

We delivered our coal production guidance in 2021 and recorded overburden removal of 218.90 Mbcm, 4% increase y-o-y.



PT Adaro Energy Indonesia Tbk Quarterly Activities Report Fourth Quarter of 2021

For the Three Months Ending Dec 31, 2021

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Highlights:

- PT Adaro Energy Indonesia Tbk produced a total of 52.70 Million tonnes (Mt) of coal in 2021, in line with our coal production guidance of 52-54 Mt. Coal sales volume during the year was 51.58 Mt.
- Strip ratio in 2021 was 4.15x, below our guidance of 4.80x due to unfavorable weather throughout the year which affected our overburden removal activities.
- Summary of PT Adaro Energy Indonesia Tbk 2022 guidance:
 - Coal Production: 58Mt – 60 Mt
 - Strip Ratio: 4.1x
 - Operational EBITDA: US\$1.9 billion – US\$2.2 billion
 - Capital expenditure: US\$300 million – US\$ 450 million

Review of Thermal Coal Market in 4Q21

The strong but volatile conditions persisted in the thermal coal market in 4Q21, concluding what was overall a better than expected year. China continued to be the main driver of seaborne demand and prices in 4Q21. However, in general, improved economic activities in several countries due to fiscal and monetary stimulus and generally looser covid restrictions, combined with supply shortages in global seaborne, have caused coal prices to surge. Coal prices stayed strong during 4Q21, with Indonesian 5000 GAR and 4200 GAR averaging above US\$130 per tonne and US\$90 per tonne respectively. Both indices recorded approximately 30% increase compared to 3Q21. The price of FOB Newcastle 6000 NAR also averaged above US\$180 per tonne, an increase of more than US\$25 per tonne compared to the previous quarter.

In China's market, the critically low stocks led to fear of energy crisis in the beginning of the quarter, which caused China's appetite for imported coal to jump significantly. The subbituminous coal price skyrocketed to above US\$200 per tonne basis 5000 GAR following the increase in China's domestic coal price. The subsequent Chinese government intervention cooled domestic prices and thus demand for imports.

China's government also capped power demand from the industrial sector and increased mine capacity and coal production. In October, daily coal output was ramped up and maintained at a record 12.5 Mt per day, which boosted total coal production in 4Q21 to 1.1 billion tonnes, including thermal and coking coal. This was the highest quarterly volume since the fourth quarter of 2013. Significant improvements in coal production helped raise mine stocks and bolstered inventories at northern loading ports, with the help of undisrupted rail logistics. This rapidly reduced the coastal utilities' urgency to restock, resulting in lower coal prices.

In Northern Asia ex China, strong demand and sky high gas prices continued to push up prices of Newcastle bituminous coal, which rose to a daily all time high in October (note: the all time high has since been overtaken in January 2022). Japan, South Korea and Taiwan increased their intake of Australian coal as China continued to shun Australian coal.

In India, domestic production also improved in light of the critical stock situation earlier in the year. Along with low spot electricity prices, long-term fixed electricity tariff and high seaborne coal prices, many power plants shied away from the imported coal market.

Southeast Asia, in particular Vietnam, imported the lowest quarterly volume of the year in 4Q21 – as buyers were deterred by the high winter spot prices in the seaborne market.

On the supply side, miners in Australia and Indonesia continued to struggle with rains and poor weather at mine sites. Severe rainfall and flooding across New South Wales, Australia, led to export restrictions as many miners declared force majeure, while others were running at a much lower capacity. Spot cargoes out of Indonesia continued to be limited by unfavorable weather, rising COVID-19 cases amongst mining contractors and heavy equipment supply constraints. In addition, spot availability elsewhere was limited – with persistently low stockpiles at South Africa's Richards Bay Coal Terminal (RBCT) and rail-logistics problems impeding shipments to Russian loading ports.

Review of Metallurgical Coal Market in 4Q21

Metallurgical coal prices were volatile in 4Q21 due to slowing demand in some importing countries, while supply remained limited. Supply from major seaborne exporting countries in

4Q21, Australia and Canada, was limited mainly due to adverse weather, labor strike and waves of COVID-19. Most producers were mostly committed their tonnage to performing their term shipments and options declared by some buyers, reducing availability for spot market. As a result, the spot cargoes of HCC PLV type of coal were priced at above \$400 per tonne for FOB Australia, while the Chinese buyers paid the record high price of US\$615 per tonne in October 2021. However, prices started to cool in November 2021, largely influenced by slowing demand from China.

