



PT ADARO ENERGY TBK

March 2019

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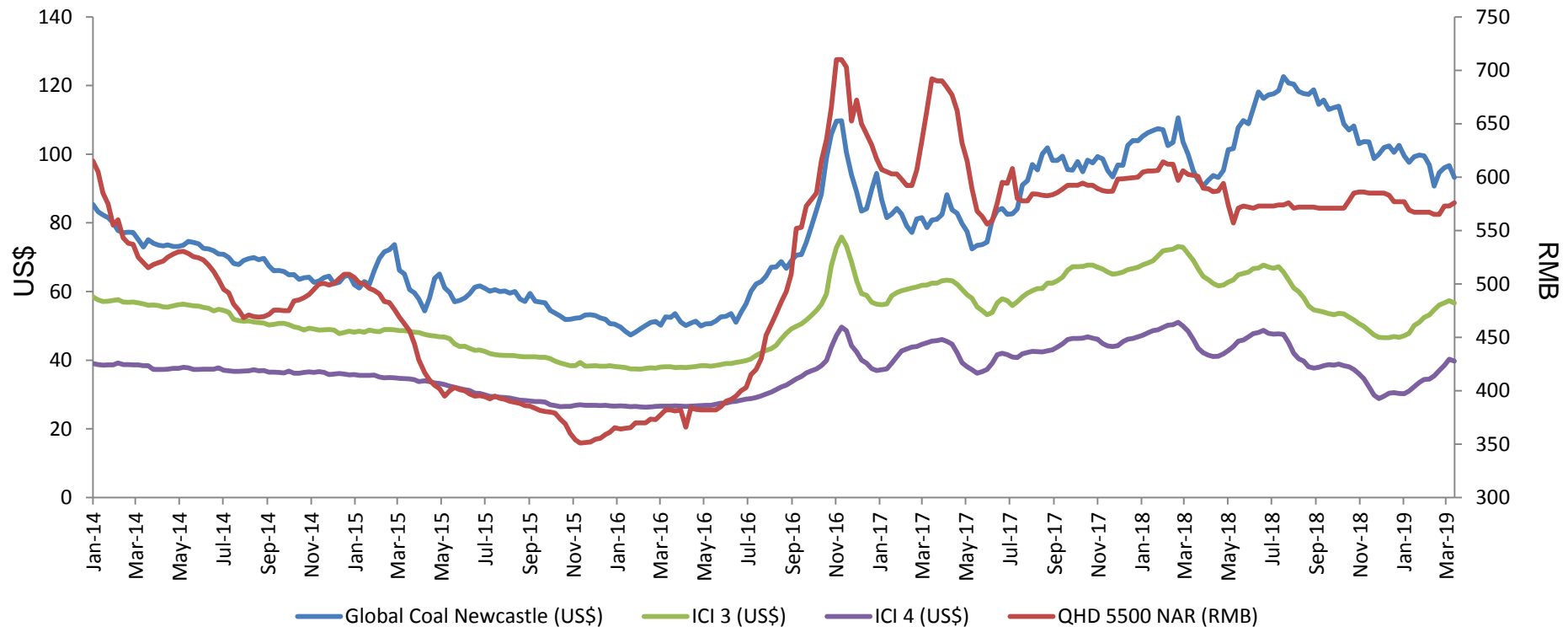
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Key questions:

- Recent trends in coal market and coal price?
- Adaro's FY18 performance?
- What is Adaro's long-term strategy?
- What is the update on Adaro's projects?
- What is Adaro's approach to ESG?

Price performance of different thermal coal types

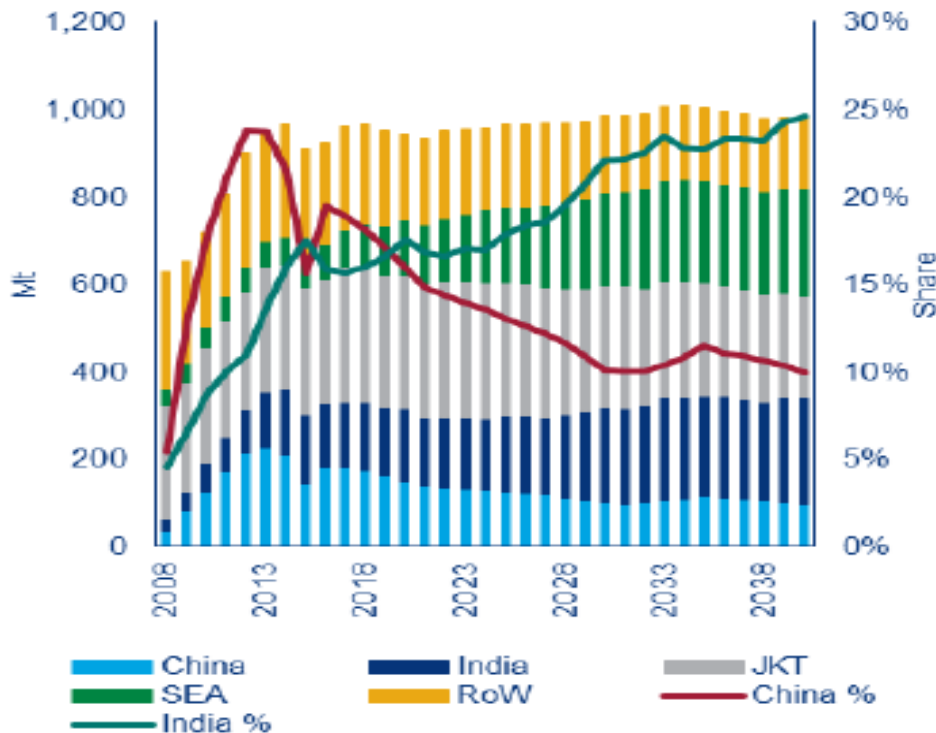


- As Indonesia enters into rainy season, disruption in mining, transportation and port operations has started to hit Indonesian coal producers and has supported prices for low to mid CV Indonesian coal.
- Market for GCN benchmark coal is relatively balanced as recovering supply from Australia will be able to meet the stronger demand.

Positive demand outlook for thermal coal



Seaborne thermal coal demand by region (Mt)



- As China's dominant role in the seaborne market gradually cedes, Southeast Asia and the Indian subcontinent will become the key drivers.
- Global seaborne thermal coal demand is estimated to modestly grow to reach 1.1 Bt by 2035.
- In the short term, increased market uncertainty is expected as a result of policy measures.

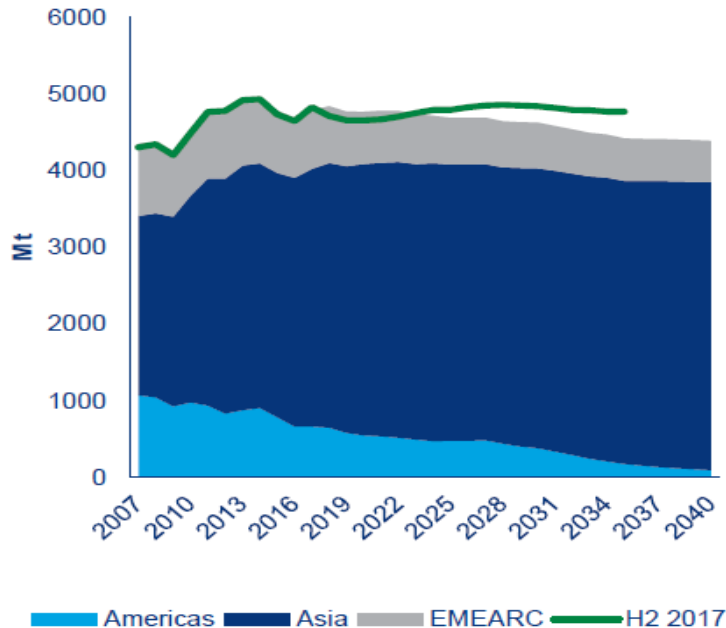
Note: JKT (Japan, Korea, Taiwan); SEA (Southeast Asia); RoW (rest of the world)

