

PT ADARO MINERALS INDONESIA TBK (IDX: ADMR) 1H23 EARNINGS NEWS RELEASE

Jakarta, August 21, 2023 – PT Adaro Minerals Indonesia Tbk (IDX: ADMR) today submitted its consolidated financial statements for the six-month period ending June 30, 2023 to the OJK/IDX.

ADMR's President Director, Mr. Christian Ariano Rachmat, said:

“We managed to deliver satisfying results despite formidable macro challenges. Resilient metallurgical coal operations in 1H23 put us on track to achieve our full year volume target. We continue to build the market for Indonesian metallurgical coal, and customer feedback leaves us feeling confident on the growth outlook.”

"Furthermore, we are well positioned to support Indonesia's downstream initiatives through our aluminum smelter, which reached financial close during the quarter. We are excited by the opportunity to sustainably grow our minerals processing business, and remain focused on responsible execution across our strategic projects.”

Highlights

- 1H23 operational EBITDA of \$235.1 million was 18% lower, due to lower ASPs and higher costs on the back of higher production and strip ratio. Core earnings declined by 19% to \$168.4 million. Operational EBITDA and core earnings exclude non-operational items and reflect the performance of our core business.
- Our average selling price (ASP) in 1H23 weakened by 25% compared to 1H22.
- Production volume in 1H23 reached 2.54 million tonnes (Mt) with sales reaching 1.82 Mt, a 66% and 42% increase from 1H22, respectively.
- We achieved financial close for our 500,000 tons per annum aluminum smelter, under PT Kalimantan Aluminium Industry (KAI). The financing included \$981.4 million and Rp1,547.9 billion.
- KAI has completed the land preparation, earthworks, and construction of a temporary jetty and continues to work on the construction of other infrastructure related facilities.

Financial Performance

(\$ thousand, except otherwise stated)	1H23	1H22	Change
Revenue	463,606	435,658	6%
Cost of revenue	(210,252)	(148,240)	42%
Gross profit	253,354	287,418	-12%
Operating income	219,150	272,719	-20%
Core earnings ¹	168,351	206,697	-19%
Operational EBITDA ²	235,051	288,075	-18%
Total assets	1,337,263	1,139,642	17%
Total liabilities	578,594	731,456	-21%
Total equity	758,668	408,186	86%
Interest bearing debt	336,884	561,201	-40%
Cash	454,349	368,217	23%
Net debt (cash) ³	(117,464)	192,984	-161%
Capital expenditure ⁴	42,940	894	4703%
Free cash flows ⁵	121,560	236,905	-49%
Basic earnings per share (EPS) in US\$	0.0040	0.0049	-18%

Financial Ratios

	1H23	1H22	Change
Gross profit margin (%)	54.6%	66.0%	-11%
Operating margin (%)	47.3%	62.6%	-15%
Operational EBITDA margin (%)	50.7%	66.1%	-15%
Net debt (cash) to equity (x)	(0.15)	0.47	-133%
Net debt (cash) to last 12 months operational EBITDA (x)	(0.50)	0.67	-175%
Cash from operations to capex (x)	2.67	298.51	-99%

¹ Profit for the period, excluding non-operational items net of tax.

² EBITDA excluding non-operational items.

³ After deduction of cash and cash equivalents.

⁴ Capex spending defined as: purchase of fixed assets + payment for addition of exploration and evaluation asset.

⁵ Operational EBITDA – taxes – change in net working capital – capital expenditure.

Operating Segment

(\$ thousand)	Revenue			Profit for the period		
	1H23	1H22	% Change	1H23	1H22	% Change
Coal mining	462,515	434,234	7%	165,432	210,528	-21%
Other services	2,051	2,417	-15%	(1,389)	(6,419)	-78%
Elimination	(960)	(994)	-3%	-	-	-
ADMR Consol	463,606	435,658	6%	164,043	204,109	-20%

FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST SIX MONTHS OF 2023

Revenue, Average Selling Price and Production

ADMR's revenue in 1H23 increased 6% to \$463.6 million on the back of a 42% increase in sales volume balanced by a 25% decline in ASP. ADMR's high-quality metallurgical coal product continues to garner interest from steelmakers in main markets such as Japan, China, India and South Korea.

ADMR's production volume in 1H23 increased 66% to 2.54 Mt, in line with the higher FY23 target and supported by heavy equipment availability and solid contractor performance. ADMR recorded overburden removal of 7.55 Mbcm, 116% higher than 1H22, which led to a strip ratio of 2.97x for 1H23.

