



PT Adaro Energy Tbk

November 2020

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Key Questions

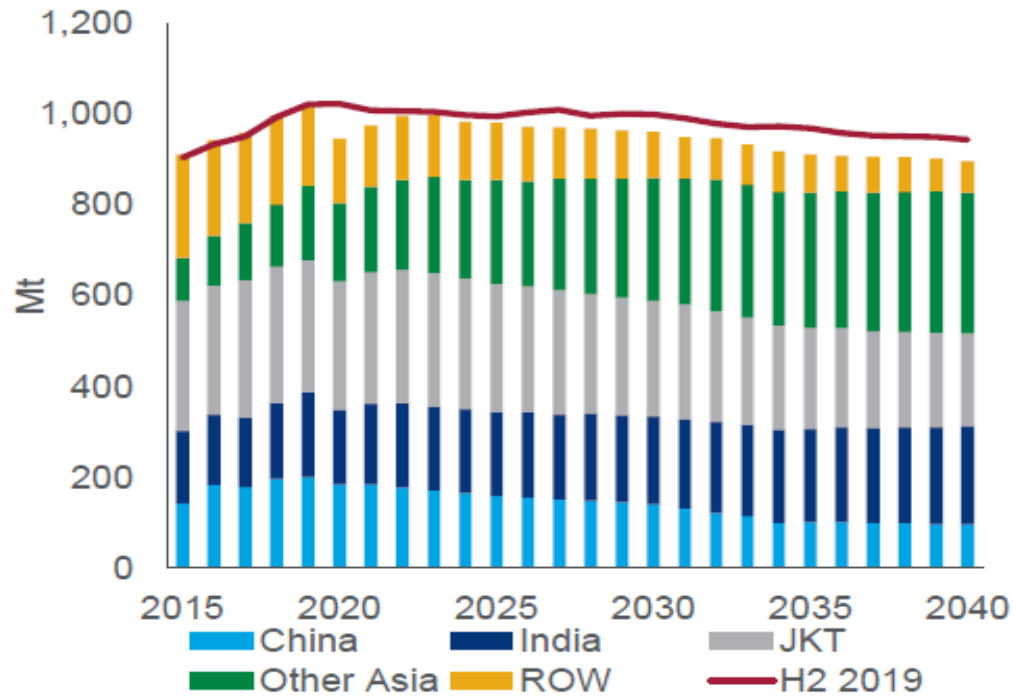


- What are the recent trends in coal market and coal price?
- What is the progress of Adaro's projects?
- How will your strategy to diversify the business model benefit Adaro?
- What is Adaro's approach to ESG?