Source: Wood Mackenzie, Global thermal coal long-term outlook H1 2018: navigating through the energy transition

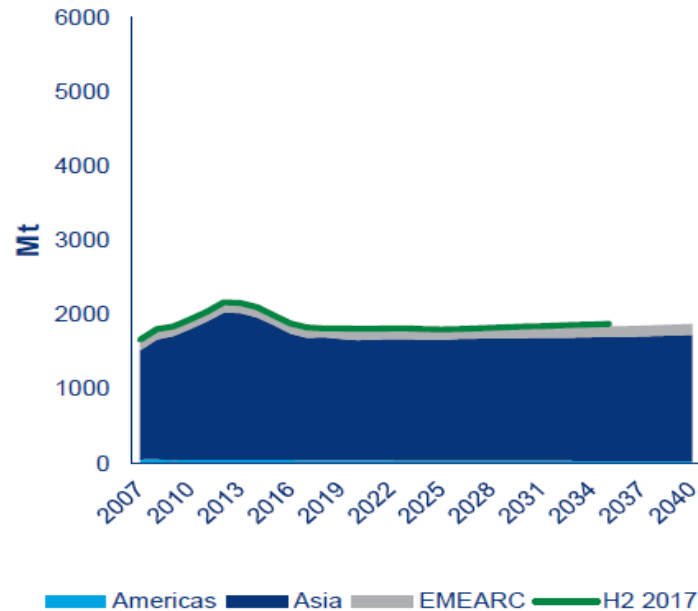


...from both power and non power

Global thermal coal demand for power (Mt)



Global thermal coal demand for non-power (Mt)



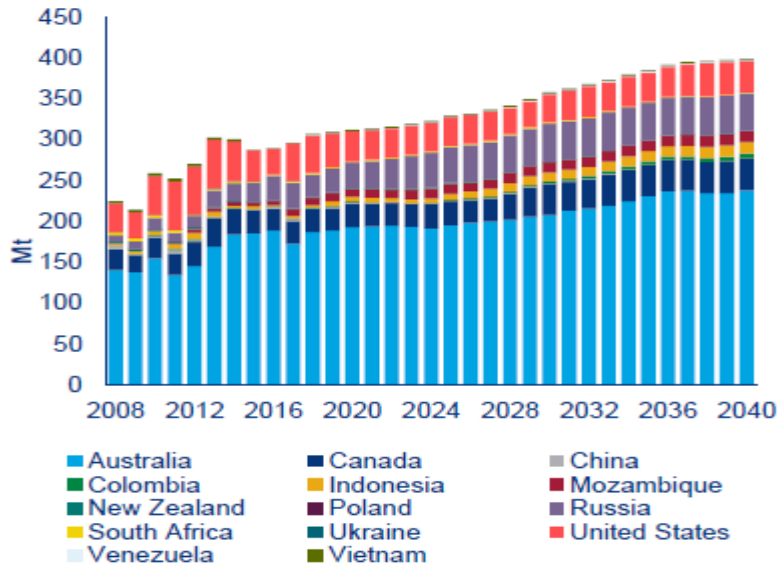
Source: Wood Mackenzie, Global thermal coal long-term outlook H1 2018: navigating through the energy transition

- Electrification in the developing world continues to drive coal demand.
- Approximately 300 GW of new coal plants are under construction in Asia today, and between 2018-2020 there will be ~13GW of coal fired capacity commissioning in Southeast Asia.
- Non-power demand is dominated by the demand for cement manufacturing and liquid fuel production.

Resilient outlook for metallurgical coal

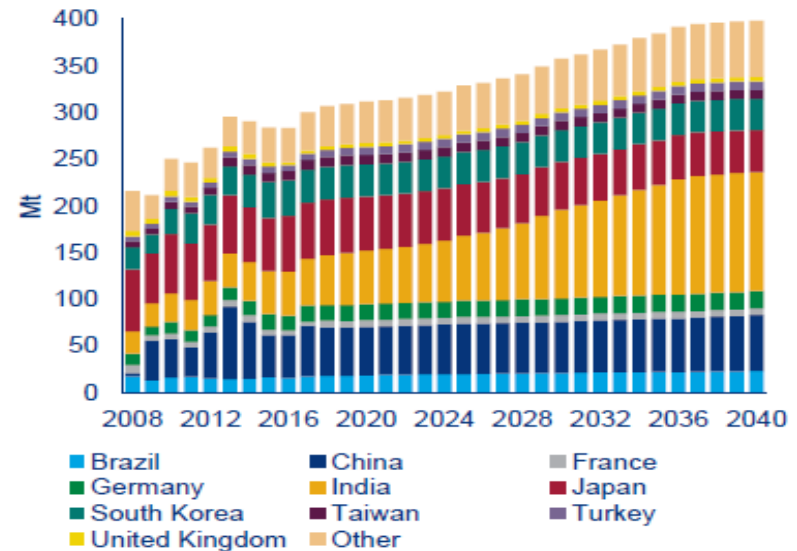


Supply: Seaborne traded metallurgical coal (Mt)



Source: Wood Mackenzie Coal Market Service

Demand: Global metallurgical coal imports (Mt)



Source: Wood Mackenzie Coal Market Service

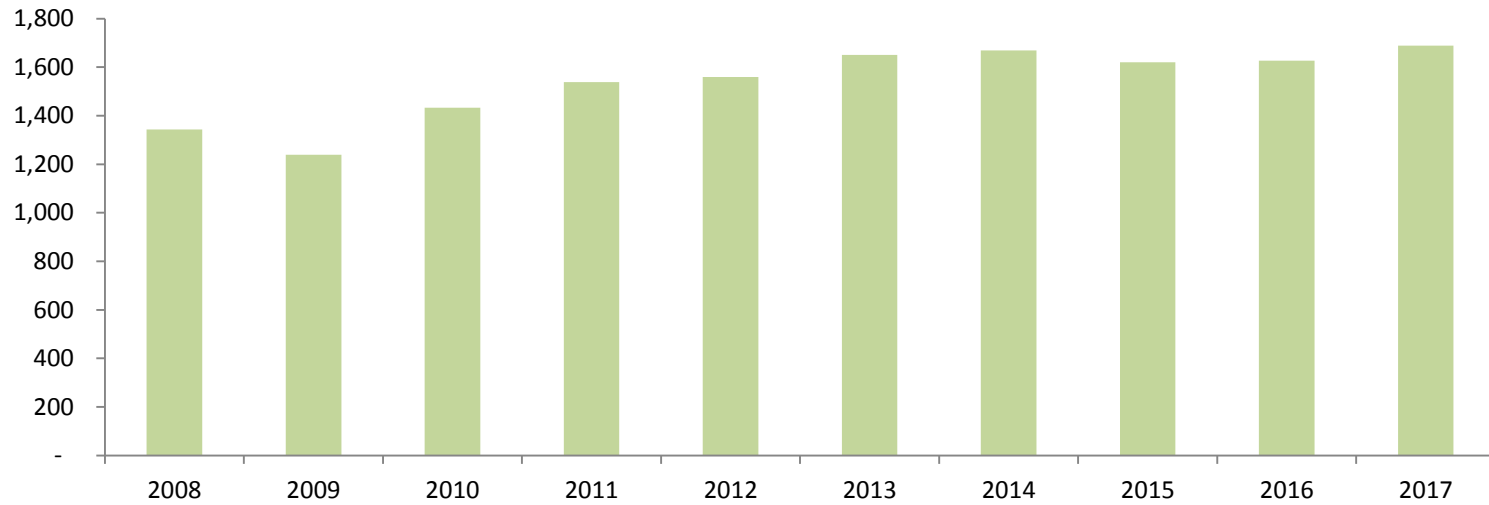
Source: Wood Mackenzie, *Global thermal coal long-term outlook H1 2018: navigating through the energy transition*

- As steel production and consumption continue to grow, so does the demand for metallurgical coal.
- It is expected that global seaborne demand for metallurgical coal will rise from 307 Mt in 2018 to 398 Mt in 2040.
- Australia dominates the supply of metallurgical coal, supplying more than 60% of seaborne requirement, while demand is dominated by China, India, Japan and South Korea.



