



# PT Adaro Energy Tbk

Public Expose Live 2021

September 6, 2021

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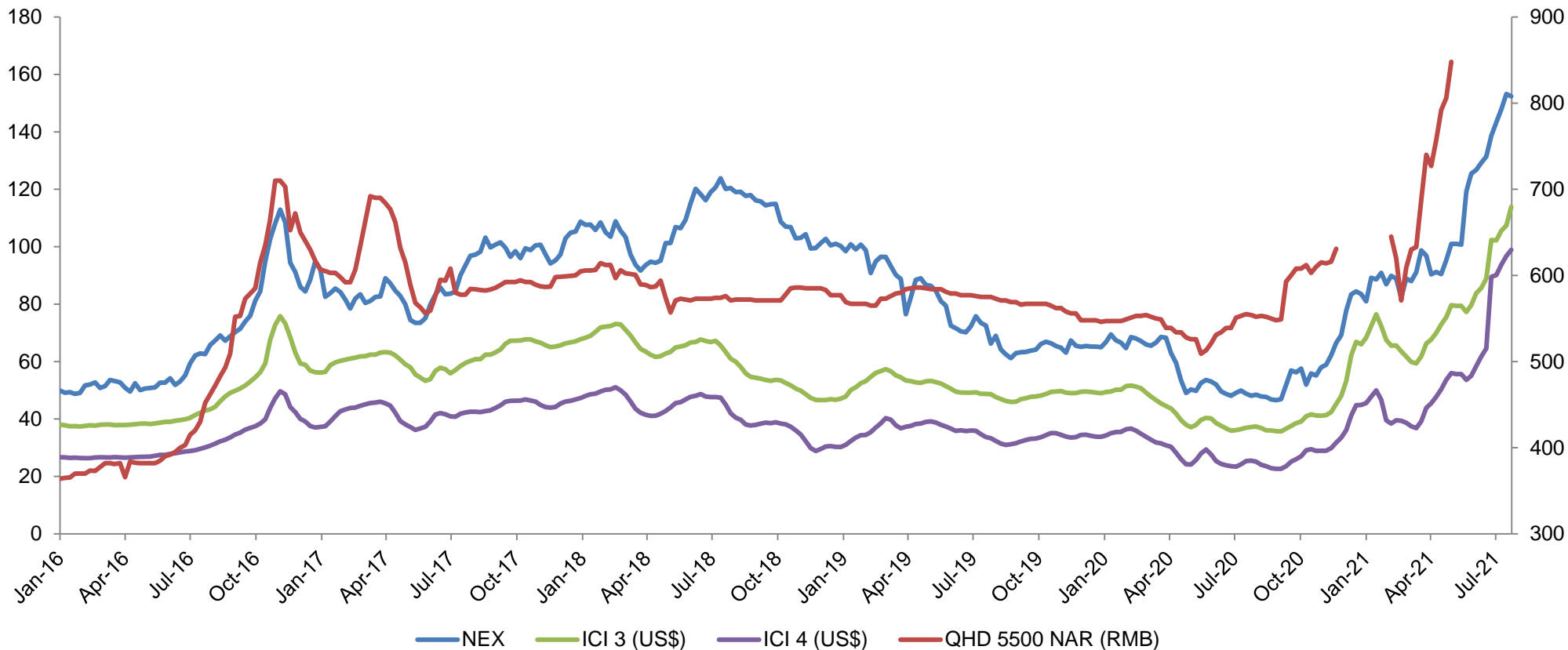
# Frequently Asked Questions



- Recent trends in coal market and coal price
- Industry and price outlook
- Progress of Adaro's projects
- Adaro's strategy and approach on ESG issues



# Strong Price Maintained due to Tight Market



- ❑ Tight domestic supply in China and the seaborne market has supported coal prices amid increasing demand on the back of economic recovery and summer restocking.
- ❑ Prices for benchmark Australian coal and Harga Batu Bara Acuan (HBA) have reached their highest since 2011.

# Latest Update from Key Markets

## INDIA

- Coal imports have increased y-o-y over the first 6 months, overcoming the demand impact from the second COVID-19 wave.
- Higher imports of Australian coal as trade flow shifts.

## CHINA

- Import demand has been supported by strong economic growth, slow down of domestic supply in 2Q21 due to safety and environmental checks which resulted in high domestic coal prices.
- Ongoing informal ban on imports of Australian coal.

## NORTHEAST ASIA

- Higher coal imports 1H21 due to summer restocking, weak hydro performance (in Taiwan) and high gas prices.

## SOUTHEAST ASIA

- Appetite for spot buying fell y-o-y in 1H21 on the back of stronger hydro power generation and rising COVID-19 cases.
- There are new power plants coming online in 2021 in Vietnam, Philippines and Indonesia.

## INDONESIA

- Prolonged rainy season, COVID-19 spread, and limited heavy equipment availability have affected coal supply.
- Tight supply combined with strong demand from China, have supported Indonesian coal prices.

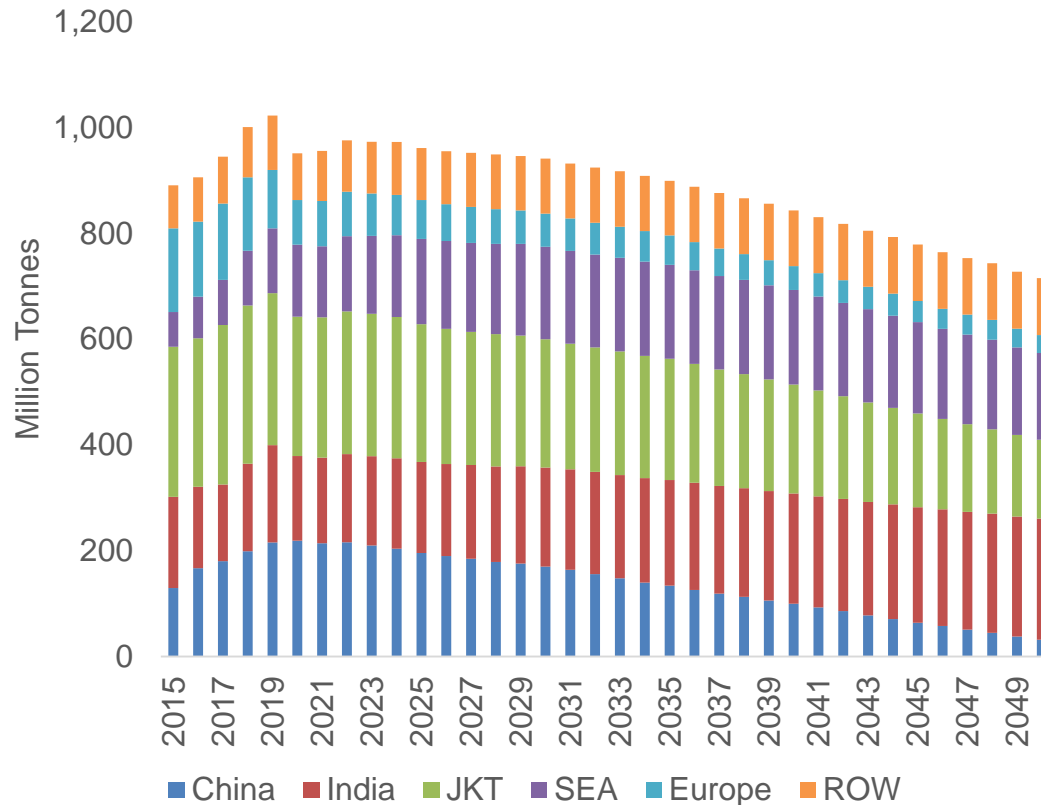
## AUSTRALIA

- Tight supply due to limited throughput in Newcastle port, adverse weather and limited heavy equipment availability.
- COVID-19 surge in NSW region is impacting worker availability and could tighten supply further as winter restocking approaches.
- Trade flow shifts due to China's import ban.