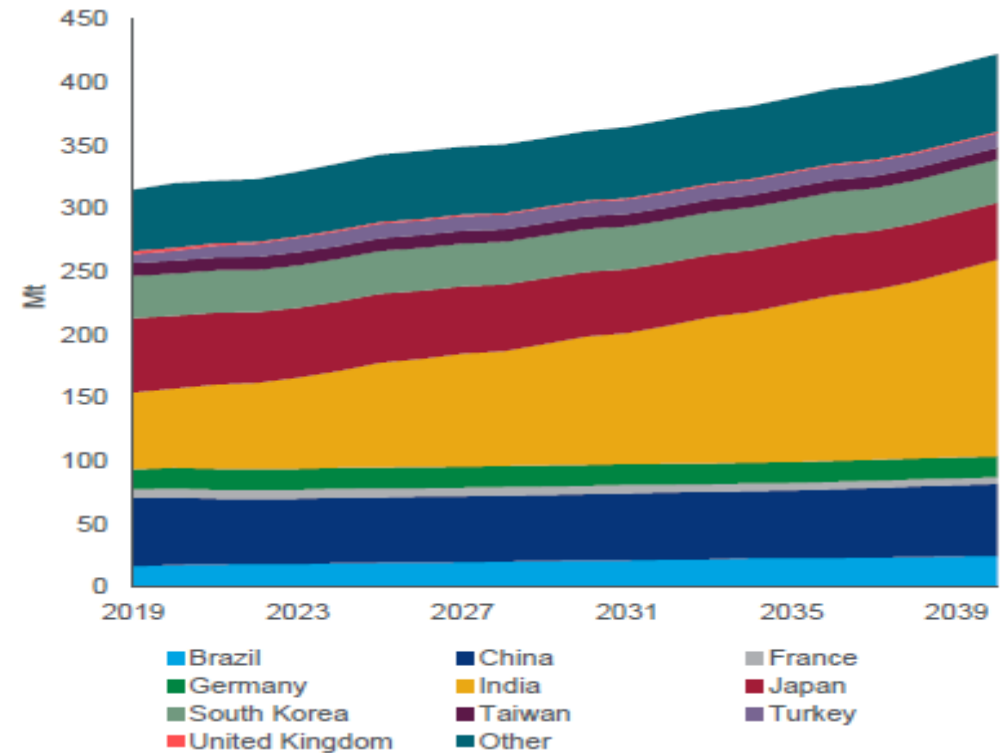


Solid long-term outlook supported by emerging Asia

Seaborne thermal coal demand by region (Mt)



Global metallurgical coal imports demand (Mt)



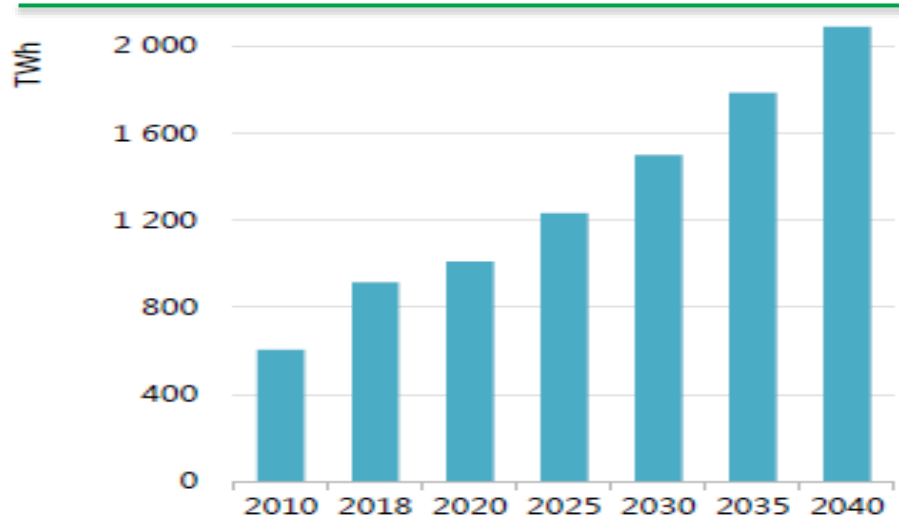
Note: JKT (Japan, Korea, Taiwan); RoW (rest of the world)

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

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

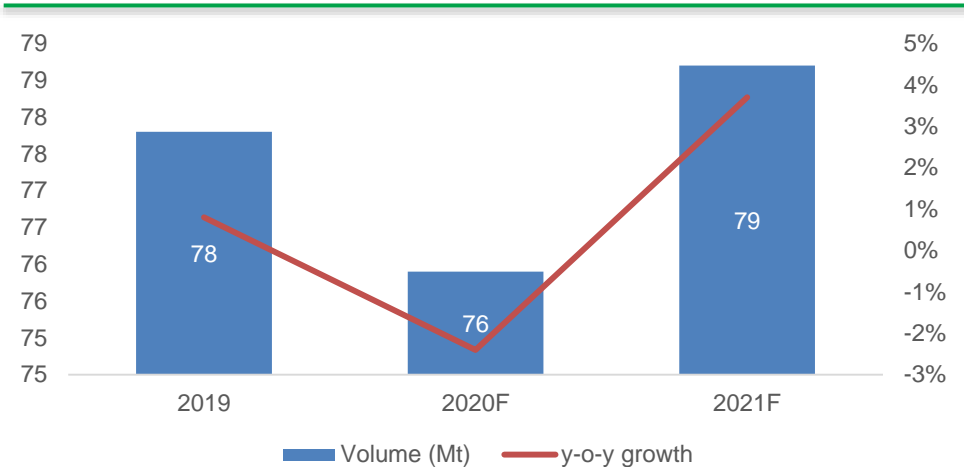
As demand for electricity and steel grows to support economic growth

