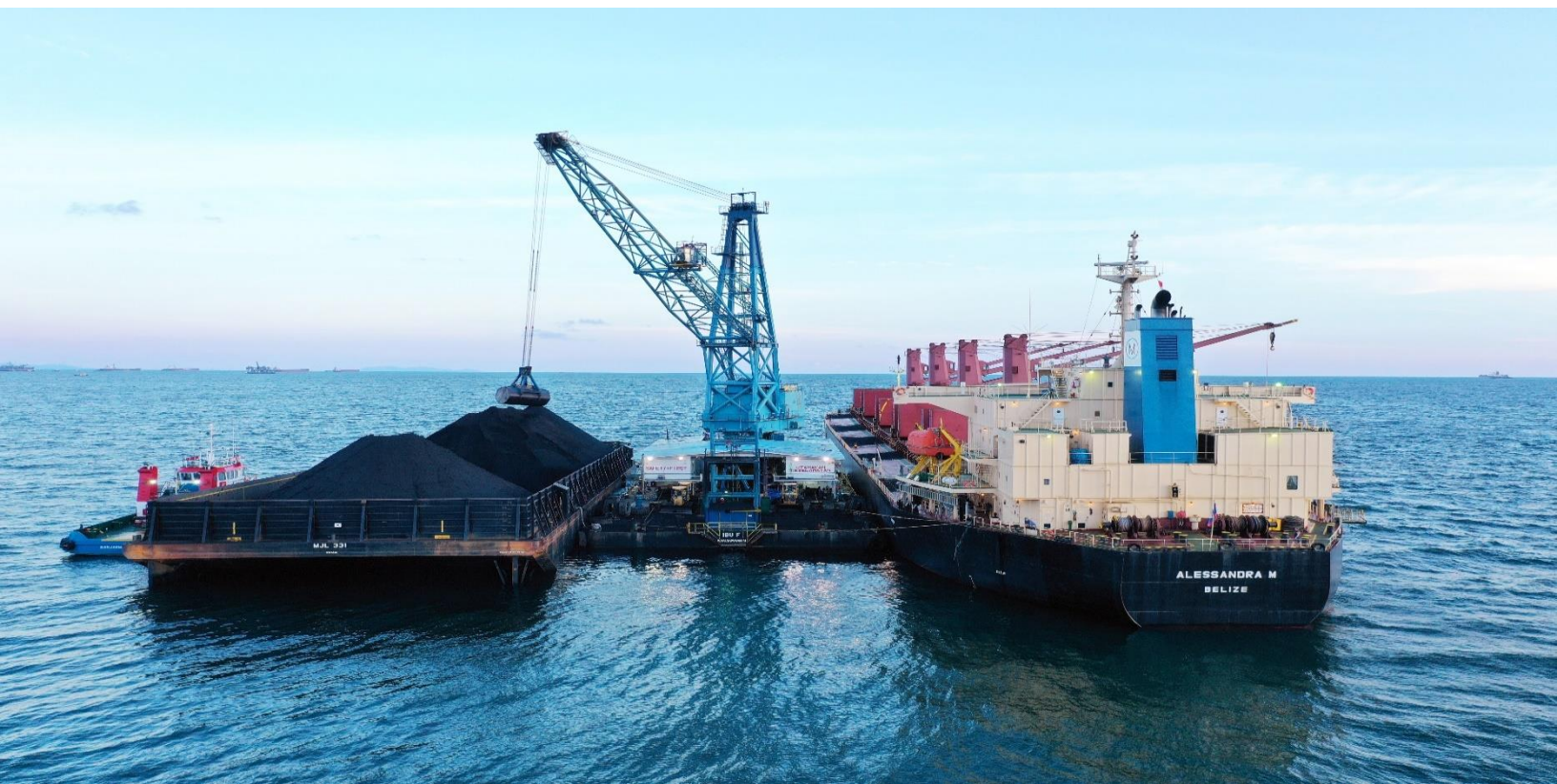


Adaro Metcoal Companies sent first shipment of hard coking coal from Maruwai concession to a Japanese customer in 2Q20.



