



DELIVERING ENERGY TO BUILD THE NATION

September 2016

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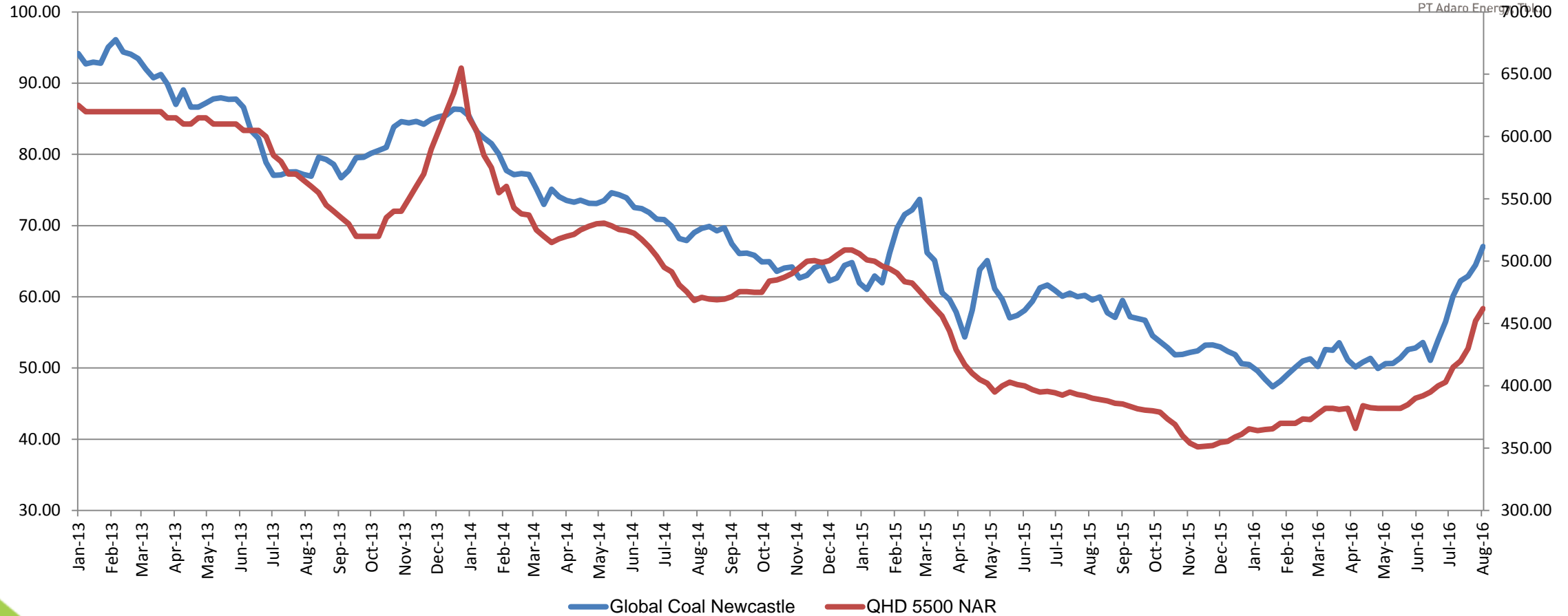


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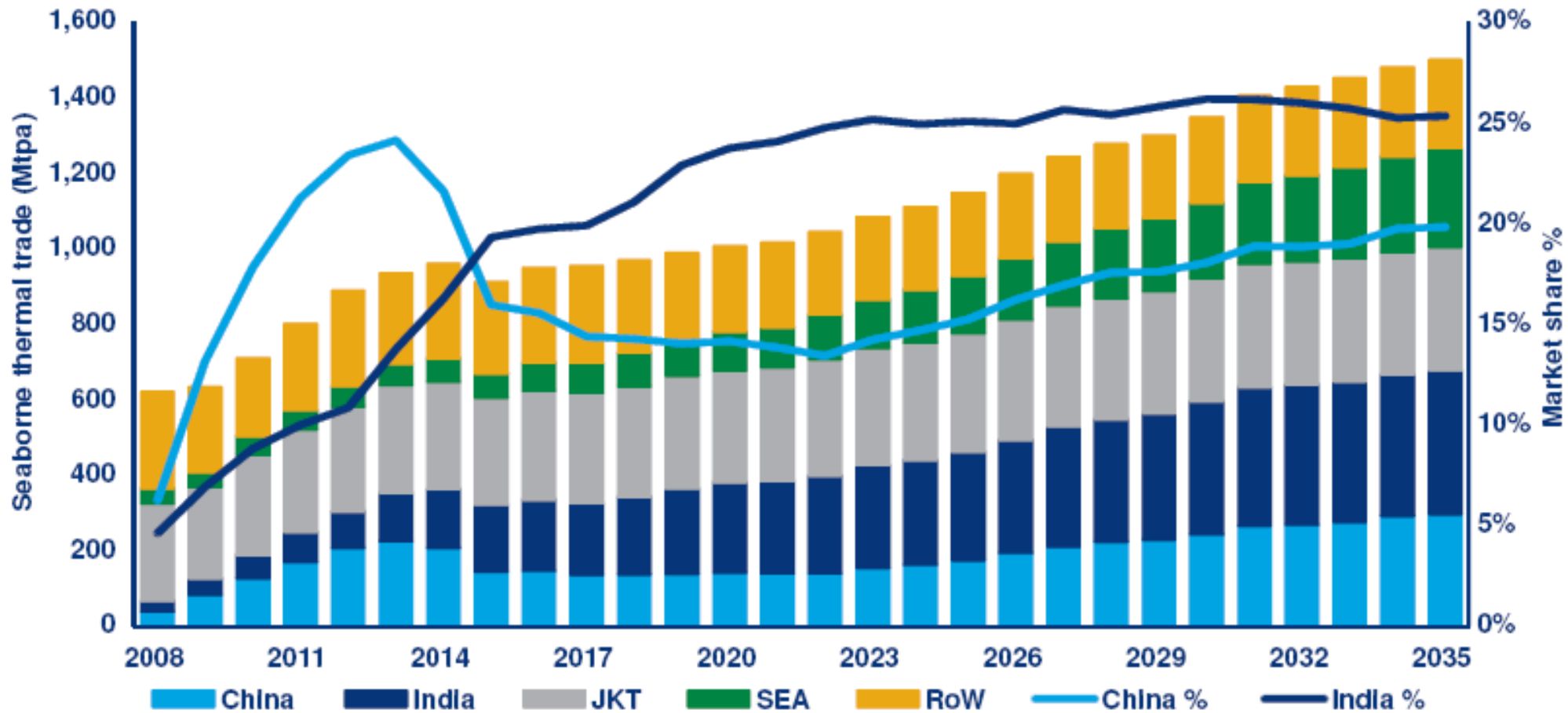
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China's Production Cut Has Supported Coal Price



- Seaborne thermal coal prices are now being driven more by Chinese domestic market price than by traditional buyers, such as the Japanese Power Utilities.
- Following China's government efforts to reform supply, the Chinese market has experienced supply tightness which has encouraged more imports.