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

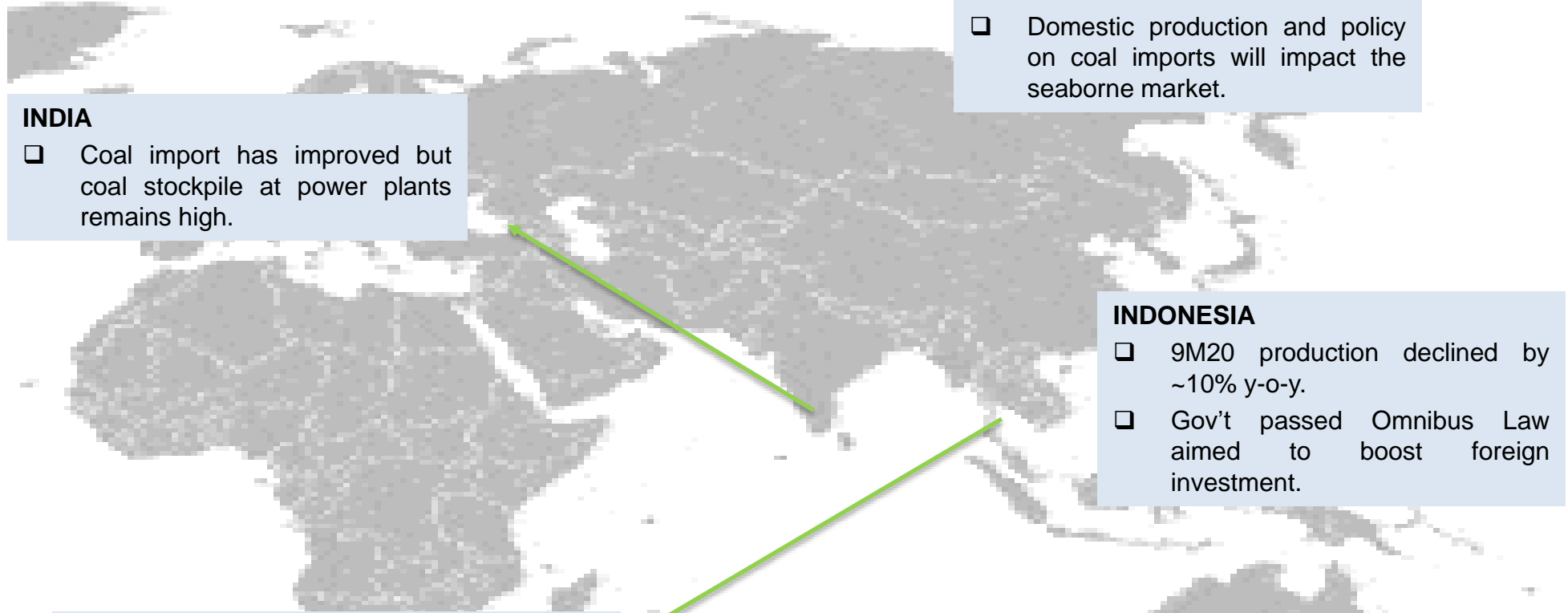


ASEAN (5): Indonesia, Malaysia, Philippines, Thailand, Vietnam
Source: Worldsteel Association Short Range Outlook June 2020

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.
- ❑ 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.

Latest Market Update



INDIA

- ❑ Coal import has improved but coal stockpile at power plants remains high.

CHINA

- ❑ Domestic production and policy on coal imports will impact the seaborne market.

INDONESIA

- ❑ 9M20 production declined by ~10% y-o-y.
- ❑ Gov't passed Omnibus Law aimed to boost foreign investment.

SOUTHEAST ASIA

- ❑ Stable demand for Indonesian coal from Malaysia and Vietnam.

