

Coal Handling and Processing Plant, one of the key infrastructures to develop Adaro Metcoal Companies.



Adaro Energy

Quarterly Activities Report

Fourth Quarter of 2020

For the Three Months Ending Dec 31, 2020

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Highlights:

- Adaro Energy produced a total of 54.53 Million tonnes (Mt) of coal in 2020, 6% decline year-on-year (y-o-y) and slightly higher than our revised guidance of 52-54 Mt. Coal sales volume during the year was 54.14 Mt, 9% lower y-o-y.
- Strip ratio in 2020 was 3.84x, below our guidance of 4.30x due to unfavorable weather for the most part of the year.
- Summary of Adaro Energy 2021 guidance:
 - Coal Production: 52 Mt – 54 Mt
 - Strip Ratio: 4.8x.
 - Operational EBITDA: US\$750 million – US\$900 million
 - Capital expenditure: US\$200 million – US\$300 million

REVIEW OF THERMAL COAL MARKET

4Q20 seaborne imported volume increased compared to the previous quarter, driven by economic reopening and higher Chinese coal intake for winter season amid strained supply. China faced supply shortage after domestic mining activities became limited by a series of mine accidents, safety checks and corruption probes which ultimately suppressed output. When winter came in late November, the Chinese domestic market was tight and stocks were declining. China's supply shortage worsened in December, when colder winter temperatures raised coal burn and exhausted coastal power plant stocks to 10 days (from 15 days a year ago). Domestic coal price exceeded the Chinese government's acceptable price ceiling from the beginning of 4Q20.

Ahead of winter restocking, China implemented restrictions on Australian coal import which prompted demand for alternative coal import origins. However, supply from ex-Australian countries were limited as La Nina impacted supply. These events have widely opened the import arbitrage to China and resulted in 4Q20 Indonesian thermal coal exports to China increasing 45% q-o-q and 63% y-o-y.

The Northeast Asia cold snap also drove Japan and South Korea to generate more electricity from coal-fired power plants. Japan's nuclear capacity reduced, with nuclear generation in November down by 76% m-o-m and 66% y-o-y. At the same time, LNG supplies were tight due to supply issues and a vessel bottleneck at the Panama Canal, resulting in surging spot landed prices of LNG to Northeast Asian countries. Colder weather also raised heating demand amid low nuclear and LNG availability and this resulted in power shortages and surging power prices in Japan. The same dynamics pushed South Korea to raise its November 2020 thermal coal imports by 14% m-o-m and eventually allow more coal burn during winter.

From the supply side, major seaborne exporters have experienced inclement weather that impacted coal supply and logistics. In Australia, strong winds November impacted throughput capacity at Newcastle Coal Infrastructure Group by 40%. In addition, weaker demand led to Glencore halting operations over the Christmas-New Year break while contractors were laid off at the Hunter Valley Operations coal mine in New South Wales. Indonesian coal supply was also challenged by La Nina, which brought heavy rains, floods and high swells to Kalimantan from November 2020. Mines and hauling roads were inundated while vessel queues soared at loading ports due to high waves. As a result, most producers were forced to defer cargo deliveries. Operations at the East Russia's ports, which exports cargoes shipped to Northeast Asia, were also hampered by frozen seas in December.

Strong winter demand, weather-driven supply constraints and China's ban on Australian coal have helped to drive a recovery in seaborne coal prices during 4Q20. Average ICI3 and ICI4 indexes rebounded by US\$9.78/t (+27%) and US\$8.00/t (+33%) q-o-q to US\$46.28/t and US\$31.97/t respectively. Average gCN price also improved by US\$15.10/t (+29%) q-o-q to US\$66.64/t, with gCN in the last week of 2020 reaching US\$85.31/t.

REVIEW OF METALLURGICAL COAL MARKET

The met coal market was led by Chinese demand in 4Q20, supported by stable crude steel production and expansions in manufacturing sector. China's blast furnace utilization rate stayed above 90% throughout the quarter and the PMI consistently showed expansion from October

(PMI = 51.4) through December (PMI = 51.9). As a result, China's 4Q20 crude steel production improved almost 9% y-o-y, coinciding with an annual crude steel production record high of 1.053bn t. 4Q20 crude steel production also rose by 16% q-o-q in Japan, 8% q-o-q in India and 3% q-o-q in South Korea, supported by strengthening automotive industries and expanding manufacturing activities.