Outlook for Long-Term Coal Demand Remains Robust

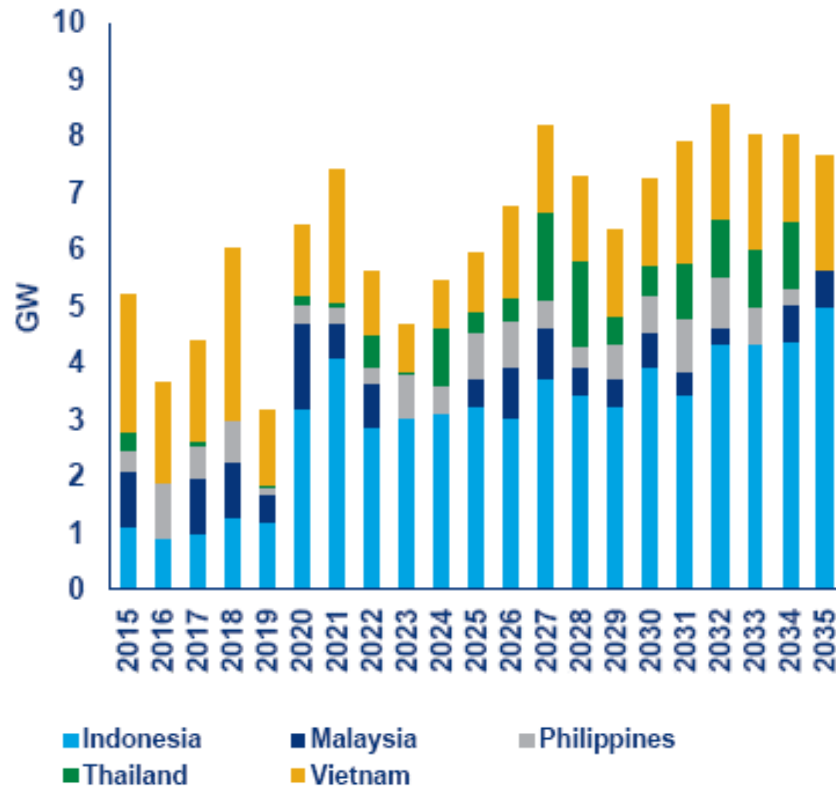


Source: WoodMackenzie

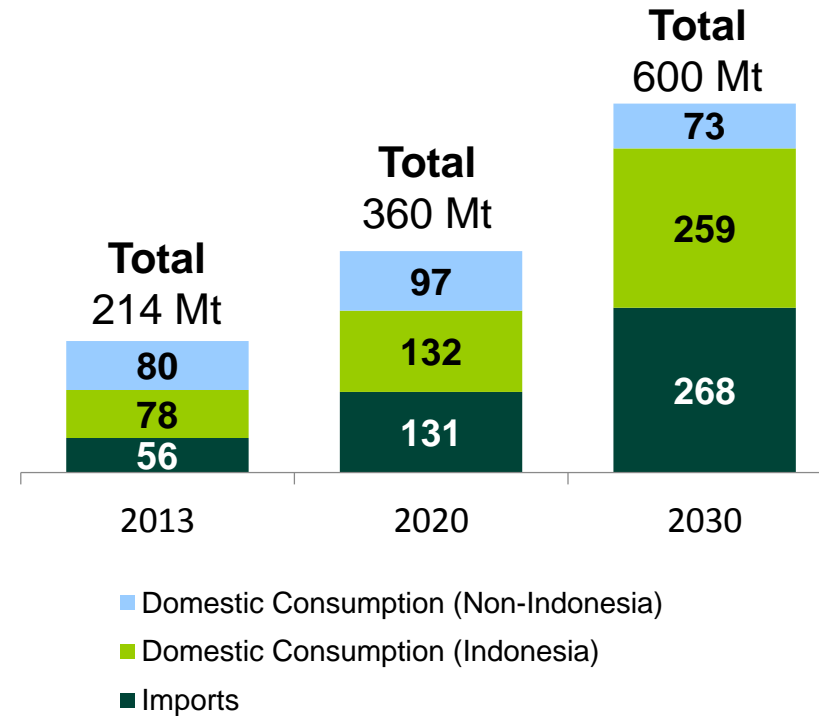
- Global thermal coal markets will continue to be driven by electrification in the developing world, where scalable and economic alternatives are limited.
- Increased potential from Southeast Asia, North Asia and India.