...driven by firm steel demand

World crude steel production 2008-2017 (Mt)



Source: World Steel in Figures 2018, World Steel Association

- Steel production is expected to continue its modest growth due to improvement in global economic growth, developing economies' unceasing focus on building infrastructure and increasing urbanization.
- Metallurgical coal is a major non-substitutable component in steel-making, and it is expected that the demand for met coal will follow the modest growth in steel demand.



Performance of Adaro Energy

Solid operational and financial results

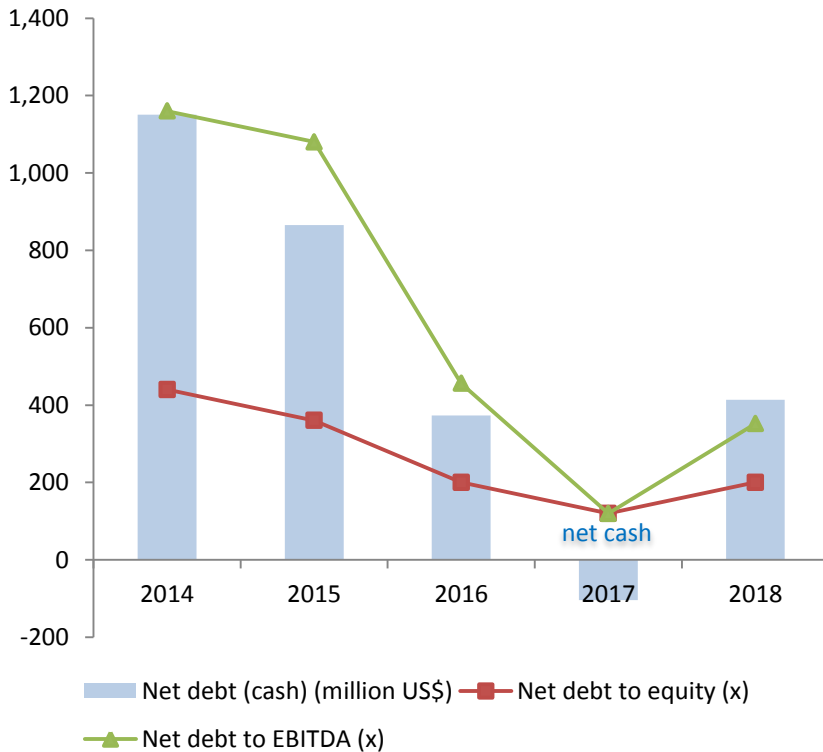


OPERATIONAL	2018	2017	% Change
Production (Mt)	54.04	51.79	4%
Sales (Mt)	54.39	51.82	5%
OB removal (Mbcm)	273.55	238.70	15%
FINANCIAL (US\$ millions, unless indicated)	2018	2017	% Change
Net Revenue	3,620	3,258	11%
Core Earnings	728	646	13%
Operational EBITDA	1,408	1,315	7%
Cash	928	1,207	-23%
Net Debt	414	Net cash	-
Capex	496	229	117%
Free Cash Flow	688	782	-12%
Operational EBITDA Margin	38.9%	40.4%	-2%
Net Debt to Equity (x)	0.10	Net cash	-
Net Debt to Last 12 months Operational EBITDA (x)	0.29	Net cash	-
Cash from Operations to Capex (x)	2.39	4.74	-50%

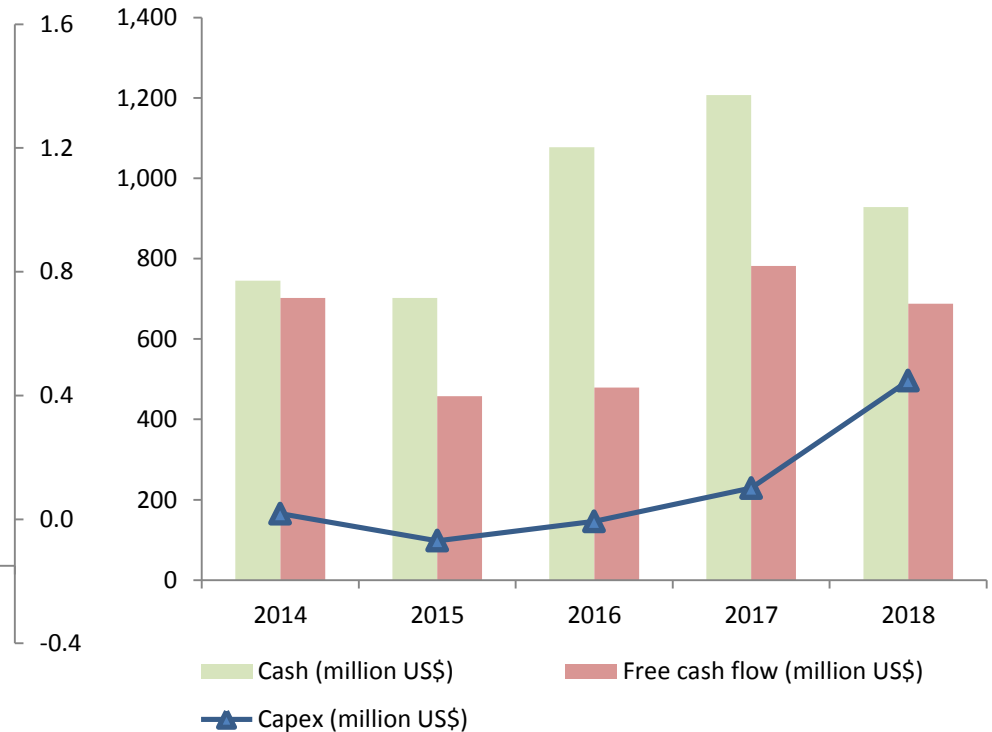
Solid balance sheet and strong cash generation



Reduced debt and improved financial position



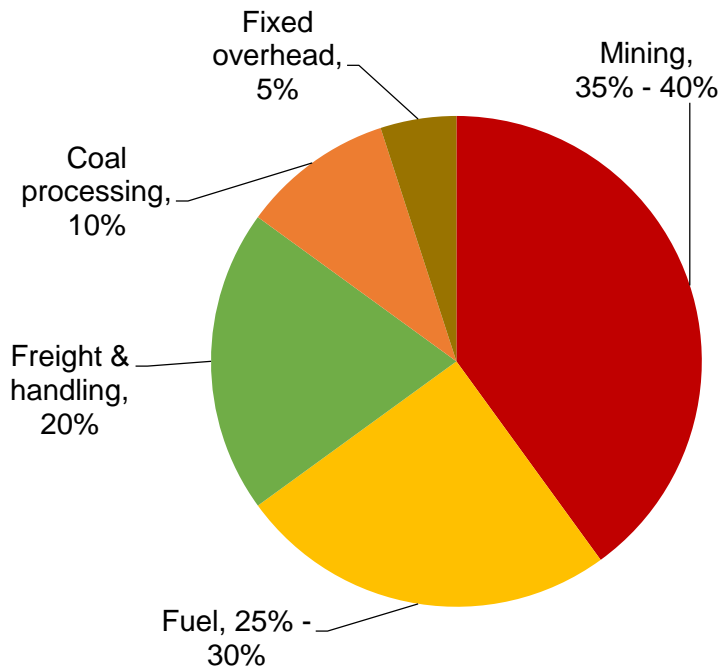
Strong cash balance and free cash flow generation



