



# PT Adaro Energy Tbk

May 2021

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# Key Questions

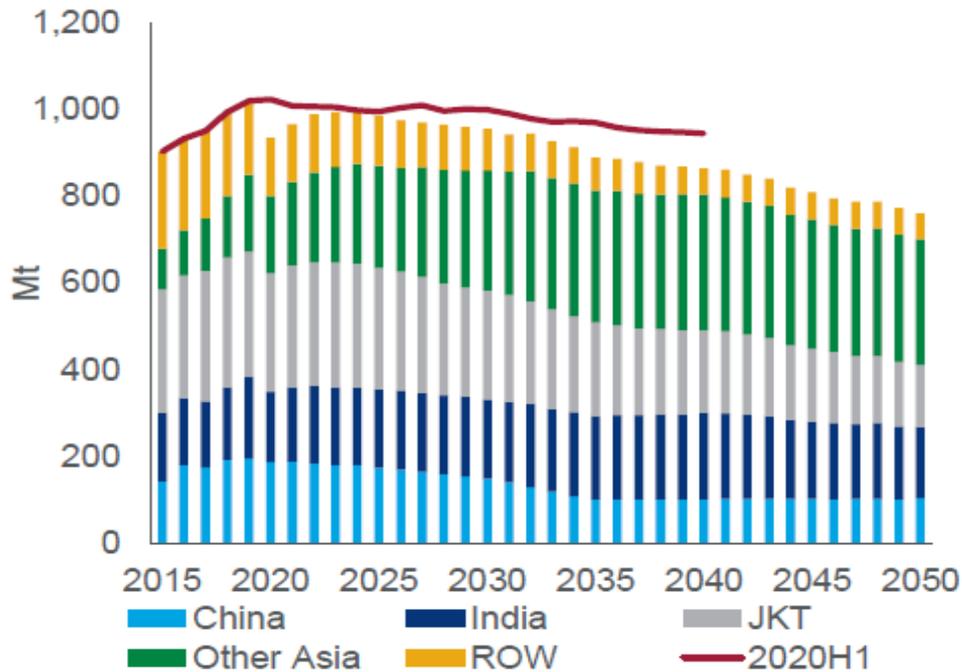


- What are the recent trends in coal market and coal price?
- What is the progress of Adaro's projects?
- How will your strategy to diversify the business model benefit Adaro?
- What is Adaro's approach to ESG?

# Solid long-term outlook supported by emerging Asia



Seaborne thermal coal demand by region (Mt)

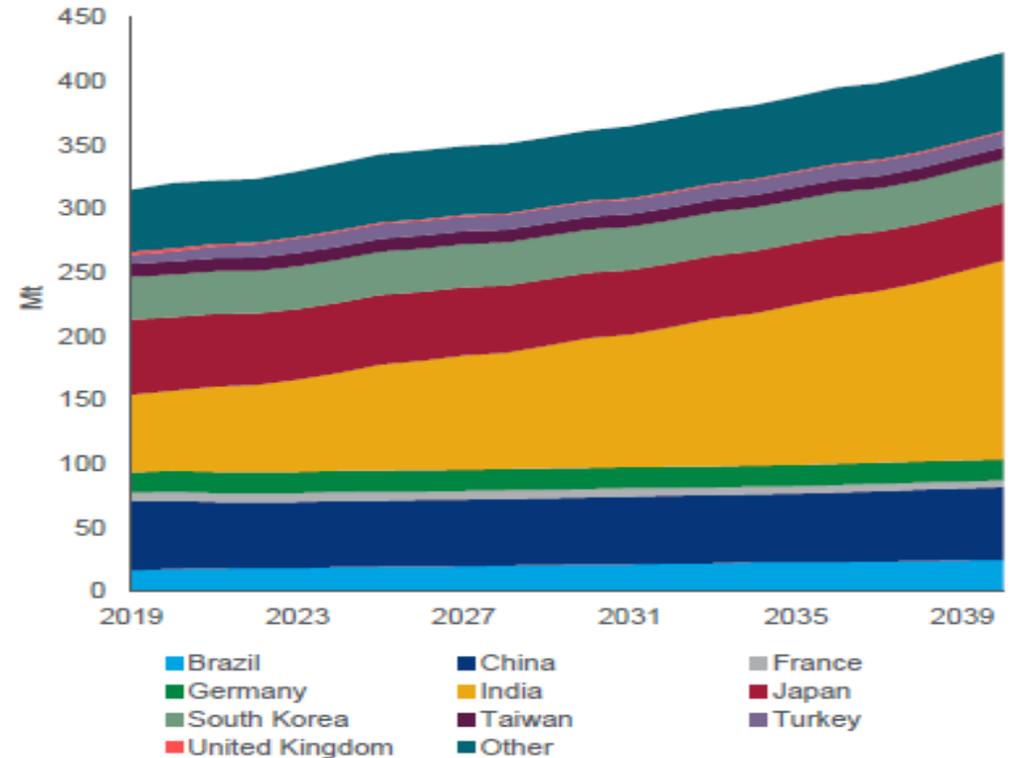


Source: Wood Mackenzie

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

Source: Wood Mackenzie, Global thermal coal long-term outlook H2 2020 slidepack

Global metallurgical coal imports demand (Mt)