...Especially Demand from Southeast Asia

Coal capacity additions in Southeast Asia



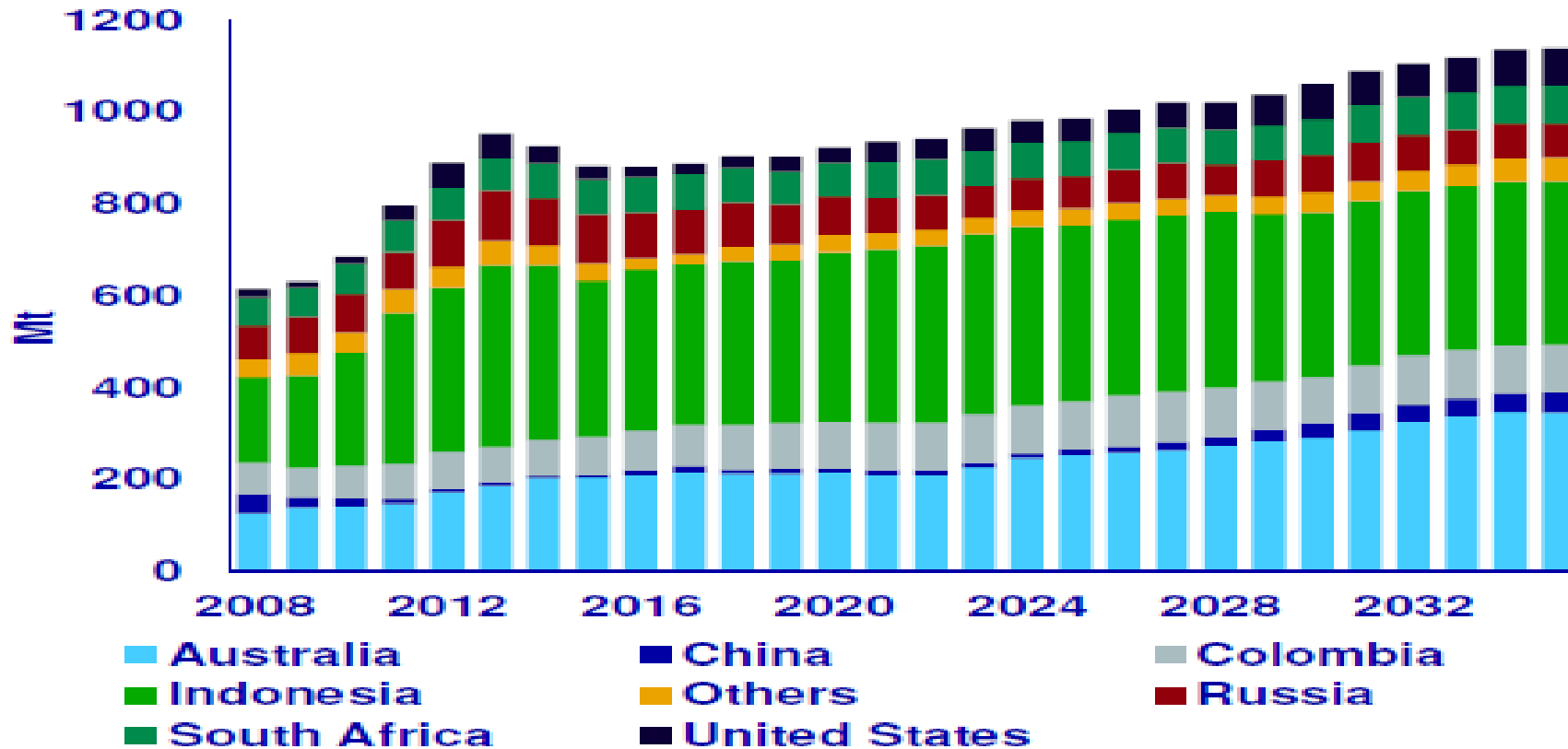
Southeast Asia coal demand



Source: WoodMackenzie Energy Market Service, IEA SEA Energy Outlook, Adaro Analysis

Where Will the Supply Come From?

Seaborne coal supply by country (Mt)

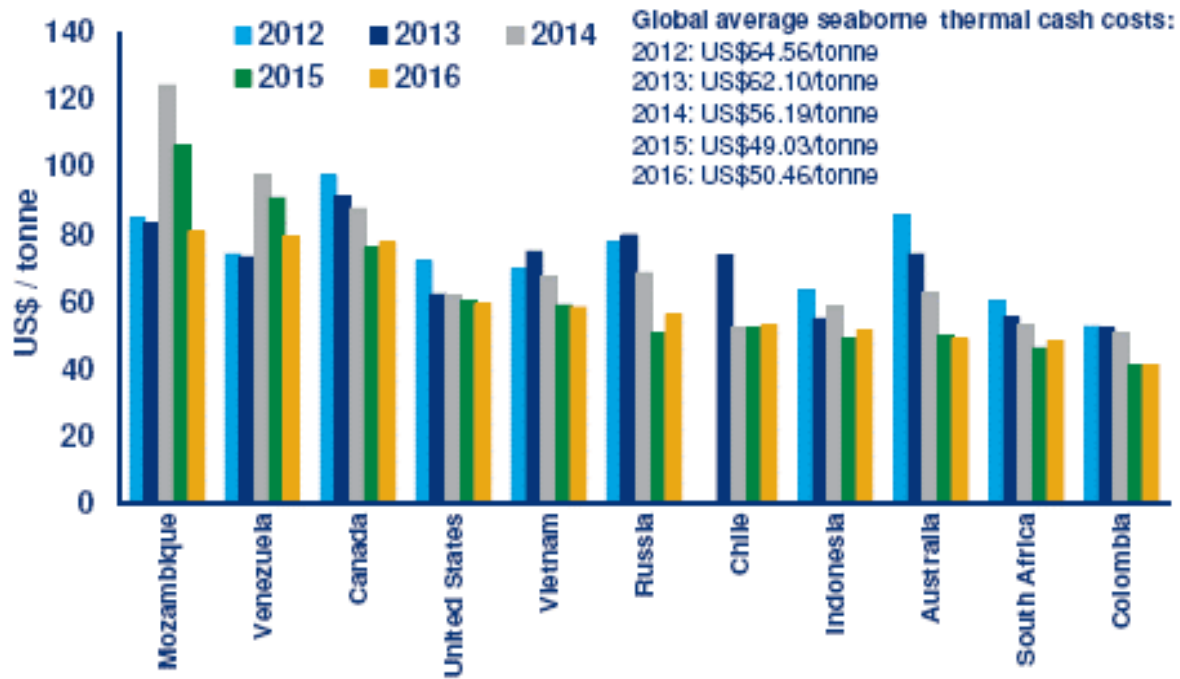


Source: WoodMackenzie

- Along with the improvement of Indonesia's domestic demand, its share in the seaborne market will fall.
- Higher coal price is required to encourage production from Australia.

As Margins Become Tighter, Miners Continue to Cut Their Cost...

Seaborne thermal coal cash cost (CV adjusted)



Source: Wood Mackenzie, Dataset: November 2015, "Nominal terms"

2015 Cost change (%)



Cost reductions are more apparent for countries with costs in local currencies. Thus several coal producers are still able to increase production.

With Significant Coal Projects in the Pipeline, Indonesia Has to Prioritize Domestic Demand



Source: *Supplying and Financing Coal-Fired Power Plants in the 35 GW Programme – a study by APBI (ICMA) and PwC, 2016*

- A survey on Indonesia's top 15 coal companies shows that Indonesia's reserves are limited and may not be enough to fulfill demand in the long-term.



Snapshot of Adaro Energy

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

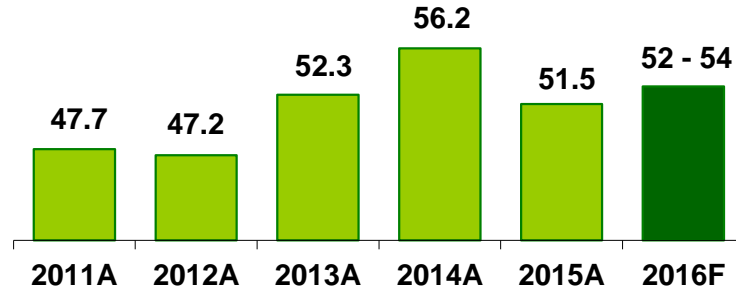
Production	<ul style="list-style-type: none">■ 2013A: 52.3 Mt■ 2014A: 56.2 Mt■ 2015A: 51.5 Mt
Envirocoal	<ul style="list-style-type: none">■ Sub-bituminous, medium calorific value, ultra-low pollutants■ Trademark registered in many jurisdictions
Customers	<ul style="list-style-type: none">■ More than 50 customers in 12 countries■ Blue-chip power generation utilities
Pricing	<ul style="list-style-type: none">■ Fixed price and about 1/3 index-linked■ Adjustment for heat content
JORC reserves / resources	<ul style="list-style-type: none">■ Reserves: 1.1 Bt as of YE2014■ Resources: 12.8 Bt (includes option to control 7.9 Bt) as of YE2013
Location	<ul style="list-style-type: none">■ South, East and Central Kalimantan, South Sumatra
Credit Rating	<ul style="list-style-type: none">■ BBB- (JCR)