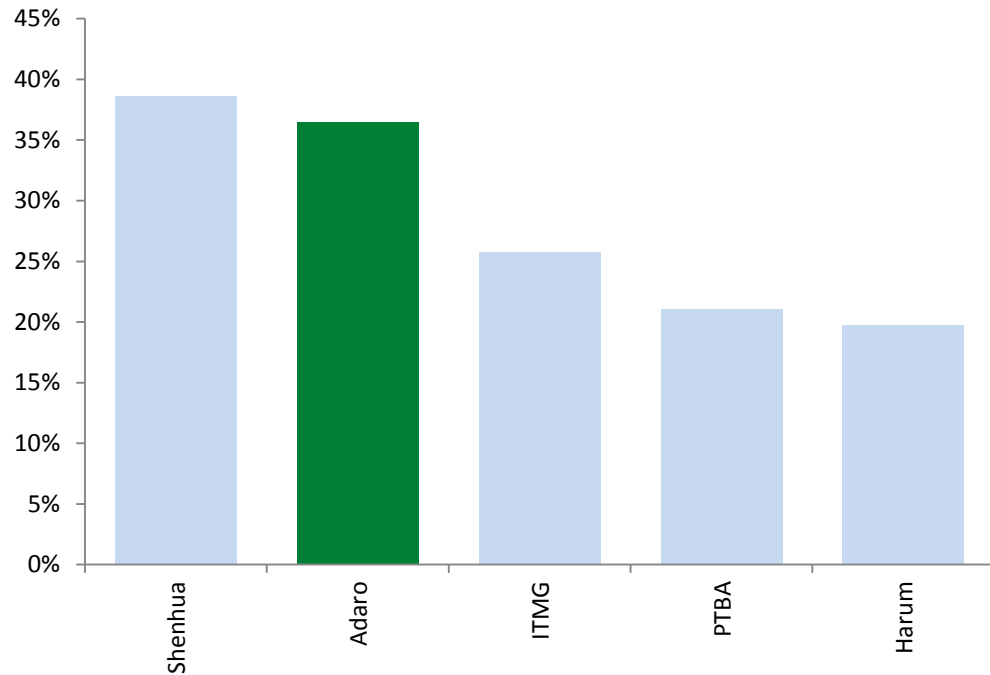
Cost control – key in delivering strong performance



Adaro's estimated coal cash cost breakdown (2018)



Operational EBITDA margin

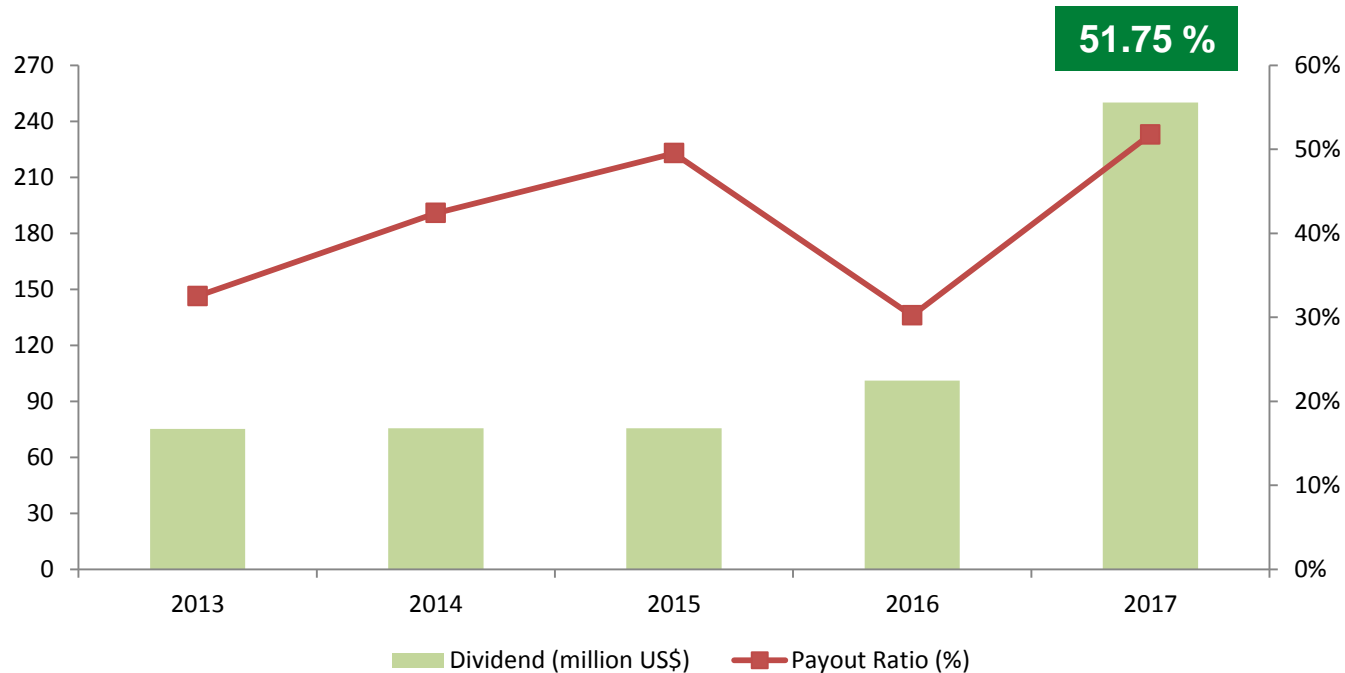


Source: Bloomberg, based on trailing 12M EBITDA

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



Delivering shareholder's return

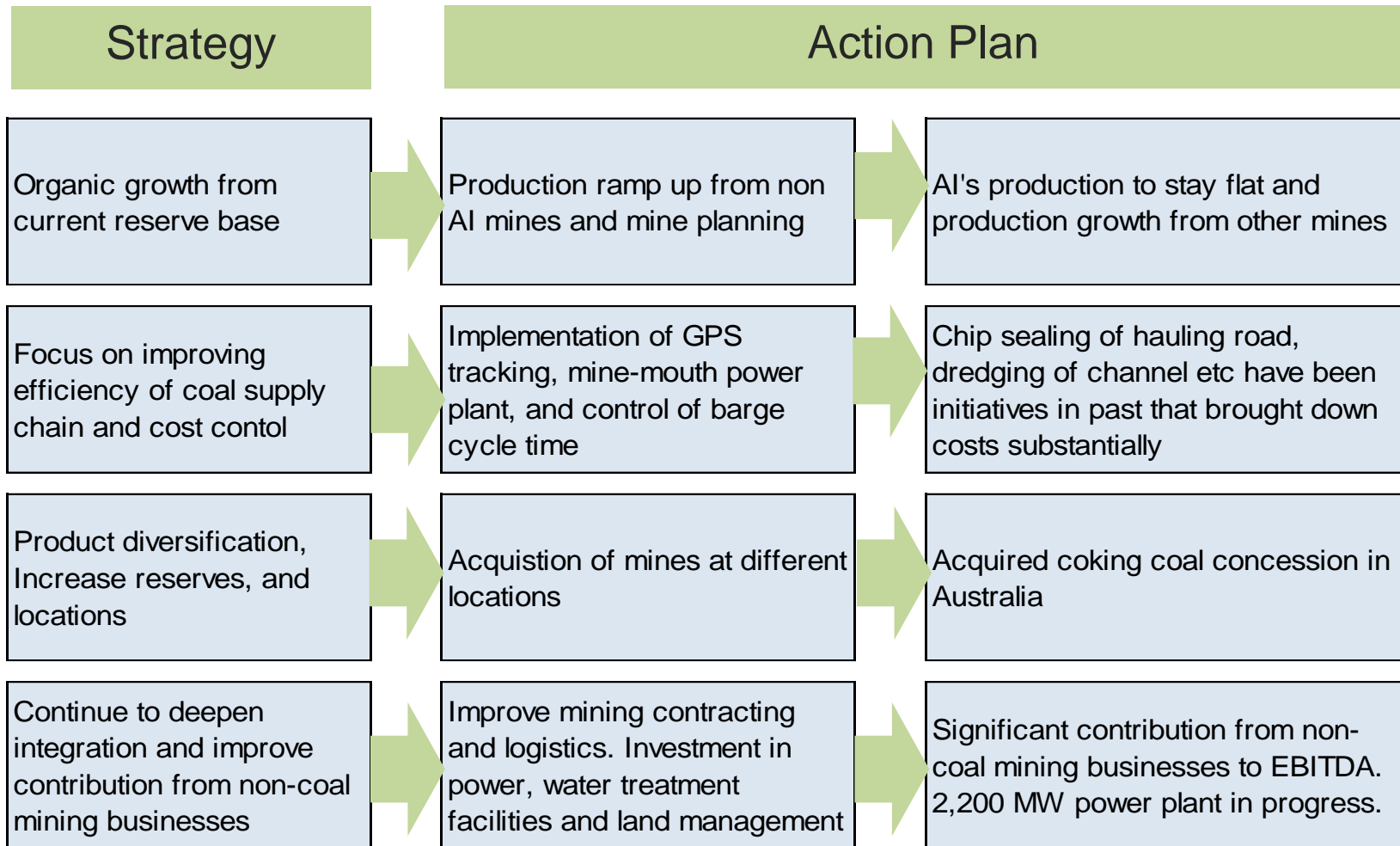


- We are committed to deliver return to our shareholders through consistent dividend payment.
- Dividend payout ratio since IPO in 2008 averages ~39% and in total we have paid US\$1.2 billion in dividend.
- On January 15, 2019 we are paying interim dividend of US\$75.2 million for 2018



