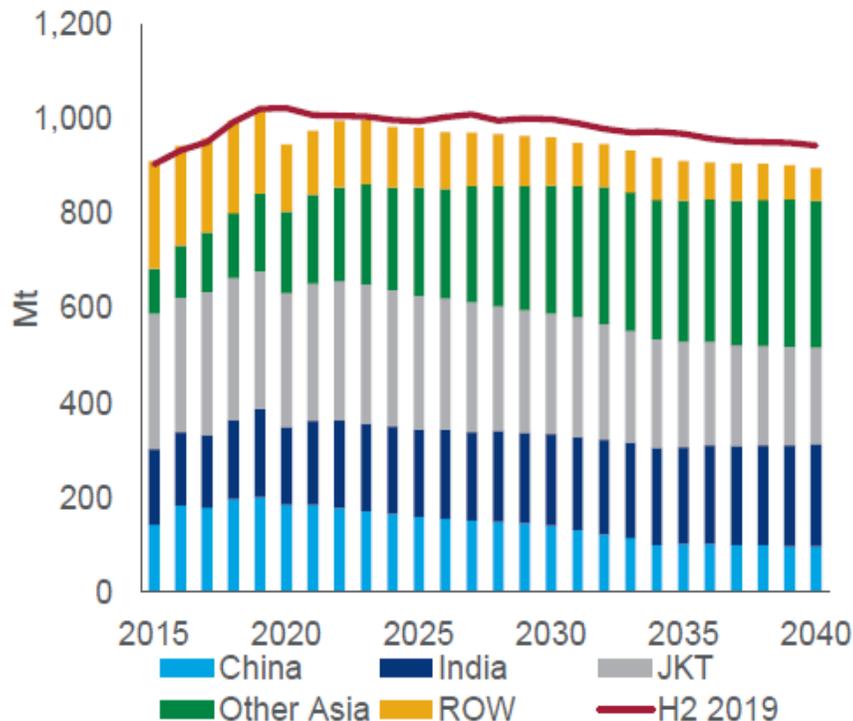


- Lockdown in many countries to curb the spread of COVID-19 has affected industrial activities and power demand. The global economy has been halted in an unprecedented way and both the World Bank and IMF forecast global GDP to contract in 2020.
- Although many countries have started to ease the lockdown and launched stimulus packages, recovery will take time and global recession may keep coal demand and prices under pressure.
- Fortunately, Southeast Asia market has provided some support to demand in the seaborne coal market led by Vietnam.
- Coal-to-gas switching in Asia will be limited. China, Southeast Asia and South Asia tout coal as the key energy source to fuel economic growth due to coal's affordability and availability. On top of that, they do not have the required infrastructure to enable switching.



Positive Outlook in the Long-Term

Seaborne thermal coal demand by region (Mt)



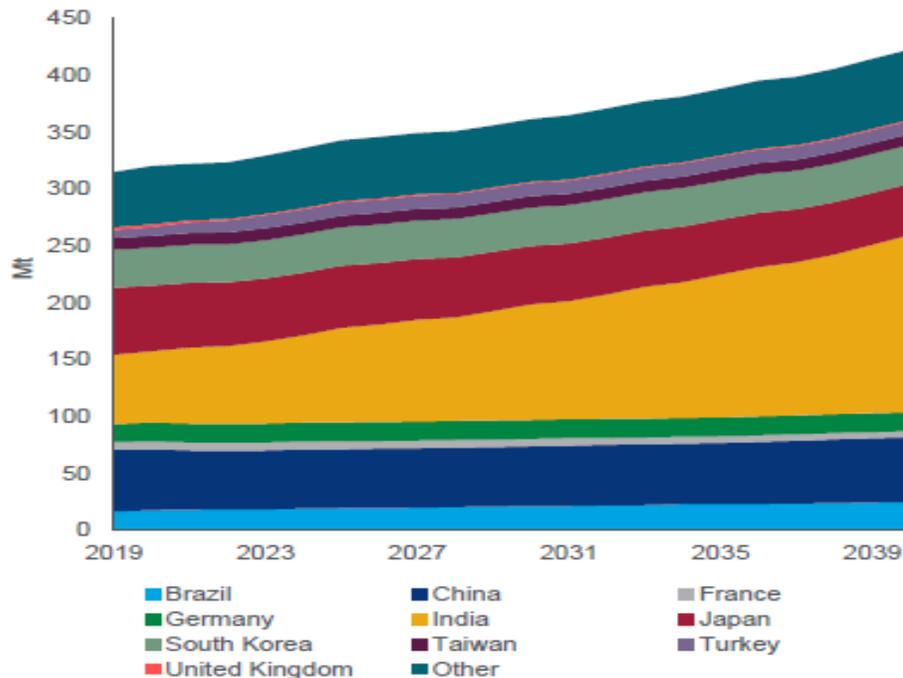
Note: JKT (Japan, Korea, Taiwan); RoW (rest of the world)

Source: Wood Mackenzie, Global thermal coal long-term outlook H1 2020 slidepack

- Electrification in the developing world continues to drive thermal coal demand with Southeast Asia and South Asia becoming more dominant in the seaborne market.
- Indonesian coal has the advantage of proximity with the growing markets and it has naturally low pollutant content compared to other coal in the seaborne market.
- Global seaborne thermal coal demand is estimated to remain in the ~1 Bt mark in the long-term.

Metallurgical Coal: Resilient Outlook

Demand: Global metallurgical coal imports (Mt)



- Covid-19 has posed challenges for met coal market in 2020 as a result of declining global steel production.
- However, long term outlook remains resilient in line with the expected growth in steel production and consumption. Demand is expected to reach 387 Mt in 2030.
- China and India are expected to lead demand growth in the next decade.

Source: Wood Mackenzie, Global metallurgical coal long-term outlook H2 2019 slidepack