AUSTRALIA

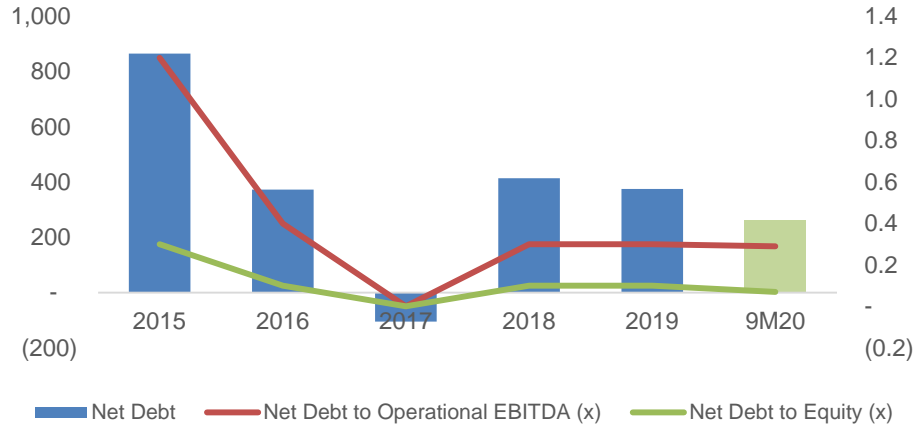
- ❑ Production cuts expected due to subdued coal prices and increasing costs.