4Q20 also saw global supply reductions, however the impact to balance FOB Australia prices was muted due to lower demand from China after imposed import restrictions of Australian coal. Anglo American's Grosvenor mine (Australia) continued idling and Queensland experienced rains. However, the effect of lower production and logistics constraints was minimal. Further, the absence of Chinese demand contributed towards PLV FOB Australia price falling from 3Q20 to around US\$100/t starting 13-Nov-20. Platts PLV FOB Australia weakened to US\$110.00/t in 4Q20, down by US\$3.61/t (-3%) q-o-q.

On the other hand, Chinese end users paid a premium for non-Australian met coals originating from Indonesia, US and Canada. There were noticeable strains in Mongolian supply to China over the nationwide lockdown in November while availabilities of non-Australian coals were limited. China's consumption of met coal in 4Q20 led to Platts PLV CFR China index increasing q-o-q by US\$33.55/t (+27%) to US\$158.13/t

REVIEW OF PT ADARO ENERGY TBK (AE) OPERATIONS

AE achieved total coal production of 54.53 million tonnes (Mt) in 2020, which was 6% lower year-on-year (y-o-y) compared to 2019. We achieved slightly higher coal production volume compared to our 2020 revised coal production guidance of 52-54 Mt.

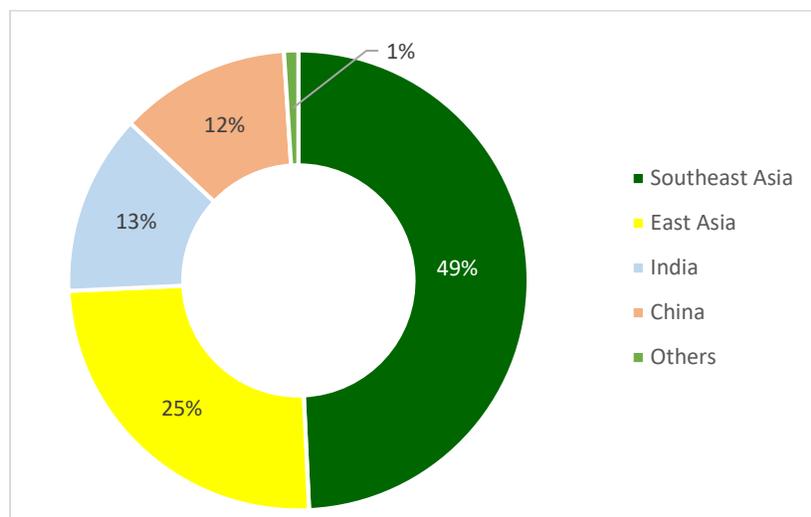
Coal sales volume in 2020 was 54.14 Mt, or 9% lower y-o-y. Total overburden removal in 2020 was 209.48 million bank cubic meter (Mbcm), 23% decline y-o-y, in line with our guidance to lower strip ratio this year. AE's strip ratio in 2020 was 3.84x, below our strip ratio guidance of 4.30x. Unfavorable weather for the most part of the year was a challenge for us in achieving our strip ratio guidance.

In 4Q20, we produced 13.43 Mt and sold 13.39 Mt of coal, 3% and 8% lower compared to 4Q19, respectively. Total overburden removal in 4Q20 was 49.06 Mbcm, 21% lower y-o-y which resulted in a strip ratio of 3.65x. We had a rainy quarter with high rainfall volume and long rain hour at our main mining site since November.

	Units	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Coal Production	Mt	13.43	13.81	-3%	13.91	-3%	54.53	58.03	-6%
Sales Volume	Mt	13.39	13.62	-2%	14.52	-8%	54.14	59.18	-9%
Overburden Removal	Mbcm	49.06	57.69	-15%	62.07	-21%	209.48	272.09	-23%

Our sales portfolio in 2020 was dominated by E4700 and E4900 product supported by the solid demand for these type of coals. Southeast Asia market constituted 49% of our sales in 2020, led

by Indonesia and Malaysia. We also saw demand increase from Thailand and Vietnam on the back of new power plants coming online. The chart below shows our sales breakdown in 2020.