ASIA PACIFIC

# Thermal Coal Demand Remains Significant in the Long Run

Global thermal coal imports demand (Mt)



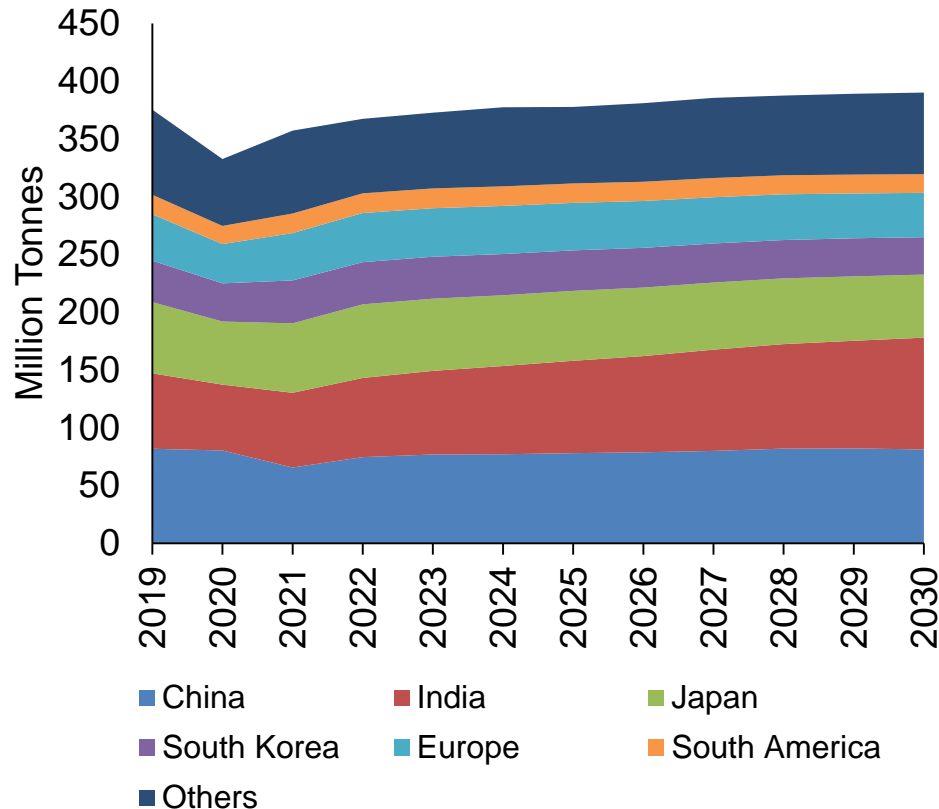
Source: IHS Markit

- Coal remains as significant part of energy mix in emerging economies in Asia
- Despite push towards renewable energy, emerging economies in Asia still rely on coal for electricity generation due to its availability and affordability.
- As the world aims to reduce carbon emission, demand for coal will be affected.

# Robust Demand Outlook for Metallurgical Coal



Global metallurgical coal imports demand (Mt)

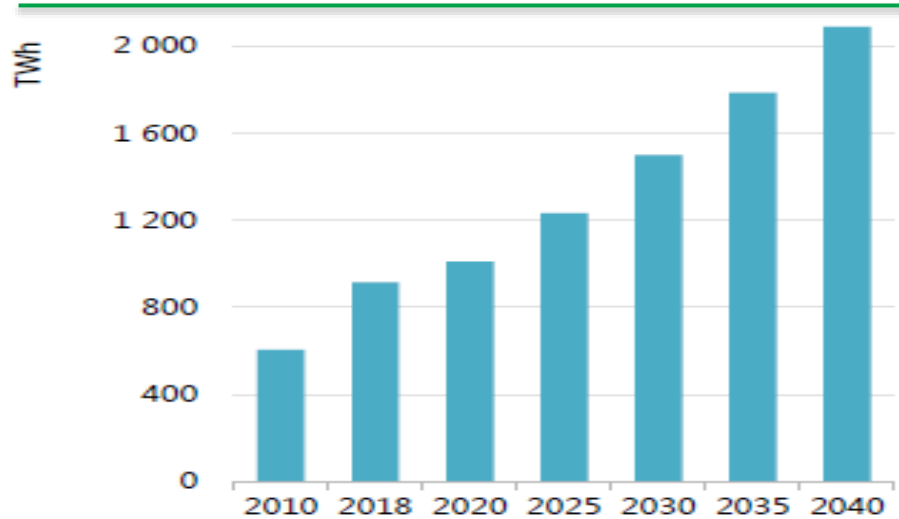


Source: IHS Markit

- The long-term demand fundamentals for metallurgical coal remain intact, underpinned by infrastructure growth. Steel production and consumption is forecasted to grow. Met coal demand is expected to reach nearly 400 Mt in 2030.
- India is expected to be the growth driver and China's demand is forecasted to remain stable in the next decade.

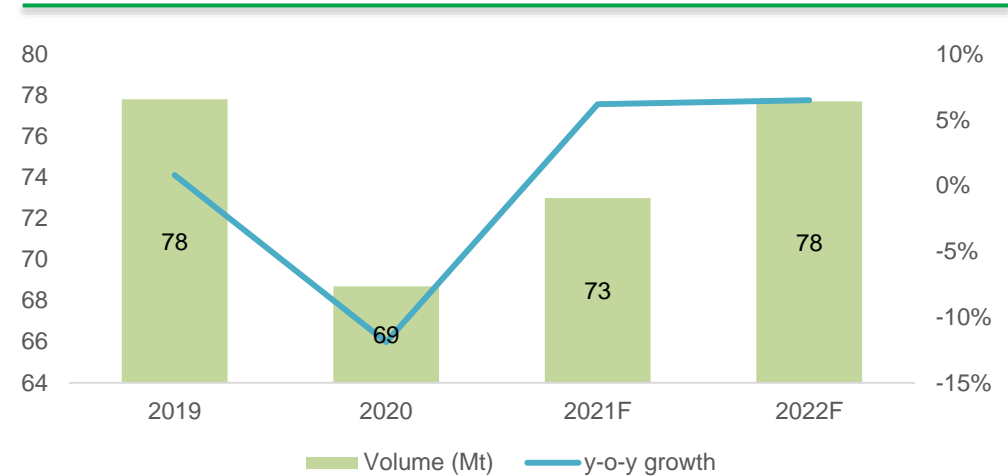
# Southeast Asia is One of the Key Markets for Thermal and Met Coal

## 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 October 2020, April 2021

## 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, nearly 20 GW of coal-fired power plant is under construction (IEA).
- ❑ 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.