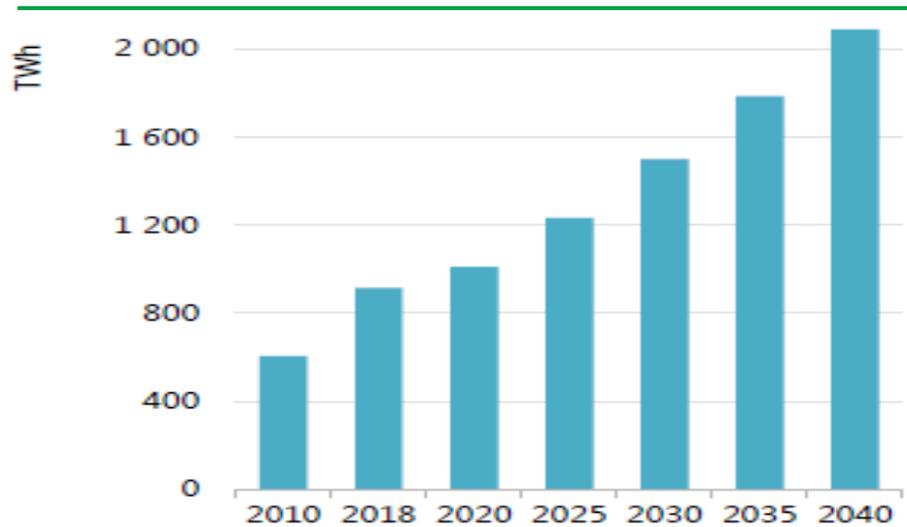


Source: Wood Mackenzie, Global metallurgical coal long-term outlook H2 2019 slidepack

