



PT ADARO ENERGY TBK

August 2019

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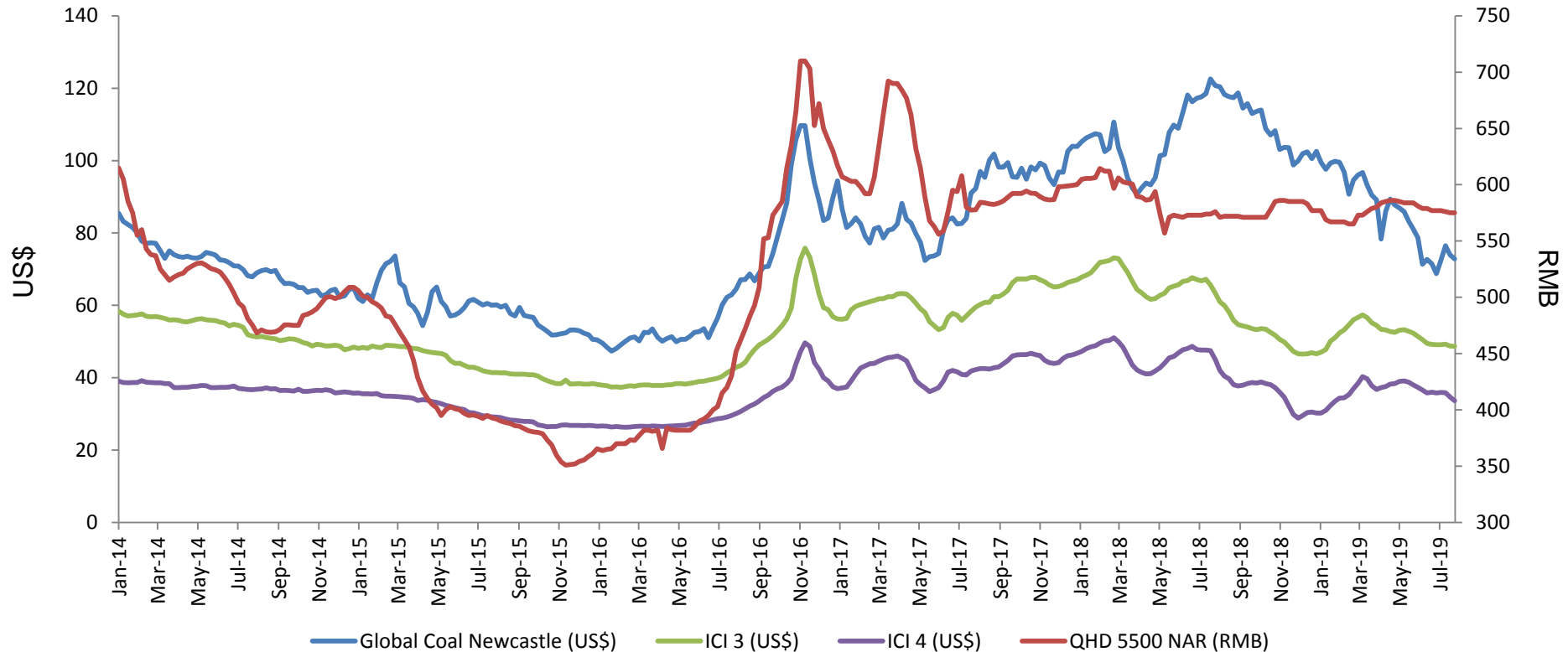
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Key questions:

- What are the recent trends in coal market and coal price?
- What is the progress of Adaro's projects?
- Can you explain your strategy and business pillars?
- What is Adaro's approach to ESG?

Price performance of different thermal coal types

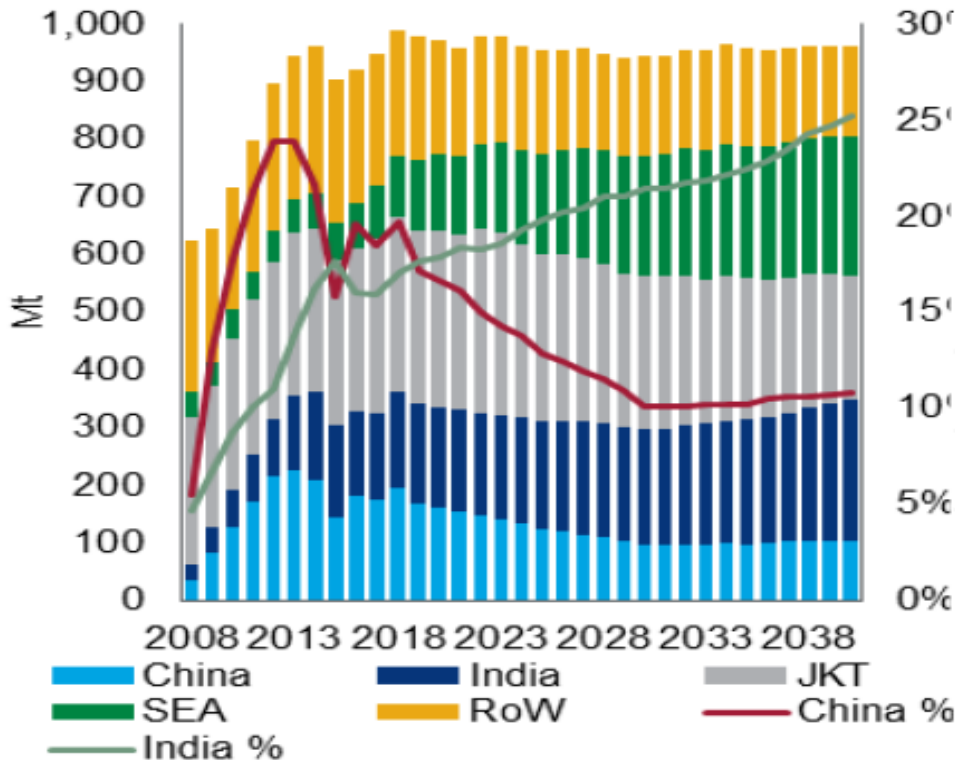


- Prices for low to mid CV Indonesian coal has been supported by stronger demand.
- The GCN benchmark has been moderating in these past months due to lower LNG prices resulting in coal to gas switching, high stockpiles in power plants and moderate demand.

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 South Asia will become the key drivers.
- Global seaborne thermal coal demand is estimated to remain in the ~1 Bt mark in the long-term.
- In the short term, increased market uncertainty is expected as a result of policy measures.
- Near-term pressure on coal prices due to low gas prices, government policies and supply improvement in the seaborne market.

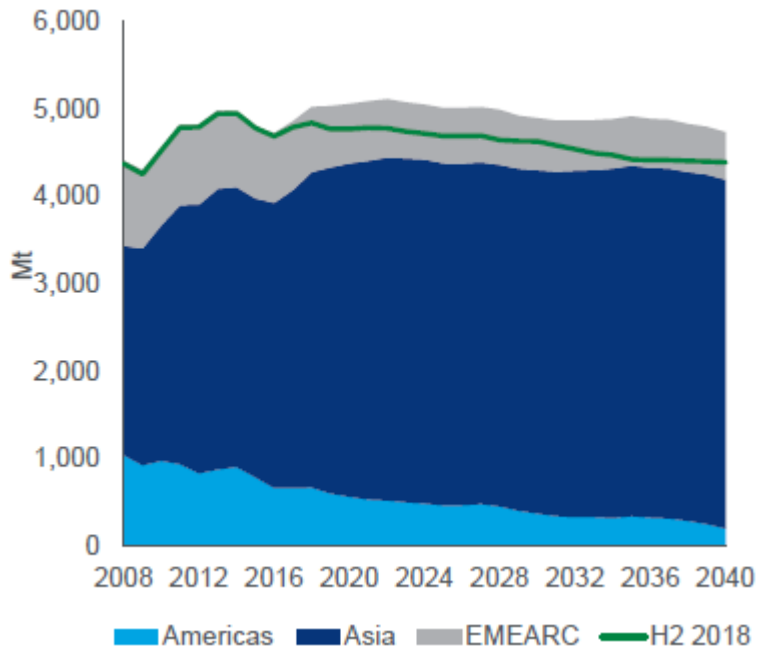
Note: JKT (Japan, Korea, Taiwan); SEA (Southeast Asia); RoW (rest of the world)

Source: Wood Mackenzie, Global thermal coal long-term outlook H1 2019: the power switch – is it lights out for coal?