Performance of Adaro Energy



Solid operational and financial results

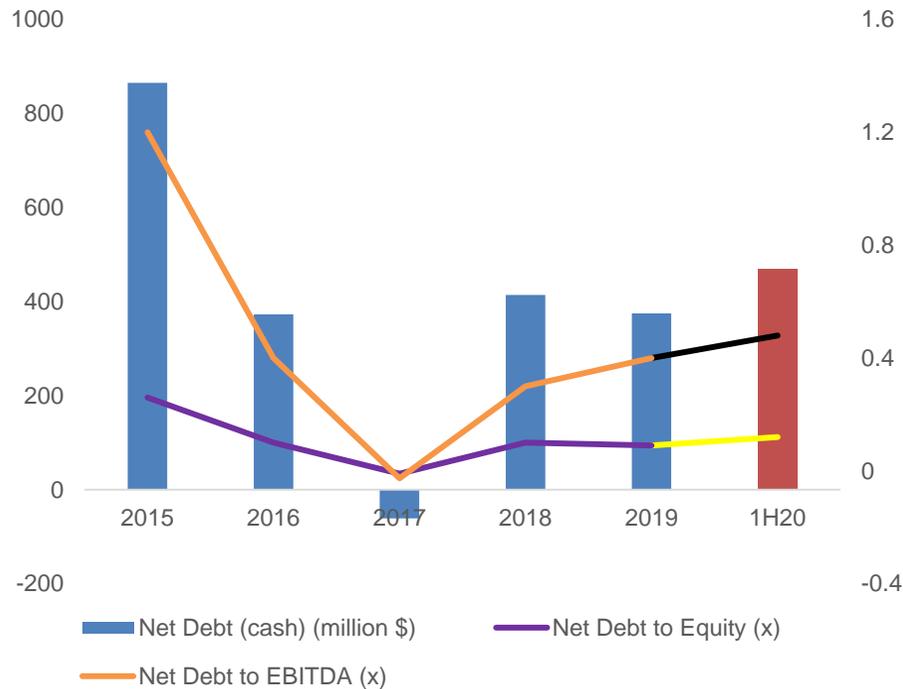


OPERATIONAL	1H20	1H19	% Change
Production (Mt)	27.29	28.47	-4%
Sales (Mt)	27.13	28.77	-6%
OB removal (Mbcm)	103.01	127.49	-19%
FINANCIAL (US\$ millions, unless indicated)	1H20	1H19	% Change
Net Revenue	1,363	1,775	-23%
Core Earnings	227	371	-39%
Operational EBITDA	465	691	-33%
Cash	1,075	895	20%
Net Debt	470	391	20%
Capex	115	245	-53%
Free Cash Flow	312	262	19%
Operational EBITDA Margin	34.2%	38.9%	-5%
Net Debt to Equity (x)	0.12	0.09	0.03
Net Debt to Last 12 months Operational EBITDA (x)	0.48	0.26	0.22
Cash from Operations to Capex (x)	3.57	2.51	1.06

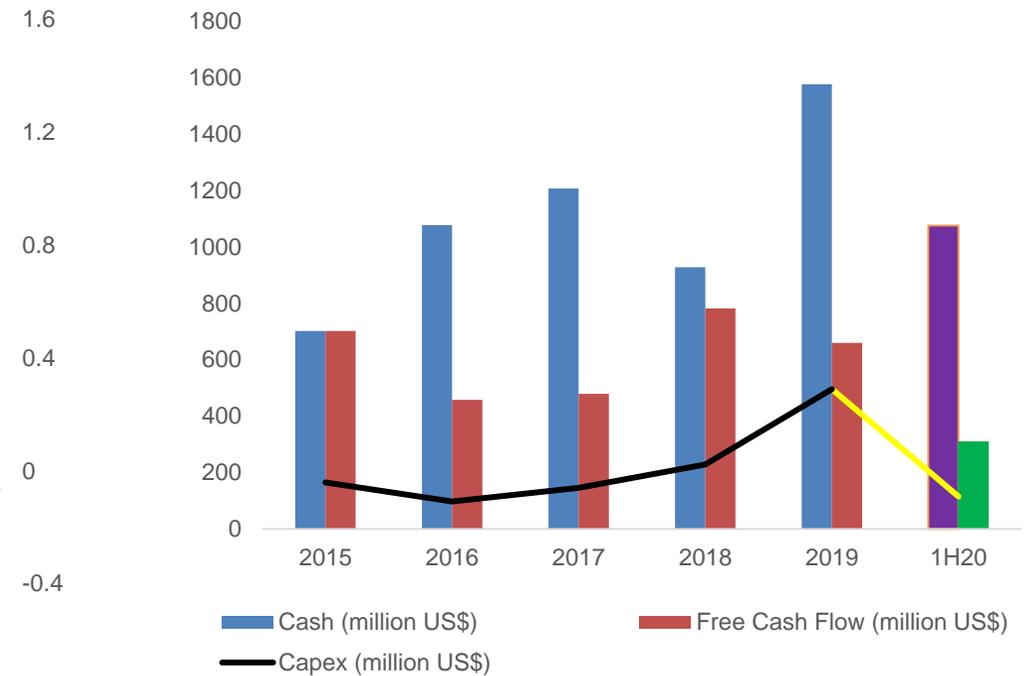
Solid balance sheet and strong cash generation



Reduced debt and improved financial position

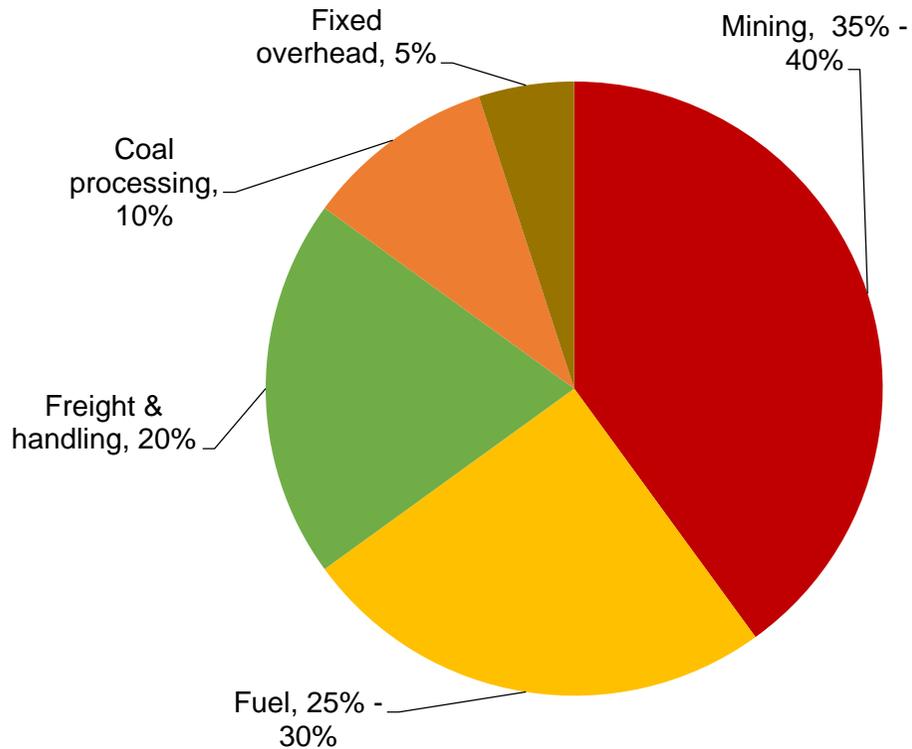


Strong cash balance and free cash flow generation



Cost control – key for strong performance

Adaro's estimated coal cash cost breakdown (1H20)