Snapshot of Adaro Energy

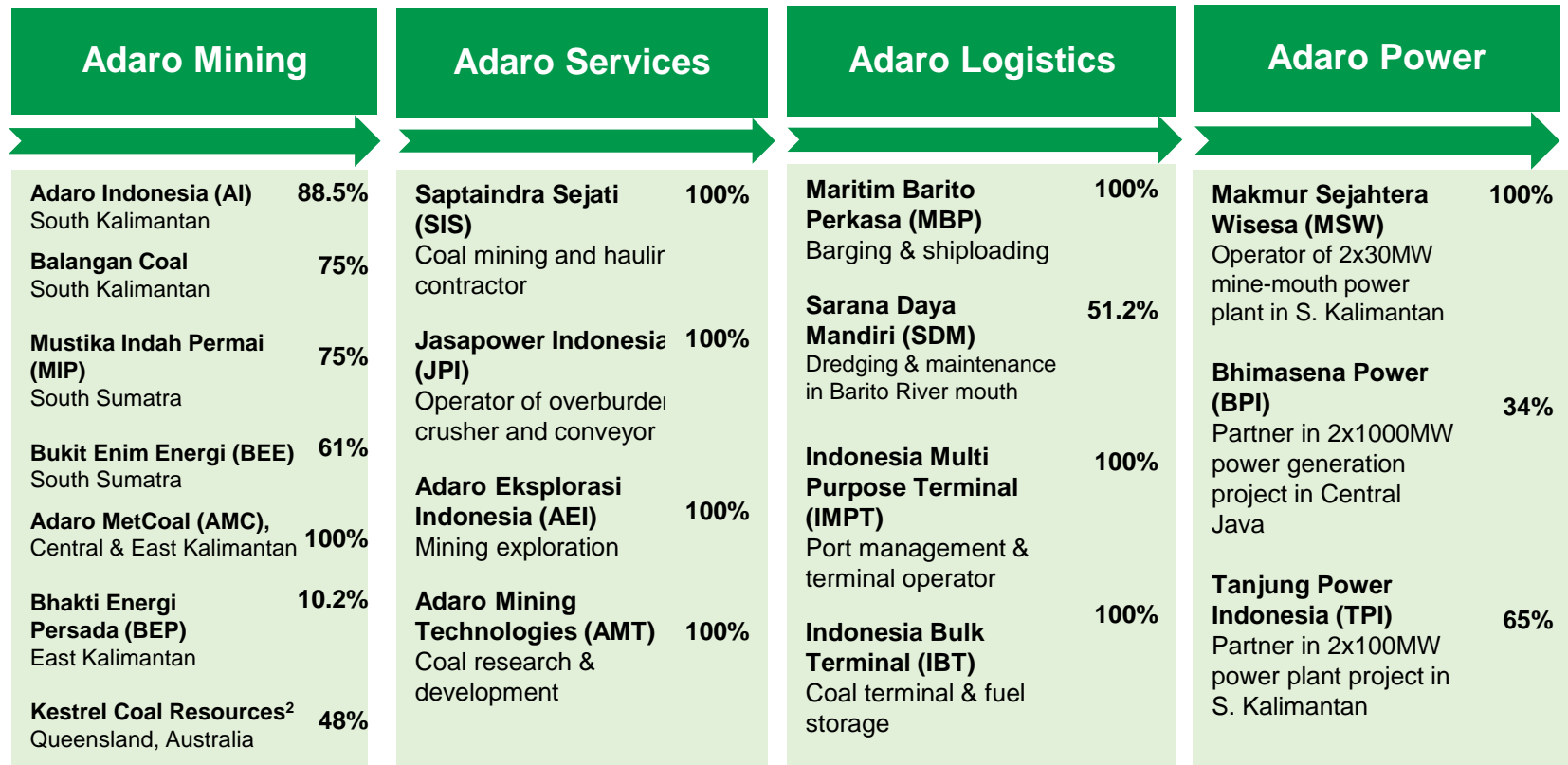
Creating maximum sustainable value



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



Performance in 2018

	Units	2018	2017	2018 vs 2017
Coal Production	Mt	54.04	51.79	4%
Sales Volume	Mt	54.39	51.82	5%
Overburden Removal	Mbcm	273.55	238.70	15%
Strip Ratio	x	5.06	4.61	9%

- We delivered on our operational guidance, posting a 4% y-o-y increase in coal production to 54.04 Mt, in line with 2018 guidance of 54 Mt – 56 Mt.
- We achieved a slightly higher annual strip ratio than our guidance of 4.9x as favorable weather in the third quarter supported more overburden removal activities.

Large coal reserves and diverse portfolio of coal products

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

Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal Resources 1.27Bt

4

MIP: 75% stake S Sumatra sub-bituminous Resources 288Mt Reserves 254 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 7.9Bt

7

Kestrel Coal Mine 48% of 80% Queensland, Australia Premium HCC Resources: 241Mt Reserves 140Mt



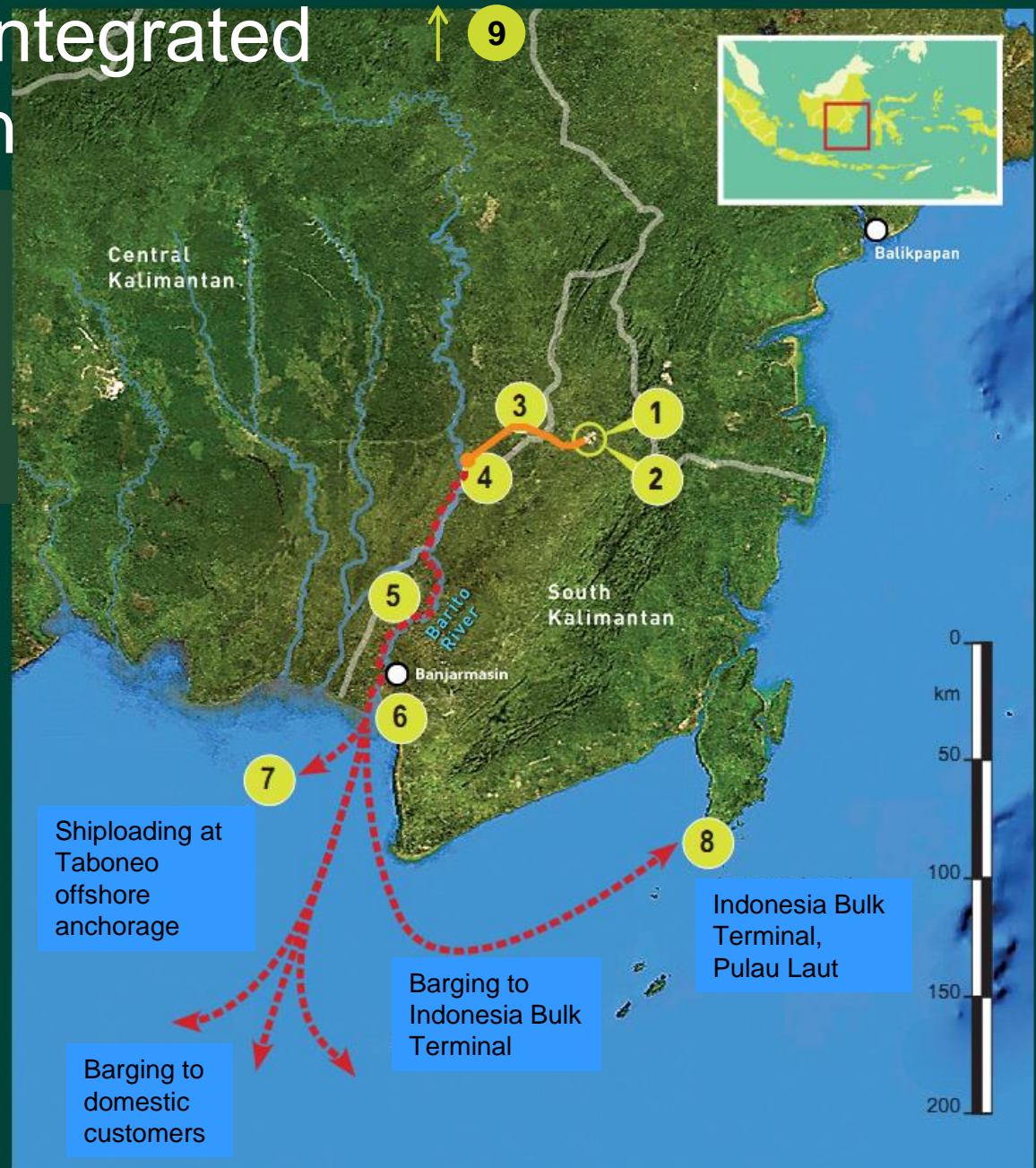
Adaro Energy has more than 13.6 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.2 Bt of coal reserves across thermal and metallurgical coal – providing us with flexibility in the coal market.