Adaro Energy

Quarterly Activities Report

Second Quarter of 2020

For the Three Months Ending Jun 30, 2020

For further information please contact:

Mahardika Putranto, Corporate Secretary & Investor Relations Division Head

E: mahardika.putranto@adaro.com

Febriati Nadira, Head of Corporate Communications

E: febriati.nadira@adaro.com



Highlights:

- Adaro Energy produced a total of 27.29 Million tonnes (Mt) of coal in 1H20, 4% decrease year-on-year (y-o-y). Coal sales volume in the period was 27.13 Mt, 6% lower y-o-y.
- Adaro Energy's strip ratio in 1H20 was 3.77x as prolonged wet season in our operational areas affected our activities.
- Due to difficult market condition, we revise some of our 2020 guidance as follow:
 - Production: 52 Mt – 54 Mt
 - Operational EBITDA: US\$600 million – US\$800 million
 - Capital expenditure: US\$200 million – US\$250 million
- We continue to focus on maintaining operational excellence, improving efficiency, maintaining healthy margins and providing reliable supply to our customers.

REVIEW OF THERMAL COAL MARKET

The second quarter of 2020 saw a more defined effect of the COVID-19 pandemic towards the thermal coal market. The unprecedented economic fallout in coal importing countries has been severe. As a result, demand for electricity and thus coal has plummeted, with tepid and sporadic improvements in demand towards the end of the quarter as lockdowns were cautiously lifted. This has caused coal price in 2Q20 was under pressured, with globalCOAL Newcastle declining to an average of US\$55.08 per tonne, a drop of 19% q-o-q.

Seaborne supply in 2Q20 reacted to the weaker demand, seeing supply cut by both Australia and Indonesia. Indonesia's coal production fell by 5% yoy in January-June due to weak demand both domestically and in the seaborne market, as well as due to price falls. Simultaneously, Australia's shipped volume showed a declining trend from April through June.

China's thermal power generation saw a 6.5% increase y-o-y in 2Q20 driven by economic stimulus. Its import from January to Jun 2020 hit 136 Mt, an increase of 18 Mt or 15% from the same period last year. However, concerns over China's import restriction for the rest of the year continues to loom. In addition, India's economic activities and coal demand remained subdued even though lockdown has partially eased while demand from South Korea and Japan in 1H20 was impacted by the declining top line due to the pandemic and limited coal burn during winter. On the other hand, Vietnam has exceeded its coal import in 2Q20 compared to the same period last year due to growing coal generation capacity and a prolonged heatwave in the country.

Despite the current weak market, we remain firm with the long term fundamentals of the thermal coal market as regions such as South East Asia and South Asia continue to pursue improvements in their power sector.

REVIEW OF METALLURGICAL COAL MARKET

COVID-19 pandemic continues to affect the metallurgical coal market as well. The price of the Platts Premium Low Vol Hard Coking Coal (PLV HCC) declined to US\$115.00 as of end of June 2020, from US\$195.45 at the same period in 2019. Global crude steel production fell by 6% y-o-y in January - June 2020, a decline that led Australia's metallurgical coal to slow down during 2Q20, with total January - May exports declining by 5% y-o-y. However, China's steel market has been very positive with blast furnace utilization rate rebounded to above 90% in May 2020 on the back of domestic economic recovery, which propelled the 5% y-o-y increase in China's metallurgical coal import in 1H20. Although demand from other countries ex-China is still weak, we have started to see a recovery following the ease of lockdowns. In the long term, we see the fundamentals of metallurgical coal market remains robust.

REVIEW OF PT ADARO ENERGY TBK (AE) OPERATIONS

AE achieved total coal production of 27.29 million tonnes (Mt) in 1H20, which was 4% lower year-on-year (y-o-y) compared to 1H19. Meanwhile, coal sales volume in 1H20 of 27.13 Mt was 6% lower y-o-y. The strong start that we had in 1Q20 was followed by a contrasting weak period in 2Q20 as we experienced prolonged rainy season at our operational areas and lower demand due

to slower global economy and lower industrial electricity demand as a result of COVID-19 lockdowns. We removed 103.01 million bank cubic meter (Mbcm) of overburden in 1H20, 19% decline y-o-y, in line with our guidance to lower strip ratio this year. AE's strip ratio in 1H20 was 3.77x.

In 2Q20, we produced 12.88 Mt and sold 12.74 Mt of coal, 13% and 17% lower compared to the same period in 2019, respectively. Total overburden removal in 2Q20 was 53.25 Mbcm, 19% lower y-o-y which resulted in a strip ratio of 4.13x. Our operations were affected by longer wet season that lasted up until June with heavier rainfall volume and longer rain hours than usual.