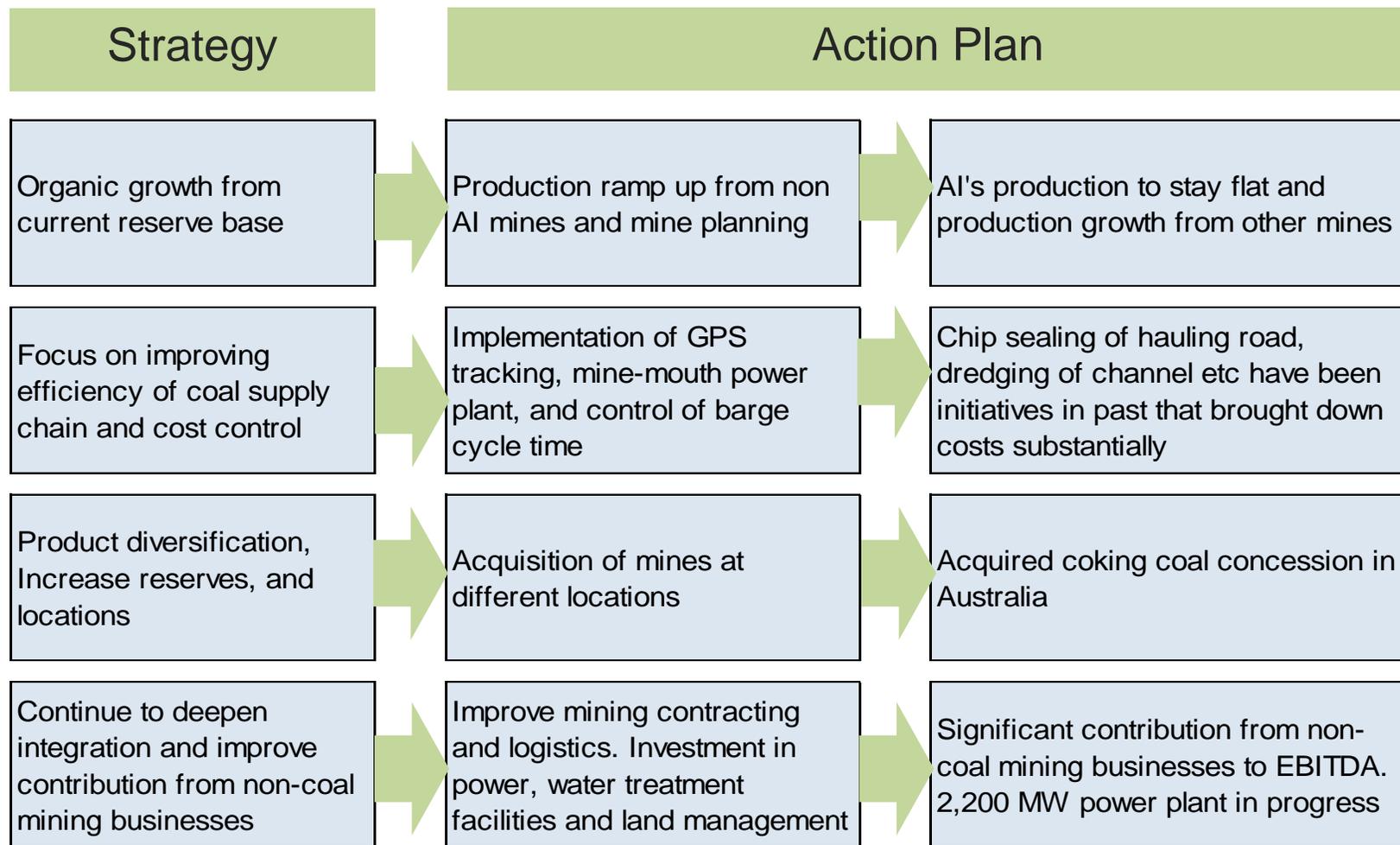
- One of the lowest cost coal producers in Indonesia.
- Integrated coal supply chain enables better cost control and lower risk, ensuring timely delivery to customers.



Snapshot of Adaro Energy



Creating maximum sustainable value



Resilient integrated business model

PT Adaro Energy Tbk (AE)¹

1) Simplified Corporate Structure



2) Kestrel Coal Resources has 80% ownership on Kestrel Coal Mine.

Eight business pillars – diversifying beyond coal



- Adaro Energy is well aware of the cyclical nature of the coal industry and its impact to our business. Therefore we are diversifying our business model beyond coal mining and currently operates under eight business pillars.
- Adaro Energy has subsidiaries within each pillar that performs as independent profit centers and strive to keep expanding third-party business besides serving the Adaro Group.



adaro 
MINING

Adaro Mining



Performance in 1H20

	Units	1H20	1H19	1H20 vs. 1H19
Coal Production	Mt	27.29	28.47	-4%
Sales Volume	Mt	27.13	28.77	-6%
Overburden Removal	Mbcm	103.01	127.49	-19%
Strip Ratio	x	3.77	4.48	-16%

- Total coal production in 1H20 was 27.29 Mt, 4% y-o-y as we experienced prolonged rainy season at our operational areas and lower demand due to slower global economy and lower industrial electricity demand as a result of COVID-19 lockdowns.
- Sales of our coal in 1H20 was 27.13 Mt, 6% lower y-o-y.
- We removed 103.01 Mbcm of overburden in 1H20, 19% decline y-o-y, in line with our guidance to lower strip ratio this year.

Large Coal Reserves and Diverse Portfolio

1
Adaro Indonesia: 88.5%
Existing, S Kalimantan sub-bituminous Resources: 3 Bt Reserves: 821 Mt

2
Balangan Coal Companies: S Kalimantan sub-bituminous Resources 248Mt Reserves 135Mt

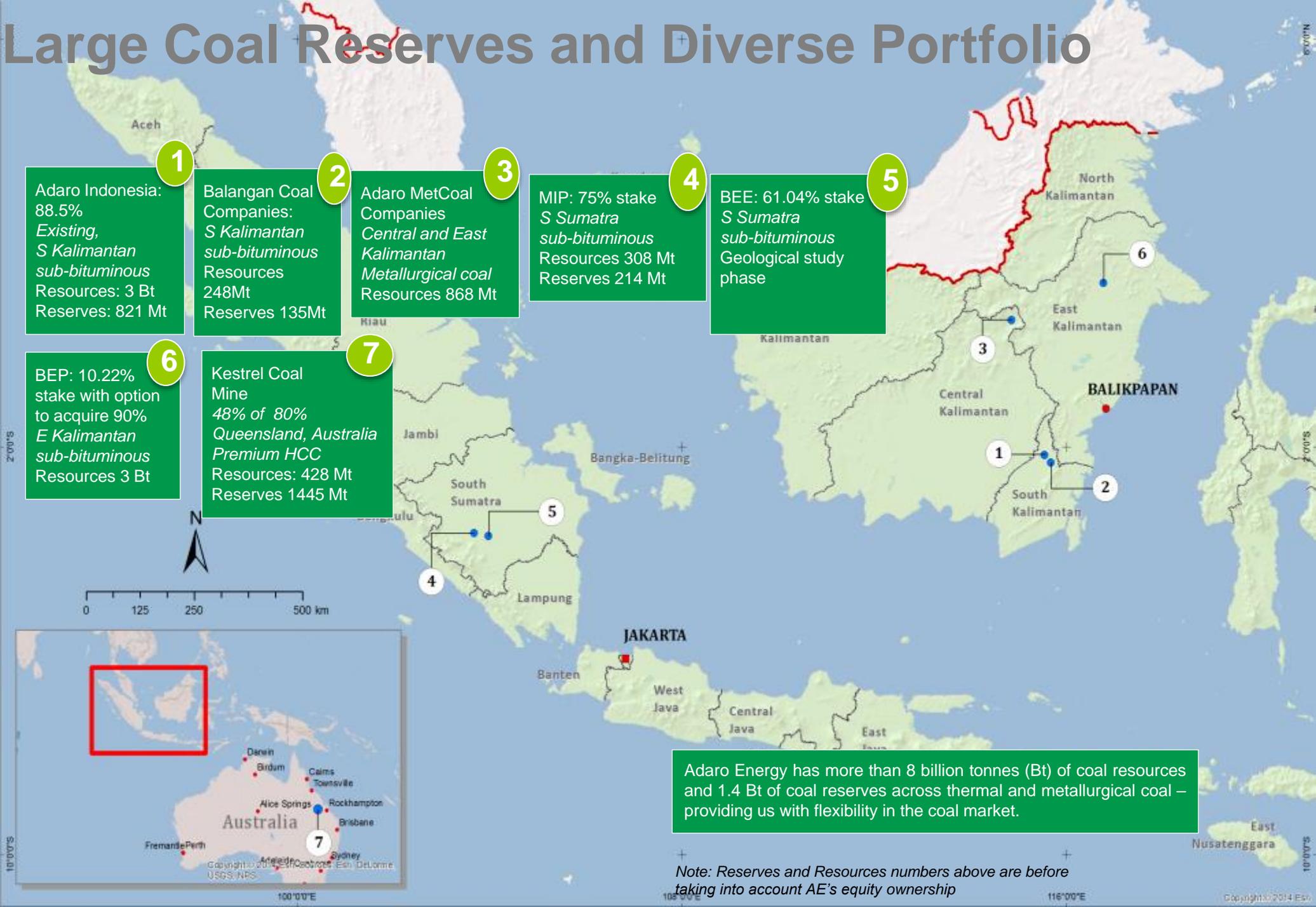
3
Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal Resources 868 Mt