# As demand for electricity and steel grows to support economic growth



## SEA electricity demand more than double to 2040



Source: Southeast Asia Energy Outlook 2019, International Energy Agency 2019

## ASEAN (5) steel demand grows moderately in the short-term

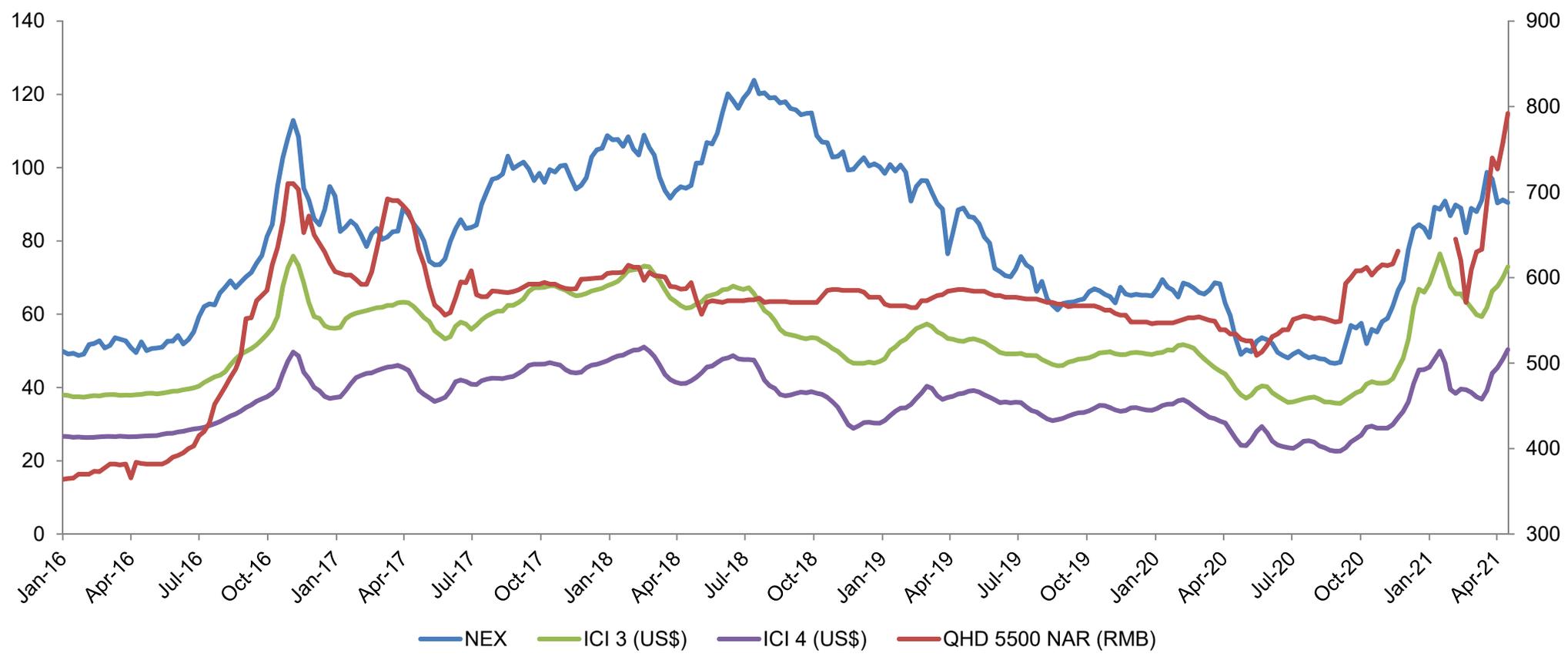


ASEAN (5): Indonesia, Malaysia, Philippines, Thailand, Vietnam  
Source: Worldsteel Association Short Range Outlook October 2020, April 2021

## Overview of Southeast Asia

- ❑ The region is home to around 655 million people and 45 million people is still without access to electricity.
- ❑ Its growth in electricity demand, at 6% CAGR, has been among the fastest in the world as the region aims for universal access to electricity by 2030.
- ❑ Coal has been the fastest growing fuel in SEA's energy mix, nearly 20 GW of coal-fired power plant is under construction (IEA).
- ❑ Coal with low pollutant content will be more favoured in the market as many countries try to control emission and new power plants utilize advanced boiler system.

# Strong Price Maintained due to Tight Supply



- ❑ Tight domestic supply in China and the seaborne market has supported coal prices amid the shoulder season.
- ❑ Infrastructure disruptions in Australia and heavy rains in Indonesia were some of the main factors affecting seaborne supply.



# Short Term Outlook



- Thermal coal imports is expected to increase slightly in 2021 on the back of economic recovery, but continued volatility in the coming months will persist due to:
  - Coal supplies remaining very tight in China, amid on going trade war with Australia and import restrictions, as well as safety checks domestically in China.
  - Indonesia has been struggling with supply, primarily due to ongoing heavy rainfall. It has not been able to increase supplies into China anywhere nearly as much as it ordinarily might have done.
  - India is currently facing rise in Covid-19 cases, as such coal demand is anticipated to remain sluggish due to severe restrictions imposed since the middle of April.
  - Southeast Asia, in particular Vietnam and Malaysia is expected to enjoy some support as power demand continues to grow and new coal plant comes online.



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# Performance of Adaro Energy

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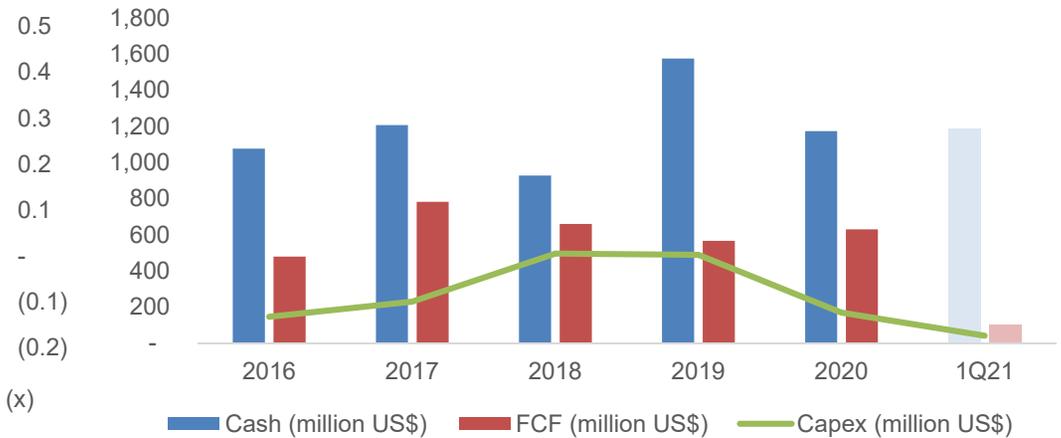
# Solid financials backed by strong operations