Performance of Adaro Energy

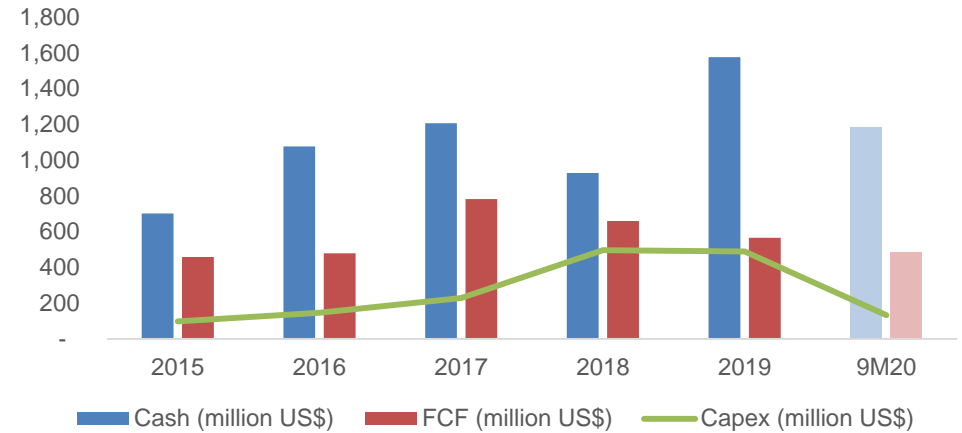


Solid financials backed by strong operations

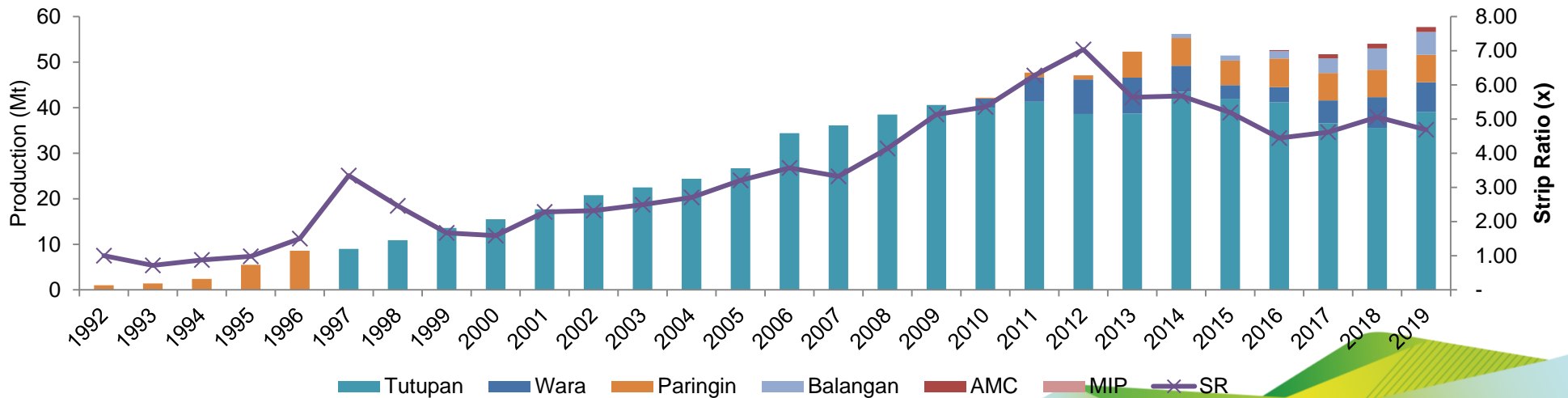
Improved financial position



Strong cash balance and free cash flow generation

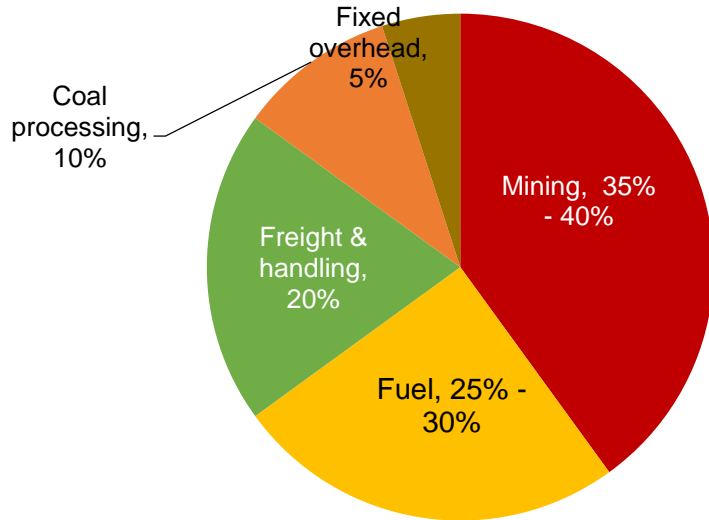


Over two decades of production experience through various coal cycles



Cost control – key for strong performance

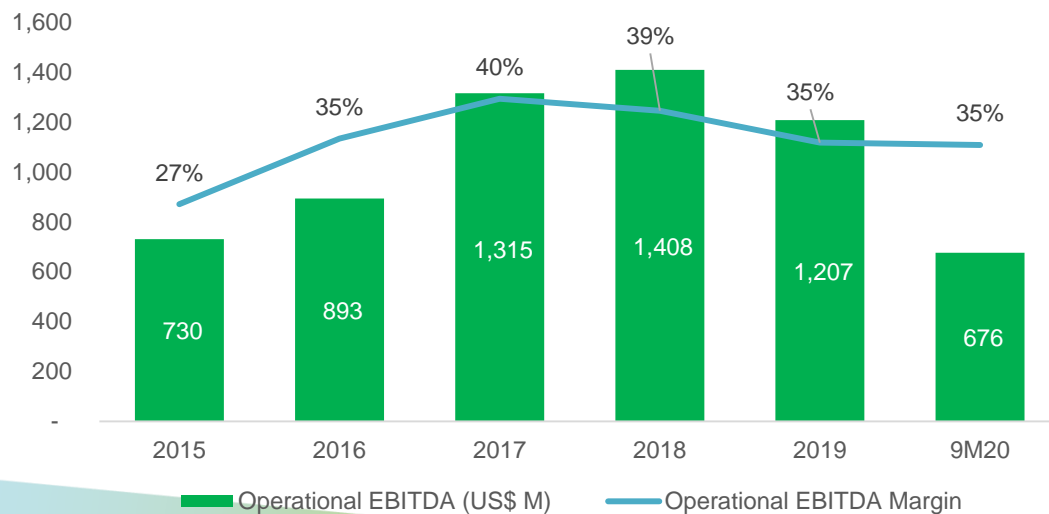
Adaro's estimated coal cash cost breakdown (9M20)



Electrification to reduce the usage of diesel gensets



Strong operational EBITDA generation and healthy operational EBITDA margin



50%
40%
30%
20%
10%
0%

- ❑ 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	9M20	9M19	% Change
Production (Mt)	41.10	44.13	-7%
Sales (Mt)	40.76	44.66	-9%
OB removal (Mbcm)	160.41	210.04	-24%
FINANCIAL (US\$ millions, unless indicated)	9M20	9M19	% Change
Net Revenue	1,955	2,654	-26%
Core Earnings	326	513	-36%
Operational EBITDA	676	976	-31%
Cash	1,186	1,008	18%
Net Debt	264	291	-9%
Capex	133	364	-63%
Free Cash Flow	482	437	10%
Operational EBITDA Margin	34.6%	36.8%	-2%
Net Debt to Equity (x)	0.07	0.06	0.01
Net Debt to Last 12 months Operational EBITDA (x)	0.29	0.22	0.07
Cash from Operations to Capex (x)	4.77	2.62	2.15