4
MIP: 75% stake S Sumatra sub-bituminous Resources 308 Mt Reserves 214 Mt

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

6
BEP: 10.22% stake with option to acquire 90% E Kalimantan sub-bituminous Resources 3 Bt

7
Kestrel Coal Mine 48% of 80% Queensland, Australia Premium HCC Resources: 428 Mt Reserves 1445 Mt



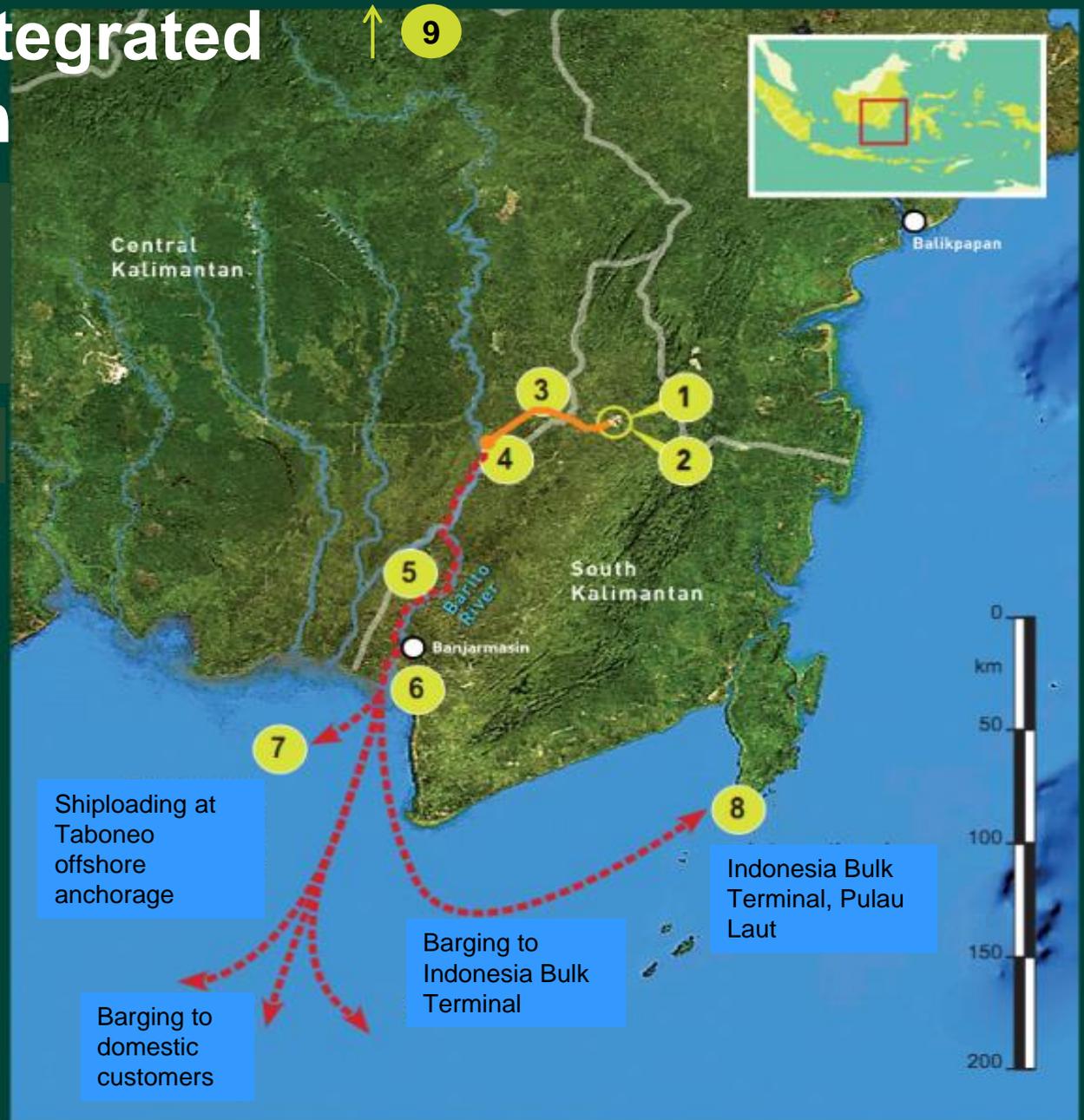
Adaro Energy has more than 8 billion tonnes (Bt) of coal resources and 1.4 Bt of coal reserves across thermal and metallurgical coal – providing us with flexibility in the coal market.

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

Adaro Energy's Integrated Coal Supply Chain

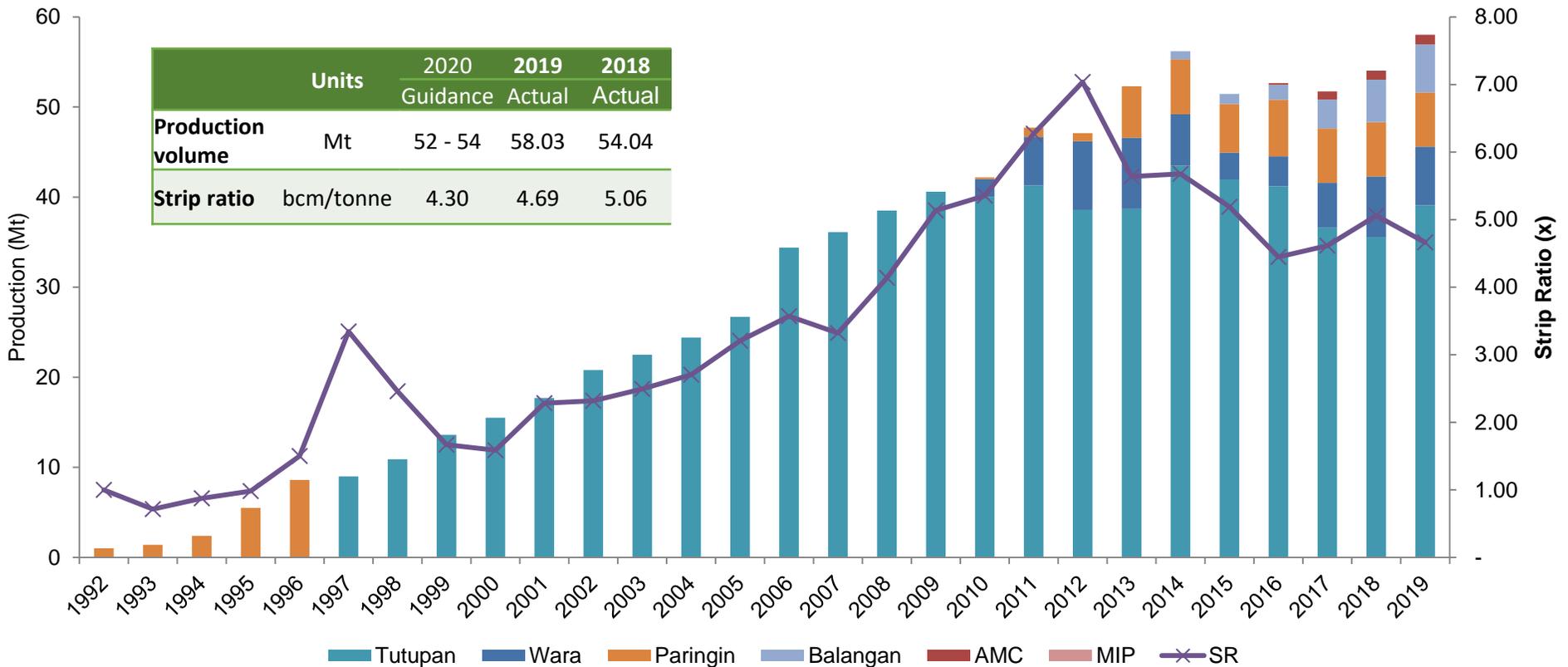
Adaro Energy's main thermal coal mines are located in South Kalimantan, and account for the majority of Adaro Group's coal production. Adaro Indonesia and other key subsidiaries form the main part of the coal supply chain with help from third-party contractors.