Operational and Financial Highlights

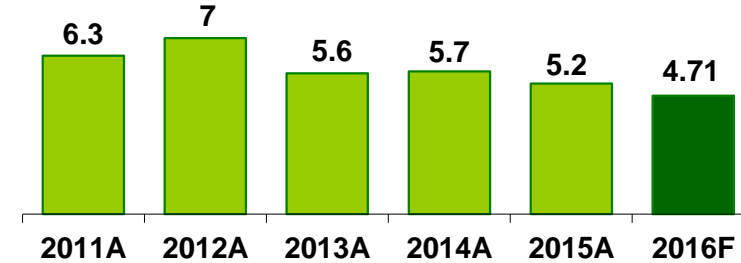
OPERATIONAL	1H 2016	1H 2015	% Change
Production (Mt)	25.86	25.88	0%
Sales (Mt)	27.13	26.59	2%
OB removal (Mbcm)	111.23	136.35	-18%
FINANCIAL (US\$ millions, unless indicated)	1H 2016	1H 2015	% Change
Net Revenue	1,176	1,399	-16%
Core Earnings	170	148	15%
Operational EBITDA	397	381	4%
Cash	828	688	20%
Net Debt to Equity (x)	0.20	0.31	-
Net Debt to LTM EBITDA (x)	0.94	1.37	-
Free Cash Flow	178	176	1%
Cash from Operations to Capex (x)	5.12	6.32	-

2016 Guidance Remains Unchanged

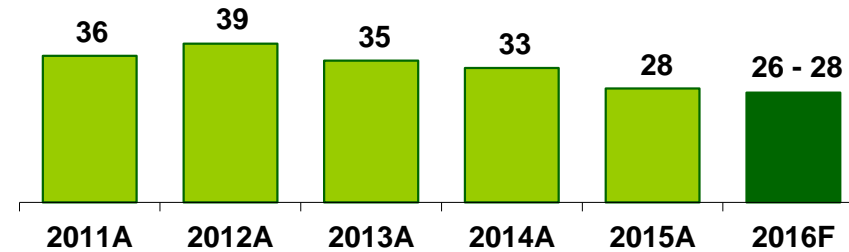
Coal Production (Mt)



Consolidated Planned Strip Ratio (bcm/t)



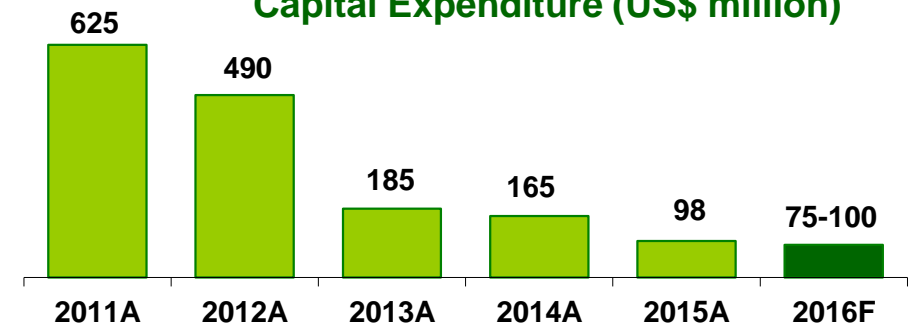
Coal Cash Cost (ex-royalty, US\$/t)



Operational EBITDA (US\$ billions)



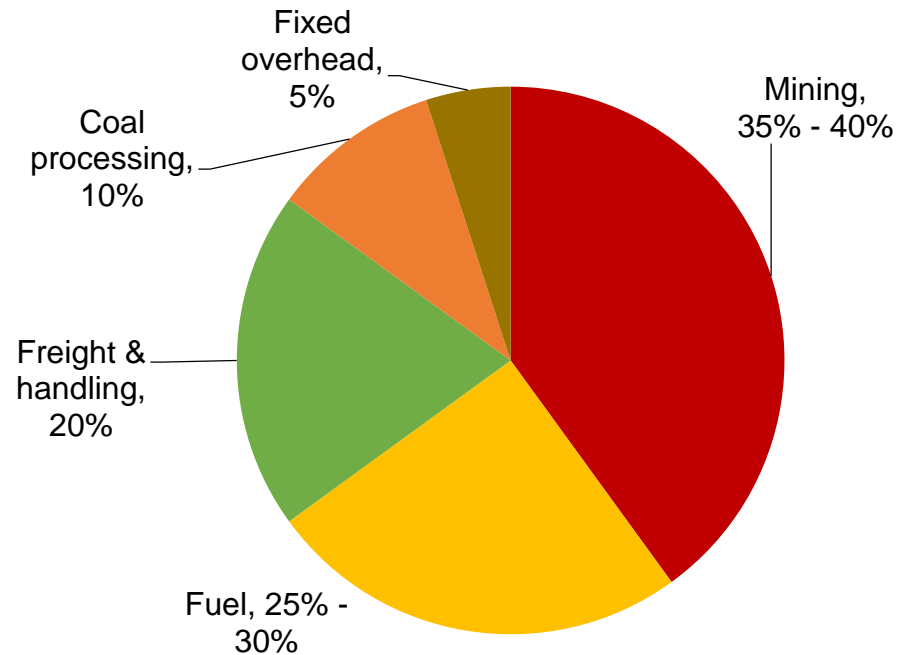
Capital Expenditure (US\$ million)



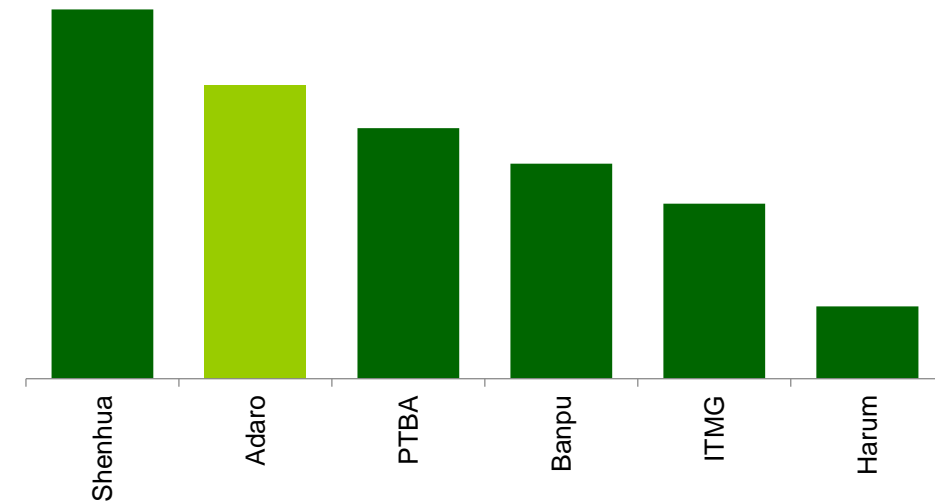
Cost Control: Key in Delivering Strong Performance