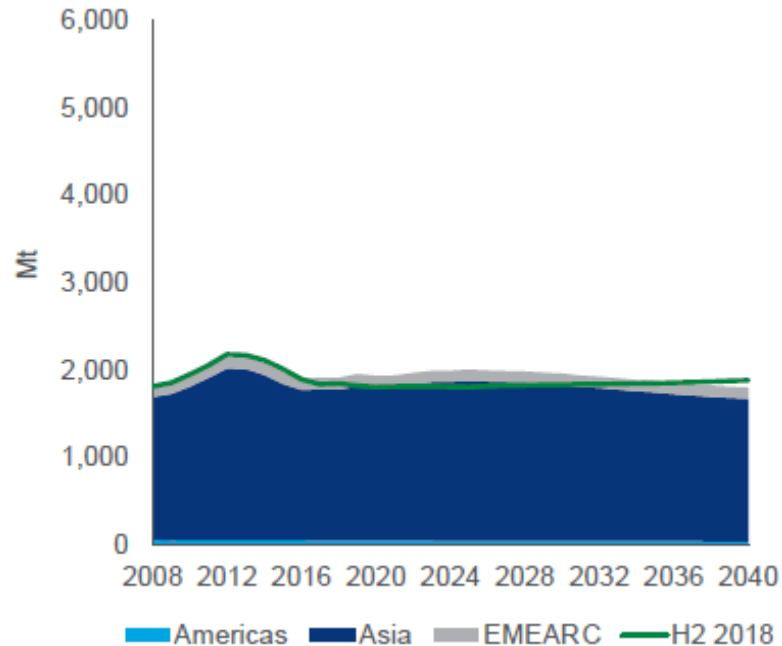


...from both power and non power

Global thermal coal demand for power (Mt)



Global thermal coal demand for non-power (Mt)



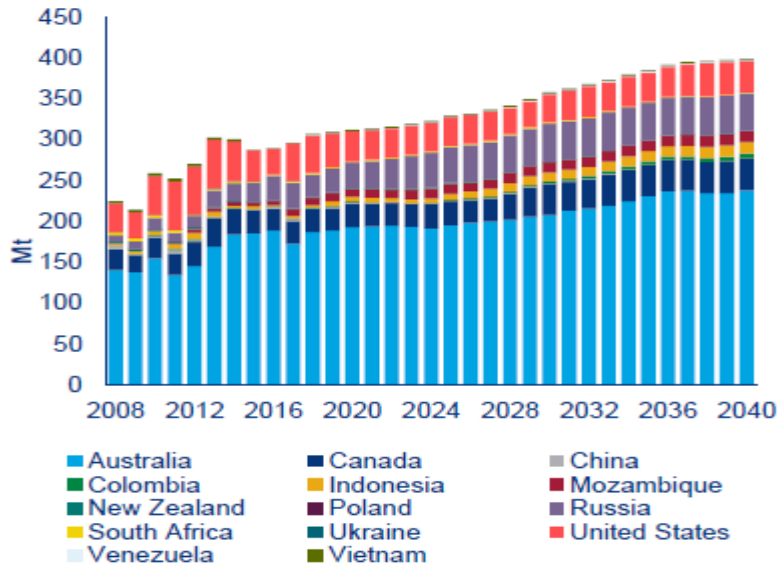
Source: Wood Mackenzie, Global thermal coal long-term outlook H1 2019: the power switch – is it lights out for coal?

- Electrification in the developing world continues to drive coal demand.
- Approximately 300 GW of new coal plants are under construction in Asia today.
- Non-power demand is dominated by the demand for cement manufacturing and liquid fuel production.

Resilient outlook for metallurgical coal

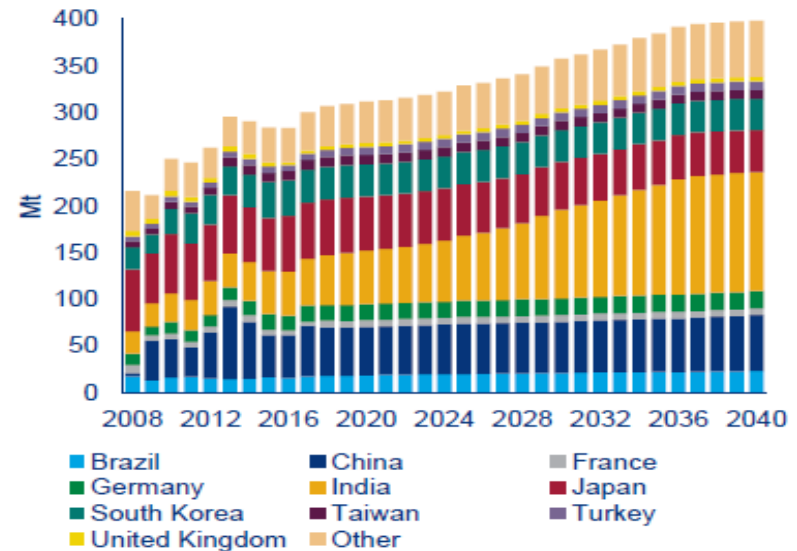


Supply: Seaborne traded metallurgical coal (Mt)



Source: Wood Mackenzie Coal Market Service

Demand: Global metallurgical coal imports (Mt)



Source: Wood Mackenzie Coal Market Service

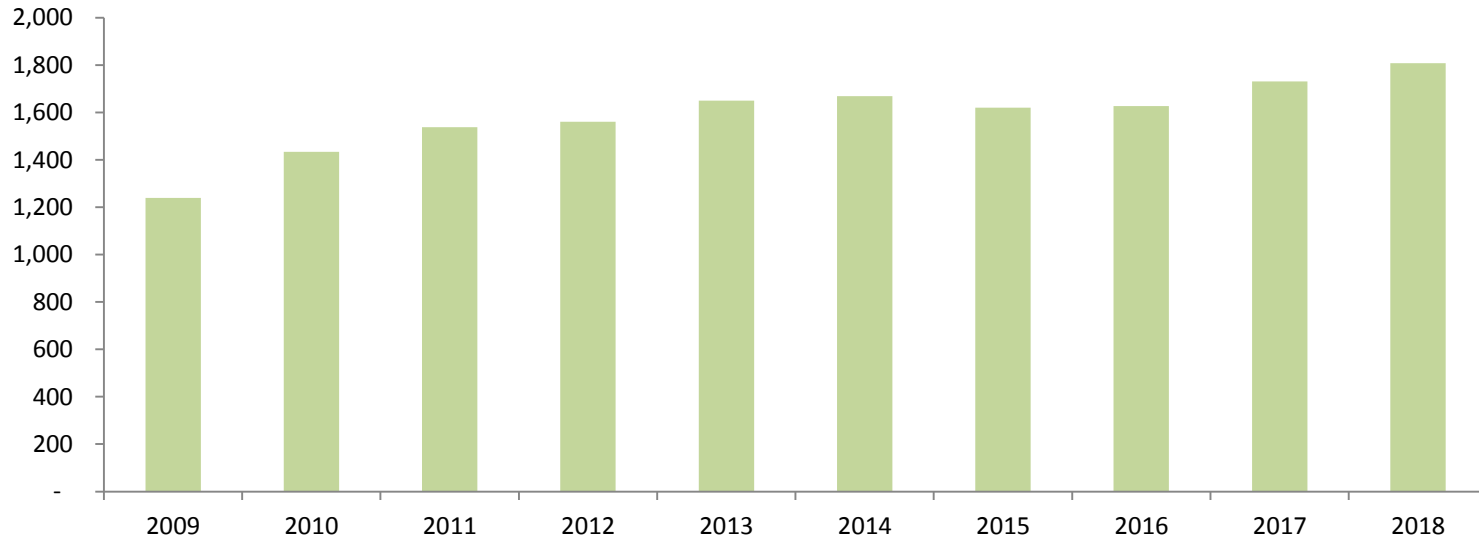
Source: Wood Mackenzie, *Global metallurgical coal long-term outlook H1 2019: Walking the tightrope: Can India provide balance as China transitions*

- 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 313 Mt in 2019 to 422 Mt in 2040.
- Australia dominates the supply of metallurgical coal, supplying more than 60% of seaborne requirement, while demand is spearheaded by China and India followed by Japan and South Korea.