- 1 Coal Concessions of AI and Balangan Coal Companies
- 2 Contract mine operations by PT Saptaindra Sejati (SIS)
- 3 Coal hauling road owned and operated by Adaro Indonesia
- 4 Coal crushing and barge loading at Kelanis river bulk terminal by Adaro Indonesia.
- 5 Coal barging to the sea along Barito River by PT Maritim Barito Perkasa (MBP)
- 6 River channel operation and maintenance by PT Sarana Daya Mandiri (SDM)
- 7 Shiploading and sea barging by PT Maritim Barito Perkasa (MBP)
- 8 Coal terminal and fuel supply services by PT Indonesia Bulk Terminal (IBT)
- 9 Coal Concessions of AMC



Over two decades of solid performance

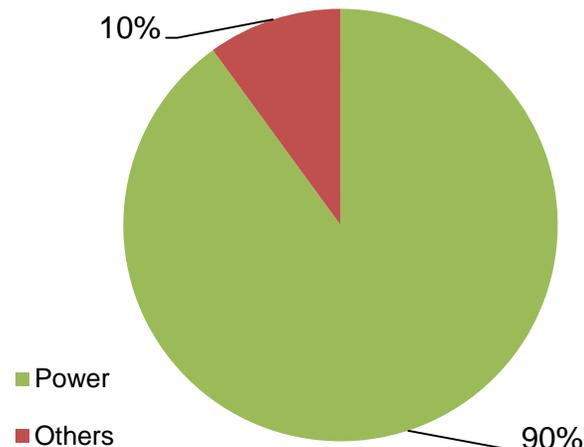
Adaro Historical Production



- Produce low to medium heat value thermal 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.

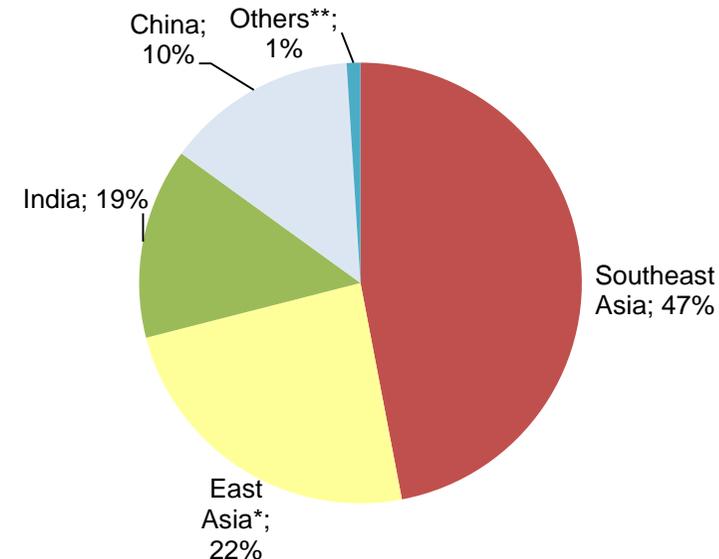
Strong Customer Base with Focus on Emerging Asia

Customer type by volume (1H20)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (1H20)

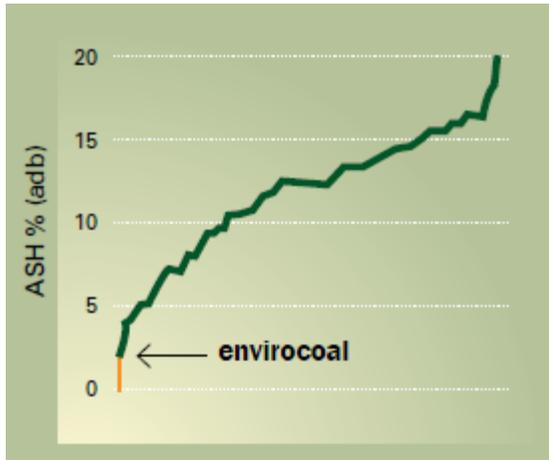


* Excluding China

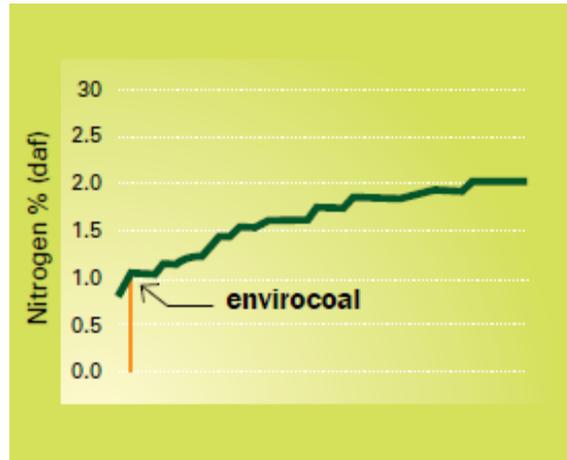
** Others: New Zealand, Pakistan and Europe

- Most customers are sovereign backed power companies, with over 50% have had a relationship for more than a decade
- Long-term volume contract with customers provide stability and volume visibility.
- 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.

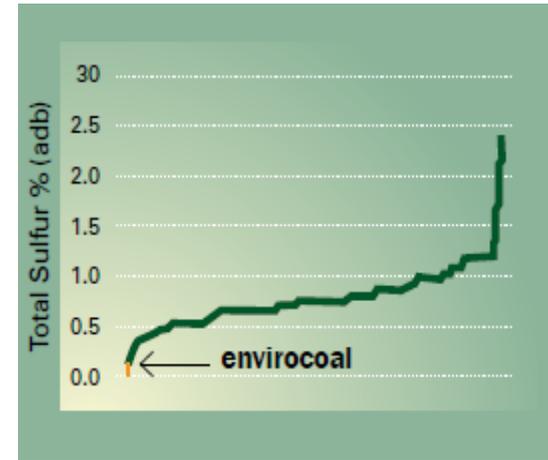
Envirocoal – a positive energy



Ash content: 2%-3% (adb)



