

PT Makmur Sejahtera Wisesa operates a 2x30 MW mine-mouth power plant in Tanjung, South Kalimantan and provides power for our mining operations and surrounding communities.



Adaro Energy Quarterly Activities Report Fourth Quarter of 2017

For the Three Months Ending Dec 31, 2017

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Highlights of the quarter:

- Adaro Energy produced a total of 12.43 Mt of coal in 4Q17, a 7% decrease year-on-year.
- Adaro Energy's strip ratio for the quarter was 4.47x, as heavy rains continued through 4Q17.
- The construction of our two power projects are progressing well. PT Bhimasena Power Indonesia reached 34.6% and PT Tanjung Power Indonesia reached 85.68% at the end of 2017.
- Summary of Adaro Energy 2018 guidance:
 - Production: 54 Mt – 56 Mt
 - Strip ratio: 4.9x
 - EBITDA: US\$1.3 billion – US\$1.5 billion
 - Capital expenditure: US\$750 – US\$900 million

Review of coal market

The year 2017 was a positive year for coal industry. Improved economic condition in many advanced economies benefitted emerging countries and increased the demand for coal. Combined with production rationalization in China and global coal supply shortage, the higher demand has allowed coal prices to remain high. Overall coal prices remained strong during the year, with the global coal Newcastle (gCN) price averaging at US\$88/t, 34% higher than its 2016 average. In 4Q17, gCN averaged US\$98/t, 4% higher than its 3Q17 average.

The coal market in 4Q17 was supported by winter heating requirement. China and India continued to dominate the seaborne market as domestic supply struggled to meet increased demand in both countries. China's gas shortage supported strong coal consumption in 4Q17 while stricter safety inspections at coal mines resulted in slower than expected supply response.

In India, strong power demand during the latter part of the year, weak hydropower generation, and government's ban on the use of petcoke in India's National Capital Region to control pollution, increased the country's coal demand. Coal India was unable to quickly response to this higher demand due to among others, bottlenecks in transportation. China and India then turned to the seaborne market to fulfil the additional demand.

The variables in China and India imports were the key drivers of the positive sentiment on seaborne price. On the other hand, underperformance of major seaborne coal suppliers has led to supply playing catch up with the growth in demand.

In Indonesia, domestic coal consumption lagged behind targets in 2017, however it still increased by approximately 7% y-o-y. Consumption at other countries in the Southeast Asia region increased, along with the commissioning of coal-fired power plants, bringing coal imports up to 87 Mt or 16% increase y-o-y.

Overall, the coal market fundamentals have improved and the market is poised towards a positive direction of supply and demand balance.

Review of Adaro Energy (AE) operations

In the fourth quarter of 2017, we produced 12.43 million tonnes (Mt) of coal from PT Adaro Indonesia (AI), Balangan Coal Companies and Adaro MetCoal Companies (AMC) a 7% decline compared to the fourth quarter of 2016. AE's total coal production in 2017 reached 51.79 Mt, a 2% decline y-o-y.

Overburden removal in 4Q17 declined by 6% to 55.53 million bank cubic meter (Mbcm) compared to 4Q16. The blended average strip ratio for the quarter was 4.47x and 4.61x for the whole year. The extended wet season weighed down operation activities at our mines. Although we booked a lower strip ratio in 2017, it does not affect our long-term coal reserves.

Coal sales in 4Q17 reached 12.39 Mt, 9% lower compared to 4Q16, and total sales volume for 2017 was 51.82 Mt, a 4% decline compared to 2016.

	Units	4Q17	3Q17	4Q17 vs. 3Q17	4Q16	4Q17 vs. 4Q16	FY17	FY16	FY17 vs. FY16
Coal Production	Mt	12.43	14.23	-13%	13.31	-7%	51.79	52.64	-2%
Sales Volume	Mt	12.39	14.17	-13%	13.64	-9%	51.82	54.09	-4%
Overburden Removal	Mbcm	55.53	71.40	-22%	59.35	-6%	238.70	234.13	2%

Our sales destination in 2017 was dominated by developing countries in Asia. Domestic market continued to be a priority, and Indonesia accounted for 20% of AE's sales in 2017. Malaysia constituted 15% of our sales and was our largest export market in 2017 as the country had a number of coal fired generations commissioned during the year. China and South Korea each constituted 12% and 11% of AE's sales, as both countries resorted to imports in order to fulfill increased domestic demand.