...driven by firm steel demand

World crude steel production 2009-2018 (Mt)



Source: World Steel in Figures 2018, World Steel Association

- Steel production is expected to continue its modest growth (10-year CAGR ~4%) 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

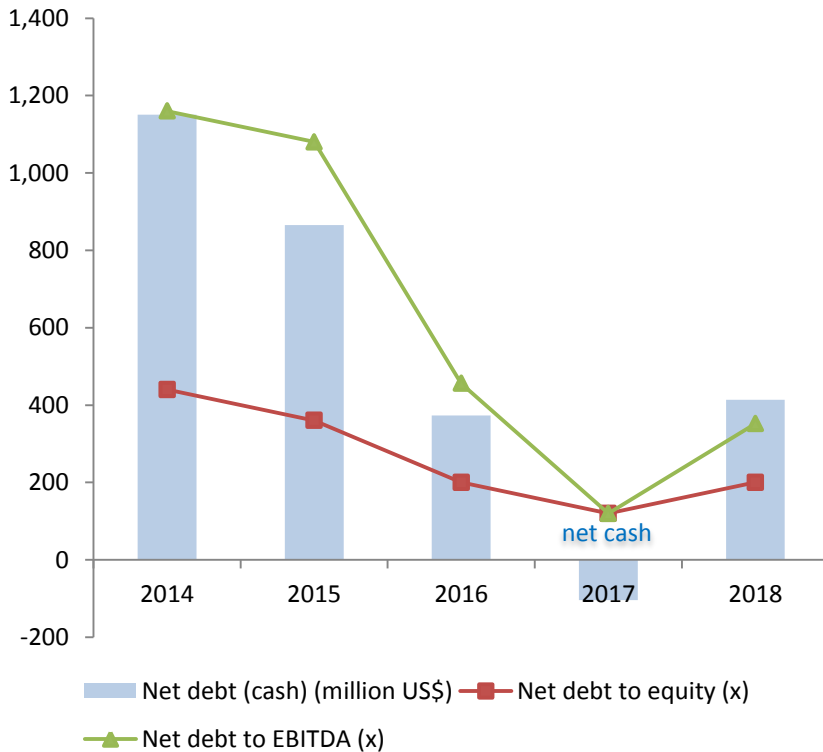


| OPERATIONAL | 1H19 | 1H18 | % Change |
|---|--------|--------|----------|
| Production (Mt) | 28.47 | 24.06 | 18% |
| Sales (Mt) | 28.77 | 23.81 | 21% |
| OB removal (Mbcm) | 127.49 | 123.01 | 4% |
| FINANCIAL (US\$ millions, unless indicated) | 1H19 | 1H18 | % Change |
| Net Revenue | 1,775 | 1,610 | 10% |
| Core Earnings | 371 | 269 | 38% |
| Operational EBITDA | 691 | 593 | 17% |
| Cash | 895 | 1,058 | -15% |
| Net Debt | 391 | 117 | 234% |
| Capex | 245 | 161 | 52% |
| Free Cash Flow | 262 | 284 | -8% |
| Operational EBITDA Margin | 39% | 37% | 6% |
| Net Debt to Equity (x) | 0.09 | 0.03 | 200% |
| Net Debt to Last 12 months Operational EBITDA (x) | 0.26 | 0.09 | 185% |
| Cash from Operations to Capex (x) | 2.51 | 3.57 | -30% |

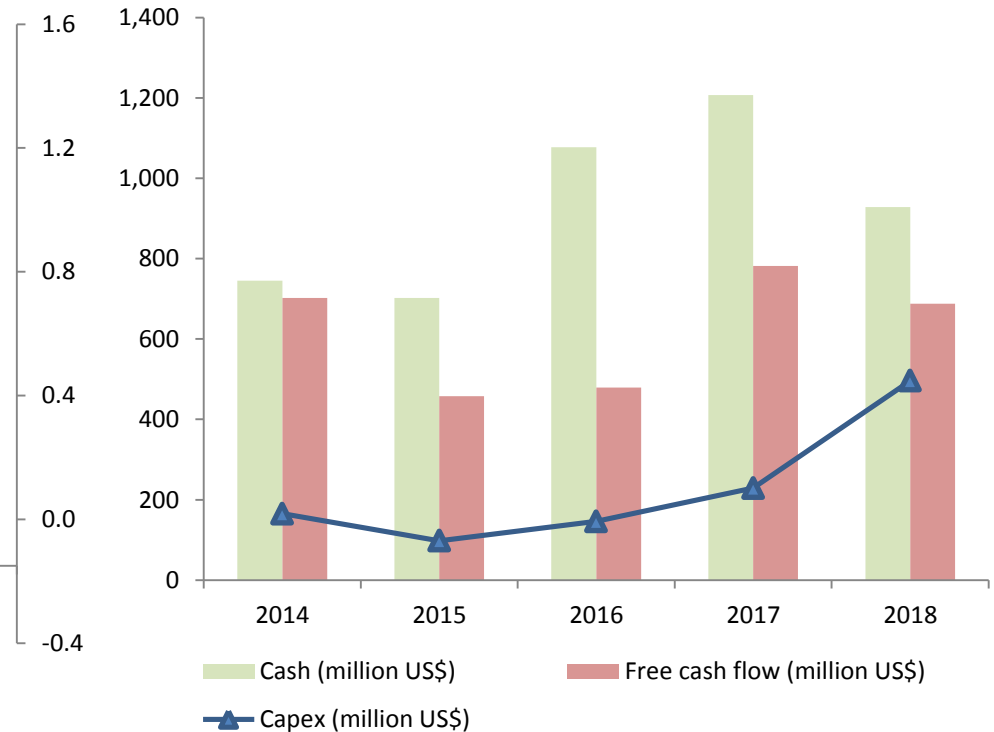
Solid balance sheet and strong cash generation



Reduced debt and improved financial position



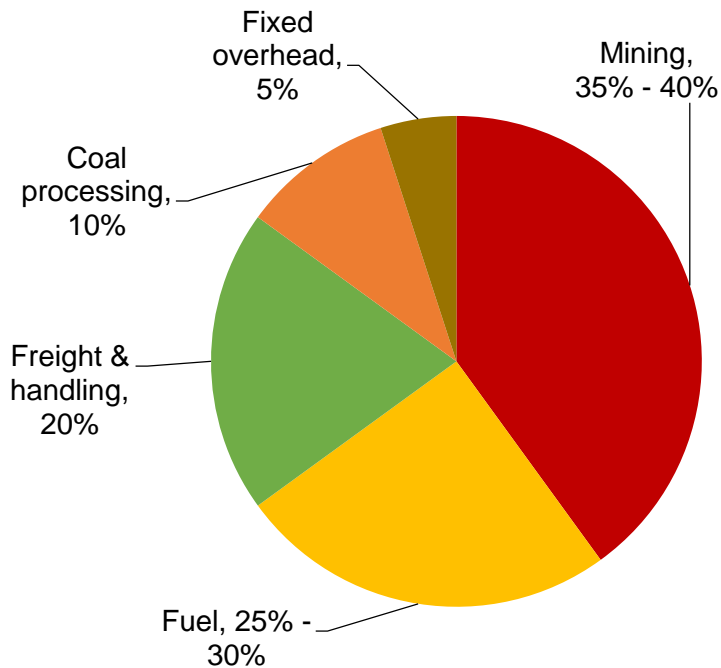
Strong cash balance and free cash flow generation