	Units	2Q20	1Q20	2Q20 vs. 1Q20	2Q19	2Q20 vs. 2Q19	1H20	1H19	1H20 vs. 1H19
Coal Production	Mt	12.88	14.41	-11%	14.73	-13%	27.29	28.47	-4%
Sales Volume	Mt	12.74	14.39	-11%	15.42	-17%	27.13	28.77	-6%
Overburden Removal	Mbcm	53.25	49.76	7%	65.99	-19%	103.01	127.49	-19%

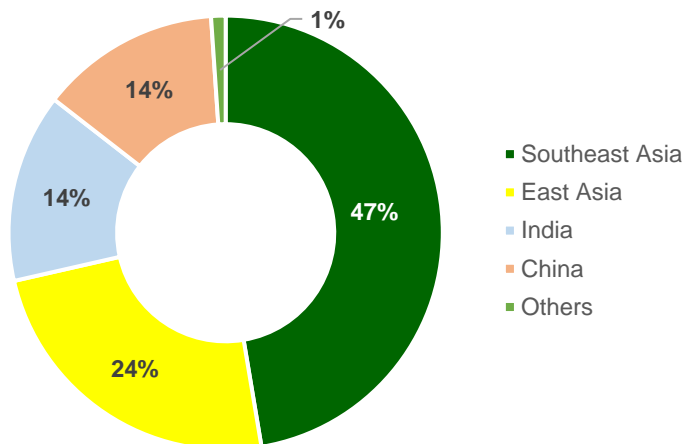
COVID-19 lockdowns affected many of our customers as power demand in their respective countries weakened. On top of the adverse impact from COVID-19, uncertainties from import policy in several countries added burden to the already imbalanced coal market. Due to difficult market condition, we revise some of our guidance for 2020 to be as follow:

- Coal production: 52 Mt – 54 Mt.
- Operational EBITDA: US\$600 million – US\$800 million.
- Capital expenditure: US\$200 million – US\$250 million.

Strip ratio guidance for 2020 remains at 4.30x. Our new coal production target is approximately 10% lower y-o-y compared to 2019, mainly driven by lower thermal coal production. Furthermore, we have better visibility on our volume as it is our strategy to deal directly with end users. We have adjusted our Operational EBITDA guidance to reflect lower average selling price estimate due to declining global coal prices, and after evaluating our investment plan for this year, we are able to lower our capital expenditure (capex) guidance by determining our investment priorities. We will continue to be prudent and discipline in our capex spending. Despite lowering our capital expenditure, we will continue with the necessary investments to support our long-term growth and maintain operational excellence.

While we are experiencing volatility in the industry, we believe the long-term fundamentals for coal remain intact and our business model has been proven effective to ride out the ups and downs in the coal market. During this challenging time, our focus is to maintain operational excellence and healthy margins, and to provide reliable coal supply for our customers.

Our sales portfolio in 1H20 was dominated by E4700 and E4900 product supported by the solid demand for these type of coals. Southeast Asia market constituted 47% of our sales in 1H20, led by Indonesia and Malaysia. The chart below shows our sales breakdown in 1H20.



*Others include New Zealand, Pakistan, and Europe

COVID-19 Impact on AE

Global COVID-19 cases continued to increase globally and at the end of July 2020, have reached more than 19 million cases worldwide (215 countries), including Indonesia (more than 100,000 positive cases and more than 4,000 deaths). Many countries were forced to impose tight restrictions, which in turn halted economic activities. The resulted slower economic growth reduced industrial demand for electricity and weakened coal demand. The lacklustre demand has prompted us to adjust our operational and financial target for this year while the strict health and safety measures that we have put in place since January 2020 have enabled us to keep operations running. Supporting functions have gradually started to work at the office following government directives in each area, while adhering to Adaro Group's health and safety protocols.

ADARO MINING

PT Adaro Indonesia (AI)

AI produced 23.96 Mt in 1H20, 6% lower y-o-y compared to 1H19. Sales of AI's coal in 1H20 reached 25.96 Mt, 7% lower y-o-y. In 1H20, AI's total overburden removal volume reached 94.65 Mbcm, 17% lower y-o-y and strip ratio for 1H20 was 3.95x.

In 2Q20, AI produced 11.21 Mt and sold 12.19 Mt of coal, 15% and 18% lower compared to the same period in 2019. Total overburden removal volume from AI's three pits in 2Q20 was 49.07 Mbcm, 17% lower y-o-y, and AI's strip ratio was 4.38x for 2Q20. In the second quarter of 2020, AI experienced high rainfall volume and longer rain hour in the period, atypical for second quarter, which affected AI's operational activities.

Balangan Coal Companies

Total coal production from Balangan Coal Companies in 1H20 was 2.31 Mt, or 2% increase y-o-y and total overburden removal for the period was 6.55 Mbcm, or 6% lower y-o-y, resulting in a

strip ratio of 2.84x for Balangan Coal Companies in 1H20. In 2Q20, we produced 1.15 Mt of coal from Balangan Coal Companies, flat y-o-y. Overburden removal by Balangan Coal Companies in 2Q20 was 3.26 Mbcm, 11% lower than in 2Q19 and its strip ratio for the quarter was 2.84x.