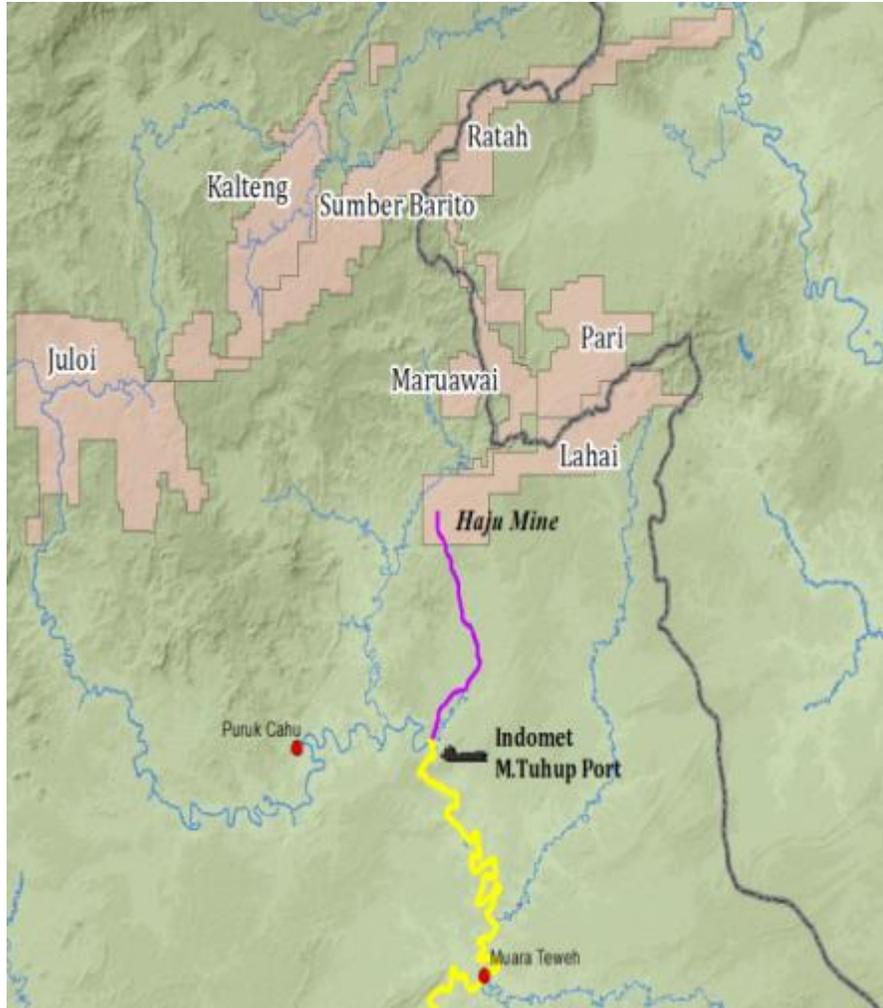
Nitrogen content : 0.9% - 1.0% (daf)



Sulfur content: 0.1% - 0.25% (adb)

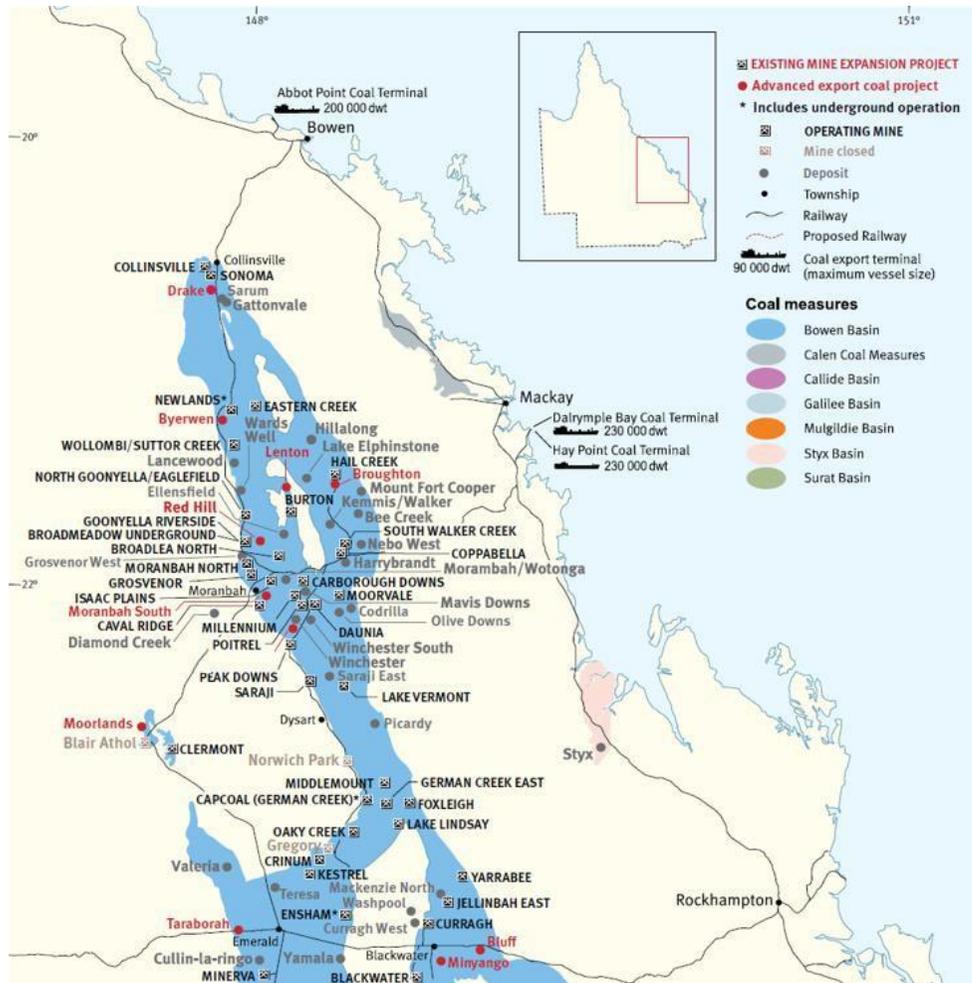
- Lowest ash content among coals produced for global export trade, providing consumers with significant cost savings.
- Blending Envirocoal with higher ash coal reduces the on-costs associated with ash disposal.
- Reduces deposition rates in boilers improving thermal efficiency and reducing maintenance costs.
- Envirocoal is amongst the 10 lowest coals by nitrogen content.
- Enables consumers to reduce the costs associated with removing nitrous oxides from the flue gases.
- Results in more net power for sale and lower electricity production cost.
- Envirocoal's ultra low sulfur content enables consumers to meet regulated standards and delay capital expenditure, reducing the cost of plant operation.
- Flue gas desulfurization units can cost up to 20% of the total capital expenditure of a new power station.

Adaro MetCoal Companies (AMC)



- Adaro Energy completed the acquisition of AMC from BHP Billiton for 7 CCOWs in Central and East Kalimantan in 2016.
- The transaction value was \$120 million for 75% of the properties. Adaro now owns 100% of the asset.
- AMC's mining activities have progressed to Lampunut mine from the Maruwai concession.
- In 1H20, coal production was 0.72 Mt and coal sales was 0.72 Mt.

Kestrel Coal Mine



- EMR Capital and Adaro Energy completed the acquisition of Rio Tinto's 80% interest in the Kestrel Coal Mine (Kestrel) on August 1st, 2018.
- Since the acquisition, Kestrel has embarked on efficiency improvement programs throughout the business.
- Kestrel saleable production in 1H20 reached 3.10 Mt and sales reached 3.25 Mt.
- Product is sold mainly to Asian markets: India, South Korea, Japan and China.