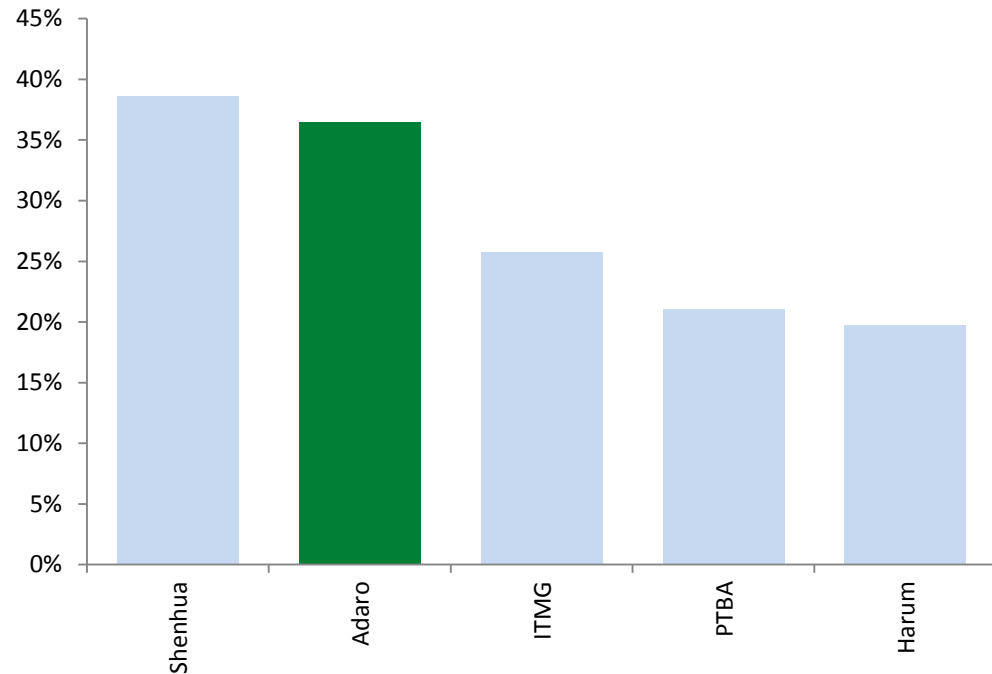
Cost control – key in delivering strong performance



Adaro's estimated coal cash cost breakdown (1H19)