*Others include New Zealand, Pakistan, and Europe

We expect coal production in 2021 to be flat to slightly lower y-o-y and target coal production of 52-54 Mt. Strip ratio guidance of 4.8x is higher y-o-y as we follow our mining sequence and has to remove more overburden. We will continue to be discipline in our capital expenditure (capex) and our capex guidance for 2021 is US\$200 million–US\$300 million. This capex target includes regular maintenance and growth capex. Our guidance for operational EBITDA in 2021 is US\$750 million–US\$900 million. Although we expect economic recovery to have positive impact on coal, we continue to be careful as uncertainties remain.

ADARO MINING

PT Adaro Indonesia (AI)

AI produced 46.75 Mt of coal in 2020, 9% lower y-o-y compared to 2019. Sales of AI's flagship Envirocoal product in 2020 reached 51.28 Mt, 10% lower y-o-y. AI's total overburden removal volume in 2020 was 191.84 Mbcm, 22% lower y-o-y and strip ratio for 2020 was 4.10x, in-line with our plan to lower strip ratio this year to allow for better cost control.

In 4Q20, total coal production from AI was 11.19 Mt, 10% lower compared to 4Q19. Total coal sales was 12.46 Mt, 8% lower compared to the same period in 2019. Total overburden removal volume from AI's three pits in 4Q20 was 44.59 Mbcm, 21% lower y-o-y, which resulted in a strip ratio of 3.99x for 4Q20. Unfavorable weather in 4Q20 with high rainfall volume and longer rain hours posed challenge for overburden removal activities in the quarter.

Balangan Coal Companies

Total coal production from Balangan Coal Companies in 2020 was 4.58 Mt, 8% decline y-o-y and total overburden removal for the period was 12.16 Mbcm, 21% lower y-o-y, resulting in a strip ratio of 2.65x for Balangan Coal Companies in 2020. In 4Q20, we produced 1.12 Mt of coal from Balangan Coal Companies, 11% lower y-o-y. Overburden removal from Balangan Coal

Companies in 4Q20 was 2.60 Mbcm, 34% lower than in 4Q19 and its strip ratio in 4Q20 was 2.31x.

Adaro Metcoal Companies (AMC)

In 2020, AMC's coal production reached 1.88 Mt, 72% increase y-o-y from 1.09 Mt in 2019. AMC's coal sales for the year reached 1.41 Mt, 44% increase compared to 2019. AMC's coal production in 2020 came from Lampungut mine in the Maruwai concession which has hard coking coal product with low ash and low phosphorus characteristics. In 2020, AMC sold its coal to customers in China, Japan, India and Indonesia. AMC booked a strip ratio of 2.24x in 2020 with overburden removal volume of 4.21 Mbcm.

AMC's coal production in 4Q20 was 0.57 Mt, more than three times its production in 4Q19 of 0.16 Mt. AMC's coal sales volume in 4Q20 was 0.38 Mt, more than double the amount of its sales in 4Q19 of 0.16 Mt. Overburden removal in 4Q20 was 1.27Mbcm and its strip ratio for the quarter was 2.22x.

Mustika Indah Permai (MIP)

In 2020, coal production and sales from MIP reached 1.31 Mt and 1.28 Mt. Total overburden removal from MIP in 2020 was 1.28 Mbcm, which resulted in strip ratio of 0.98x for the year. In 4Q20, MIP produced 0.55 Mt and sold 0.54 Mt of coal. Strip ratio in 4Q20 was 1.10x as overburden removal volume during the quarter was 0.60 Mbcm.

MIP is one of our key thermal coal assets in South Sumatra and it is suitable for open-cut mining with relatively low strip ratio as its coal seams appear to have consistent structure, thickness and continuity throughout the coal deposit. In 2020, we sold MIP's coal to customers in Indonesia and we continue to develop the market for MIP's coal in the region. We plan to grow MIP's production along with the growth in customer's demand.