# Performance of Adaro Energy

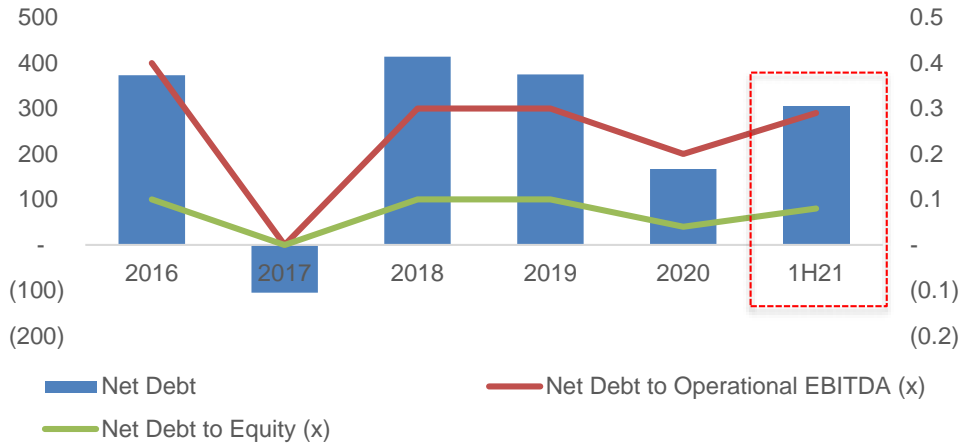
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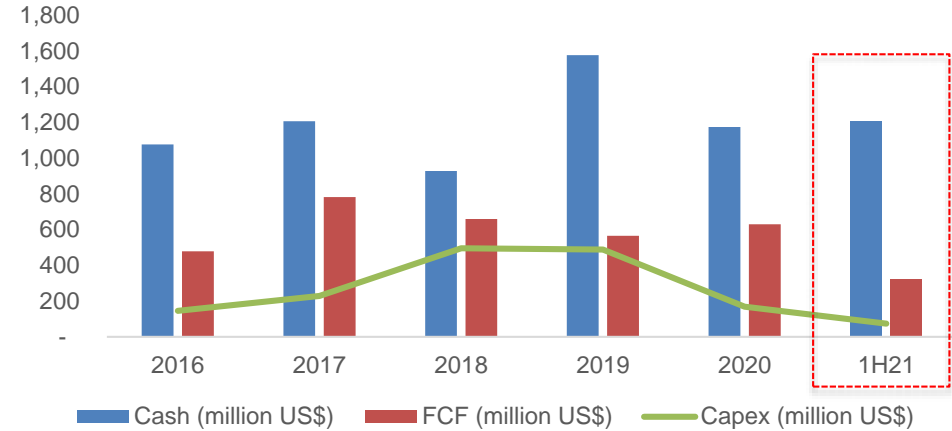
# Solid Financials Backed by Strong Operations



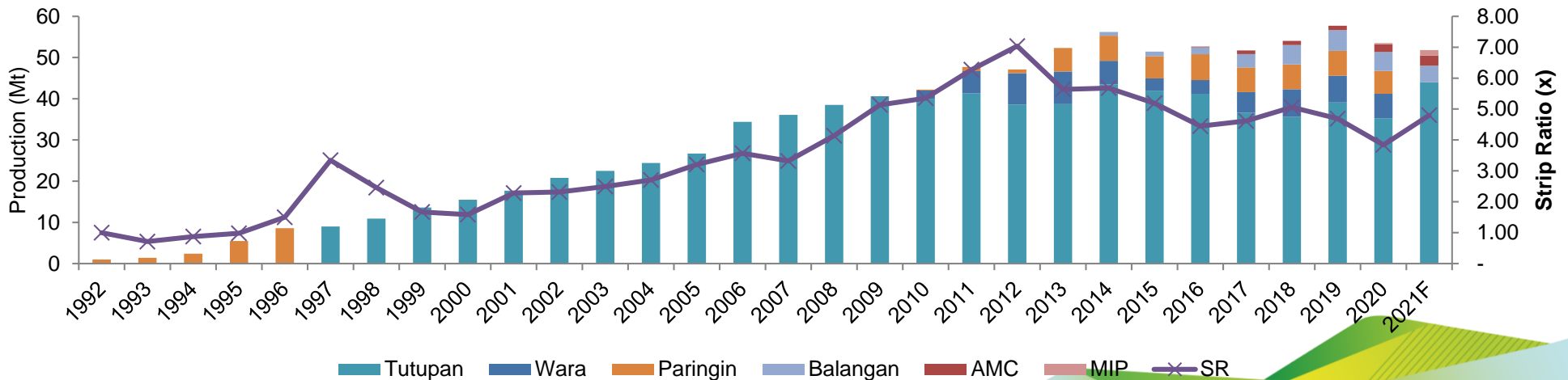
## Financial position continues to improve



## Strong cash balance and free cash flow generation

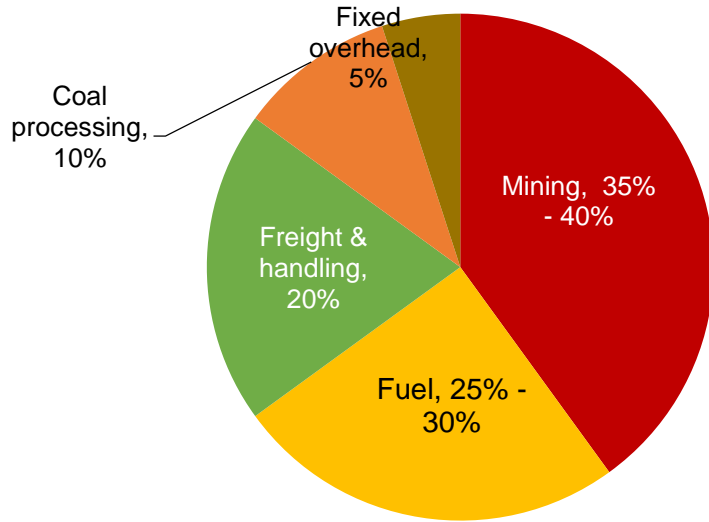


## Almost three decades of production experience through various coal cycles



# Cost Control – Key for Strong Performance

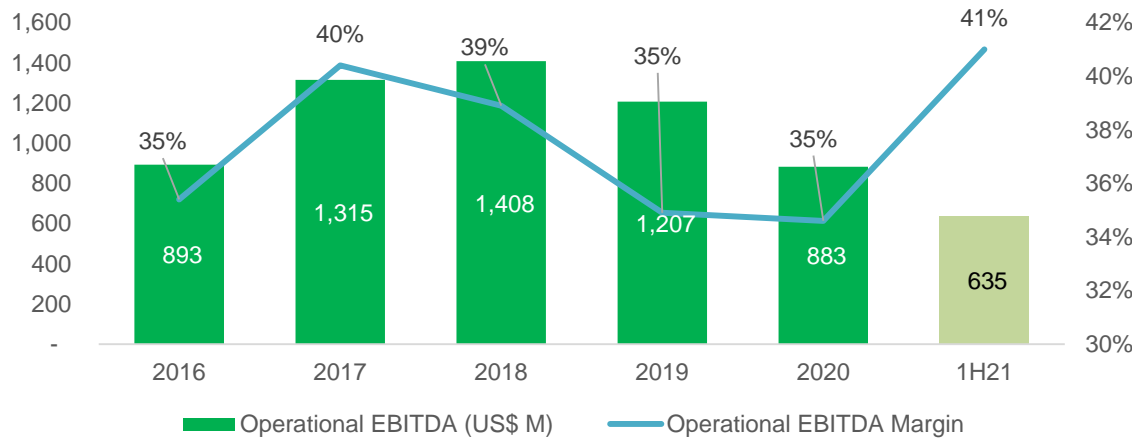
## Adaro's estimated coal cash cost breakdown (1H21)