Operational EBITDA margin

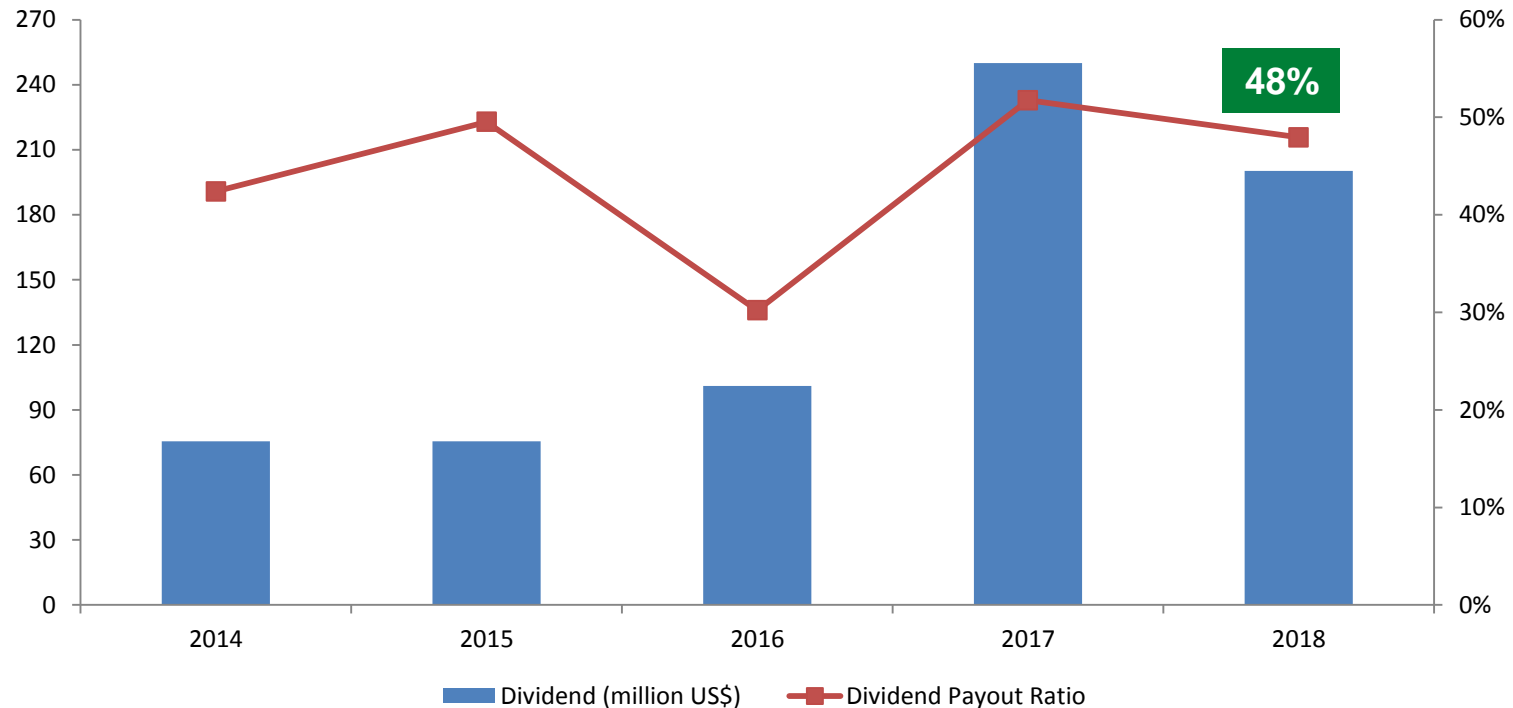


Source: Bloomberg, based on trailing 12M EBITDA

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



Delivering shareholder's return

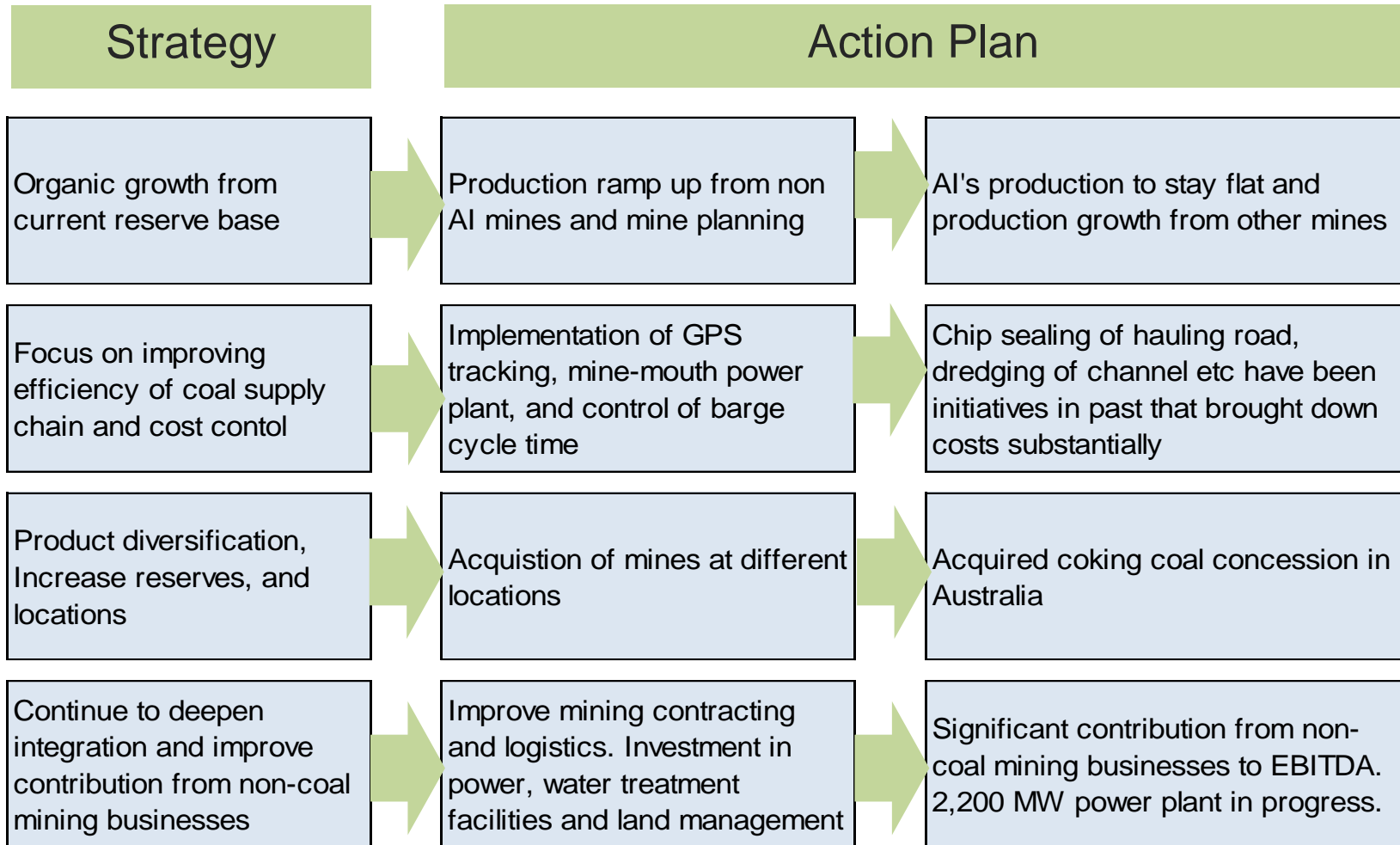


- We are committed to deliver return to our shareholders through consistent dividend payment.
- Dividend payout ratio since IPO in 2008 averages ~40% and in total we have paid more than US\$1.4 billion in dividend.
- We paid total dividend of US\$200 million for 2018, which translated to a payout ratio of 48%.



Snapshot of Adaro Energy

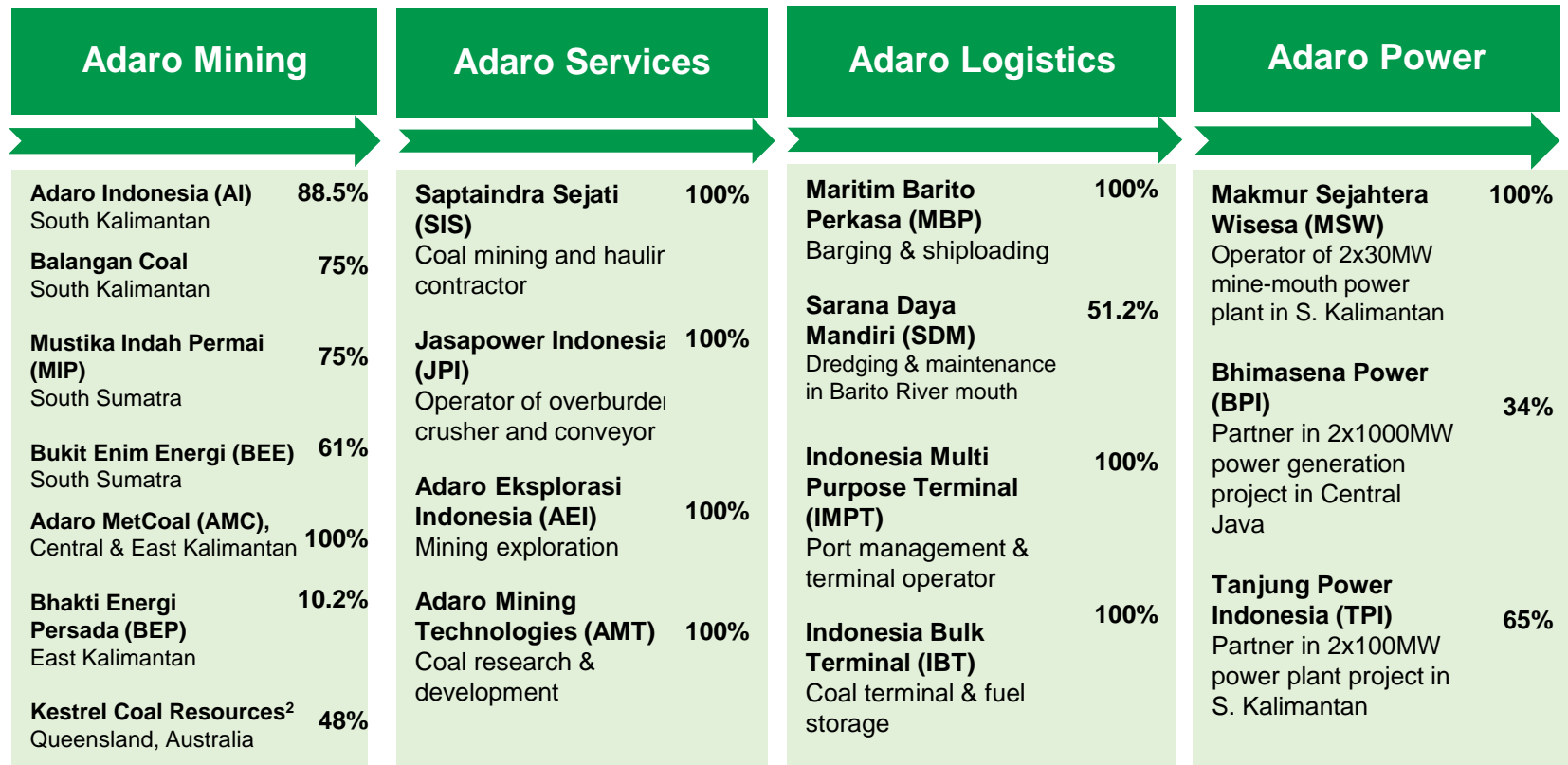
Creating maximum sustainable value



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 1H19

| | Units | 1H19 | 1H18 | 1H19 vs. 1H18 |
|--------------------|-------|--------|--------|---------------|
| Coal Production | Mt | 28.47 | 24.06 | 18% |
| Sales Volume | Mt | 28.77 | 23.80 | 21% |
| Overburden Removal | Mbcm | 127.49 | 123.01 | 4% |
| Strip Ratio | x | 4.48 | 5.11 | -12% |

- We posted an 18% y-o-y increase in coal production to 28.47 Mt as a result of strong operational performance coupled with robust customer demand.
- Sales of our coal increased by 21% to 28.77 Mt, dominated by E4700 and E4900 product.
- We booked a lower strip ratio y-o-y in 1H19 of 4.48x as coal production growth outpaced overburden removal growth, and in-line with our plan to lower strip ratio in 2019.

Large coal reserves and diverse portfolio of coal products

1

Adaro Indonesia: 88.5% Existing, S Kalimantan sub-bituminous Resources: 5.2 Bt Reserves: 906 Mt

2

Balangan Coal Companies: S Kalimantan sub-bituminous Resources 260Mt Reserves 156Mt

3

Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal Resources 1.35Bt

4

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

5

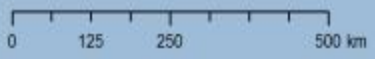
BEE: 61.04% stake S Sumatra sub-bituminous Geological study phase