Chinese demand for imported cargoes declined in the fourth quarter, curbed by steel output controls, property market risks and steel mills' reduced margins. Blast furnace utilization rates were consistently below 80% throughout the quarter foreshadowing the successful control of production cut and weakening demand. While China's demand was slowing in 4Q21, other countries saw a slightly higher crude steel output. Turkey, Taiwan, Vietnam and South Korea were among the countries that contributed to the increasing output of crude steel in the quarter. In addition, India maintained its crude steel production high at 10 million tonnes per month to support their economic recovery.

Despite the volatility in prices due to the dynamics in supply and demand, the HCC PLV CFR China and FOB Australian prices recorded gains q-o-q of 25% and 47%, averaging above US\$485/t and US\$370/t respectively.

REVIEW OF PT ADARO ENERGY INDONESIA TBK (AEI) OPERATIONS

AEI achieved total coal production of 52.70 million tonnes (Mt) in 2021, which was 3% lower year-on-year (y-o-y) than 2020. Coal sales volume in 2021 reached 51.58 Mt, 5% lower y-o-y. Total overburden removal in 2021 was 218.90 million bank cubic meter (Mbcm), 4% increase y-o-y, which resulted in strip ratio of 4.15x for 2021. The strip ratio achievement was lower than our guidance of 4.8x since the heavier than average rain throughout the year affected our operations and overburden removal activities.

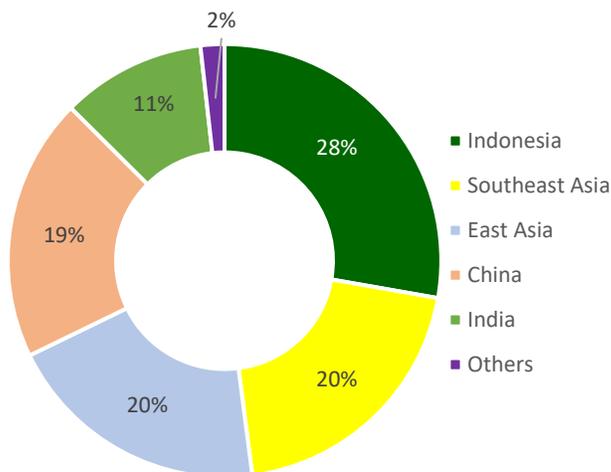
In 4Q21, we produced 13.06 Mt of coal, 3% lower than in 4Q20. Total coal sales volume in 4Q21 was 12.72 Mt, 5% lower y-o-y. Total overburden removal in 4Q21 was 45.87 Mbcm, 7% lower y-o-y, and strip ratio for the quarter was 3.51.

	Units	4Q21	3Q21	4Q21 vs. 3Q21	4Q20	4Q21 vs. 4Q20	FY21	FY20	FY21 vs. FY20
Coal Production	Mt	13.06	13.15	-1%	13.43	-3%	52.70	54.53	-3%
Sales Volume	Mt	12.72	13.08	-3%	13.39	-5%	51.58	54.14	-5%
Overburden Removal	Mbcm	45.87	57.81	-21%	49.06	-7%	218.90	209.48	4%

Our E4700, E4900, and E4200 products accounted for more than three quarters of our coal sales volume during the year, supported by the solid demand for these types of coals. Indonesia was

our number one sales destination in 2021, in line with our commitment to support domestic coal requirement.

Southeast Asia and East Asia regions topped our export destination, accounting for 20% each. China accounted for 19% of our sales in the period, in line with the increase in demand of Indonesian coal from the country. The chart below shows our sales breakdown in 2021.



ADARO MINING

PT Adaro Indonesia (AI)

AI, our main coal mining operation, produced 43.15 Mt of coal in 2021, 8% lower y-o-y than production in 2020. Sales of AI's Envirocoal in 2021 reached 47.46 Mt, 7% lower y-o-y. AI's total overburden removal volume in 2021 was 194.37 Mbcm, 1% higher y-o-y and strip ratio for 2021 was 4.50x, 10% higher y-o-y in-line with our plan to increase strip ratio this year.

In 4Q21, total coal production from AI was 10.45 Mt, 7% lower y-o-y. Total coal sales of 11.44 Mt in 4Q21 was 8% lower y-o-y. Total overburden removal volume in 4Q21 was 39.64 Mbcm, 11% lower y-o-y. AI booked a strip ratio of 3.79x in 4Q21. Continued heavy rain in the quarter, with higher rainfall volume and longer rain hours, affected overburden removal activities at AI.