Snapshot of Adaro Energy



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.



adaro 
MINING

Adaro Mining



Large coal reserves and diverse portfolio across Indonesia and Australia

1

Adaro Indonesia: 88.5% Existing, S Kalimantan sub-bituminous **Reserves: 821 Mt** Resources: 3.1 Bt

2

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

3

Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal **Reserves: 85.4 Mt** Resources: 868 Mt

4

MIP: 75% stake S Sumatra sub-bituminous **Reserves 214 Mt** Resources 308.2 Mt

5

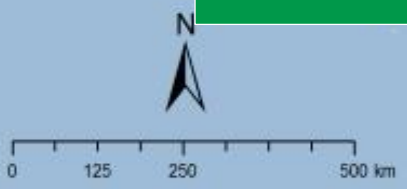
BEE: 61.04% stake S Sumatra sub-bituminous Geological study phase

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: 144.6 Mt** Resources: 427.9Mt

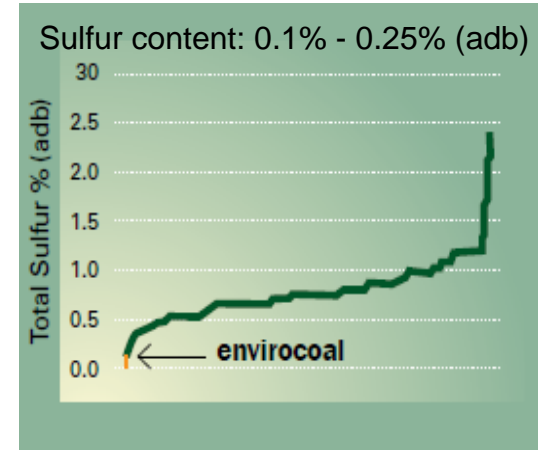
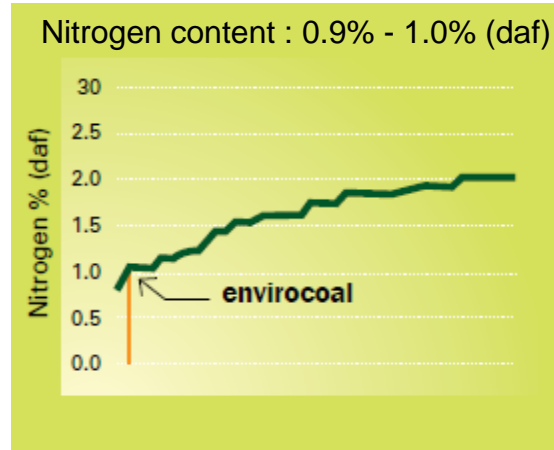
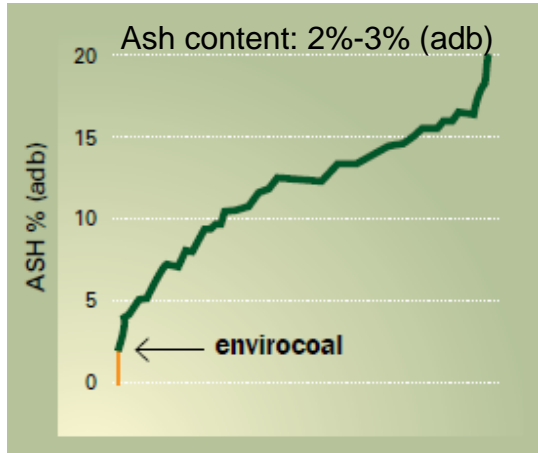


Adaro Energy has more than 8.1 billion tonnes (Bt) of coal resources and **1.4 Bt of coal reserves** across thermal and metallurgical coal – providing us with flexibility in the coal market.