Adaro's Estimated Coal Cash Cost Breakdown (1H16)



Operational EBITDA Margin

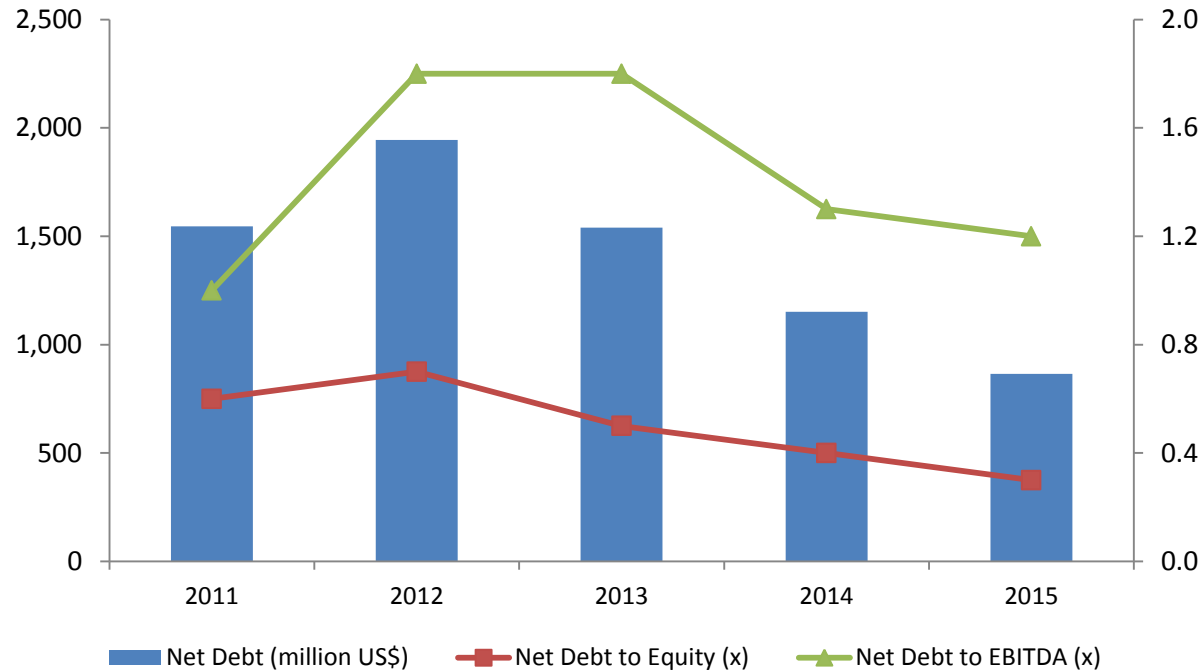


Source: Bloomberg, based on trailing 12M EBITDA

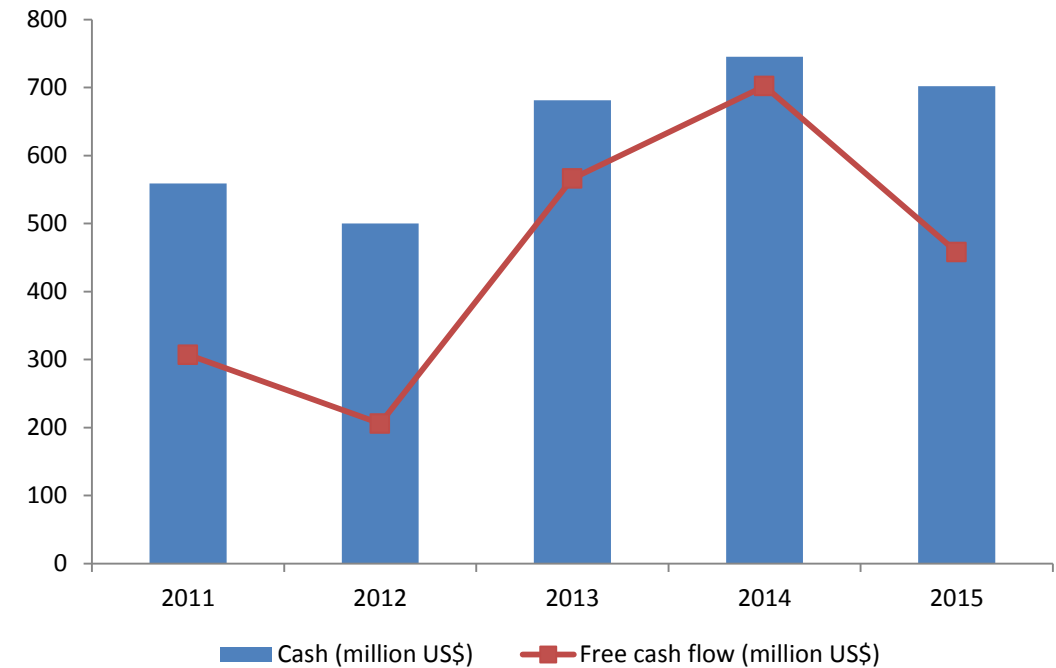
Adaro has one of the highest EBITDA margin among thermal coal peers

Solid Balance Sheet and Strong Cash Generation

Net Debt Position and Leverage Ratio



Cash and Free Cash Flow (million US\$)

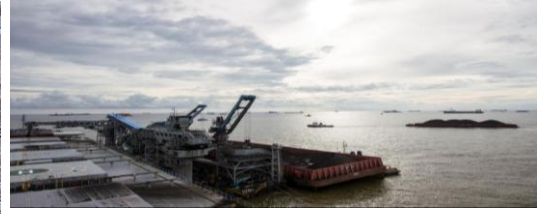


- Focus on deleveraging.
- Healthy balance sheet, strong capital structure and cash preservation.
- Investment grade rating (BBB-) from Japan Credit Rating Agency with a STABLE outlook.

Creating Sustainable Value

Three engines of growth integrating pit-to-power

Adaro Energy (AE)



*Simplified Corporate Structure

Adaro Coal Mining



Deepening Coal Product Portfolio Across Indonesia

Adaro has 12 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.1 Bt of coal reserves.