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

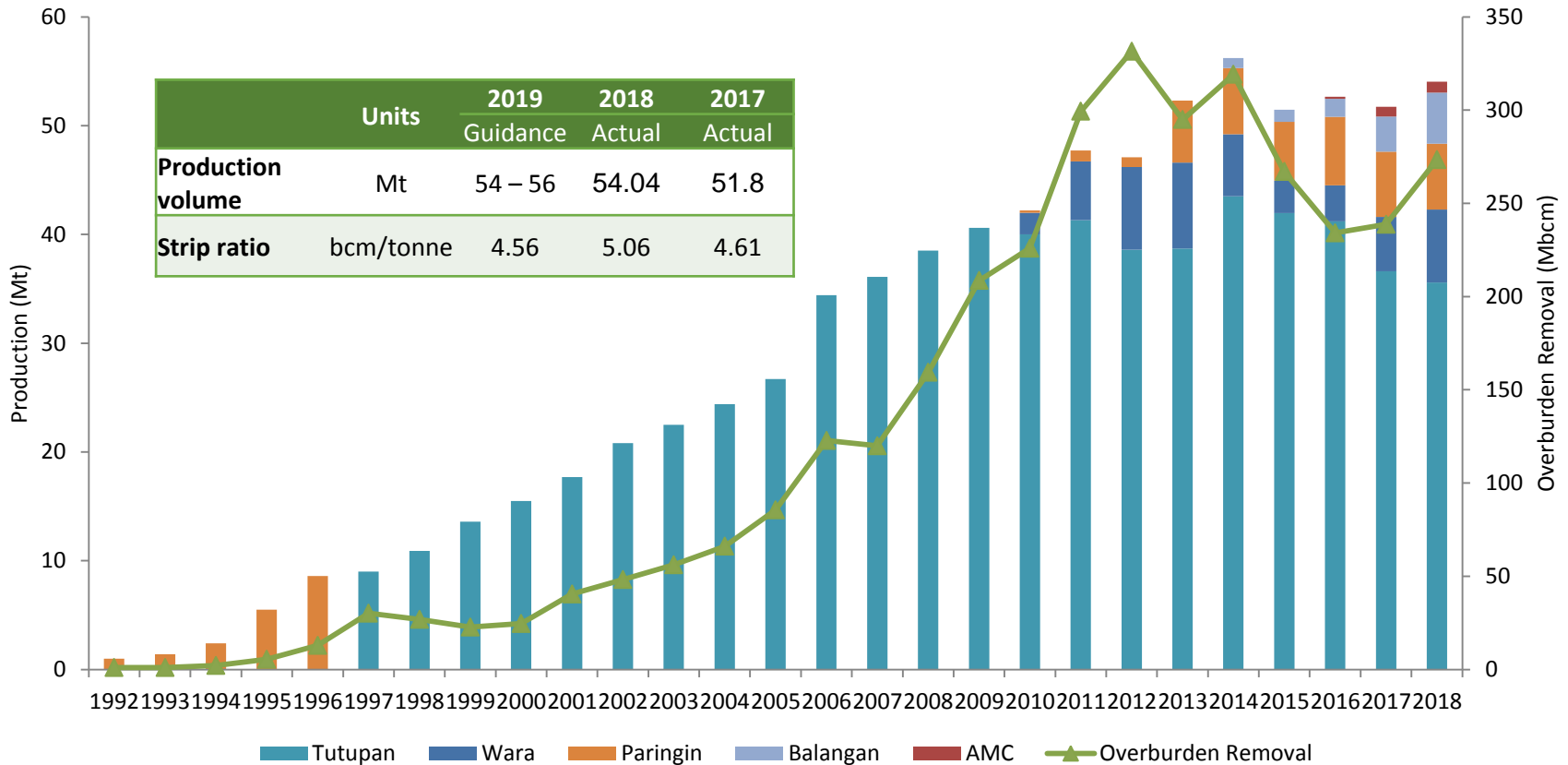
Adaro Energy's integrated coal supply chain

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 production performance



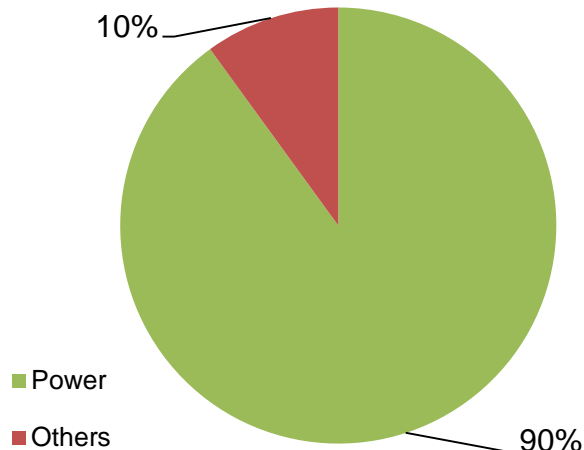
- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.
- Continued focus on productivity, safety and sustainability will support value creation for shareholder.



Strong customer base with focus on Emerging Asia

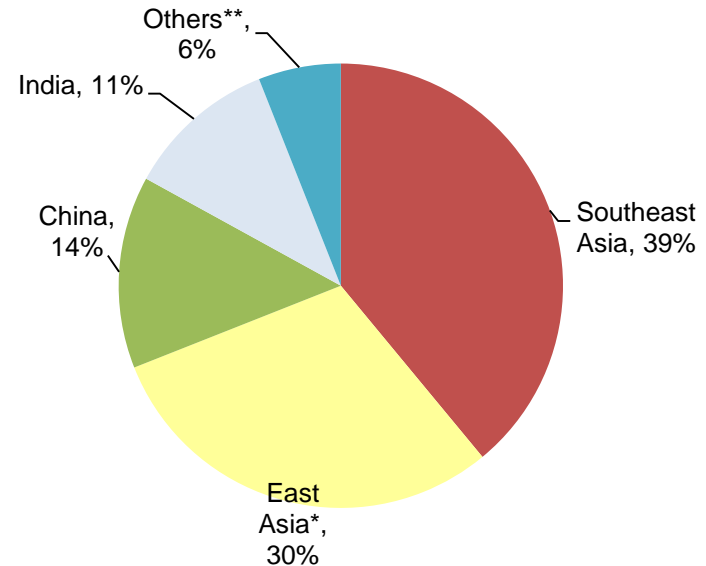


Customer type by volume (2018)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (2018)