## Electrification to reduce the usage of diesel gensets



## Strong operational EBITDA generation and healthy operational EBITDA margin



- ❑ 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



Continue to deliver solid results and operational excellence

OPERATIONAL	1H21	1H20	% Change
Production (Mt)	26.49	27.29	-3%
Sales (Mt)	25.78	27.13	-5%
OB removal (Mbcm)	115.22	103.01	12%
FINANCIAL (US\$ millions, unless indicated)	1H21	1H20	% Change
Net Revenue	1,563	1,363	15%
Core Earnings	330	227	45%
Operational EBITDA	635	465	37%
Cash	1,208	1,075	12%
Net Debt	305	470	-35%
Capex	74	115	-36%
Free Cash Flow	324	312	4%
Operational EBITDA Margin	40.6%	34.2%	7%
Net Debt to Equity (x)	0.08	0.12	-4%
Net Debt to Last 12 months Operational EBITDA (x)	0.29	0.48	-19%
Cash from Operations to Capex (x)	5.38	3.57	181%

# Snapshot of Adaro Energy

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# 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.

# Integrated Business Model

with control over each part of the supply chain

## ADAROMINING

### THERMAL COAL

**Adaro Indonesia (AI)** 88.5%  
Coal mining, S. Kalimantan

**Balangan Coal** 75%  
Coal Mining, S. Kalimantan

**Mustika Indah Permai (MIP)** 75%  
Coal Mining, S. Sumatra

**Bukit Enim Energi (BEE)** 61%  
Coal Mining, S. Sumatra

**Bhakti Energi Persada (BEP)** 10.2%  
Coal mining, E. Kalimantan

### METALLURGICAL COAL

**Adaro MetCoal (AMC)** 100%  
Coal mining,  
C. Kalimantan, E.  
Kalimantan

**Kestrel Coal Resources<sup>1</sup>** 48%  
Queensland, Australia

1) Kestrel Coal Resources has 80% ownership on Kestrel Coal Mine



## ADAROSERVICES

### MINING SERVICES

**Saptaindra Sejati (SIS)** 100%  
Coal mining and hauling  
contractor

**Jasapower Indonesia (JPI)** 100%  
Operator of overburden  
crusher and conveyor

**Adaro Jasabara Indonesia (AJI)** 100%  
Mining services

**Adaro Mining Technologies (AMT)** 100%  
Coal research &  
development

### COAL TRADING

**Coaltrade Services International Pte. Ltd (CTI)** 90%  
Coal Trader



## ADAROLOGISTICS

**Maritim Barito Perkasa (MBP)** 100%  
Barging & Shipping

**Sarana Daya Mandiri (SDM)** 51.2%  
Dredging & maintenance in  
Barito River mouth

**Indonesia Multi Purpose Terminal (IMPT)** 100%  
Port management &  
terminal operator

**Indonesia Bulk Terminal (IBT)** 100%  
Coal terminal & fuel storage

**Puradika Bongkar Muat Makmur (PBMM)** 100%  
Cargo loading & unloading

**Harapan Bahtera Internusa (HBI)** 100%  
Shipping administration

**Barito Galangan Nusantara (BGN)** 100%  
Maintenance services



## ADAROPOWER

**Makmur Sejahtera Wisesa (MSW)** 100%  
Operator of 2x30MW mine-  
mouth power plant in  
S. Kalimantan

Operator of Solar PV at AI's  
mine site in S. Kalimantan

**Tanjung Power Indonesia (TPI)** 65%  
Partner in 2x100MW power  
plant project in S.  
Kalimantan

**Bhimasena Power Indonesia (BPI)** 34%  
Partner in 2x1000MW  
power generation project in  
Central Java

*Note : Simplified Corporate Structure*





adaro   
MINING

# Adaro Mining

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# Large Coal Reserves and Diverse Portfolio across Indonesia and Australia

1

Adaro Indonesia: 88.5% Existing, S Kalimantan sub-bituminous **Reserves: 774 Mt** Resources: 3.3 Bt

2

Balangan Coal Companies: S Kalimantan sub-bituminous **Reserves 120Mt** Resources 243 Mt

3

Adaro MetCoal Companies Central and East Kalimantan Metallurgical coal **Reserves: 89.2 Mt** Resources: 864 Mt

4

MIP: 75% stake S Sumatra sub-bituminous **Reserves 214 Mt** Resources 307 Mt

5

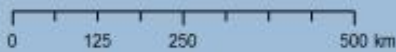
BEE: 61.04% stake S Sumatra sub-bituminous Geological study phase

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: 170.5 Mt** Resources: 443.9Mt



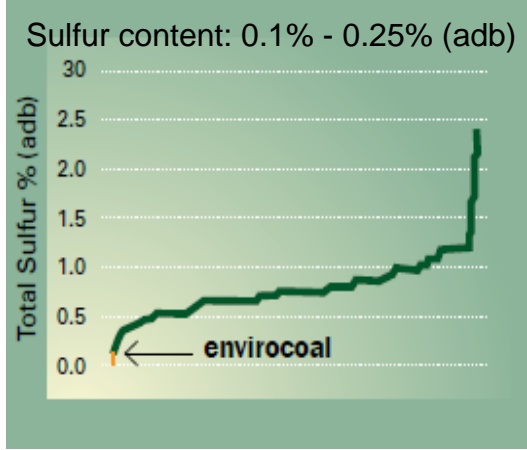
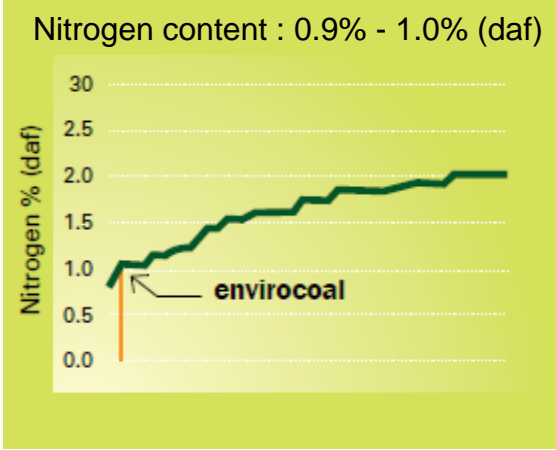
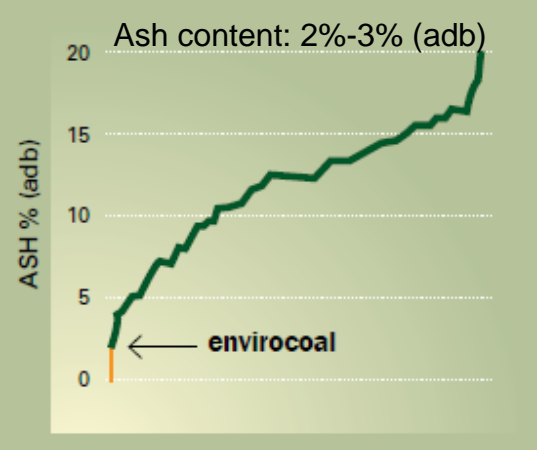
Adaro Energy has more than 8.4 billion tonnes (Bt) of coal resources and **1.3 Bt of coal reserves** across thermal and metallurgical coal – providing us with flexibility in the coal market.