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: 431Mt Reserves 151Mt



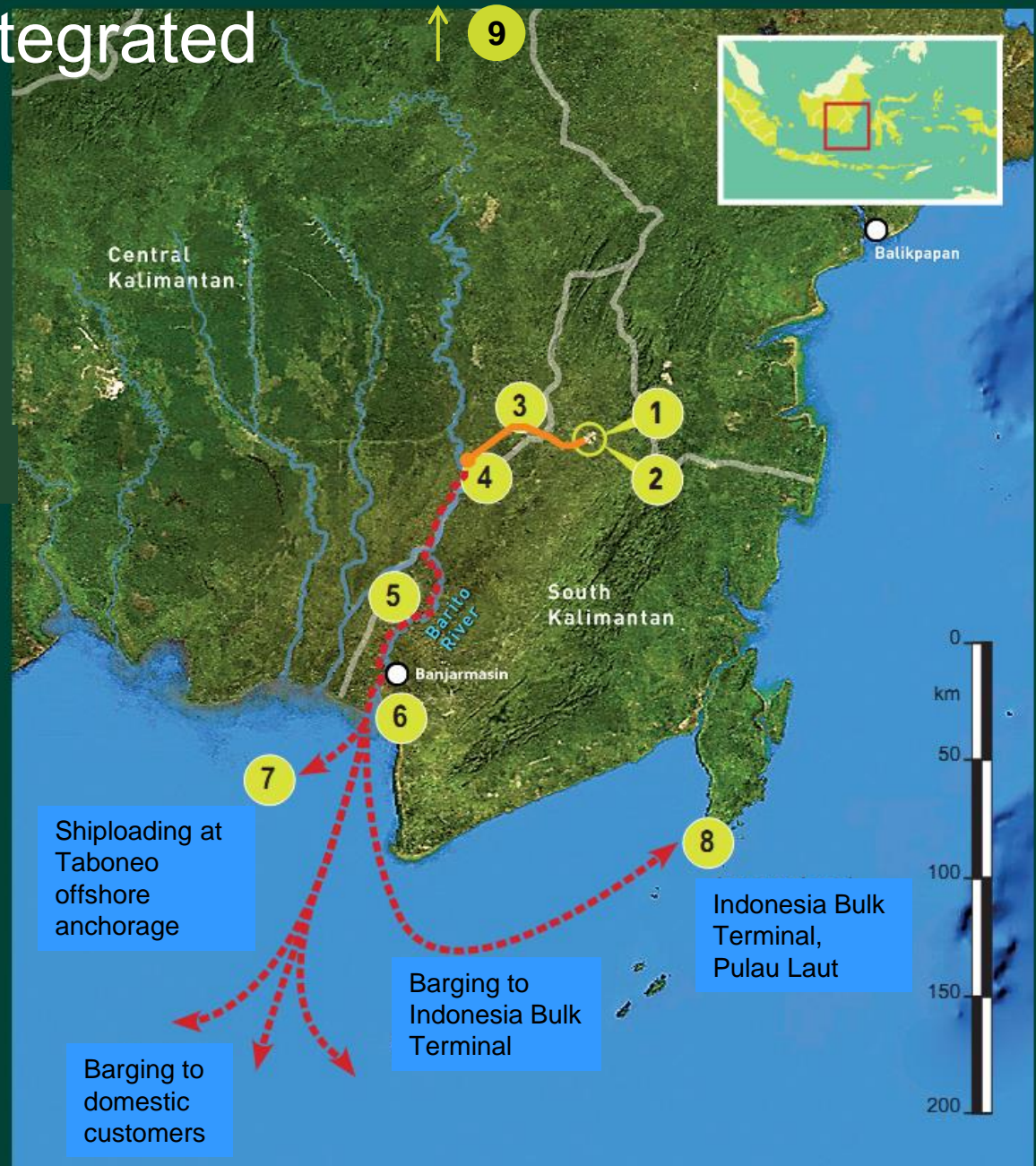
Adaro Energy has more than 13.6 billion tonnes (Bt) of coal resources (including option to acquire 7.9 Bt) and 1.2 Bt of coal reserves across thermal and metallurgical coal – providing us with flexibility in the coal market.

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

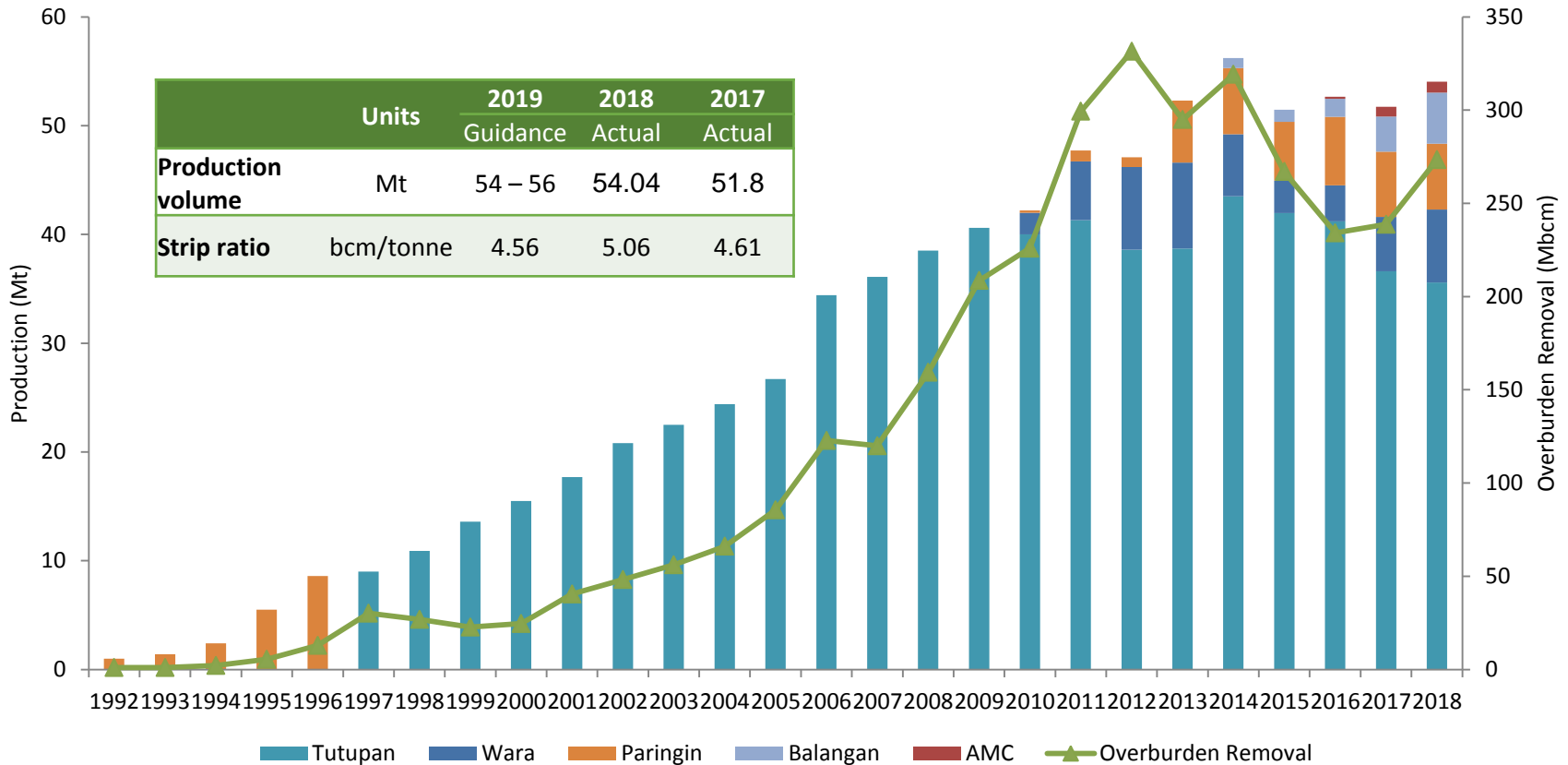
Adaro Energy's integrated coal supply chain

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



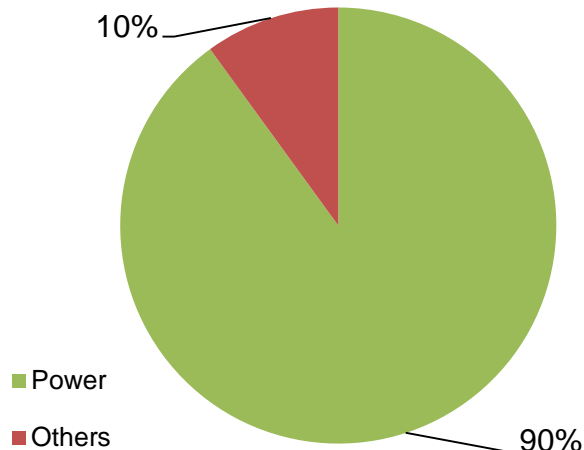
- Produce low to medium heat value coal with low pollutant content, ideal for power generation.
- Control over supply chain ensures timely delivery to customers.
- Continued focus on productivity, safety and sustainability will support value creation for shareholder.