Adaro Services and Adaro Logistics



Ensuring operational excellence

Strengthens Adaro Group's Earnings Profile as Contribution Increases



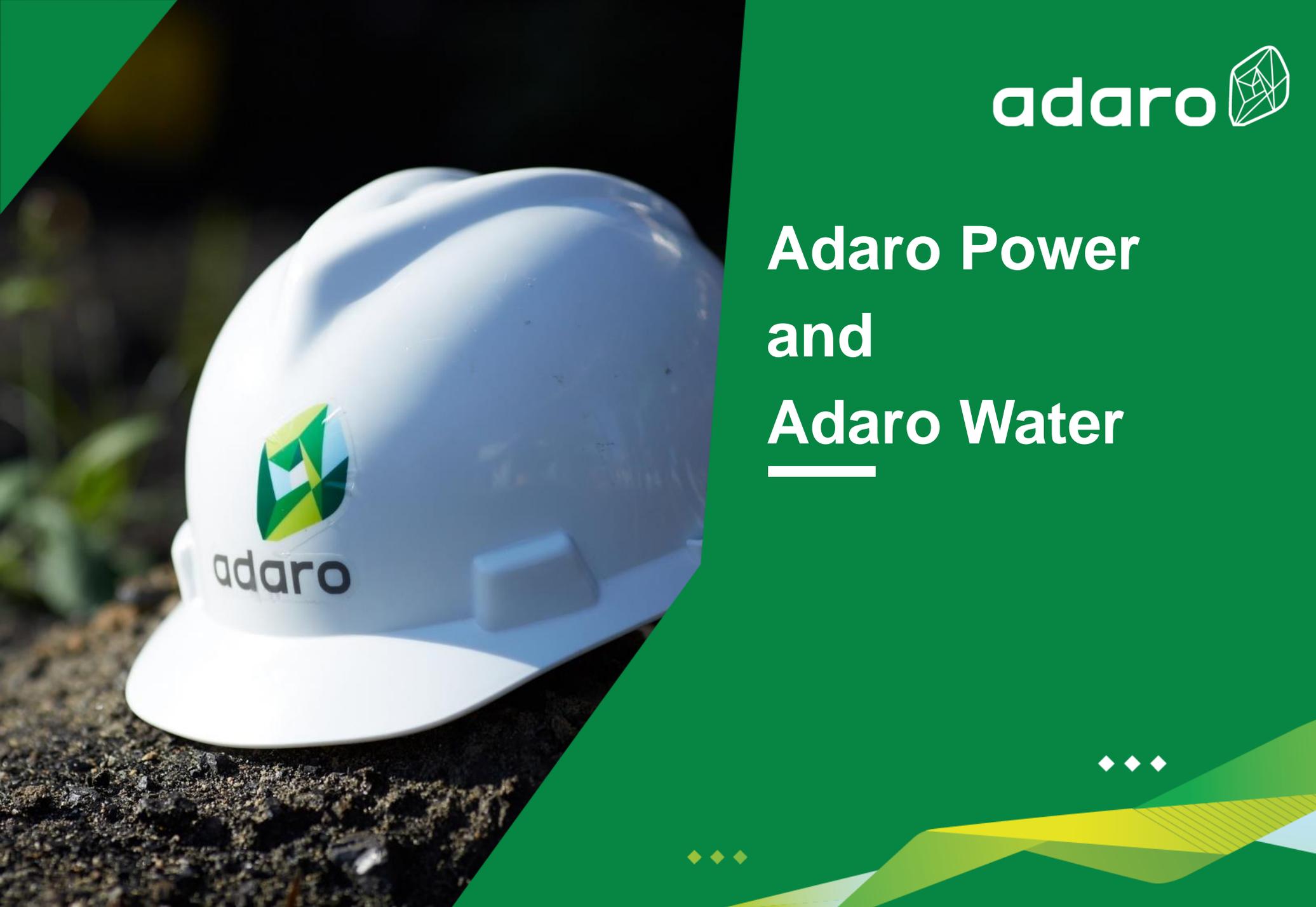
- Key part of our vertical integration.
- Ensures operational excellence, productivity improvement and timely reliable delivery to customers.
- Stable earnings profile buffers against the volatility in coal price.
- Actively pursue third-party revenue growth from these businesses.



		Units	1H20	1H19	1H20 vs. 1H19
SIS	Overburden Removal	Mbcm	84.65	107.86	-22%
	Coal Production	Mt	21.52	23.60	-9%
MBP	Coal barging	Mt	22.78	25.58	-11%



Adaro Power and Adaro Water



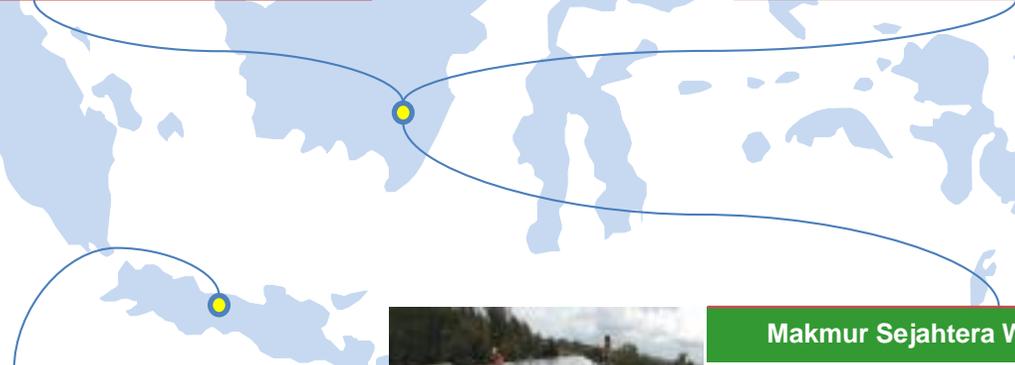
Adaro Power is one of the largest IPP in Indonesia with 2,260 MW of gross power generation capacity



Makmur Sejahtera Wisesa – CFPP	
Size / Tech.	2 x 30 MW CFB technology
Shareholders	100% Adaro Power
COD	#1 Jun 2013, #2 Feb 2014
Availability Factor	92.4% (Avg. as of Q2-2020)
Adaro Mining Electrification	Current: 11.7 MW Plan: additional 17.9 MW



Tanjung Power Indonesia – CFPP	
Size / Tech.	2 x 100 MW CFB technology
Shareholders	65% AP, 35% Korea EWP
Project cost	USD 545 million
COD	2019
Availability Factor	98.1% (Avg. as of Q2-2020)



Bhimasena Power Indonesia – CFPP	
Size / Tech.	2 x 1,000 MW Ultra Super Critical
Shareholders	34% AP, 34% JPower, 32% Itochu
Project cost	USD 4.2 billion
Progress	94% as of Q2-2020



Makmur Sejahtera Wisesa – Solar PV	
Size	130 kWp + 467 kWp
Shareholder	100% Adaro Power
COD	Q3 2018 (for 130 kWp) & 467 kWp to complete by Q1-2021
Project cost	USD 800,000 (approx.)