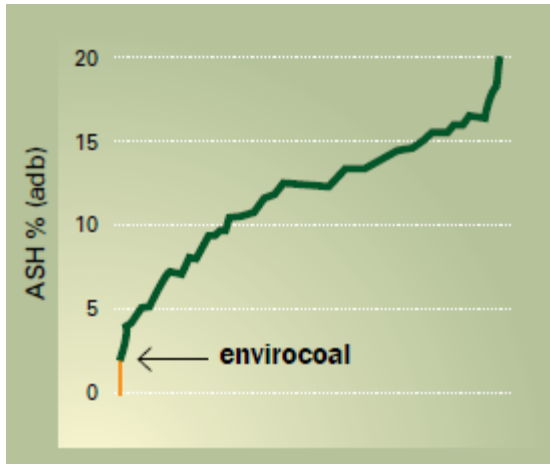
* Excluding China

** Others include Spain, New Zealand, United States, The Netherlands, Pakistan and Serbia

- 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

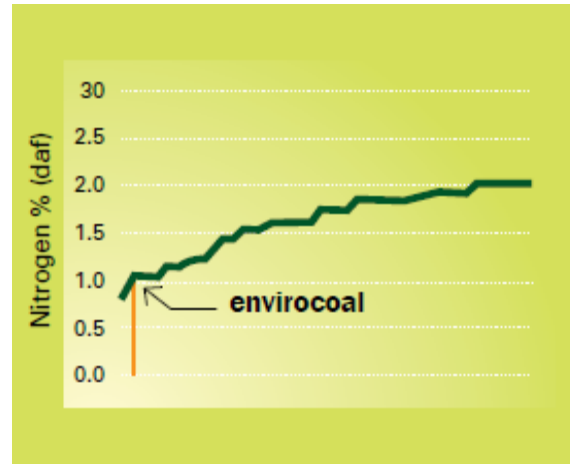


Envirocoal – a positive energy



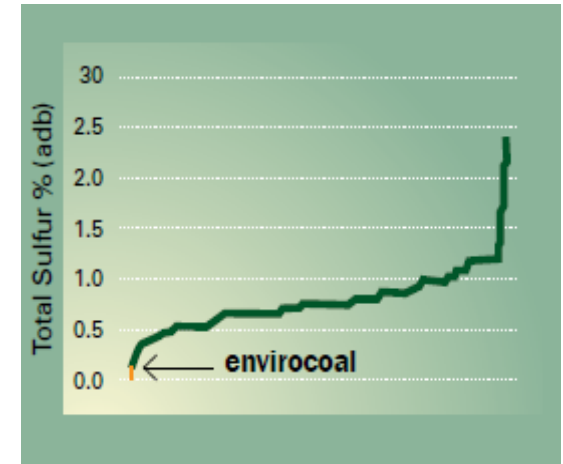
Ash content: 2%-3% (adb)

- 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.



Nitrogen content : 0.9% - 1.0% (daf)

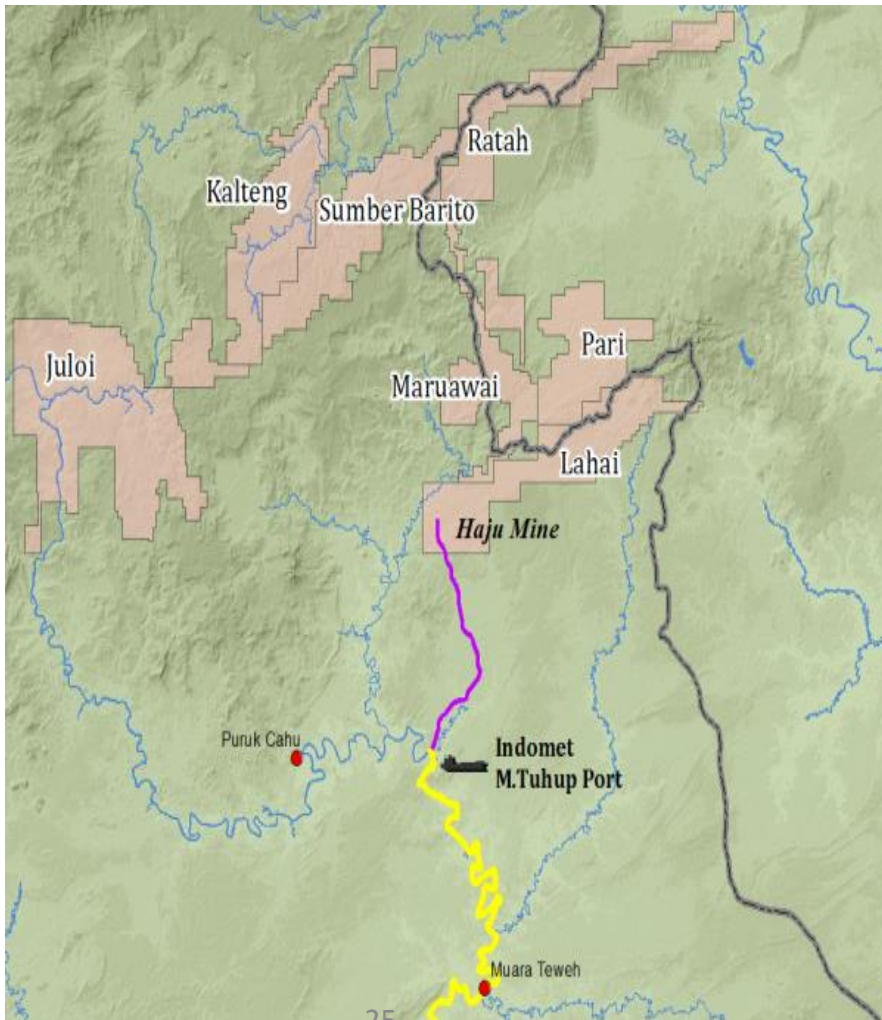
- Envirocoal is amongst the 10 lowest coals by nitrogen content.
- Enables consumers to reduce the costs associated with removing nitrous oxides from the flue gases.
- Results in more net power for sale and lower electricity production cost.



Sulfur content: 0.1% - 0.25% (adb)

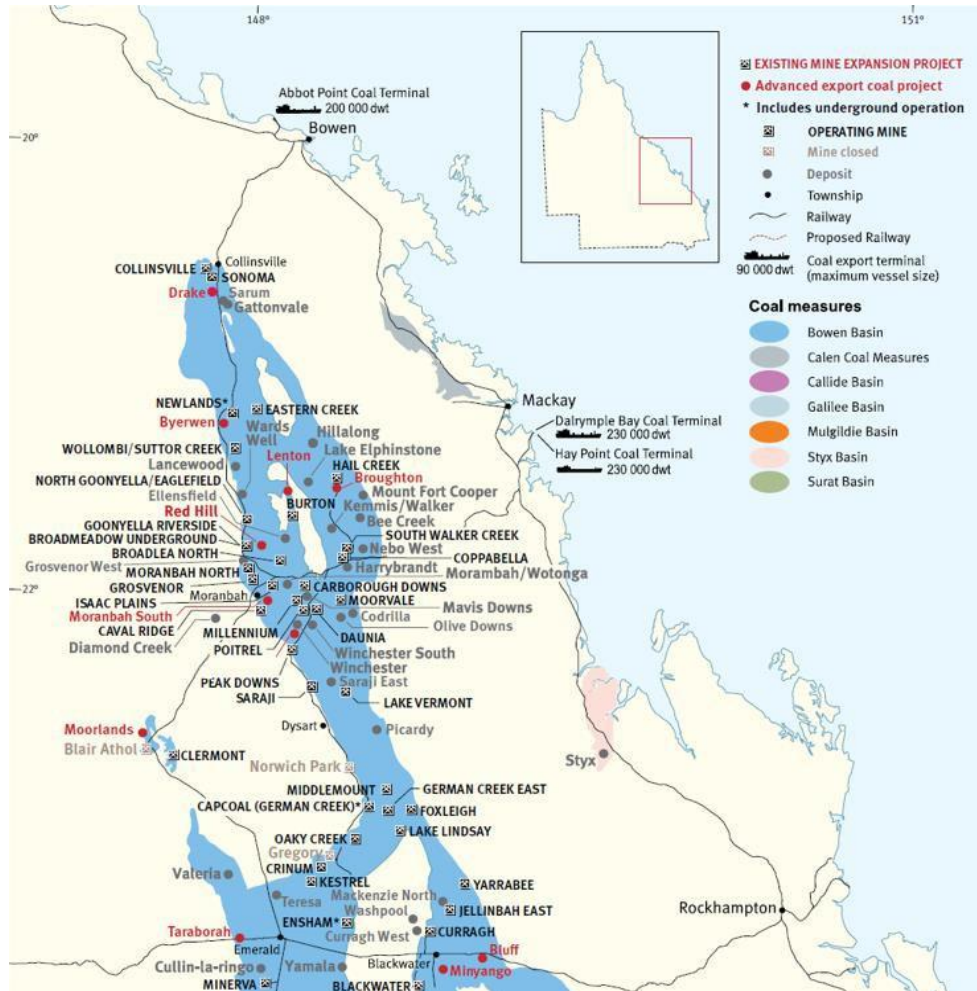
- Envirocoal's ultra low sulfur content enables consumers to meet regulated standards and delay capital expenditure, reducing the cost of plant operation.
- Flue gas desulfurization units can cost up to 20% of the total capital expenditure of a new power station.