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

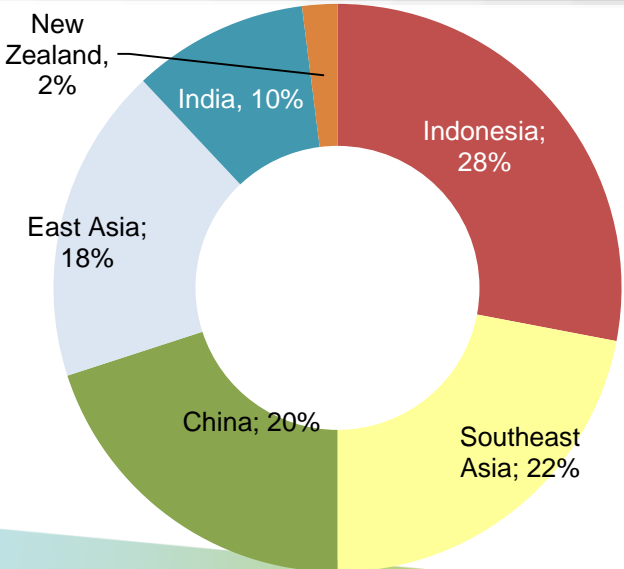
# Unique Coal Product and Strong Customer Base Focused on Asia



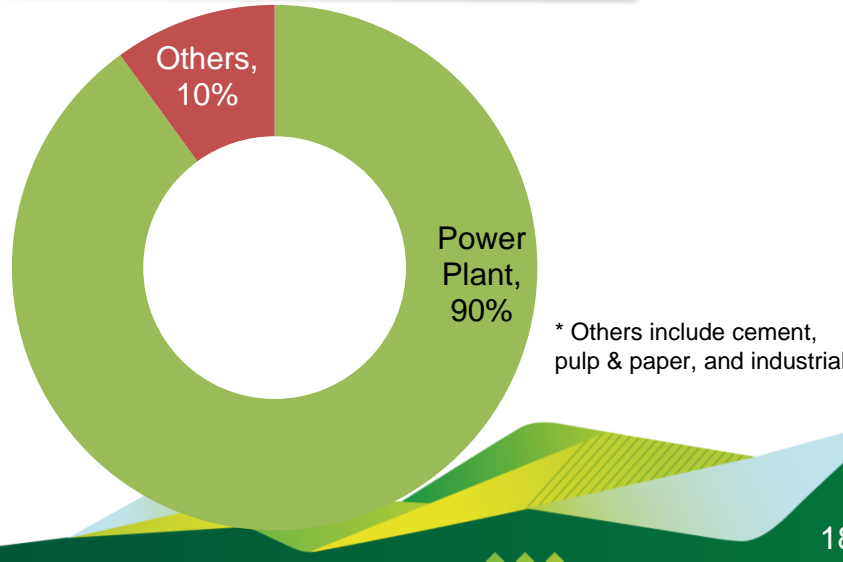
Envirocoal is among the lowest pollutant content coal in the seaborne market



Customer geographical breakdown (1H21)



Customer type by volume (1H21)





# Adaro Services and Adaro Logistics

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# Ensuring Operational Excellence

- 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.
- Focus on providing services for companies in the Adaro Group.



		Units	1H21	1H20	1H21 vs. 1H20
<b>SIS</b>	Overburden Removal	Mbcm	80.46	84.65	-5%
	Coal Production	Mt	19.02	21.56	-12%
<b>MBP</b>	Coal barging	Mt	24.55	22.78	8%



# Adaro Power & Adaro Water



# Adaro Power is One of Indonesia's Largest IPPs



Gross Power Generation Capacity stands at 2,260 MW



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	99.7% (Avg. as of end of 2Q21)
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	91.5% (Avg. as of end of 2Q21)



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	95.6% as of end of 2Q21



Makmur Sejahtera Wisesa – Solar PV	
Size	130 kWp + 467 kWp
Shareholder	100% Adaro Power
COD	Q3 2018 (for 130 kWp) & 467 kWp to complete end of 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 Ips of Water Treatment Plants



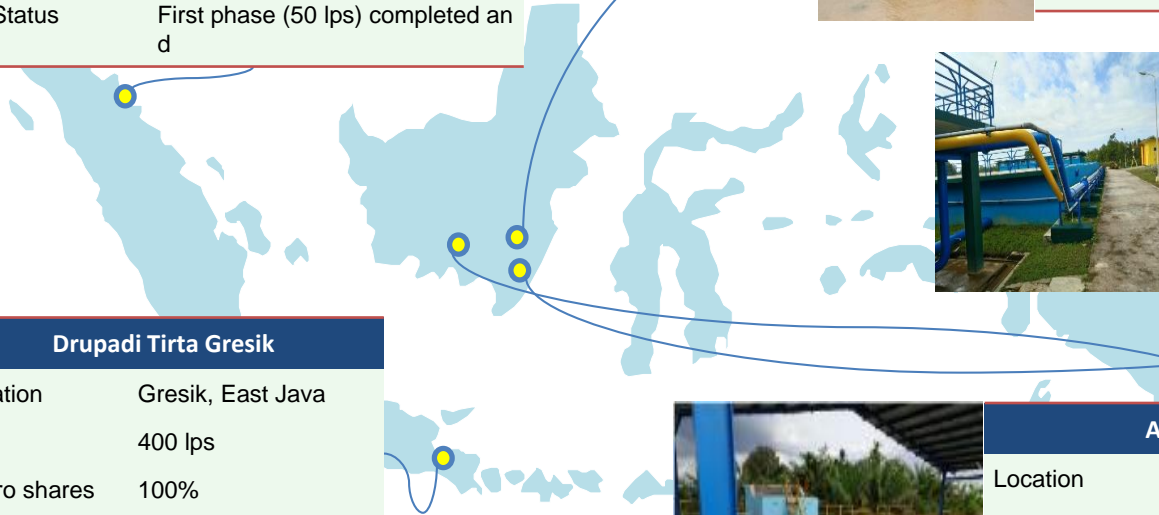
*Also Supports Mining Operations through Slurry Management Business Unit*



Dumai Tirta Persada	
Location	Dumai, Riau
Size	450 Ips
Adaro shares	49%
Status	First phase (50 Ips) completed and



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 Ips
Adaro shares	100%
Status	In operation since 2012



Drupadi Tirta Gresik	
Location	Gresik, East Java
Size	400 Ips
Adaro shares	100%
Status	In operation since 2012



Adaro Tirta Mentaya	
Location	Sampit, Central Kalimantan
Size	320 Ips (contract) 400 Ips (capacity)
Adaro shares	90%
Status	In operation up to 250Ips

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

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# Balance of People, Planet and Profit