Balangan Coal Companies

Total coal production from Balangan Coal Companies in 2021 was 5.24 Mt, 14% higher y-o-y and total overburden removal for the year was 16.97 Mbcm, 40% higher y-o-y, resulting in a strip ratio of 3.24x for Balangan Coal Companies in 2021. In 4Q21, we produced 1.44 Mt of coal from Balangan Coal Companies, 28% higher y-o-y. Overburden removal from Balangan Coal Companies in 4Q21 was 4.55 Mbcm, 75% higher than in 4Q20 and its strip ratio for the quarter was 3.16x.

PT Adaro Minerals Indonesia Tbk (AMI)

In 2021, AMI's total coal production reached 2.30 Mt, 23% higher y-o-y than in 2020. AMI's coal sales for the period reached 2.30 Mt, 63% higher y-o-y. AMI recorded overburden removal volume of 5.15 Mbcm in 2021, 22% higher y-o-y, and its strip ratio for the period was 2.24x.

AMI's coal production in 4Q21 was 0.57 Mt, flat y-o-y. AMI's coal sales volume in 4Q21 was 0.75 Mt, 99% higher y-o-y. Overburden removal in 4Q21 was 1.22 Mbcm and strip ratio for the quarter was 2.14x.

AMI mostly produces hard coking coal from its Maruwai concession. The premium characteristics of its hard coking coal, with low ash, low phosphorus and high vitrinite content, makes it a suitable product for use by steelmakers. During 2021, this coal was sold to customers in China, Japan and Indonesia.

AMI successfully listed on the Indonesian Stock Exchange (IDX) on January 3, 2022 and became the first company to list on the IDX in 2022. Further information on AMI's IPO is available in the corporate activities section of this report.

Mustika Indah Permai (MIP)

In 2021, coal production from MIP reached 2 Mt, 53% higher y-o-y than in 2020. Coal sales in 2021 reached 1.81 Mt, 42% higher y-o-y. MIP removed 2.41 Mbcm of overburden in 2021, 88% higher y-o-y and recorded strip ratio of 1.21x in 2021.

In 4Q21, MIP produced 0.59 Mt of coal, 9% higher y-o-y than in 4Q20. MIP sold 0.53 Mt of coal in 4Q21, 2% lower y-o-y than in 4Q20. Strip ratio in 4Q21 was 0.81x as overburden removal during the quarter was 0.47 Mbcm, 21% lower y-o-y than in 4Q20.

Domestic market is MIP's largest market. We have also started to sell MIP's coal to China, and we continue to develop the market for MIP's coal in the region.

Kestrel Coal Mine (Kestrel)

Kestrel recorded saleable coal production of 5.67 Mt in 2021, flat y-o-y from total coal production in 2020. Kestrel's coal sales volume in 2021 was 5.56 Mt, 7% lower y-o-y. In 4Q21, saleable coal production volume was 1.67 Mt, and coal sales volume was 1.65 Mt.

Kestrel's sales destination is dominated by customers in major Asian markets. India remained as the largest sales destination in 2021 followed by South Korea and Japan. Adaro Capital Ltd (48%), a subsidiary of AEI, and EMR Capital Ltd (52%) own 80% of Kestrel.

Kestrel saleable coal production target for 2022 is approximately 7 Mt.

ADARO SERVICES

PT Saptaindra Sejati (SIS)

In 2021, SIS achieved overburden removal volume of 161.13 Mbcm, a decline of 1% y-o-y from 2020. SIS's coal production volume in 2021 declined by 5% y-o-y to 43.36 Mt. The lower volume achievement in 2021 was mainly due to adverse weather condition from prolonged heavy rains and delays in the delivery of heavy equipment. SIS's volume in 2021 was dominated by volume from the Adaro Group as SIS has taken more volume from the Group's expanding operations.

In 4Q21, SIS recorded a 3% decline in overburden removal volume y-o-y compared to 4Q20, to 38.54 Mbcm, as heavy rains in the quarter adversely affected overburden removal activity. SIS's coal production volume in 4Q21 increased 28% y-o-y to 12.58 Mt.

ADARO LOGISTICS

PT Maritim Barito Perkasa

MBP's total coal barging volume in 2021 increased 4% y-o-y to 48.94 Mt on the back of higher volume from the Adaro Group. In 4Q21, MBP's coal barging volume was 12.01 Mt, 4% lower y-o-y than in 4Q20.