1
Adaro Indonesia: Existing, S Kalimantan sub-bituminous Resources 4.9Bt Reserves 900Mt

2
Balangan: S Kalimantan sub-bituminous Resources 172Mt

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

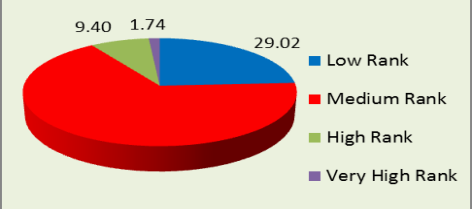
6
IMC: 100% C Kalimantan Metallurgical coal Resources 1.27Bt*

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

Indonesian Coal: Resources 160.65 Bt Reserves 28.02 Bt

Sumatra: Resources 75.03 Bt Reserves 13.22 Bt

Kalimantan: Resources: 85.25 Bt Reserves: 14.80 Bt

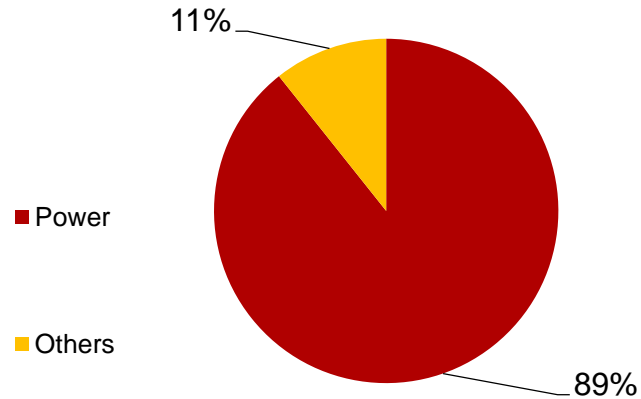


* Due to additional drilling and updated model, IMC increased resources to 1.27 Bt from 774 Mt. Source: BHP Billiton Annual Report 2013, page 76-77

Source: Ministry of Energy and Mineral Resources

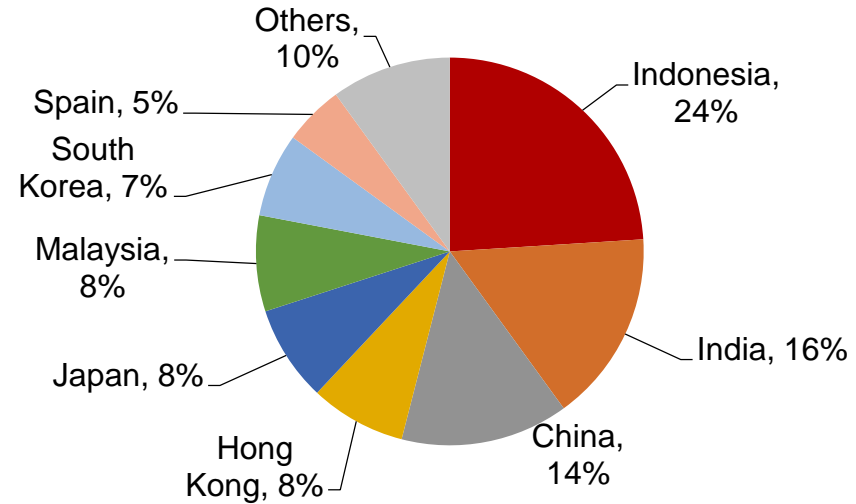
Diversified Customer Base

Customer type by % volume (1H16)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (1H16)



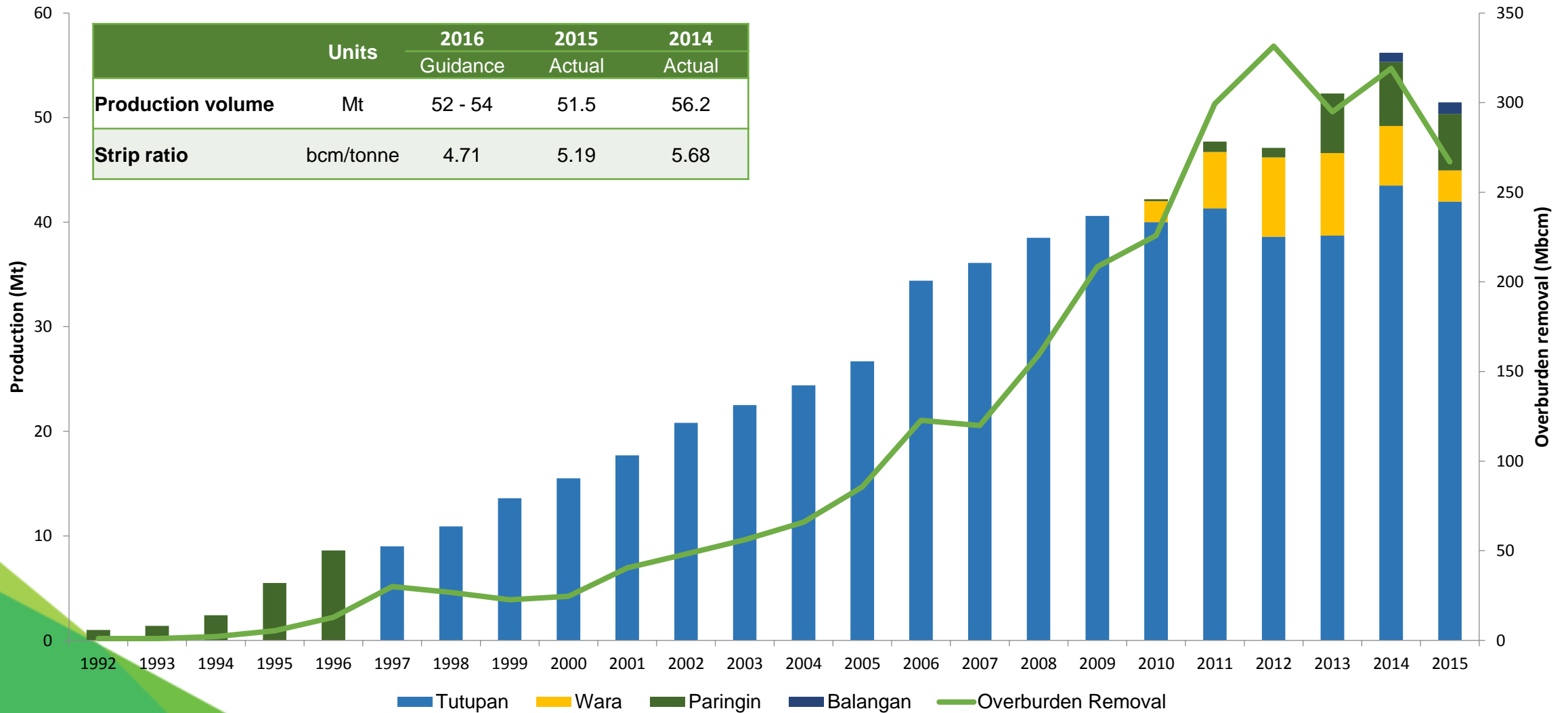
* Others include Thailand, Cambodia and Vietnam.