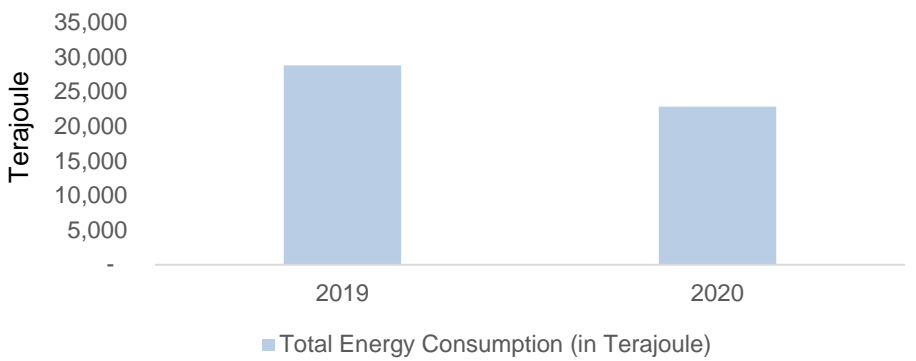


- We strive to balance our responsibilities among the generation of profit, the utilization of planet and employment of people.
- Our corporate social responsibility programs focus on five main areas: education, economic development, health, environmental enhancement, and socio-cultural enrichment.
- Our environmental programs cover four main areas: land, air, water, and biodiversity.
- Adaro Energy is rated BB on MSCI ESG ratings.

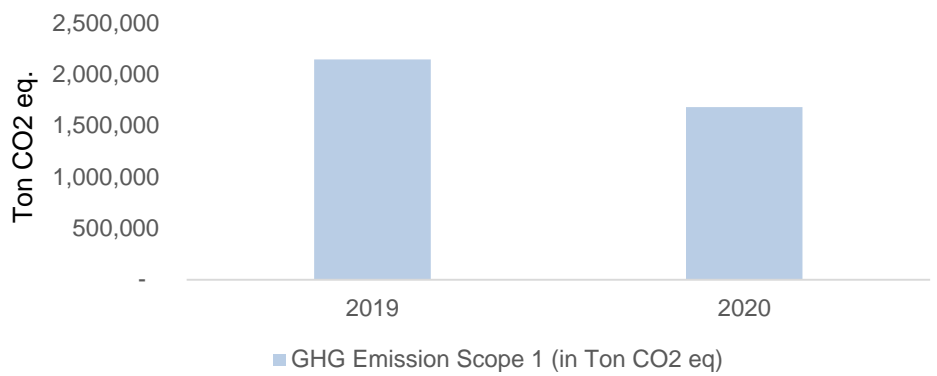
# Improving Environmental Performance



Reduced total energy consumption by 21% y-o-y



...and reduced GHG emission (scope 1) by 22% y-o-y



## Innovative projects to improve efficiency and environmental performance



Fleet Management System reduces queueing time and energy used



Kelanis Smart Inverter Solar Cell reduces diesel usage and CO2 emission

# Ecosystem Restoration and Carbon Capture



- Through Adaro Land Pillar, we have subsidiaries which own forest management permits for ecosystem restoration and forest management permits for carbon absorption.
- PT Alam Sukses Lestari holds license to use timber product – ecosystem restoration in natural forest which allows restoration of forest ecosystem to achieve balanced biodiversity.
- PT Hutan Amanah Lestari holds license for utilization of carbon absorption and is one of the largest holders of such license in Indonesia. We expect that once operational, carbon trading will be the main business of this company.



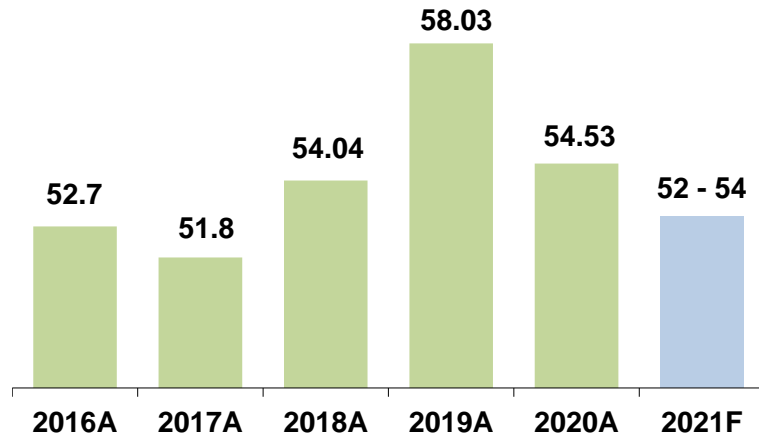
# Awards and Recognitions

2011	2012	2013	2014	2015
<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Indonesia CSR award, two platinum</b> <i>For free cataract eradication &amp; clean water programs</i> Ministry of Social Affairs</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Social empowerment award</b> <i>Won nine awards honoring companies that run CSR programs</i> Ministry of Human Dev</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environmental excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Global CSR bronze award</b> <i>For sustainable clean water program</i> Pinnacle Group Global CSR</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environmental excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Bronze sustainability award</b> <i>For sustainable investment</i> RobecoSAM</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Cultural based community empowerment award</b> <i>Awards in several categories</i> Corporate Forum for Community Development &amp; Ministry of Human Dev</p> <p><b>Bakti Husada award</b> <i>For community health development</i> Ministry of Health</p>
2016	2017	2018	2019	2020
<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Global CSR bronze award</b> <i>For community-led sanitation</i> Annual Global CSR &amp; Summit</p> <p><b>Padmamitra award</b> <i>For poverty alleviation</i> Ministry of Social Affairs</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Best of environmental management &amp; safety award</b> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER green award</b> Ministry of Environment &amp; Forestry</p> <p><b>Aditama gold award</b> <i>For environment excellence in the coal sector</i> Ministry of Energy &amp; mineral resources</p> <p><b>Best of coal mining service business management &amp; safety award</b> Ministry of Energy &amp; mineral resources</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>Global CSR award, one gold and two silver</b> <i>For early childhood education program, CSR Leadership and environmental excellence in leader program.</i> Annual Global CSR &amp; Summit</p>	<p><b>PROPER gold award</b> Ministry of Environment &amp; Forestry</p> <p><b>MSCI ESG Ratings upgraded to BB</b> MSCI</p> <p><b>Charity and Community Impact</b> <b>Coaltrans Asia</b></p> <p><b>Best Implementation of Good Mining Practices</b> MoEMR</p>