Strong customer base with focus on Emerging Asia

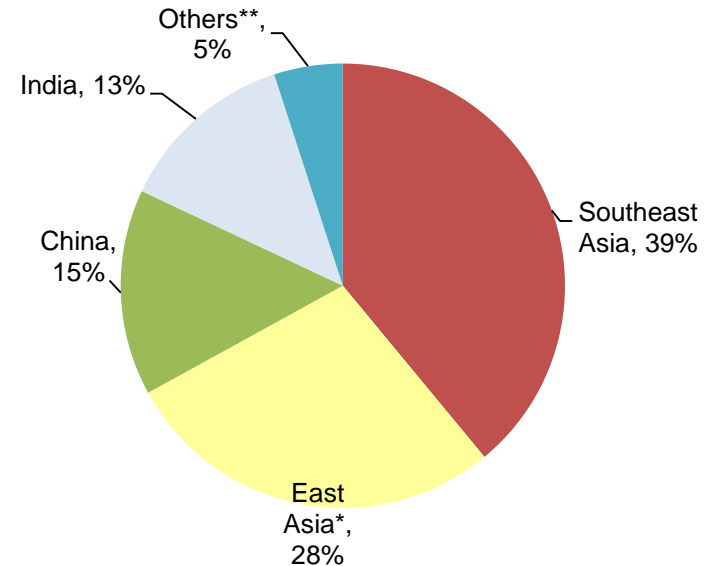


Customer type by volume (1H19)



* Others include cement, pulp & paper, and industrial

Geographical breakdown of customers (1H19)



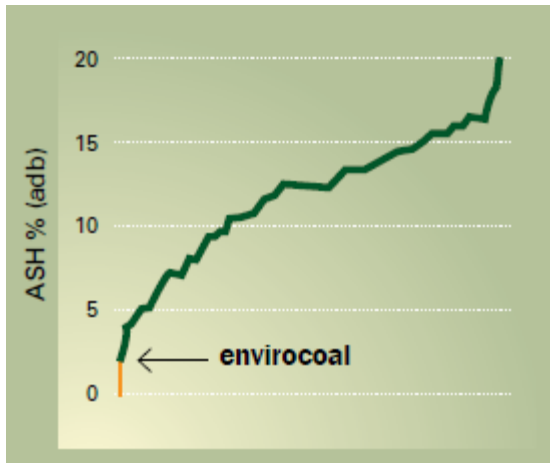
* Excluding China

** Others EU countries, New Zealand and Pakistan

- 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.

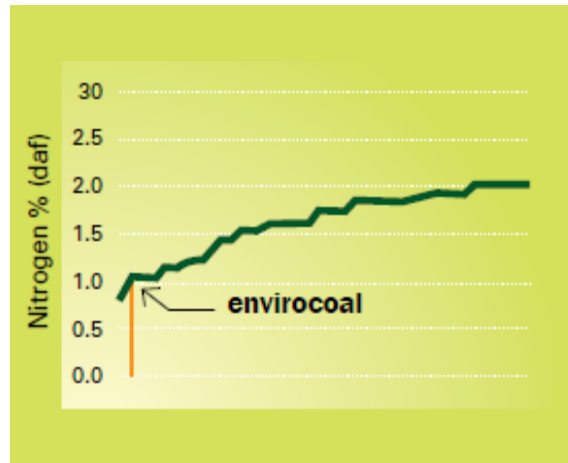


Envirocoal – a positive energy



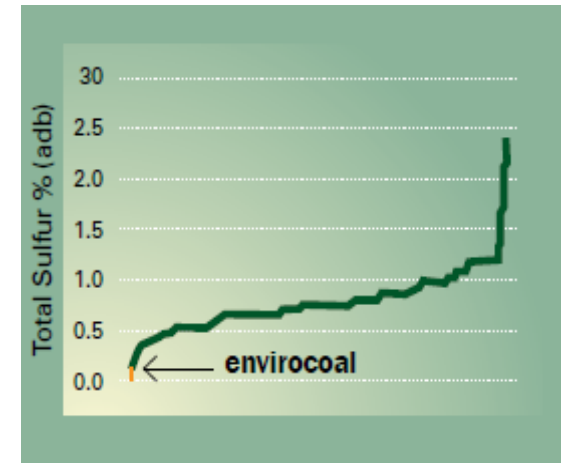
Ash content: 2%-3% (adb)

- 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)

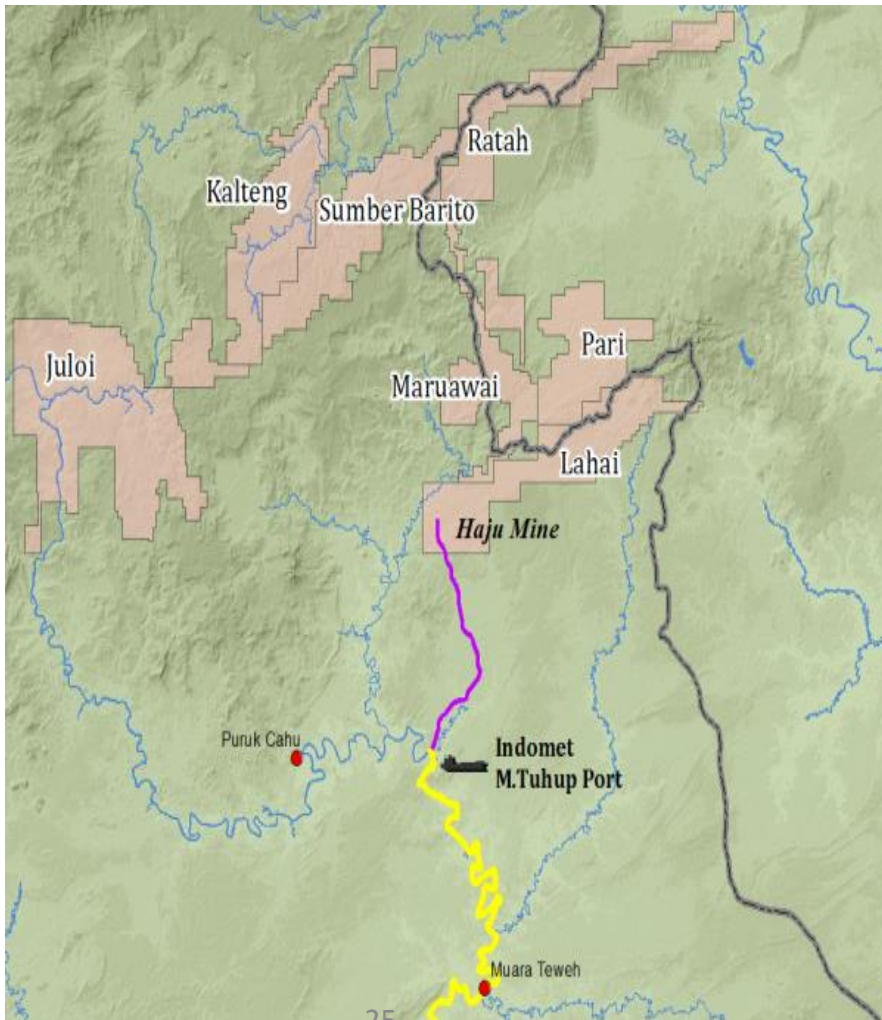
- Envirocoal is amongst the 10 lowest coals by nitrogen content.
- Enables consumers to reduce the costs associated with removing nitrous oxides from the flue gases.
- Results in more net power for sale and lower electricity production cost.



Sulfur content: 0.1% - 0.25% (adb)