Most customers are sovereign backed power companies, and with over 50% have had a relationship of more than 10 years

- Average length of coal supply agreement is 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

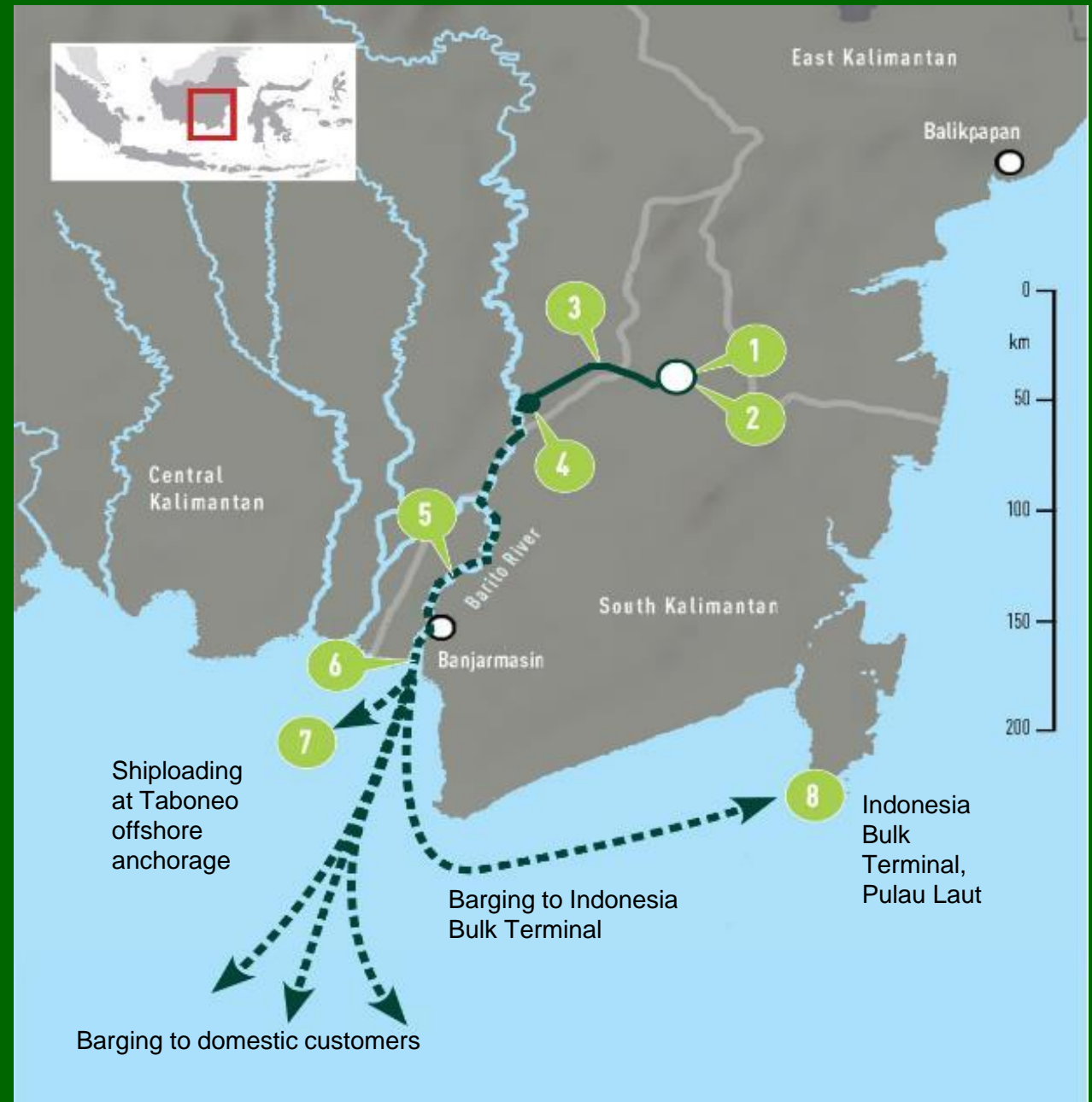
Strong Production Track Record



Our Reliable Coal Supply Chain

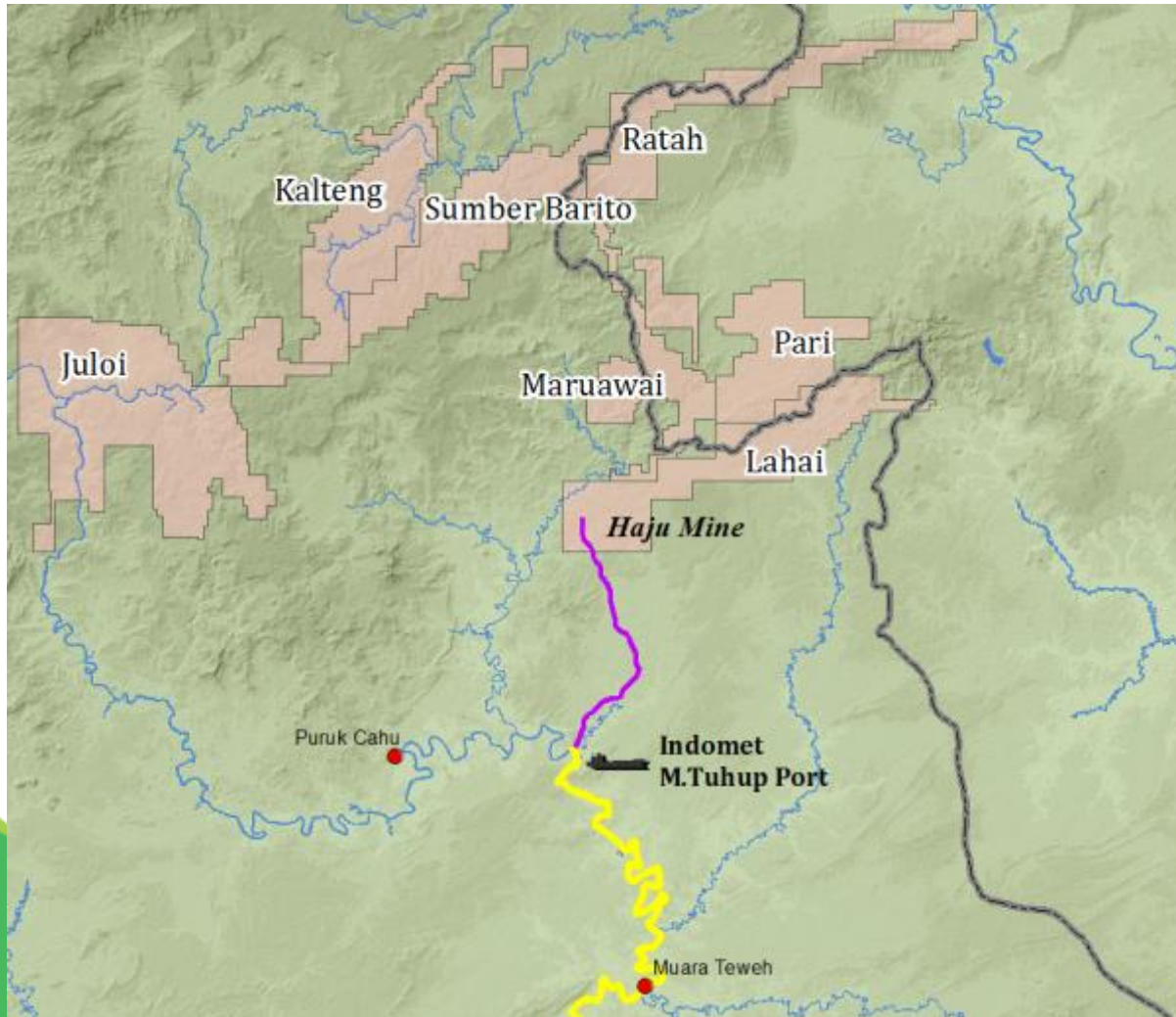
Most of Adaro's coal come from the deposits in South Kalimantan mined by AI. The physical mining and transporting of coal to customers is done by contractors appointed by AI. We tightly control this coal supply chain by using a subsidiary company at each stage as one of the dominant contractors.