Adaro Metcoal Companies (AMC)

In 1H20 AMC's coal production and coal sales volume reached 0.72 Mt, 20% increase and 6% increase y-o-y. AMC has started production of hard coking coal product from the Lampunut mine in the Maruwai concession. In 2Q20, we had the first shipment of this coal to a Japanese customer. AMC also sells its coal to customers in China and India. AMC booked a strip ratio of 2.11x in 1H20 with overburden removal volume of 1.52 Mbcm. AMC's strip ratio was lower y-o-y as operations progressed to the Maruwai concession which has lower strip ratio compared to Lahai concession.

AMC's coal production and coal sales volume in 2Q20 were 0.42 Mt and 0.41 Mt, 56% increase and 2% increase from 2Q19. Overburden removal in 2Q20 was 0.79 Mbcm and its strip ratio for the quarter was 1.88x.

Mustika Indah Permai (MIP)

MIP is one of AE's thermal coal concessions in South Sumatra which contains medium energy coal suitable for power generation. MIP's coal has calorific value of 4,269 kcal/kg (GAR) and shares similar low pollutant traits as AE's flagship Envirocoal product with relatively low sulfur and ash content. In 1H20, coal production and sales from MIP reached 0.31 Mt and 0.30 Mt. Total overburden removal from MIP in 1H20 was 0.29 Mbcm, which resulted in strip ratio of 1x for the period. In 2Q20, MIP produced 0.11 Mt and sold 0.14 Mt of coal. Strip ratio in 2Q20 was 1.2x as overburden removal during the quarter was 0.13 Mbcm.

MIP 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. MIP's coal is mainly sold to customers in Indonesia and we continue to develop the market for MIP's coal in the region so that when coal industry recovers we can ramp up production from MIP.

Kestrel Coal Mine (Kestrel)

In 1H20, saleable production at Kestrel reached 3.10 Mt and sales reached 3.25 Mt, 10% lower and flat y-o-y. This figure included the 1.21 Mt and 1.27 Mt saleable production and sales in 2Q20. Taking the current situation into account, Kestrel revised its production base case for 2020 to 6 Mt. Kestrel sold its hard coking coal mainly to major customers in the Asian markets and has contracted the majority of its sales for 2020. India remained as the largest sales destination in 1H20 followed by South Korea and Japan. Despite the challenging market condition due to COVID-19, China has been a bright spot for demand of raw materials used in steel making driven by strong steel production as a result of stimulus measures targeting the construction sector. Adaro Energy (48%) and EMR Capital Ltd (52%) own 80% of Kestrel.

ADARO SERVICES

PT Saptaindra Sejati (SIS)

In 1H20, SIS overburden removal and coal production volume declined 22% and 9%, respectively, to 84.65 Mbcm and 21.56 Mt. SIS's customers, both from the Adaro Group and its third party customers, had to lower volume due to prolonged wet season and the challenging market condition. In 2Q20, SIS recorded a 21% decline in overburden removal volume y-o-y compared to 2Q19, to 42.23 Mbcm. SIS's coal production volume in 2Q20 also declined 16% y-o-y to 10.31 Mt.

	Units	2Q20	1Q20	2Q20 vs. 1Q20	2Q19	2Q20 vs. 2Q19	1H20	1H19	1H20 vs. 1H19
Overburden Removal	Mbcm	42.23	42.42	0%	53.76	-21%	84.65	107.86	-22%
Coal Production	Mt	10.31	11.25	-8%	12.24	-16%	21.56	23.58	-9%

ADARO LOGISTICS

PT Maritim Barito Perkasa

MBP's coal barging volume in 1H20 declined 11% y-o-y to 22.78 Mt due to lower volume from the Adaro Group and third-party customers. MBP's total coal barging volume in 2Q20 was 10.82 Mt, 20% lower than in 2Q19. Coal volume from its sister companies in the Adaro Group accounted for 96% of MBP's total coal barging volume in 1H20 and 97% of MBP's total coal barging volume in 2Q20, as MBP continues to prioritize coal volume from the Adaro Group.