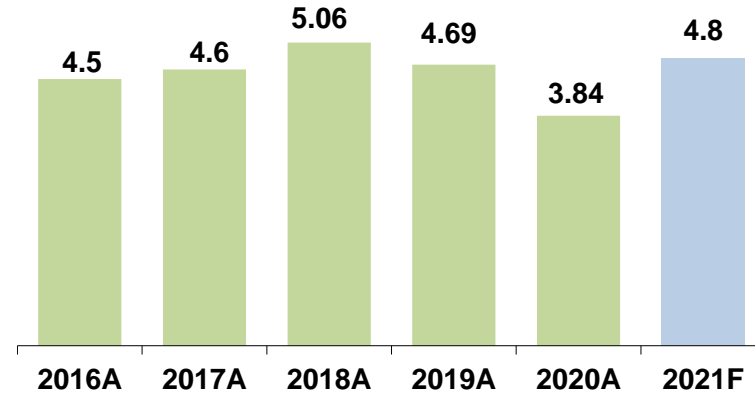
# Adaro Energy 2021 Guidance



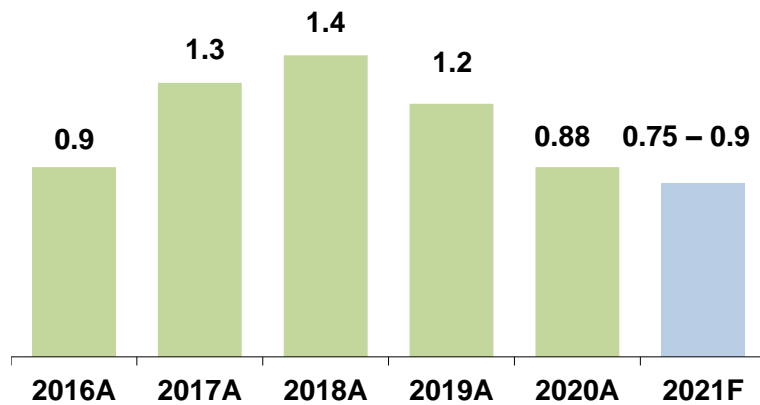
### Coal production (Mt)



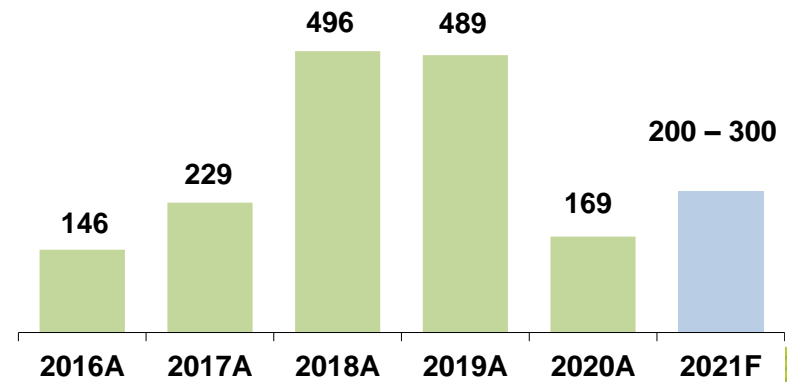
### Consolidated planned strip ratio (bcm/t)



### 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 ~46% since IPO in 2008. In total we have paid more than US\$1.7 billion in dividend.

# Thank You



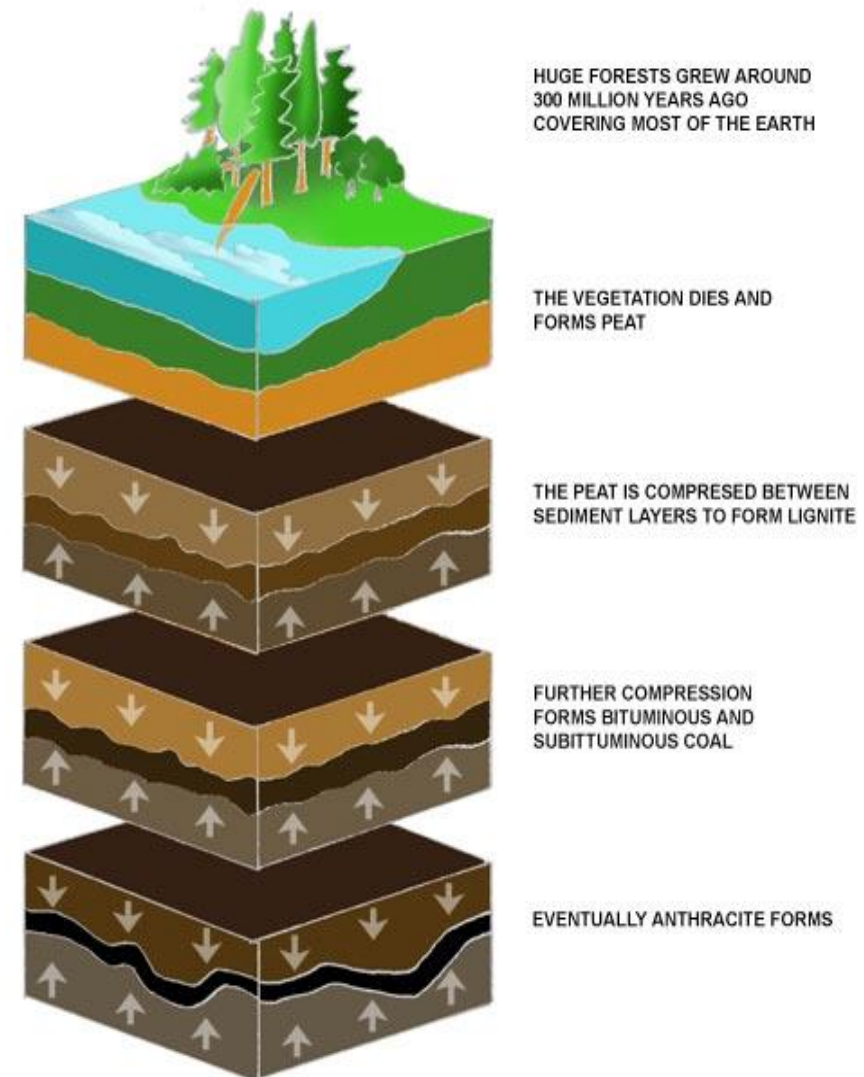
# Appendix: Coal 101





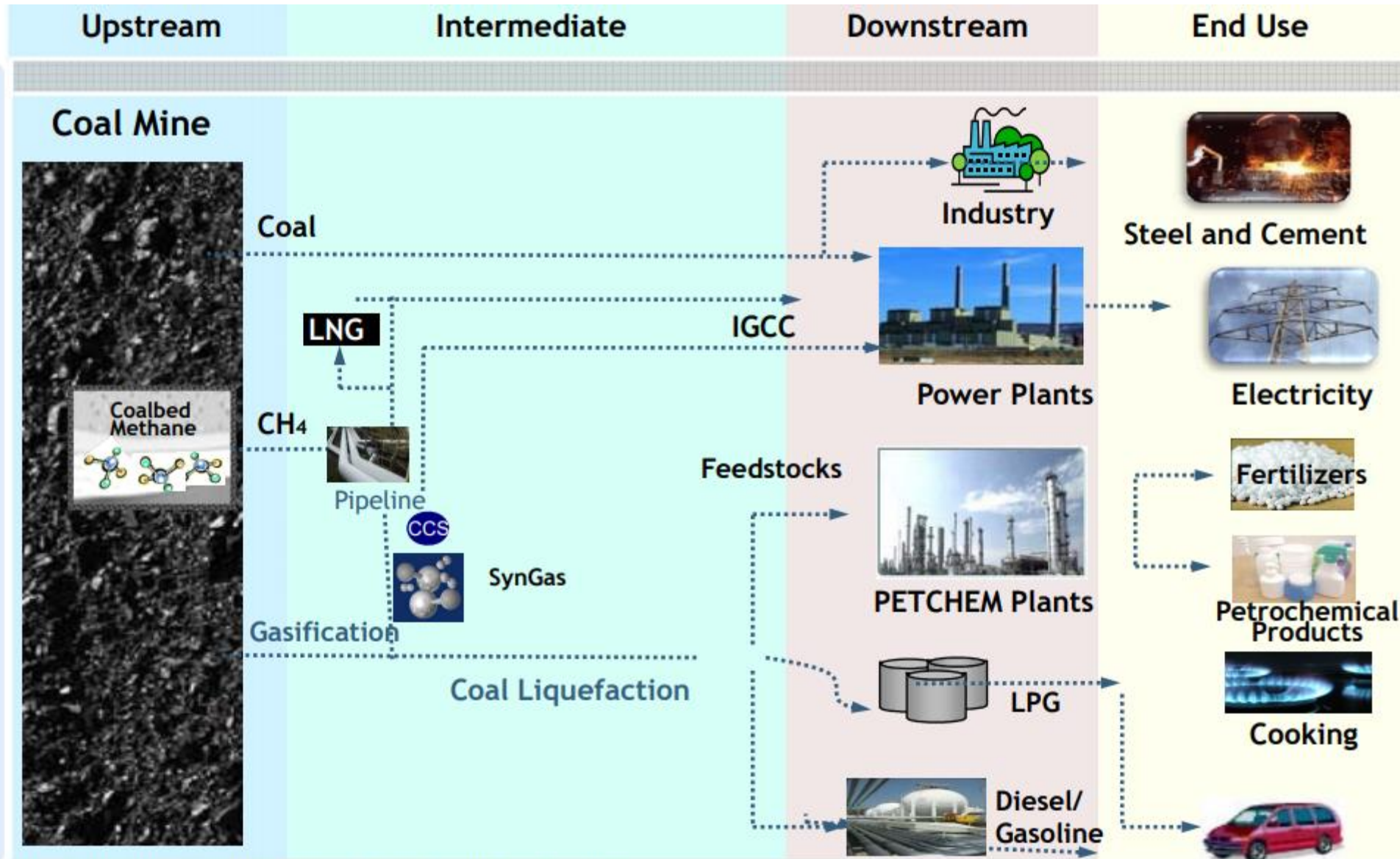
# What is Coal?