- 1** AI mining area, with coal extracted from the Tutupan, Wara & Paringin pits
- 2** AI performs mining activities supported by its contractors (SIS, PAMA and BUMA).
- 3** Coal is trucked along haul road owned by AI to a port on the Barito River.
- 4** AI crushes the coal, stores it when necessary and loads it to barges at Kelanis river terminal
- 5** Coal is barged to the sea by our subsidiary MBP and third-party contractors.
- 6** At the river mouth, our subsidiary, SDM, dredges and maintains a shipping channel
- 7** Shiploading and sea barging by MBP
- 8** Coal terminal and fuel storage by IBT



Adaro Metallurgical Coal Asset

Indomet Coal Project (IMC) in Central and East Kalimantan



- On 6th June 2016, Adaro Energy entered into Share Sale Agreements with BHP companies with the purpose to purchase and assign all shares in 7 CCOW's in Central and East Kalimantan
- The transaction value was \$120 million for the 75% of the properties not previously owned by Adaro
- The CCOW's are reported to have metallurgical coal resources of 1.27 billion tonnes
- 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



Key to Operational Excellence

- Important part of our vertical integration.
- Ensures operational excellence, productivity improvement and timely reliable delivery to customers.
- We expect growing contribution from the non coal mining part of our business.
- Non coal mining contributed 42% of Adaro Energy EBITDA in 2015.
- We actively pursue third-party revenue growth from these businesses.



Highlights of Mining Services and Logistics



Name	Information
PT Saptaindra Sejati (SIS)	<ul style="list-style-type: none"> • One of Indonesia's leading mining contractors. • Owns more than 1,500 heavy equipment. • FY15 overburden removal volume: 151.5 Mbcm. • FY15 coal production volume: 29.5 Mt.
PT Maritim Barito Perkasa (MBP)	<ul style="list-style-type: none"> • Barging and ship-loading contractor. • 95 sets of tugs and barges with capacity of 514,200 dwt. • Offshore coal loading at Taboneo with capacity up to 165,000 tonnes per day via floating cranes (15,000-20,000tpd), FTU (60,000tpd) and self-loading geared vessels. • FY15 coal transport volume: 31.1 Mt. • FY15 coal loading volume: 35.8 Mt.
PT Sarana Daya Mandiri (SDM)	<ul style="list-style-type: none"> • SDM dredged the Barito river channel in 2008, increasing capacity to 200Mt per year. It now manages and maintains the channel. • Adaro owns 51.2% of SDM, with the local port authority and local government owning the remaining interest.
PT Indonesia Bulk Terminal (IBT)	<ul style="list-style-type: none"> • Onshore coal port and fuel facilities in Pulau Laut, South Kalimantan. • Signed strategic partnership with PT Pertamina (Persero) in infrastructure, transportation and fuel supply.

Adaro Power



MSW's 2x30 MW mine-mouth power plant in Tanjung, South Kalimantan

Building Our Future through Adaro Power



Indonesia's Additional Electricity Generation Capacity (MW)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Coal-fired	3,027	1,024	3,397	17,175	4,548	1,781	400	700	500	2,250	34,802
Others	1,113	3,463	9,041	4,223	1,325	1,184	2,416	3,698	7,918	11,357	45,738
Total	4,140	4,487	12,438	21,398	5,873	2,965	2,816	4,398	8,418	13,607	80,540

Source: RUPTL 2016 – 2025, PT PLN (Persero)

- Huge potential to tap into as in the next 10 years PLN plans to add **80.5 GW** of electricity generation in Indonesia.
- Commercially and financially attractive with solid IRR and low-cost long-term project financing.
- Creates a new captive market and helps meet our domestic market obligation.
- Helps to lessen volatility in Adaro's business model.
- Extending beyond coal to gas and renewables to replicate Indonesia's energy mix.
- Currently operating a 2x30 MW mine-mouth power plant in South Kalimantan.

Central Java Power Project

Reached Financial Close and has Started Construction



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

- Indonesia's first largest IPP to use Ultra Super-Critical (USC) boiler technology, which is environmentally friendly, highly efficient and able to burn low CV coal.
- Adaro to become main coal supplier to this project.
- Guaranteed by the Government of Indonesia through Indonesia Infrastructure Guarantee Fund.

Pipeline of Power Projects

Diversify and secure predictable long-term coal demand

	Tanjung Power Indonesia	East Kalimantan Power Project
Capacity	2x100 MW	2x300 MW
Stake Acquired	65%	49%
Partner(s)	Korea EWP (35%)	Shenhua Overseas
Location	South Kalimantan	East Kalimantan
Development Progress	<ul style="list-style-type: none"> • Signed PPA with PLN • Expected financial close in 2H16 • Expected coal requirement: 1 Mtpa 	<ul style="list-style-type: none"> • Signed MoU between Adaro Power, Shenhua Overseas and BEP • Will use low heat value coal • Pre-feasibility studies and other preparatory work in progress • Will use latest, most efficient and environmentally friendly technology
Financing	Non-recourse project debt financing. Combination of ECA and commercial loan	Planned non-recourse project debt financing
Expected Debt vs. Equity	75:25	N/A

THANK YOU

www.adaro.com