The chart below shows geographical breakdown of our customers in 2017 based on tonnage.

Geographical breakdown of customers 2017	%
Indonesia	20%
Malaysia	15%
China	12%
South Korea	11%
Japan	10%
India	8%
Hong Kong	7%
Taiwan	6%
Spain	4%
The Philippines	3%
Others	4%
Total	100%

ADARO MINING

PT Adaro Indonesia (AI)

In 4Q17, AI produced 11.36 Mt and sold 12.27 Mt of coal, 10% and 8% less compared to 4Q16, respectively. In 2017, AI produced 47.68 Mt and sold 50.36 Mt, 6% and 5% lower compared to 2016, respectively.

Total overburden removal at Al's Tutupan, Paringin and Wara pits was 51.52 Mbcm in 4Q17, 11% lower than 4Q16. Al's total overburden removal in 2017 was 225.25 Mbcm, 2% lower than in 2016. Al's strip ratio for the quarter was 4.54x and 4.72x for 2017. The wet season at Al's operations lasted through 2017, with the highest average rain hours (hour) and rainfall volume (mm) in the last six years. Nonetheless Al maintained a strong safety and environmental performance regardless of the challenging weather.

Al employs three contractors at its operations, including PT Saptaindra Sejati (SIS), a subsidiary of AE. The following table shows the breakdown of overburden removal and coal production activities of Al's mining contractors in 2017.

FY17		
Contractors	Overburden Removal	Coal Production
SIS	42%	55%
PAMA	40%	33%
BUMA	18%	12%
Total	100%	100%

Balangan Coal Companies

PT Semesta Centramas (SCM), PT Laskar Semesta Alam (LSA) and PT Paramitha Cipta Sarana (PCS) (Balangan Coal Companies) each separately have an IUP over an area of 7,500 ha that covers the Balangan Coal Companies deposit. AE has 75% equity stake in each company.

During 4Q17, we produced 0.84 Mt of coal from Balangan Coal Companies, 68% higher compared to 0.50 Mt in 4Q16. Total coal production from Balangan Coal Companies in 2017 reached 3.21 Mt, almost double its 2016 production of 1.65 Mt. Total overburden removal from Balangan Coal Companies in 4Q17 was 2.23 Mbcm, 156% higher than 4Q16. Overburden removal for 2017 was 7.70 Mbcm, 92% higher than 2016. Actual strip ratio for Balangan Coal Companies was 2.65x for the quarter and 2.40x for 2017.

Adaro MetCoal Companies (AMC)

In 4Q17, AMC produced 0.23 Mt of semi-soft coking coal and high grade thermal coal. 2017 marked the first full year of AMC's operations under AE, and total production from AMC in 2017 was 0.90 Mt. AMC delivers coal to customers in Europe, Japan India, China and Indonesia, and in 4Q17 AMC sold 0.12 Mt of coal, bringing its total coal sales to 0.74 Mt in 2017.

Overburden removal at AMC was 1.78 Mbcm in 4Q17 and 5.75 Mbcm in 2017 which resulted in a strip ratio of 7.74x and 6.39x for 4Q17 and 2017, respectively.

ADARO MINING SERVICES

PT Saptaindra Sejati (SIS)

SIS coal production volume for the quarter of 9.09 Mt was 6% lower y-o-y, and its overburden removal volume of 43.49 Mbcm was flat y-o-y. SIS booked a 10% increase y-o-y in overburden removal volume for the whole year to 179.17 Mbcm, while its coal production volume of 35.43 Mt was relatively flat y-o-y.

Out of SIS's total volume in 2017, coal production volume from Adaro Group accounted for 86% and 57% for overburden removal volume compared with 74% and 61% in 2016, respectively. While SIS will continue to serve Adaro Group, it is also actively looking for opportunities to grow its third party business.