- Coal is a sedimentary rock composed predominately of organic material, with a greater or lesser amount of mineral matter
- Coal is derived from plant remains in a sedimentary basin and is altered to solid rock by heat and pressure applied during the basin's formation
- Different types of coals are produced depending on formation and tectonic histories.
- Two main coal types used in the market:
  - Thermal coal: electricity generation
  - Metallurgical coal: steel making



# Use of Coal

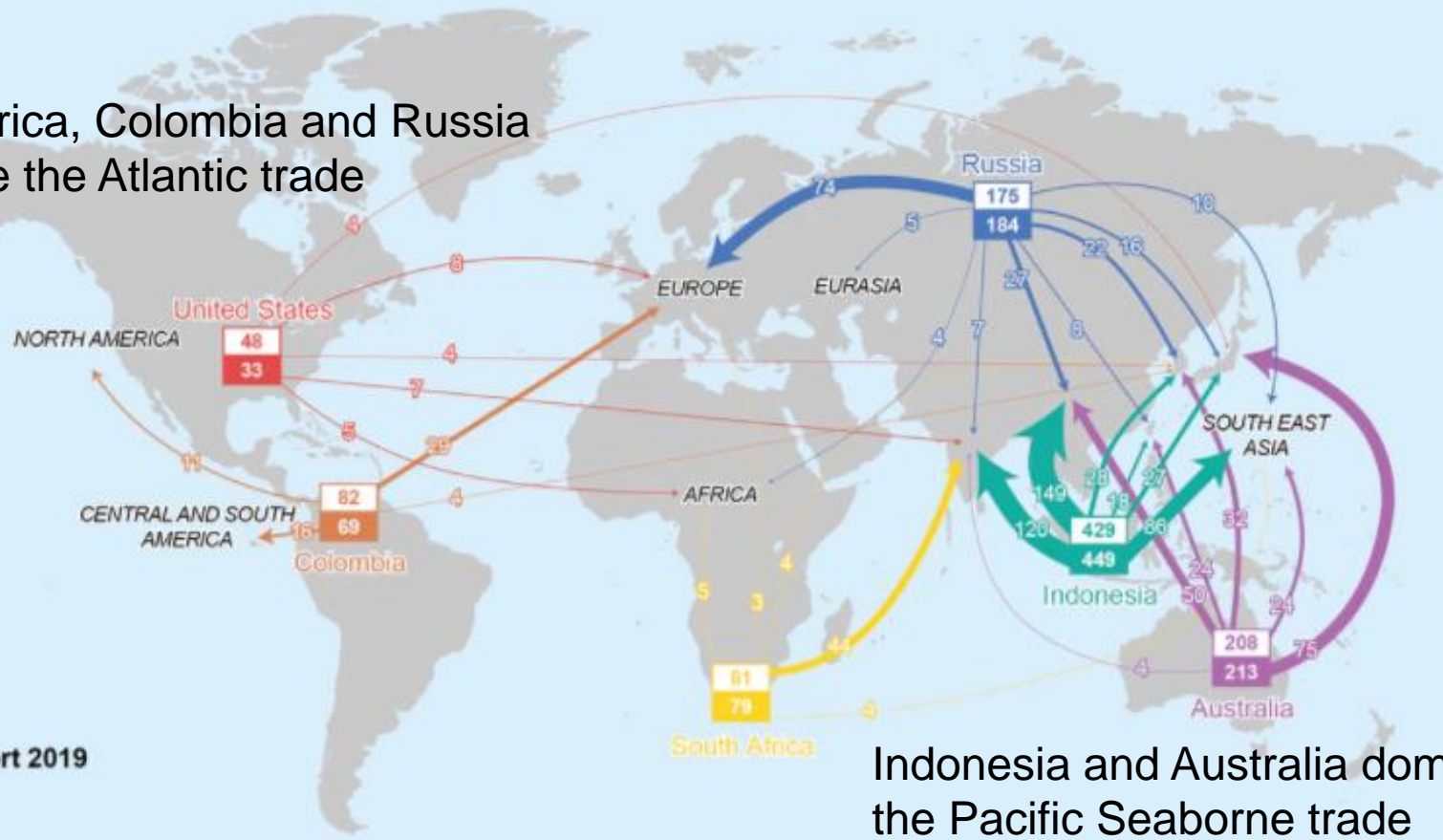
Integrated Coal Value Chain



Remark: IGCC = Integrated Gas Combined Cycle

# Seaborne Thermal Coal Trade

South Africa, Colombia and Russia dominate the Atlantic trade



Indonesia and Australia dominate the Pacific Seaborne trade

Overall export 2019  
2018  
2019

This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city or area.

Source: IEA, 2020

# How are coal priced?

- Different coal types from different regions have distinct quality.
- Indices are used to price different coal quality:
  - globalCOAL NEWC Index, the benchmark price for seaborne thermal coal in the Asia-Pacific region.
  - Indonesia's Harga Batubara Acuan (HBA) comprising of: Indonesian Coal Index (ICI), gCN, and Platts 5900.
  - QHD FOB (6,000 kc NAR) marker assess the price of Chinese coal that is being shipped into the domestic Chinese markets at the port of Qinhuangdao.
  - RB Index: a coal price benchmark high CV thermal coal delivered FOB Richards Bay Coal Terminal in South Africa.
  - DES ARA: coal price benchmark for high CV thermal coal delivered at the ports of Amsterdam / Rotterdam / Antwerp