Coking coal: 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.
- In 2018, AMC produced 1.01 Mt of coal, 12% higher y-o-y and in line with guidance.

Coking coal: 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.
- This is Adaro Energy's first coal mining operations overseas.
- Kestrel is located 40 km north of Emerald in the Bowen Basin coal fields in Central Queensland and produces high volatile, high fluidity coking coal.
- In 4Q18 saleable coal production from Kestrel was 0.88 Mt. Total saleable coal production for 2018 was 4.76 Mt.
- Since the acquisition, Kestrel has embarked on efficiency improvement programs throughout the business, resulting in a 40% higher coal production target y-o-y in 2019.

Adaro Services and Adaro Logistics



Ensuring operational excellence **adaro**

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 9M18. This contribution is expected to grow going forward.
- Actively pursue third-party revenue growth from these businesses.



		Units	2018	2017	2018 vs 2017
SIS	Overburden Removal	Mbcm	220.52	179.17	23%
	Coal Production	Mt	44.93	35.43	27%
MBP	Coal barging	Mt	47.13	42.75	10%



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
Construction Progress (2018)	Approximately 60%	99%

- 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.





Our Green Initiatives

Balance of People, Planet & 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.
- We are actively participating in renewable power plant projects and use latest Ultra-Super Critical technology at our coal-fired power plant.

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

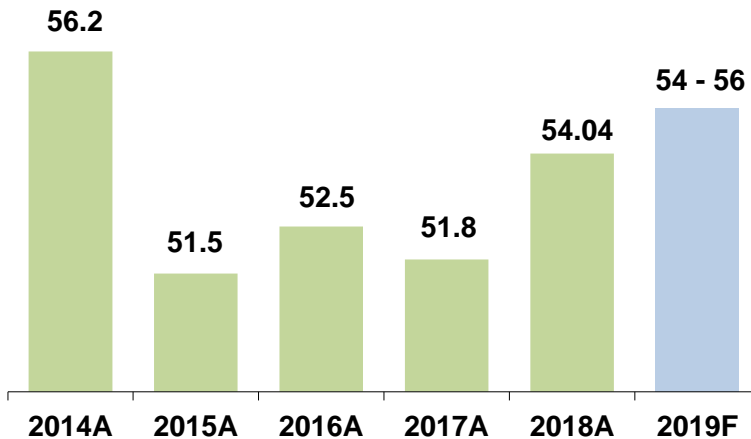
USC utilizes low NO_x burner in fuel combustion process, fabric filter and FGD (Flue-Gas Desulphurization) in flue gas treatment process.

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

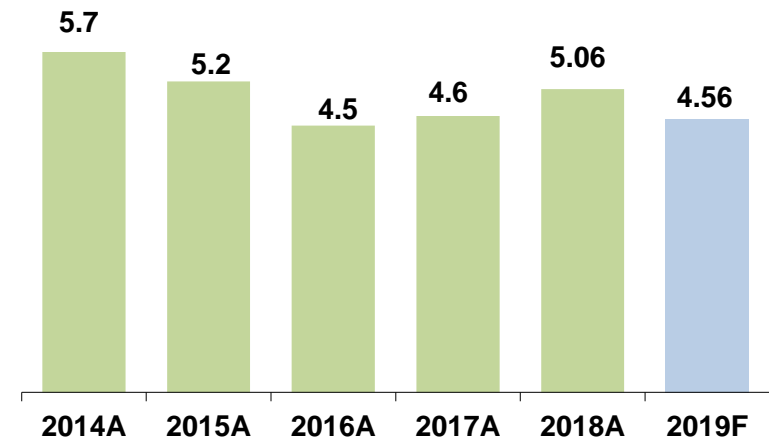
Adaro's 2x1,000 MW CFPP in Central Java will be a showcase of the latest high efficiency and more environmentally friendly power generation technology in Indonesia.

Adaro Energy 2019 guidance

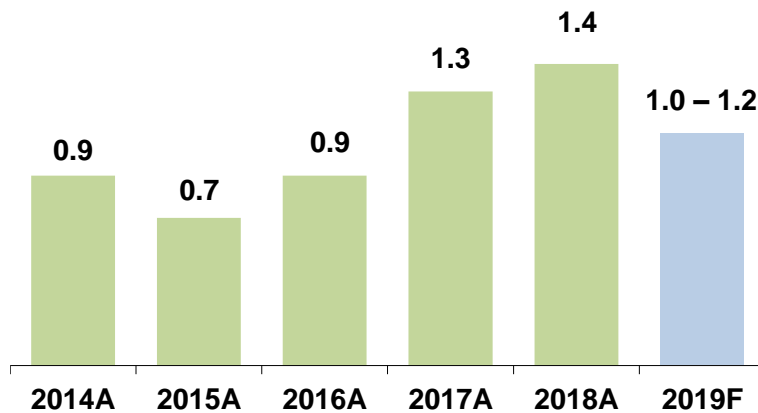
Coal production (Mt)



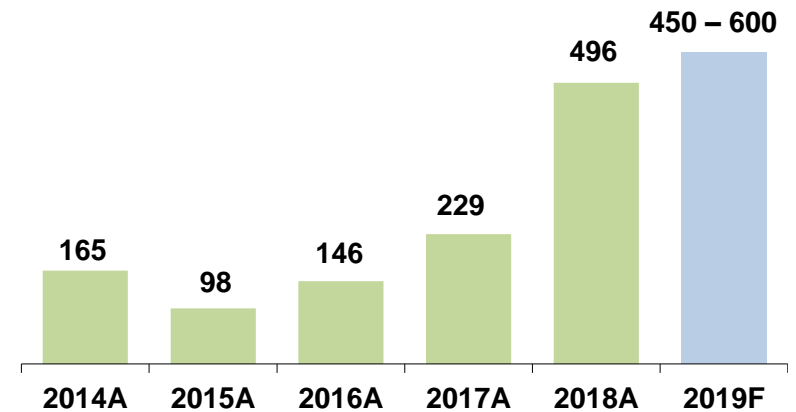
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital expenditure (US\$ million)



Conclusions and takeaways

- Coal market is relatively balanced.
- Long term fundamentals for coal remains promising.
 - Indonesia, Southeast Asia and the Indian subcontinent 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.
- We are committed to deliver return to shareholders through regular payment of cash dividend.

Conclusions and takeaways

- Our resilient business model with 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.



Visit our website at:

www.adaro.com

Our annual report is available for download here:



Thank you