Coal volume from its the Adaro Group accounted for all of MBP's total coal barging volume in 2021, as the Group's operations continue to expand. MBP continues to prioritize coal volume from the Adaro Group as the Group expands its mining operations. MBP is a key part of the Group's vertically integrated coal supply chain, ensuring reliable, efficient, and timely coal delivery.

ADARO POWER

Our power plants achieved solid performance in 4Q21. PT Makmur Sejahtera Wisesa (MSW) reached actual availability factors (AF) of 88.3% on average up to the end of 4Q21. Meanwhile, PT Tanjung Power Indonesia (TPI) continued on its exceptional operations performance and reached 92.9% actual AF on average up to the end of 4Q21.

PT Bhimasena Power Indonesia (BPI) has reached 96.9% of construction progress at its 2x1,000 MW power plant in Batang, Central Java. A few milestone activities, including first synchronization and coal firing, were completed at the end of 4Q21.

PT Adaro Power's planned capacity expansion of its Solar PV in Kelanis Dedicated Coal Terminal, which was increased from 130 kWp up to 598 kWp reached COD on 27 December 2021.

ADARO WATER

Our operating water treatment plants of PT Drupadi Tirta Gresik (DTG), PT Drupadi Tirta Intan (DTI) and PT Adaro Tirta Mentaya (ATMe) maintained their operational and financial performance in 4Q21 as forecasted. Construction of PT Dumai Tirta Persada (DTP) has reached 50 lps out of the total capacity of 450 lps. The construction for phase 1B 200 lps estimated to be completed in June 2022. PT Grenex Tirta Mandiri, a company acquired in June 2021, started construction of water treatment plant with a capacity of 200 lps. Another ATM's operating subsidiary, PT Adaro Wamco Prima (AWP) continued its strong performance and has become AI's primary partner for slurry management. Meanwhile, PT Adaro Tirta Sarana, has started dewatering operation of some mining areas in Adaro Indonesia since December 2021.

On January 18, 2022, PT Adaro Tirta Wening (ATW), signed a performance-based partnership agreement under mutually beneficial principle (business-to-business) with Perusahaan Umum Daerah (Perumda) Tirtawening – Bandung City. Under this partnership ATW will plan, fund, build,

and maintain a number of district meter areas and conduct leakage control activities to reduce non-revenue water (NRW) level in the Northern Service Area of Bandung. With a contract period until 2023, at the end of the partnership period, ATW will transfer the project assets to Perumda.

Reducing NRW is an alternative solution encouraged by the Ministry of Public Works and Housing to fulfil people's drinking water requirement. Therefore, after completing the process for selecting a partner for reducing NRW according to the prevailing regulations, ATW was chosen to partner with Perumda Tirtawening of Bandung City, its first partnership involving private sector. With this partnership, ATW is expected to be the pioneer in NRW reduction in Indonesia.

Adaro Water will continue to focus on business activities that bring added value to the Adaro Group through acquisition, public-private partnerships, and business-to-business partnerships, and through participations in various tenders.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

In 2021, we regrettably experienced three fatalities and nine lost-time injury (LTI) incidents throughout Adaro Group's operations. We recorded a lost-time injury frequency rate (LTIFR) of 0.12 in 2021 and severity rate (SR) of 176.86 with total man-hours worked of 102,966,988 during the year.

In 4Q21, there was one lost-time injury (LTI) incidents, with LTIFR of 0.04 and SR of 0.58. Total man-hours worked in 4Q21 was 26,075,325. We will continue to work on improving our safety performance through the implementation of Adaro Zero Accident Mindset (AZAM) to strengthen the safety culture in Adaro Group.

Amid the pandemic, we continue to prioritize the health and safety of our people, as well as the safety of our community. In 4Q21, we kicked off several COVID-19 vaccination programs for the community through PT Adaro Indonesia and PT Adaro Logistics.

To address the increasing environmental concern over coal, we have also engaged in initiatives to better track our carbon emission. We continue to execute various programs to reduce the adverse impact of our operations. Some programs that have been proven to reduce our GHG emission are fleet management system for dump trucks and tugboats, Kelanis smart inverter solar cell, and load management in MSW.