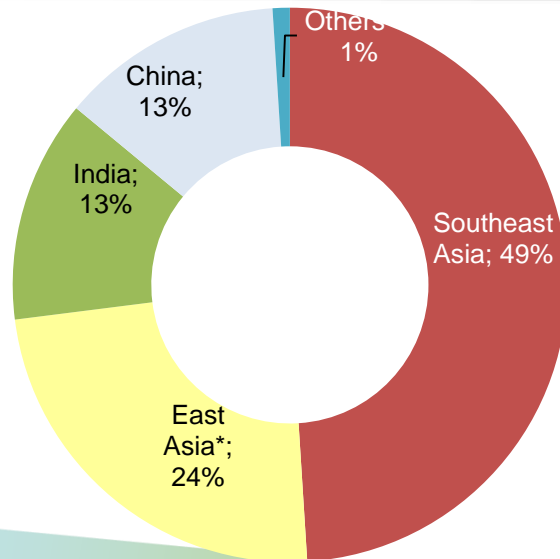
Note: Reserves and Resources numbers above are before taking into account AE's equity ownership

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

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

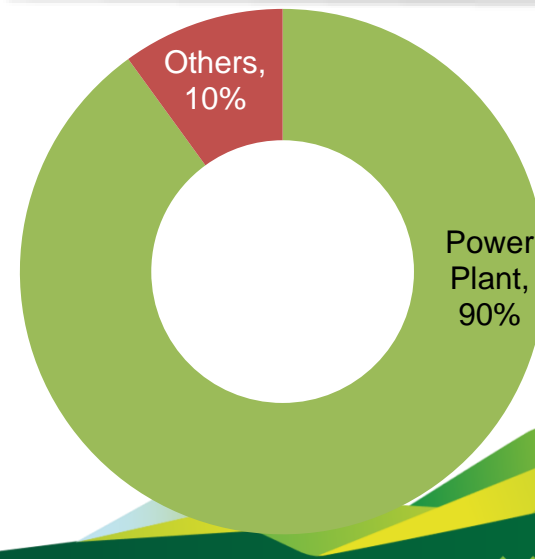


Customer geographical breakdown (9M20)



* Excluding China
** Others: New Zealand, Pakistan and Europe

Customer type by volume (9M20)



* Others include cement, pulp & paper, and industrial



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	9M20	9M19	9M20 vs. 9M19
SIS	Overburden Removal	Mbcm	123.66	174.75	-29%
	Coal Production	Mt	31.67	37.09	-15%
MBP	Coal barging	Mt	34.58	39.31	-12%



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	94.1% (Avg. as of end of 9M20)
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	98.6% (Avg. as of end of 9M20)



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 end of 9M20



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	Commissioning expected to start 4Q20



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 (93% as of end of 9M20) (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.



Sustainability and 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.
- Adaro Energy is rated BB on MSCI ESG ratings.