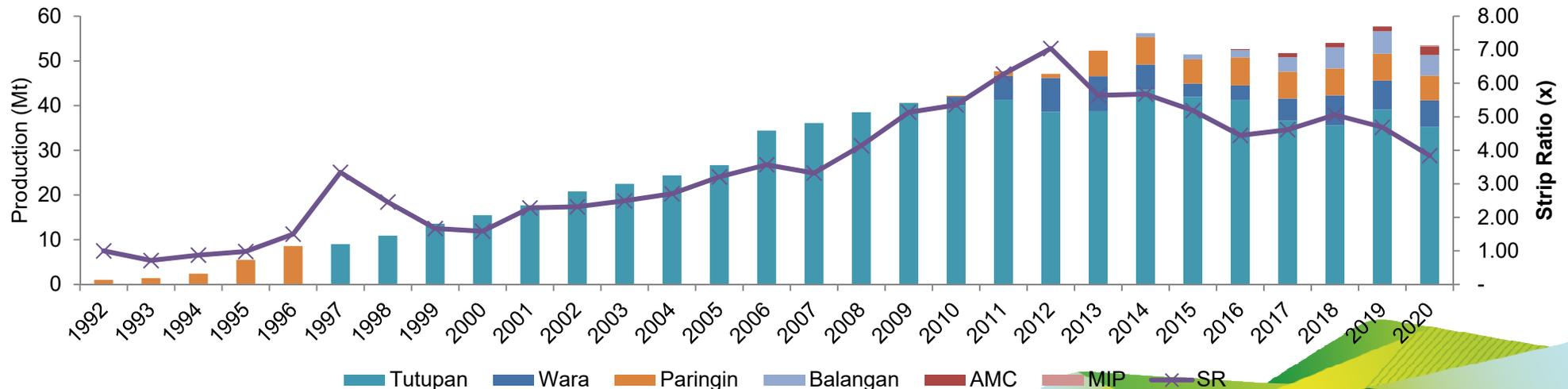
## Improving financial position



## Strong cash balance and free cash flow generation



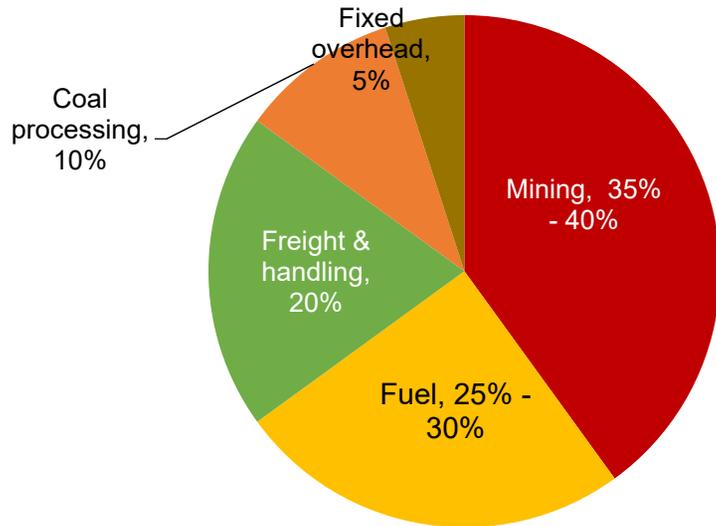
## Over two decades of production experience through various coal cycles



# Cost control – key for strong performance



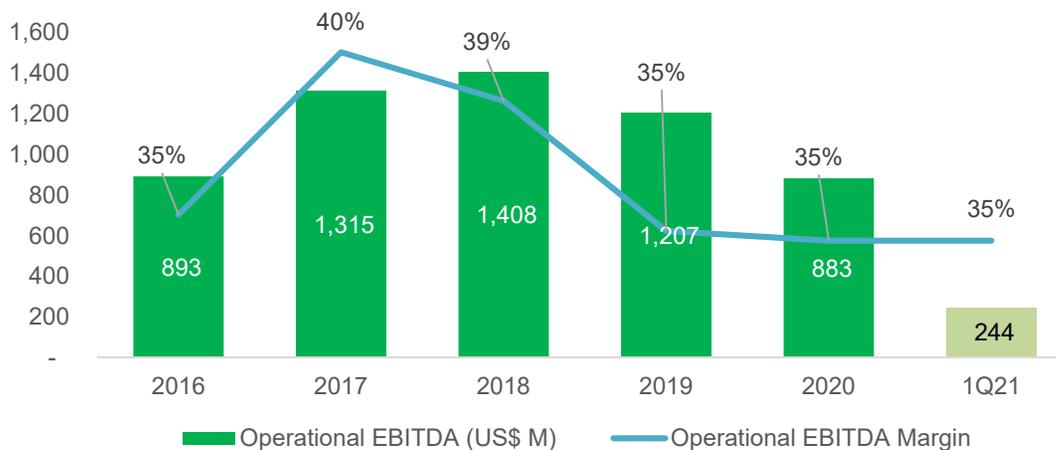
## Adaro's estimated coal cash cost breakdown (1Q21)



## Electrification to reduce the usage of diesel gensets



## Strong operational EBITDA generation and healthy operational EBITDA margin



- 41%
  - 40%
  - 39%
  - 38%
  - 37%
  - 36%
  - 35%
  - 34%
  - 33%
  - 32%
  - 31%
- ❑ Consistently delivers on operational EBITDA target and performed in-line with guidance.
  - ❑ Healthy operational EBITDA margin on the back of better cost control from integrated business model.