CORPORATE ACTIVITIES

AEI Received Awards at the Global CSR Summit and Awards

PT Adaro Energy Indonesia Tbk received another award at the 2021 Global CSR Summit and Awards event, organized by the Pinnacle Group International. At this event, AEI received the Silver award in the Best Environmental Excellence Award for the Healthy and Sustainable Green Village program, and the Silver award in the Best Community Program Award for the Mindset Changing with Ecodeorub program.

AEI received these awards in recognition of the Company's commitment to empower the community and environment in its operational areas through the Company's CSR programs.

Fourth PROPER Gold Rating for AI



Mr. Priyadi (left), Director of AI, represents AI to receive the PROPER Gold Award from Vice President Ma'ruf Amin (center) witnessed by Dr. Ir. Siti Nurbaya, M.Sc., Minister of Environment and Forestry (right). The award ceremony took place at the Vice President's Palace on December 28, 2021.

PT Adaro Indonesia received its fourth PROPER Gold rating, and the third in three consecutive years. The Gold rating is the highest ranked award in environmental management from the Ministry of Environment and Forestry. This award recognizes AI's outstanding performance in its environmental management programs and good mining practice as beyond compliance.

Menoreh Watershed Rehabilitation Program

PT Adaro Energy Indonesia Tbk kicked off Menoreh Watershed Rehabilitation in Kenalan Village, Magelang Regency, Central Java. The rehabilitation is in line with Adaro's commitment to transform and run Green Business through various Green Initiatives. The Menoreh Watershed Rehabilitation is expected to help support Menoreh Hill as natural water tower and increase land productivity. Adaro will implement agroforestry and prioritize community empowerment in this rehabilitation process.

PT Adaro Energy Indonesia Tbk Plans to Invest in Aluminum Smelter through PT Adaro Indo Aluminium

On 21 December 2021, AEI through PT Adaro Indo Aluminium (AIA), signed a Letter of Intention to Invest (LoI) to build an aluminum smelter at the world largest Green Industrial Park Indonesia being developed by PT Kalimantan Industrial Park Indonesia.

Adaro's Vice President Director, Ario Rachmat represented the company at the signing witnessed by the President of Indonesia Joko Widodo, the Coordinating Minister for Maritime and Investment Affairs Luhut Binsar Pandjaitan, the Minister of Industry Agus Gumiwang Kartasasmita, the Minister of Investment/Head of the Investment Coordinating Board Bahliil Lahadalia, the Cabinet

Secretary Pramono Anung, the Chairman of Konsorsium Indonesia Garibaldi Thohir, the Governor of North Kalimantan province Zainal Arifin Paliwang, and the Regent of Bulungan Syarwani.

To carry out this project, AEI will team up with domestic as well as international partners who have the track record, experience, cutting-edge technology and comprehensive knowledge of the aluminum industry. Through this project, we hope to contribute to lowering Indonesia's imports of aluminum, to create processing activities and adding value to alumina, as well as to increase tax revenue for the country.

The aluminum smelter project marks our first step in forming a more balanced business model. Green industry is one area that we are keen to develop more and we expect that once operational, the revenue contribution from this project will help us balance our revenue stream.

Initial Public Offering of PT Adaro Minerals Indonesia Tbk

Our subsidiary, PT Adaro Minerals Indonesia Tbk (AMI), completed its IPO process and officially listed on the Indonesian Stock Exchange on January 3, 2022. AMI's share was 179x times oversubscribed during the pooling period, reflecting high interest from the investment community. AMI generated approximately Rp661 billion in the IPO and will use the proceed for capital expenditure at PT Maruwai Coal and repayment of some of its loan principal to AEI. Following the IPO, public shareholders own 16.64% of AMI.

AMI currently conducts metallurgical coal mining operations through its subsidiaries and it is currently the first and only hard coking coal operations in Indonesia. AMI's hard coking coal product from its Maruwai concession has been well received by customers, especially due to its low ash, low phosphorus and high vitrinite content. We are excited with this development as AMI is one of our future growth drivers and we are optimistic on its business prospects.

SHAREHOLDER INFORMATION

AEI's share price closed at Rp2,250 at the end of 2021, 57% higher compared to its closing price of Rp1,430 at the end of 2020. AEI's market capitalization at the end of 2021 was US\$5 billion, 52% increase from US\$3.3 billion at the end of 2020. Average daily trading value for AEI's stock in 2021 was US\$12 million. At the end of 2021, total public shareholders were 34% out of AEI's total shares. Of the public shareholders, 51% were domestic holders and the rest were foreign holders.