Apart from improving the performance of its already-operated power plants and completing the construction, Adaro Power continues to study renewable power projects such as biomass, wind power, and solar PV to support PLN through unsolicited proposal and tenders. Adaro Power is also in the process of developing captive use power generation projects for the Group's other business units such as IBT (Genset & Solar PV) and AMC (Mini-hydro)

Adaro Water currently owns & operates 1,670 lps of WTPs, as well as supporting mining operations through its slurry management business unit



Dumai Tirta Persada	
Location	Dumai, Riau
Size	450 lps
Adaro shares	49%
Status	Construction for the first 50lps (54% as of Q2-20 to complete by Sep-20)



Adaro Wamco Prima	
Location	Tanjung, South Kalimantan
Business	Mining pumps services
Adaro shares	60%
Status	Operation



Drupadi Tirta Intan	
Location	Banjar, South Kalimantan
Size	500 lps
Adaro shares	100%
Status	In operation since 2012



Drupadi Tirta Gresik	
Location	Gresik, East Java
Size	400 lps
Adaro shares	100%
Status	In operation since 2012



Adaro Tirta Mentaya	
Location	Sampit, Central Kalimantan
Size	320 lps (contract) 400 lps (capacity)
Adaro shares	90%
Status	In operation up to 250lps & Construction (85.5% as of Q2-20) (up to 150lps)

Adaro Water is currently in the process to achieve operational excellence through continuous improvement in its operating subsidiaries, including WTPs operations and slurry pumps operations. Meanwhile, on the construction side, Adaro Water continues to ensure that the project can achieve its goals in terms of schedule, budget & quality. From business development perspective, Adaro Water continues to actively seeking for new projects through PPP, non PPP and acquisition.

Our Green Initiatives



Balance of People, Planet and Profit



- We strive to balance our responsibilities among the generation of profit, the utilization of planet and employment of people.
- Our corporate social responsibility programs focus on five main areas: education, economic development, health, environmental enhancement, and socio-cultural enrichment.
- Our environmental programs cover four main areas: land, air, water, and biodiversity.
- MSCI has upgraded the ESG ratings for Adaro Energy to BB citing significant improvement in governance practices as one of the key factors.

Delivering beyond compliance



Biodiesel plant initiatives

Adaro is a pioneer and the only mining company to own a biodiesel plant.

Launched in May 2011, this facility processes jatropha, palm and waste oil from our kitchen at the site as raw material in producing biodiesel.



Water treatment facilities

Adaro is a pioneer in processing waste water from mining activities into clean potable water.

We then distribute the clean water to surrounding communities as well as using it for internal consumption.

Did you know?

The benefits of Ultra-Super Critical technology



Higher efficiency

USC steam conditions provide more than 10% higher thermal efficiency compared to subcritical technology.

Higher thermal efficiency means lower coal consumption used to generate per unit of electricity, which in turn, lowers emissions.



Lower pollution and emission

USC utilizes low NOx burner in fuel combustion process, fabric filter and FGD (Flue-Gas Desulphurization) in flue gas treatment process.

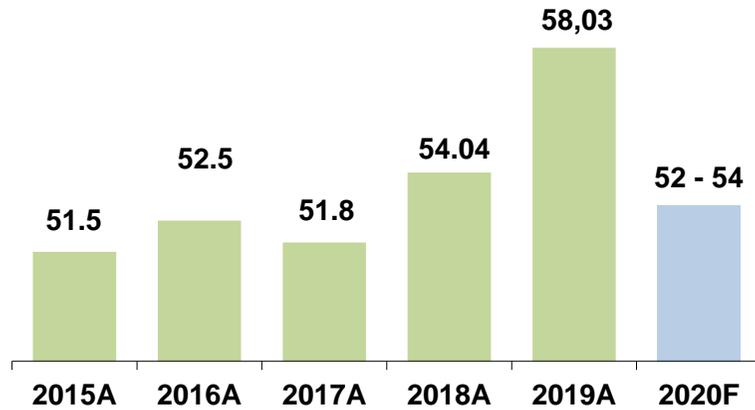
Low NOx burner will minimize NOx, Fabric Filter will collect the particulate (fly ash) and FGD captures SO². The result is lower emission at almost 50% of World Bank requirement.

Adaro's 2x1,000 MW CFPP in Central Java will be a showcase of the latest high efficiency and more environmentally friendly power generation technology in Indonesia.

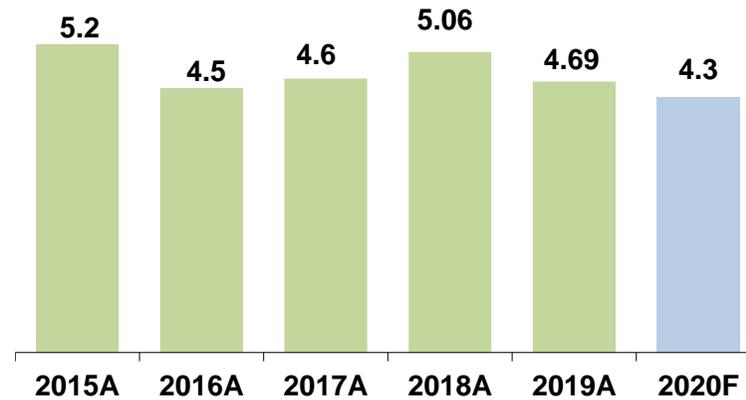
Adaro Energy 2020 guidance



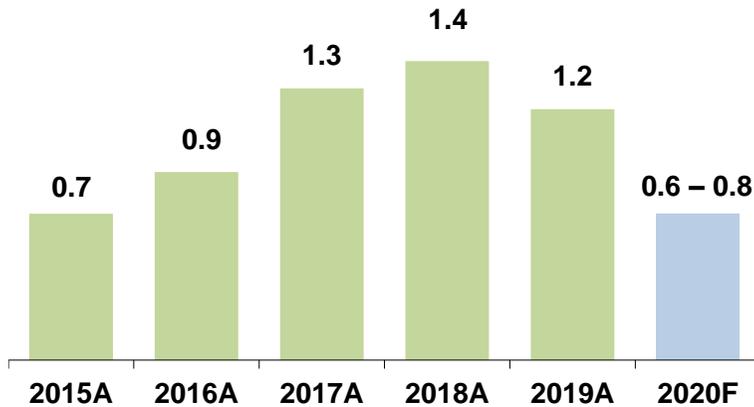
Coal production (Mt)



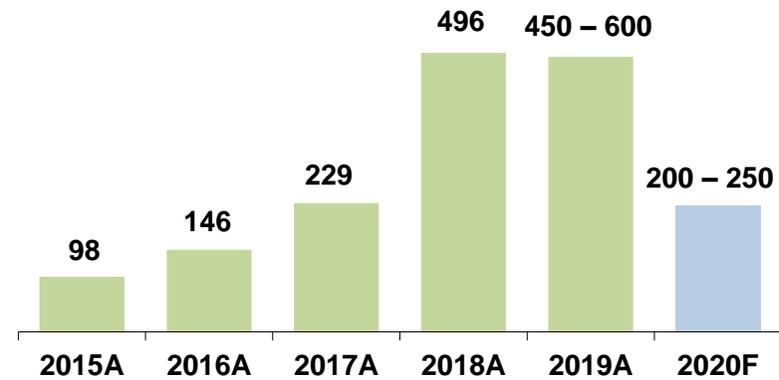
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital expenditure (US\$ million)



Conclusions and takeaways

- Cautiously optimistic in the near term.
- Business model is resilient to withstand cyclicality.
 - Non-coal contribution buffers against volatility in the coal market.
- Long term fundamentals for coal remains promising.
 - Indonesia, Southeast Asia and South Asia will be the main demand drivers.
- Adaro offers a complete portfolio of coal products from low CV thermal coal to premium hard coking coal, providing us with flexibility in the coal market.
- We maintain a strong balance sheet, generate solid cash flow and execute strategic investment opportunities.

Conclusions and takeaways

- Our eight business pillars is geared up to take more opportunities.
 - 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