# Operational excellence and efficiency



We are able to deliver solid results amid the challenging market

OPERATIONAL	1Q21	1Q20	% Change
Production (Mt)	12.87	14.41	-11%
Sales (Mt)	12.59	14.39	-13%
OB removal (Mbcm)	52.54	49.77	6%
FINANCIAL (US\$ millions, unless indicated)	1Q21	1Q20	% Change
Net Revenue	692	750	-8%
Core Earnings	110	136	-19%
Operational EBITDA	244	265	-8%
Cash	1,190	1,251	-5%
Net Debt	119	550	-78%
Capex	41	56	-27%
Free Cash Flow	104	96	8%
Operational EBITDA Margin	35.3%	35.3%	0
Net Debt to Equity (x)	0.03	0.14	-11%
Net Debt to Last 12 months Operational EBITDA (x)	0.14	0.48	-34%
Cash from Operations to Capex (x)	3.16	2.56	60%



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# Snapshot of Adaro Energy

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# Who We Are

IDX-listed integrated mining and energy company with eight business pillars built to create value and achieve sustainable growth



**Integrated pit-to-power business model with control over each part of the coal supply chain**



## Eight business pillars to support future growth



## Our strategy to create maximum value

- ❑ Organic growth from current reserves base.
- ❑ Focus on improving efficiency of coal supply chain and cost control.
- ❑ Product diversification, increase reserves and diversify location.
- ❑ Continue to deepen integration and improve contribution from non-coal mining businesses.

# Integrated Business Model

with control over each part of the supply chain

## ADAROMINING

### THERMAL COAL

<b>Adaro Indonesia (AI)</b>	<b>88.5%</b>
Coal mining, S. Kalimantan	
<b>Balangan Coal</b>	<b>75%</b>
Coal Mining, S. Kalimantan	
<b>Mustika Indah Permai (MIP)</b>	<b>75%</b>
Coal Mining, S. Sumatra	
<b>Bukit Enim Energi (BEE)</b>	<b>61%</b>
Coal Mining, S. Sumatra	
<b>Bhakti Energi Persada (BEP)</b>	<b>10.2%</b>
Coal mining, E. Kalimantan	

### METALLURGICAL COAL

<b>Adaro MetCoal (AMC)</b>	<b>100%</b>
Coal mining, C. Kalimantan, E. Kalimantan	
<b>Kestrel Coal Resources<sup>1</sup></b>	<b>48%</b>
Queensland, Australia	

1) Kestrel Coal Resources has 80% ownership on Kestrel Coal Mine



## ADAROSERVICES

### MINING SERVICES

<b>Saptaindra Sejati (SIS)</b>	<b>100%</b>
Coal mining and hauling contractor	
<b>Jasapower Indonesia (JPI)</b>	<b>100%</b>
Operator of overburden crusher and conveyor	
<b>Adaro Jasabara Indonesia (AJI)</b>	<b>100%</b>
Mining services	
<b>Adaro Mining Technologies (AMT)</b>	<b>100%</b>
Coal research & development	

### COAL TRADING

<b>Coaltrade Services International Pte. Ltd (CTI)</b>	<b>90%</b>
Coal Trader	



## ADAROLOGISTICS

<b>Maritim Barito Perkasa (MBP)</b>	<b>100%</b>
Barging & Shipping	
<b>Sarana Daya Mandiri (SDM)</b>	<b>51.2%</b>
Dredging & maintenance in Barito River mouth	
<b>Indonesia Multi Purpose Terminal (IMPT)</b>	<b>100%</b>
Port management & terminal operator	
<b>Indonesia Bulk Terminal (IBT)</b>	<b>100%</b>
Coal terminal & fuel storage	
<b>Puradika Bongkar Muat Makmur (PBMM)</b>	<b>100%</b>
Cargo loading & unloading	
<b>Harapan Bahtera Internusa (HBI)</b>	<b>100%</b>
Shipping administration	
<b>Barito Galangan Nusantara (BGN)</b>	<b>100%</b>
Maintenance services	



## ADAROPOWER

<b>Makmur Sejahtera Wisesa (MSW)</b>	<b>100%</b>
Operator of 2x30MW mine-mouth power plant in S. Kalimantan	
Operator of Solar PV at AI's mine site in S. Kalimantan	
<b>Tanjung Power Indonesia (TPI)</b>	<b>65%</b>
Partner in 2x100MW power plant project in S. Kalimantan	
<b>Bhimasena Power Indonesia (BPI)</b>	<b>34%</b>
Partner in 2x1000MW power generation project in Central Java	

*Note : Simplified Corporate Structure*





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MINING 

# Adaro Mining

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# Large coal reserves and diverse portfolio across Indonesia and Australia

1

Adaro Indonesia: 88.5% Existing, S Kalimantan sub-bituminous  
**Reserves: 774 Mt**  
Resources: 3.3 Bt