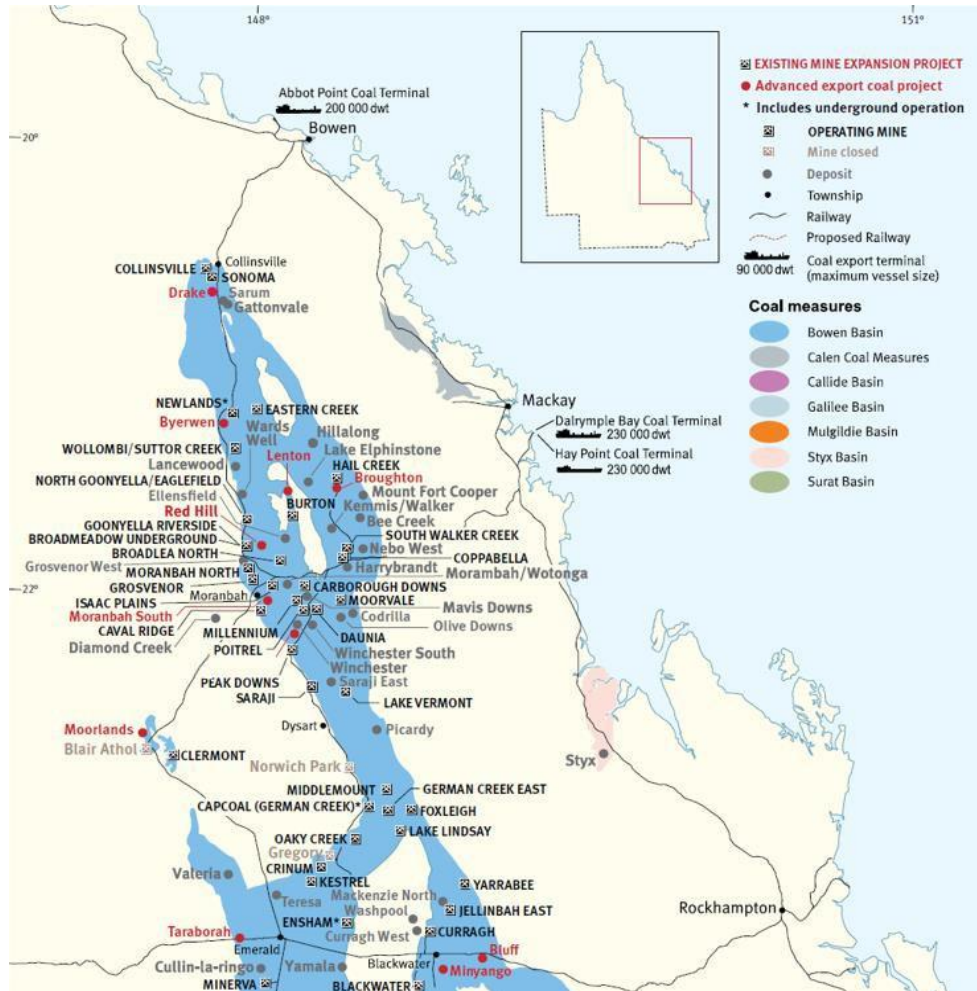
- Envirocoal's ultra low sulfur content enables consumers to meet regulated standards and delay capital expenditure, reducing the cost of plant operation.
- Flue gas desulfurization units can cost up to 20% of the total capital expenditure of a new power station.

Coking coal: Adaro MetCoal Companies (AMC)



- Adaro Energy completed the acquisition of AMC from BHP Billiton for 7 CCOWs in Central and East Kalimantan in 2016.
- 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.
- In 1H19 AMC produced 0.60 Mt and sold 0.68 Mt

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.
- Kestrel produces high volatile, high fluidity coking coal and recorded saleable coal production of 4.76 Mt in 2018.
- 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.
- Kestrel produced 3.45 Mt and sold 3.25 Mt of hard coking coal in 1H19.
- Product is sold mainly to Asian markets: India, Japan, South Korea, Malaysia and Taiwan.

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 35% of Adaro Energy EBITDA in 1H19. This contribution is expected to grow going forward.
- Stable earnings profile buffers against the volatility in coal price.
- Actively pursue third-party revenue growth from these businesses.



| | | Units | 1H19 | 1H18 | 1H19 vs. 1H18 |
|------------|--------------------|-------|--------|-------|---------------|
| SIS | Overburden Removal | Mbcm | 107.86 | 93.73 | 15% |
| | Coal Production | Mt | 23.57 | 20.05 | 18% |
| MBP | Coal barging | Mt | 25.58 | 21.37 | 20% |



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 (1H19) | 79% | More than 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

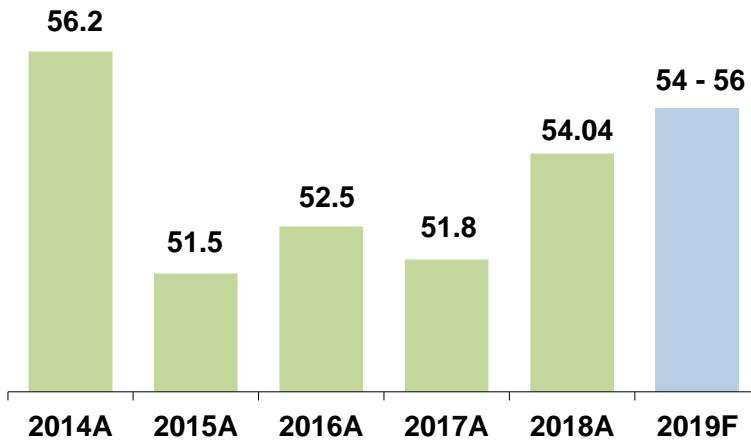
USC utilizes low NO_x burner in fuel combustion process, fabric filter and FGD (Flue-Gas Desulphurization) in flue gas treatment process.

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.

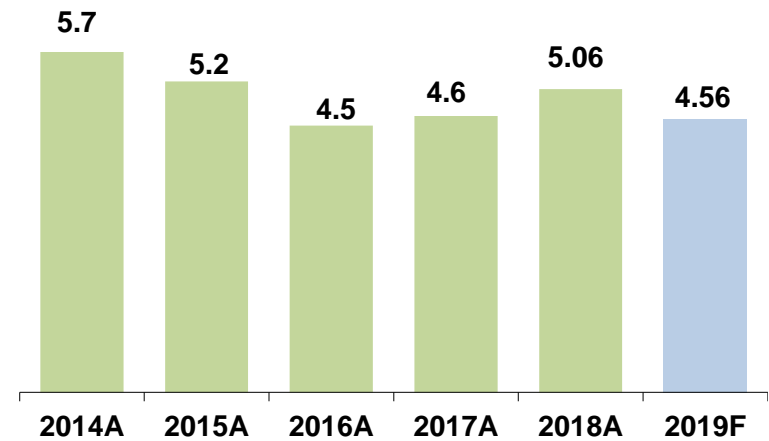
Adaro's 2x1,000 MW CFPP in Central Java will be a showcase of the latest high efficiency and more environmentally friendly power generation technology in Indonesia.

Adaro Energy 2019 guidance

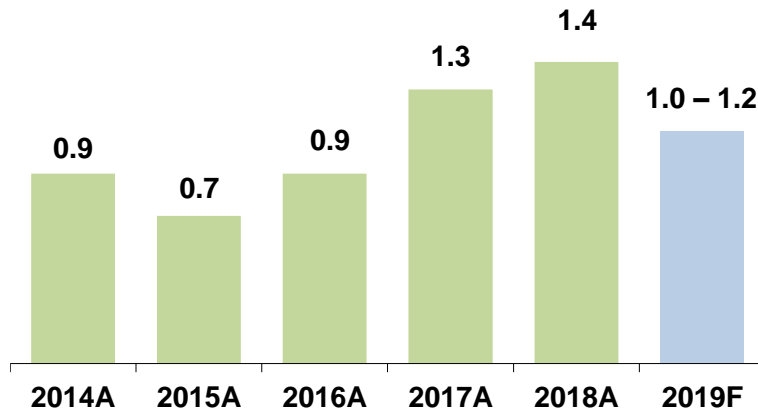
Coal production (Mt)



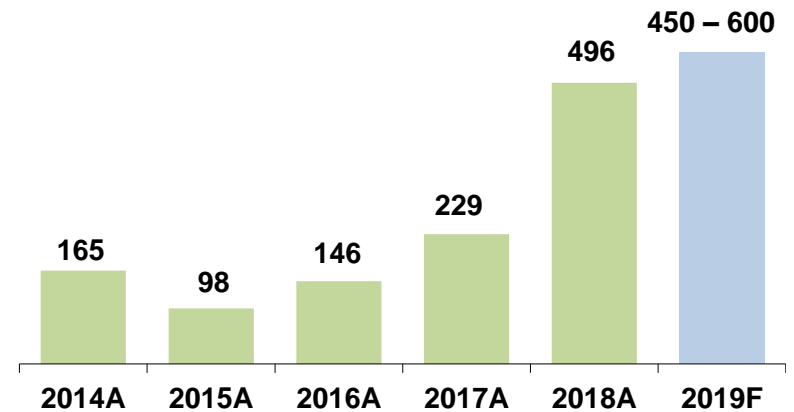
Consolidated planned strip ratio (bcm/t)



Operational EBITDA (US\$ billions)



Capital expenditure (US\$ million)



Conclusions and takeaways

- Cautiously optimistic in the near term.
- Business model is resilient to withstand cyclicalities.
 - 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.
- We are committed to deliver return to shareholders through regular payment of cash dividend.

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.



Visit our website at:

www.adaro.com

Our annual report is available for download here:



Thank you