Kestrel Coal Mine (Kestrel)

In 2020, Kestrel saleable coal production volume was 5.66 Mt, 16% lower than in 2019. Meanwhile its coal sales in 2020 was 5.97 Mt which was 9% lower compared to 2019. During the year, Kestrel encountered known and expected difficult geological condition which affected its productivity. In 4Q20, Kestrel's saleable coal production was 1.606 Mt and coal sales were 1.624 Mt. Kestrel sold its hard coking coal mainly to major customers in the Asian markets with India, South Korea and Japan as its top three sales destination. In 2021, Kestrel's saleable coal production target is 5.74 Mt. Kestrel's product is an established premium hard coking coal and has low ash and phosphorus content as well as high fluidity properties, making it a valued component in coke oven feed blends. Adaro Energy (48%) and EMR Capital Ltd (52%) own 80% of Kestrel.

ADARO SERVICES

PT Saptaindra Sejati (SIS)

In 2020, SIS achieved overburden removal volume of 163.27 Mbcm, a decline of 29% y-o-y compared to 2019. SIS's coal production volume in 2020 also declined by 16% y-o-y to 41.48 Mt. SIS's customers, both from the Adaro Group as well as third party, lowered overburden removal and coal production volume due to the challenging coal market condition in 2020. On top of that,

prolonged wet weather in 2020 posed a challenge for SIS to recover its overburden removal and production volume. SIS overburden removal volume of 39.61 Mbcm in 4Q20 was 30% lower compared to 4Q19, while its coal production volume in 4Q20 of 9.81 Mt was lower by 19% y-o-y.

	Units	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Overburden Removal	Mbcm	39.61	39.01	2%	56.24	-30%	163.27	230.99	-29%
Coal Production	Mt	9.81	10.11	-3%	12.07	-19%	41.48	49.20	-16%

ADARO LOGISTICS

PT Maritim Barito Perkasa

MBP's coal barging volume in 2020 declined 8% y-o-y to 47.11 Mt due to lower volume from the Adaro Group and third-party customers. MBP's total coal barging volume in 4Q20 was 12.53 Mt, 5% higher than in 4Q19. Coal volume from its sister companies in the Adaro Group accounted for 98% of MBP's total coal barging volume in 2020 and all of MBP's total coal barging volume in 4Q20, as MBP continues to prioritize coal volume from the Adaro Group.

	Units	4Q20	3Q20	4Q20 vs. 3Q20	4Q19	4Q20 vs. 4Q19	2020	2019	2020 vs. 2019
Coal barging	Mt	12.53	11.80	6%	11.93	5%	47.11	51.24	-8%

ADARO POWER

Our power plants achieved solid performance in 2020. PT Makmur Sejahtera Wisesa (MSW) reached actual availability factor of 89.8% in 2020, compared to the target of 89.0%. Meanwhile, PT Tanjung Power Indonesia (TPI) continued on its promising trajectory, having reached actual availability factor of 93.7% in 2020, against target of 78.0%. At the end of Dec 2020, construction progress of PT Bhimasena Power Indonesia's 2 x 1000 MW power plant has reached 94.7%. The start of operation of this power plant is currently estimated at the end of 2021.

Adaro Power continues to study renewable power projects such as biomass, wind power, and solar PV to diversify its energy mix and to support PLN through unsolicited proposal and tenders. Adaro Power is also developing captive use power generation projects for the Group's other business units. At the moment, Adaro Power is finalizing contract for capacity expansion of its Solar PV in Kelanis Dedicated Coal Terminal, which it plans to increase from 130 kWp to 597 kWp, as well as to provide diesel power to Indonesia Bulk Terminal (IBT) which is potentially to be combined with Solar PV on hybrid basis in the near future. To optimize MSW's captive power

potential, Adaro Power is working to electrify pumps used by AI's contractors. This activity has now entered into the fifth batch with a target to electrify 105 pumps and some other facilities.