2

Balangan Coal Companies: S Kalimantan sub-bituminous  
**Reserves 120Mt**  
Resources 243 Mt

3

Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal  
**Reserves: 89.2 Mt**  
Resources: 864 Mt

4

MIP: 75% stake S Sumatra sub-bituminous  
**Reserves 214 Mt**  
Resources 307 Mt

5

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

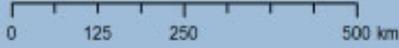
6

BEP: 10.22% stake with option to acquire 90% E Kalimantan sub-bituminous  
Resources 3.3 Bt

7

Kestrel Coal Mine 48% of 80% Queensland, Australia Premium HCC  
**Reserves: 170.5 Mt**  
Resources: 443.9Mt

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JAKARTA

BALIKPAPAN

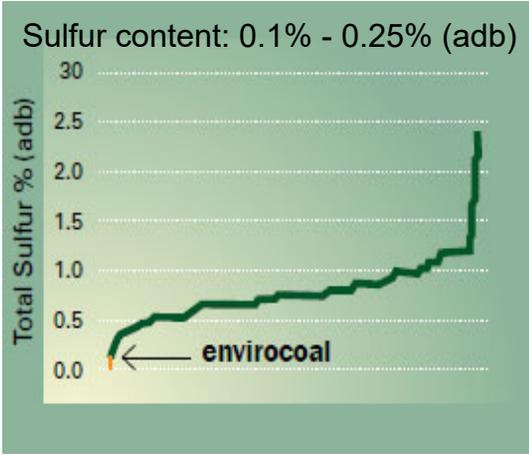
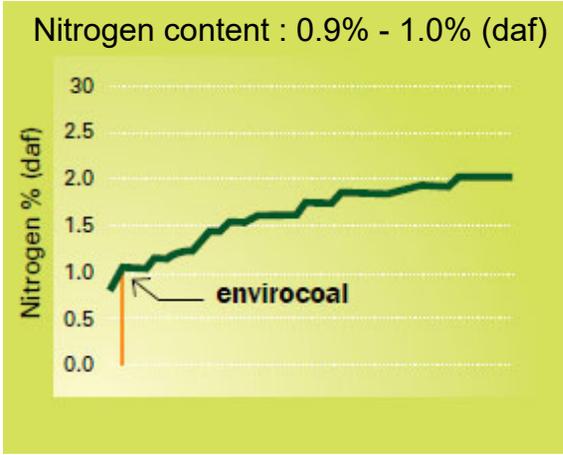
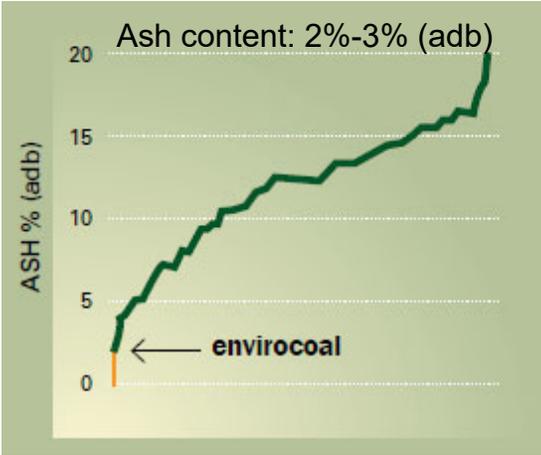
Adaro Energy has more than 8.4 billion tonnes (Bt) of coal resources and **1.3 Bt of coal reserves** across thermal and metallurgical coal – providing us with flexibility in the coal market.

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

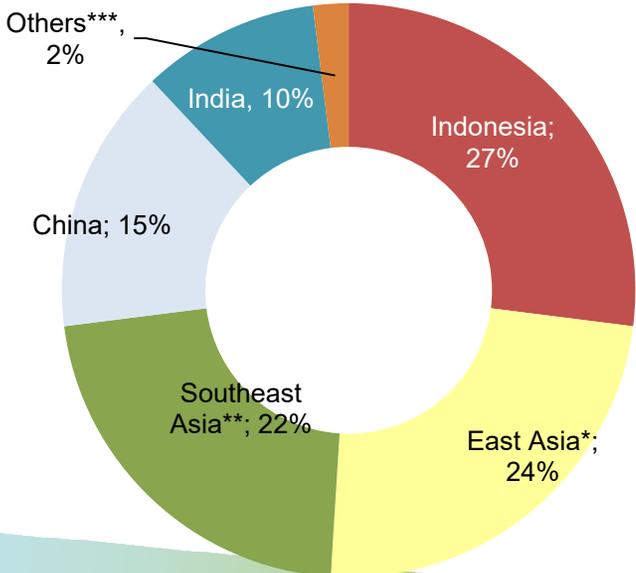
# Unique coal product and strong customer base with focus on emerging Asia