	Units	4Q17	3Q17	4Q17 vs. 3Q17	4Q16	4Q17 vs. 4Q16	FY17	FY16	FY17 vs. FY16
Overburden Removal	Mbcm	43.49	51.15	-15%	43.57	0%	179.17	163.09	10%
Coal Production	Mt	9.09	10.18	-11%	9.66	-6%	35.43	35.33	0%

ADARO LOGISTICS

PT Maritim Barito Perkasa (MBP)

In 4Q17, MBP's total coal barging volume declined by 4% y-o-y to 10.69 Mt, as heavy rains impacted logistics operations in Kalimantan. In 2017, MBP's total coal barging volume was 42.75 Mt, 11% higher than in 2016. Coal volume from Adaro Group accounted for 95% of MBP's total coal barging volume both in the 4Q17 and in 2017.

	Units	4Q17	3Q17	4Q17 vs. 3Q17	4Q16	4Q17 vs. 4Q16	FY17	FY16	FY17 vs. FY16
Coal barging	Mt	10.69	12.15	-12%	11.17	-4%	42.75	38.49	11%

ADARO POWER

Engineering, Procurement and Construction (EPC) activities at PT Bhimasena Power Indonesia (BPI) and PT Tanjung Power Indonesia (TPI) reached 34.6% and 85.68%, respectively, at the end of 2017. The projects are progressing as planned and we are on track to achieve COD in 2019 for TPI and 2020 for BPI.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In 4Q17, AE experienced three lost time injuries (LTI), and regrettably one fatality happened. Our lost time injury frequency rate (LTIFR) for 4Q17 was 0.15 and severity rate (SR) was 252.6. Total man-hours worked during the quarter were 26,227,715 hours. Against the backdrop of a wet year, AE recorded a solid safety performance. LTI in 2017 was 11 while LTIFR and SR were 0.12 and 67.22, respectively. Total man-hours worked for the year was 101,537,973, compared to 97,168,410 in 2016.

CORPORATE NEWS

Adaro's 25 year anniversary

On 2nd October 2017, Adaro celebrated its silver anniversary. A lot has changed since we first started production at our South Kalimantan mine in 1992, and we use this moment to continue improve and innovate ourselves to create resilient foundations for our business for many years to come. We use this moment to introduce Adaro's eight business pillars, with focus on coal, energy and infrastructure.



Members of the Board of Commissioners and Directors of PT Adaro Energy Tbk pictured here during the celebration of Adaro Group's silver jubilee in Jakarta.

IR Magazine's Best Investor Relations in Indonesia

PT Adaro Energy Tbk was named as the Best Investor Relations in Country (Indonesia) and ranked third in the Best Investor Relations in Energy Sector (Southeast Asia) by IR Magazine at the IR Magazine Awards and Conference South East Asia 2017.

We would like to extend our gratitude to all analysts, investors and capital market participants that voted for PT Adaro Energy Tbk in the poll. We wish to continue to serve you better.



Mr Mahardika Putranto, Corporate Secretary and Investor Relations Division Head of Adaro Energy, receiving the award for Best Investor Relations in Country – Indonesia from David Chase Lopes, Managing Director of D.F. King at the IR Magazine Awards and Conference South East Asia 2017.

Shareholder Information

In 4Q17, ADRO was opened at Rp1,300, and it was the lowest share price during 4Q17. The share price was peaked at Rp1,965, and closed at Rp1,860 in the end of December 2017. During the period, ADRO's average market capitalization was US\$4.3 billion in 4Q17, an increase of 13% from average of US\$3.8 billion in 4Q17. Average volume for ADRO in 4Q17 was 37.85 billion, decreased from 42.21 billion y-o-y. At the end of 3Q17, consensus rating for ADRO was 4.75, as a result of 26 buy, 1 hold, and 1 sell recommendations.

At the end of 2017, total public shareholders were 36.35% out of AE's total shares. Of the public shareholders, domestic holders constituted 29.49%, 6.5% decrease from 31.55% at the end of December 2016, and the rest were foreign holders.