ADARO WATER

Adaro Water continues to improve on its performances to achieve operational excellence for its operating Water Treatment Plants and slurry management facilities. Adaro Water's project in Kotawaringin Timur, Central Kalimantan, under PT Adaro Tirta Mentaya continues on its construction trajectory. As of end of December 2020, commissioning and testing have been completed for all main WTP facilities with some remaining landscape & supporting facilities works to be done. Meanwhile, PT Dumai Tirta Persada (DTP) has completed its milestone by finishing the first phase of the project, totaling 50 lps, which has commenced its operation since the beginning of December 2020.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

In 2020, we experienced seven lost-time injuries (LTI) throughout Adaro Group's operations, lower y-o-y compared to eight LTIs in 2019. We recorded a lost-time injury frequency rate (LTIFR) of 0.06 in 2020 and severity rate (SR) of 3.45 with total man-hours worked of 108,978,909 in the period. We continued to record zero fatality in 2020 and although we are proud of this achievement, we will not be complacent and will continue to work on improving our safety performance through the implementation of Adaro Zero Accident Mindset (AZAM) at every business unit to strengthen the safety culture in Adaro Group and minimize human error that may cause unwanted occupational health and safety hazard.

CORPORATE ACTIVITIES AND AWARD

GOLD PROPER AWARD



Mr. Priyadi, Director of PT Adaro Indonesia, accepts the Gold PROPER Award from Minister of Environment and Forestry, Mrs. Siti Nurbaya Bakar.

PT Adaro Indonesia received its third Gold PROPER Award from the Ministry of Environment and Forestry. This award recognizes AI's outstanding performance in environmental management which was beyond compliance. We are honored to receive this award for the third time, and we will continue to improve our work in environmental management.

Adaro Foundation, Persada Capital Investama and Ruangguru Grand Closing Event



Mrs. Arini Saraswaty Subianto, Commissioner of PT Adaro Energy Tbk and President Director of PT Persada Capital Investama, gives her remarks on the closing event of the partnership between Adaro Foundation, Persada Capital Investama and Ruangguru.

Adaro Foundation, together with Persada Capital Investama and Ruangguru, held a Grand Closing Event for Indonesia Teaching Fellowship and Indonesia Fellowship Program phase 2, which were part of Adaro Nyalakan Ilmu Program to improve the quality of education in Indonesia. The program consisted of scholarship assistance and guidance for one year to improve teacher competence and student motivation through the use of technology.

PT Adaro Energy Tbk Received Award for Charity and Community Impact from Coaltrans

PT Adaro Energy Tbk received the award for Charity and Community Impact in a ceremony held by Coaltrans. The award was received by Director of PT Adaro Energy Tbk, Chia Ah Hoo, on behalf of the company.

PT Adaro Energy Tbk Received the Most Tax Friendly Corporate and The Most Appreciation Corporate Social Responsibility Award



Mr. Lie Luckman (left), Chief Financial Officer of PT Adaro Energy Tbk, and Mr. Jul Seventa Tarigan, Tax Division Head accept the plaques and trophy from 2020 Tempo Country Contributor Award.

PT Adaro Energy Tbk Received the Most Tax Friendly Corporate and The Most Appreciation Corporate Social Responsibility Award at the 2020 Tempo Country Contributor Award. During this event, Adaro was also awarded the Best of the Best Award after receiving the Most Tax Friendly Corporate Award for 3 consecutive years.

The event was held by the Tempo Data and Analyst Center and the Center for Indonesia Taxation Analysis by assessing 614 listed companies in the Indonesian Stock Exchange to select 9 best companies that were most compliant in the field of taxation.

PT Adaro Energy Tbk won Best IR Website in Southeast Asia

PT Adaro Energy Tbk received the IR Magazine SEA Award 2020 in the Best Website Category. The award was virtually accepted by the Corporate Secretary and Investor Relations Division Head, Mahardika Putranto, during the virtual IR Magazine Award South East Asia Ceremony. The winner for this category was assessed by panel of judges

SHAREHOLDER INFORMATION

AE's share price closed at Rp1,430 at the end of 2020, 8% lower compared to its closing price in 2019 of Rp1,555. AE's market capitalization at the end of 2020 was US\$3.3 billion, down by 8% from US\$3.6 billion at the end of 2019. Average daily trading value for Adaro's stock in 2020 was US\$6.8 million. At the end of 2020, total public shareholders were 36.17% out of AE's total shares. Of the public shareholders, 52% were domestic holders and the rest were foreign holders.