Envirocoal is among the lowest pollutant content coal in the seaborne market

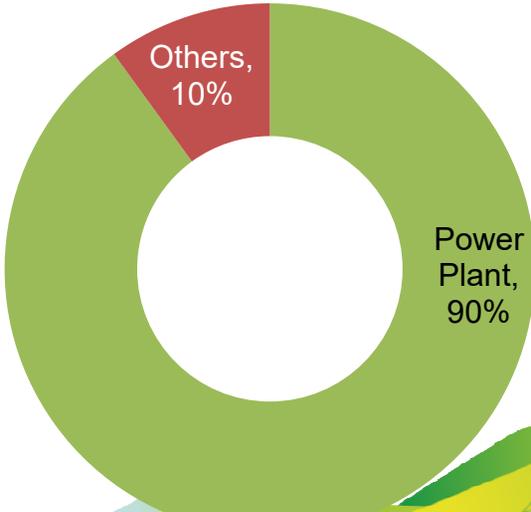


Customer geographical breakdown (1Q21)



\*Excluding China  
 \*\*Excluding Indonesia  
 \*\*\*Others: New Zealand

Customer type by volume (1Q21)



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



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# Adaro Services and Adaro Logistics

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# 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.
- Focus on providing services for companies in the Adaro Group.



		Units	1Q21	1Q20	1Q21 vs. 1Q20
<b>SIS</b>	Overburden Removal	Mbcm	36.15	42.42	-15%
	Coal Production	Mt	9.38	11.25	-17%
<b>MBP</b>	Coal barging	Mt	12	11.96	0%



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# Adaro Power & 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	99.5% (Avg. as of end of 1Q21)
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% (Avg. as of end of 1Q21)



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	95.3% as of end of 1Q21



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 Ips of WTPs, as well as supporting mining operations through its slurry management business unit



Dumai Tirta Persada	
Location	Dumai, Riau
Size	450 Ips
Adaro shares	49%
Status	First phase (50 Ips) completed and



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 Ips
Adaro shares	100%
Status	In operation since 2012



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



Adaro Tirta Mentaya	
Location	Sampit, Central Kalimantan
Size	320 Ips (contract) 400 Ips (capacity)
Adaro shares	90%
Status	In operation up to 250Ips & Construction (93% as of end of 9M20) (up to 150Ips)

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.



# Sustainability and Green Initiatives

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# 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.
- Adaro Energy is rated BB on MSCI ESG ratings.



# Ecosystem Restoration and Carbon Capture



- Through Adaro Land Pillar, we have subsidiaries which own forest management permits for ecosystem restoration and forest management permits for carbon absorption.
- PT Alam Sukses Lestari holds license to use timber product – ecosystem restoration in natural forest which allows restoration of forest ecosystem to achieve balanced biodiversity.
- PT Hutan Amanah Lestari holds license for utilization of carbon absorption and is one of the largest holders of such license in Indonesia. We expect that once operational, carbon trading will be the main business of this company.