Cost of Revenue

Cost of revenue in 1H23 increased 42% to \$210.3 million mainly driven by higher production and sales volume. Royalties to the Government increased 11% to \$81.6 million, mining cost increased 77% to \$45.7 million, coal processing cost increased 69% to \$30.9 million, and freight and handling cost increased 56% to \$53.7 million. Fuel cost per litre increased by 14% on a year-on-year basis, and coal cash cost per tonne in 1H23 increased by 8%.

Operating Expenses

1H23 operating expenses increased 156% to \$36.0 million due to the significant increase in allowance for government charges. Selling and marketing costs in 1H23 increased 57% to \$5.3 million in-line with the increase in sales volume. Employee costs more than doubled to \$4.5 million as we are growing our workforce in line with business growth and expansion.

Operational EBITDA and Core Earnings

We generated operational EBITDA of \$235.1 million in 1H23, 18% lower compared to 1H22, and operational EBITDA margin for the period was 51%. Core earnings in 1H23 declined by 19% to \$168.4 million. Weaker metallurgical coal prices and higher costs on the back of higher volume were mainly responsible for the profitability decline.

Total Assets

Total assets increased 17% to \$1.34 billion at the end of 1H23, comprising \$629.0 million in current assets and \$708.3 million in non-current assets. Cash balance at the end of 1H23 increased 23% to \$454.3 million on the back of strong cash flow generation. Cash accounted for 34% of total assets.

Fixed Assets

Fixed assets as at the end of 1H23 were \$456.6 million, 13% increase from the year ago period mainly from investments in aluminium smelter at KAI and infrastructure projects at PT Maruwai Coal (MC). Fixed assets accounted for 34% of total assets.

Mining Properties

Mining properties as at the end of 1H23 declined by 5% year-on-year to \$179.0 million in-line with production.

Total Liabilities

At the end of 1H23, total liabilities declined by 21% to \$578.6 million. Current liabilities increased 50% to \$204.3 million driven by higher accrued expenses related to allowance for government charges.

Non-current liabilities declined by 37% to \$374.3 million at the end of 1H23 as loans from shareholders declined by 40% to \$336.9 million having repaid a total of \$150.6 million.

Equity

At the end of 1H23, our equity level increased by 86% to \$758.7 million due to a 104% increase in retained earnings to \$577.4 million.

Cash Flows from Operating Activities

In 1H23 our cash flows from operating activities declined by 57% to \$114.8 million mainly driven by higher payment to suppliers and higher royalties payment on the back of higher production and sales volume. Corporate income tax payment also increased 141% to \$102.3 million due to higher profitability in FY22.

Cash Flows from Investing Activities

We recorded net cash flows used in investing activities of \$49.0 million in 1H23, as purchases of fixed assets increased significantly to \$42.4 million in 1H23 related to infrastructure projects at MC and aluminum smelter construction at KAI.

Capital Expenditure and Free Cash Flow

We spent \$42.9 million in capital expenditure in 1H23 mainly related to our infrastructure projects at MC and construction of our aluminium smelter under KAI. Free cash flow in 1H23 declined 49% to \$121.6 million as we execute our investment plans.

Upon completion, the infrastructure upgrade projects will support our medium-term production target of 6 Mtpa. The second barge-loading conveyor will increase loading capacity and improve our capability to meet delivery commitments. These improvements position us well to meet the anticipated growth in our metallurgical coal product.

Cash Flows from Financing Activities

Net cash flow used in financing activities in 1H23 increased 71% to \$125.9 million, as we made loans repayment in the period of \$150.6 million.

###

These materials have been prepared by PT Adaro Minerals Indonesia Tbk (the “Company”) and have not been independently verified. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information presented or contained in these materials. The Company or any of its affiliates, advisers or representatives accepts no liability whatsoever for any loss howsoever arising from any information presented or contained in these materials. The information presented or contained in these materials is subject to change without notice and its accuracy is not guaranteed.

These materials contain statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its officers with respect to the consolidated results of operations and financial condition of the Company. These statements can be recognized by the use of words such as “expects,” “plan,” “will,” “estimates,” “projects,” “intends,” or words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors and assumptions. The Company has no obligation and does not undertake to revise forward-looking statements to reflect future events or circumstances.

These materials are for information purposes only and do not constitute or form part of an offer, solicitation or invitation of any offer to buy or subscribe for any securities of the Company, in any jurisdiction, nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract, commitment or investment decision whatsoever. Any decision to purchase or subscribe for any securities of the Company should be made after seeking appropriate professional advice.

For further information please contact:

Investors

Thomas Coombes | Thomas.Coombes@adaro.com

Media

Febriati Nadira | Febriati.Nadira@adaro.com