	Units	2Q20	1Q20	2Q20 vs. 1Q20	2Q19	2Q20 vs. 2Q19	1H20	1H19	1H20 vs. 1H19
Coal barging	Mt	10.82	11.96	-10%	13.56	-20%	22.78	25.58	-11%

ADARO POWER

Our power plants achieved solid performance in 1H20. PT Makmur Sejahtera Wisesa (MSW) reached actual availability factor of 92.4% in 1H20, compared to the target of 91.8%. Meanwhile, PT Tanjung Power Indonesia (TPI) continued on its promising trajectory, having reached actual availability factor of 98.1% in 1H20, against target of 85.3%. At the end of June 2020, construction progress of PT Bhimasena Power Indonesia's 2 x 1000 MW power plant has reached 94.0%. COD of the first unit has been delayed and completion of plant construction may also experience delay. Evaluation is presently ongoing to minimize these delays.

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 in the process of developing captive use power generation projects for the Group's other business units such as IBT and AMC. At the moment, Adaro Power's plan to expand the capacity on its Solar PV in

Kelanis Dedicated Coal Terminal is now in technical study and EPC contract finalization. Through this expansion, the Solar PV capacity will increase from 130 kWp to become 597 kWp.

ADARO WATER

Adaro Water continues to improve on its performances to achieve operational excellence for its operating Water Treatment Plants and slurry management facilities. Its project in Kotawaringin Timur, Central Kalimantan, under PT Adaro Tirta Mentaya continues on its construction trajectory. As of 1st July 2020, construction has reached 86.48%. Meanwhile, PT Dumai Tirta Persada (DTP) continues to develop the first phase of the project, whereby progress of the project had reached 54% at the end of 2Q20.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

In 1H20, we experienced three lost-time injuries (LTI) throughout Adaro Group's operations compared to four lost-time injuries in 1H19. We recorded a lost-time injury frequency rate (LTIFR) of 0.05 for 1H20 and severity rate (SR) of 4.45 with total man-hours worked of 57,026,101 in the period. We are pleased with our zero fatality achievement in 1H20 and we 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.

In 1H20, our HSE team also developed the company's protocols in responding to COVID-19 in the form of circular letters, policies, and procedures to ensure the continuity of our operations and work activities. Crisis Management Team (CMT) within Adaro Group quickly responded to the COVID-19 pandemic by establishing Crisis Management Plan to cope with the developing situation from time to time. The Plan details the response actions in line with the changing DORM (Disease Outbreak Response Matrix) level. AE's Task Force Team also initiated the advancement of a health application "K Health" for Adaro Group's employees. K Health is an artificial intelligence (AI) application that comes with bilingual services (English and Bahasa Indonesia) to facilitate employees taking an online medical consultation and obtain a diagnostic assessment based on the reported symptoms including necessary treatment advices and recommendations. K Health is also equipped with a COVID-19 examination feature to assess whether an employee is posed by SARS-CoV-2. This application supports the diagnosis process of Adaro Medical Hotline to be more accurate. The HSE team also conducts regular joint inspection to ensure the readiness of Adaro Group's offices for working in the new normal as employees are getting back to the office and to ensure the implementation of COVID-19 health protocols.

CORPORATE ACTIVITIES AND AWARD

PT Adaro Energy Tbk Annual General Meeting of Shareholder

PT Adaro Energy successfully held its 2020 AGMS via virtual channel on May 20, 2020 at its Jakarta office. Referring to the Gubernatorial Regulation on the Implementation of Large-Scale Social Limitation in the Handling of Corona Virus Disease 2019 (COVID-19) within the Special

Capital Region of Jakarta, AE limited the physical attendance of Board of Commissioners (BoC), Board of Directors (BoD) and legitimate shareholders or their proxies during the AGMS.

MSCI Rating on PT Adaro Energy Tbk

Adaro Energy's rating was upgraded to BB from B. This upgrade has been given due to the company's significant improvement in corporate governance practices, notably an increase in board size with the appointment of another Independent Commissioner in 2019. The company has also met the MSCI ESG Research criteria for an audit committee industry expert.

ASEAN Corporate Governance Scorecard

Adaro Energy received acknowledgement from IDX for its achievement in the Listed Companies category which experienced a significant increase in the 2019 ACGS assessment ("Significantly Improved PLCs"), based on the assessment of 100 Listed Companies Based on the ASEAN Corporate Governance Scorecard ("ACGS") Criteria.

SHAREHOLDER INFORMATION

AE's share price closed at Rp995 at the end of 1H20, 27% lower compared to the end of 1H19 of Rp1,360. AE's market capitalization at the end of 1H20 was US\$2.1 billion, down by 29% from US\$3.1 billion at the end of 1H19. At the end of 1H20, total public shareholders were 36.17% out of AE's total shares. Of the public shareholders, 44% were domestic holders and the rest were foreign holders. Analyst consensus rating for ADRO at the end of 1H20 was 3.92, from 17 buys, 4 holds, and 5 sells.