# Awards and Recognitions

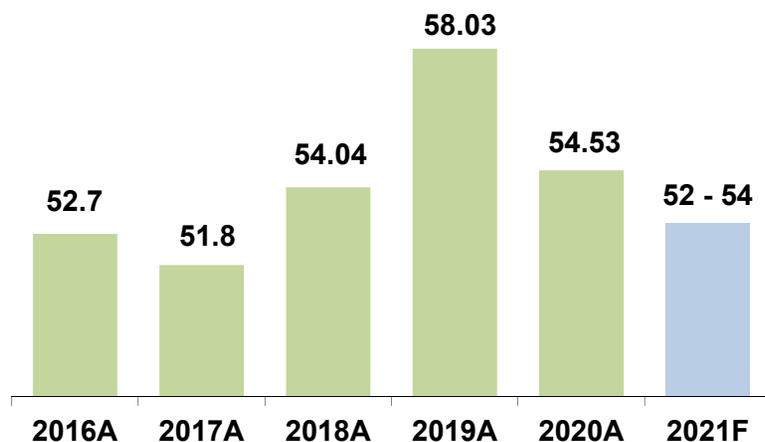


2011	2012	2013	2014	2015
<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Indonesia CSR award, two platinum</b> <i>For free cataract eradication &amp; clean water programs</i> Ministry of Social Affairs</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Social empowerment award</b> <i>Won nine awards honoring companies that run CSR programs</i> Ministry of Human Dev</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environmental excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Global CSR bronze award</b> <i>For sustainable clean water program</i> Pinnacle Group Global CSR</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environmental excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Bronze sustainability award</b> <i>For sustainable investment</i> RobecoSAM</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Cultural based community empowerment award</b> <i>Awards in several categories</i> Corporate Forum for Community Development &amp; Ministry of Human Dev</p> <p><b>Bakti Husada award</b> <i>For community health development</i> Ministry of Health</p>
2016	2017	2018	2019	2020
<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Global CSR bronze award</b> <i>For community-led sanitation</i> Annual Global CSR &amp; Summit</p> <p><b>Padmamitra award</b> <i>For poverty alleviation</i> Ministry of Social Affairs</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Best of environmental management &amp; safety award</b> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Best of coal mining service business management &amp; safety award</b> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>Global CSR award, one gold and two silver</b> <i>For early childhood education program, CSR Leadership and environmental excellence in leader program.</i> Annual Global CSR &amp; Summit</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>MSCI ESG Ratings upgraded to BB</b> MSCI</p> <p><b>Charity and Community Impact</b> <b>Coaltrans Asia</b></p> <p><b>Best Implementation of Good Mining Practices</b> MoEMR</p>

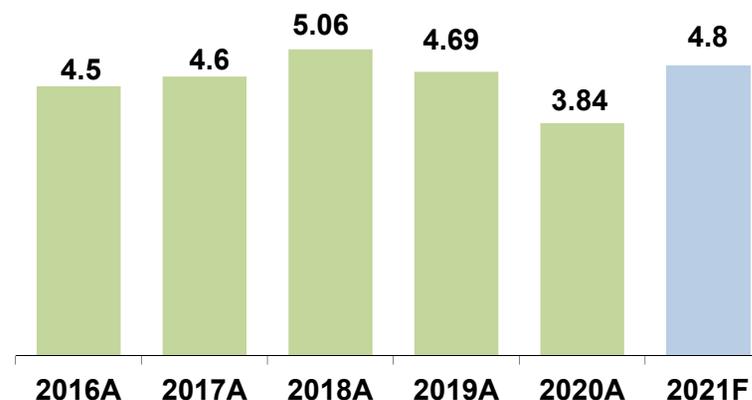
# Adaro Energy 2021 Guidance



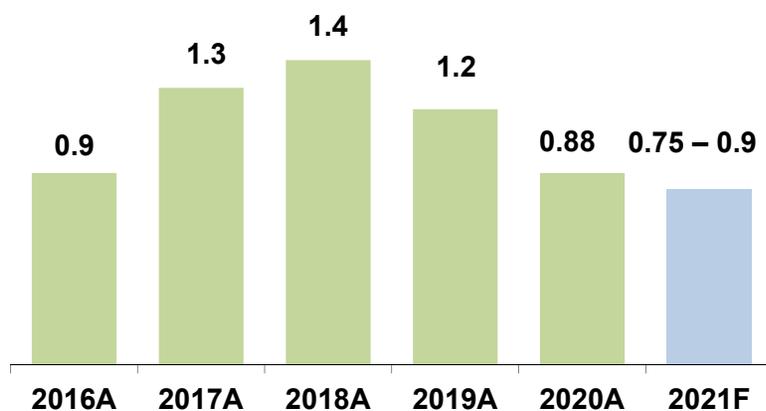
### Coal production (Mt)



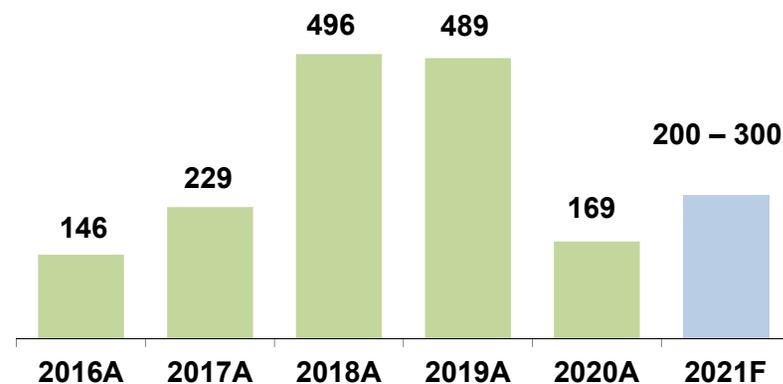
### Consolidated planned strip ratio (bcm/t)



### Operational EBITDA (US\$ billions)



### Capital expenditure (US\$ millions)



# Conclusions and takeaways



- Despite alternative energy push, coal will remain as an important part of the global energy mix, especially in Asia where coal continues to dominate the energy mix of most countries in years to come due to its availability and affordability.
- Advanced technologies used in new coal fired power plants enable the use of coal with lower heat value and prefer the use of coal with low pollutant content, which will benefit Indonesian coal producers.
- Long term fundamentals for coal remains promising.
  - ✓ Indonesia, Southeast Asia and South Asia will be the main demand drivers.
- Adaro's integrated business model has been proven to be resilient during difficult market condition as it enables us to better control our costs and risks.
- 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.
- Adaro pays regular dividend with average payout ratio of ~46% since IPO in 2008. In total we have paid more than US\$1.7 billion in dividend.

# Thank You