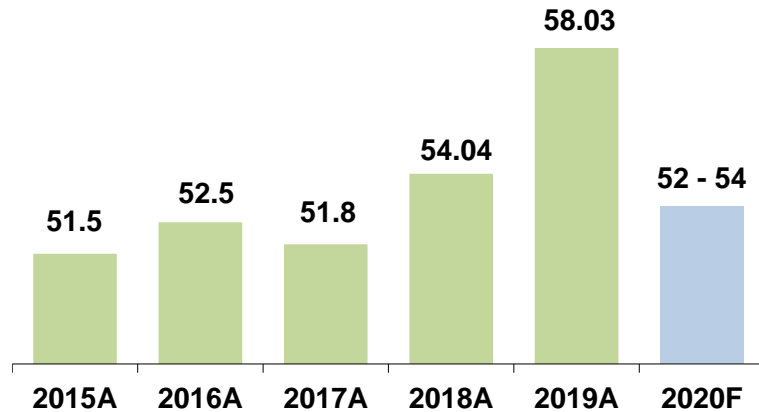
Awards and Recognitions

2010	2011	2012	2013	2014
<p>PROPER green award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environmental excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>KSN award <i>Awards in several categories</i> Ministry of Social Affairs</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Indonesia CSR award, two platinum <i>For free cataract eradication & clean water programs</i> Ministry of Social Affairs</p> <p>Aditama gold award <i>For environment excellence in the coal sector</i> Ministry of Energy & mineral resources</p>	<p>PROPER gold award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environment excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>Social empowerment award <i>Won nine awards honoring companies that run CSR programs</i> Ministry of Human Dev</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environmental excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>Global CSR bronze award <i>For sustainable clean water program</i> Pinnacle Group Global CSR</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environmental excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>Bronze sustainability award <i>For sustainable investment</i> RobecoSAM</p>
2015	2016	2017	2018	2019
<p>PROPER green award Ministry of Environment & Forestry</p> <p>Cultural based community empowerment award <i>Awards in several categories</i> Corporate Forum for Community Development & Ministry of Human Dev</p> <p>Bakti Husada award <i>For community health development</i> Ministry of Health</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Global CSR bronze award <i>For community-led sanitation</i> Annual Global CSR & Summit</p> <p>Padmamitra award <i>For poverty alleviation</i> Ministry of Social Affairs</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environment excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>Best of environmental management & safety award Ministry of Energy & mineral resources</p>	<p>PROPER green award Ministry of Environment & Forestry</p> <p>Aditama gold award <i>For environment excellence in the coal sector</i> Ministry of Energy & mineral resources</p> <p>Best of coal mining service business management & safety award Ministry of Energy & mineral resources</p>	<p>PROPER gold award Ministry of Environment & Forestry</p> <p>Global CSR award, one gold and two silver <i>For early childhood education program, CSR Leadership and environmental excellence in leader program.</i> Annual Global CSR & Summit</p> <p>The Most Tax Friendly Corporate Award Tempo Country Contributor</p>

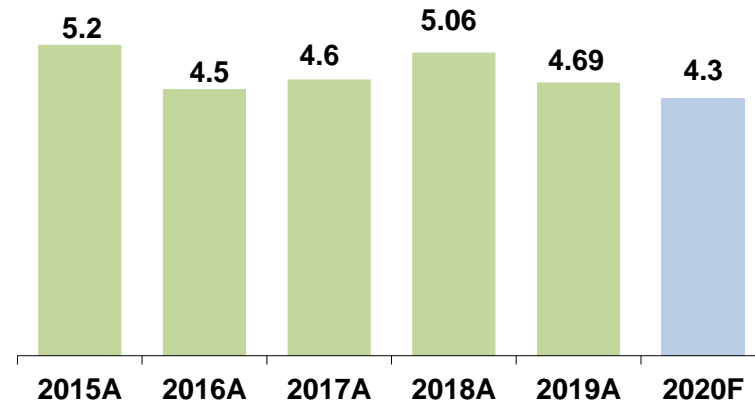
Adaro Energy 2020 Guidance



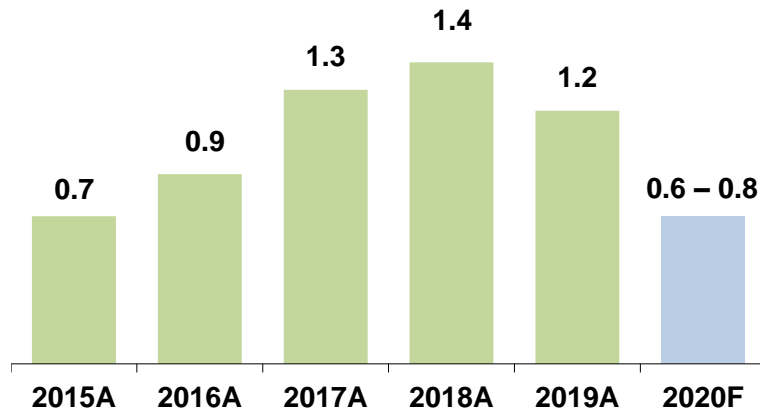
Coal production (Mt)



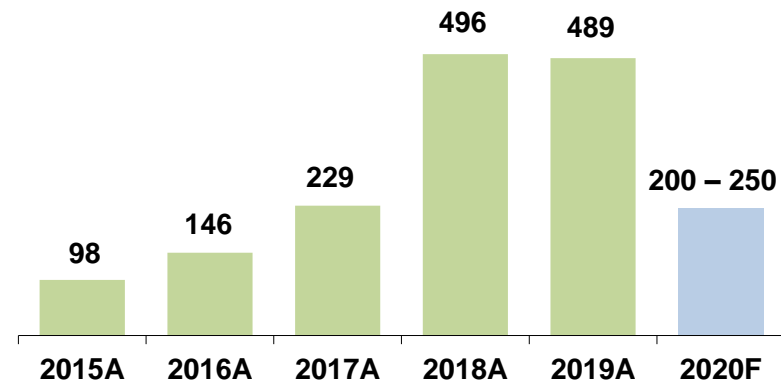
Consolidated planned strip ratio (bcm/t)



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 ~40% since IPO in 2008. In total we have paid more than US\$1.6 billion in dividend.

Thank You

