

PT ADARO MINERALS INDONESIA TBK (IDX: ADMR) FY23 EARNINGS NEWS RELEASE

Jakarta, February 29, 2024 – PT Adaro Minerals Indonesia Tbk (IDX: ADMR) today submitted its consolidated financial statements for the year ending December 31, 2023 to OJK/IDX.

Mr. Christian Ariano Rachmat, President Director and Chief Executive Officer of PT Adaro Minerals Indonesia Tbk said:

“Our 2023 financial and operational performance has been encouraging, underpinned by strong production growth at Lampunut and growing market recognition for our Enviromet product. A favorable price environment for metallurgical coal continues to support our ASP, and combined with higher volume and cost discipline, our profitability improves. Additionally, the group’s integrated logistics operations performed admirably despite the ‘El Nino’ weather conditions presenting challenges on the Barito River.

Finally, our visions in Kaltara continue to materialize, with the construction of our aluminum smelter and its related infrastructure advancing as expected. We remain on track for a 4Q2025 completion.”

Highlights

- Production volume in 2023 reached 5.11 million tonnes (Mt) with sales reaching 4.46 Mt, a 52% and 39% increase from 2022, respectively.
- Overburden removal volume increased 125% to 18.70 million bank cubic meter (Mbcm), with our strip ratio reaching 3.66x compared to 2.47x in 2022.
- FY23 operational EBITDA of \$573.50 million was 17% higher y-o-y supported by higher sales volume. Core earnings increased 23% to \$421.02 million. Operational EBITDA and core earnings exclude non-operational and non-recurring items, and reflect the performance of our core business.
- CAPEX in FY23 reached \$134.02 million as we advanced construction of PT Kalimantan Aluminium Industry’s (KAI) aluminium smelter and continued to progress with infrastructure projects at PT Maruwai Coal (MC).
- KAI has completed the soil investigation, land levelling process, and piling works for the baking furnace facilities in the aluminium smelter area.

Financial Performance

<i>(US\$ thousand, except otherwise stated)</i>	FY23	FY22	% Change
Revenue	1,085,962	908,142	20%
Cost of revenue	(502,750)	(373,227)	35%
Gross profit	583,212	534,915	9%
Operating income	574,631	458,400	25%
Core earnings ¹	421,015	341,672	23%
Operational EBITDA ²	573,502	490,543	17%
Total assets	1,695,420	1,286,625	32%
Total liabilities	657,370	717,317	-8%
Total equity	1,038,049	569,308	82%
Interest bearing debt	420,734	487,156	-14%
Cash	586,423	511,382	15%
Net debt (cash) ³	(165,688)	(24,226)	584%
Capital expenditure ⁴	134,016	21,137	534%
Free cash flow ⁵	194,576	374,250	-48%
Basic earnings per share (EPS) in US\$	0.0108	0.0081	33%

Financial Ratios

	FY23	FY22	% Change
Gross profit margin (%)	53.7%	58.9%	-5%
Operating margin (%)	52.9%	50.5%	2%
Operational EBITDA margin (%)	52.8%	54.0%	-1%
Net debt (cash) to equity (x)	(0.16)	(0.04)	299%
Net debt (cash) to last 12 months operational EBITDA (x)	(0.29)	(0.05)	485%
Cash from operations to capex (x)	2.21	22.69	-90%

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

² EBITDA excluding non-operational, non-recurring 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

(US\$ Thousand)	Revenue			Profit for the period		
	FY23	FY22	% Change	FY23	FY22	% Change
Coal mining	1,084,004	905,445	20%	449,787	352,505	28%
Other services	3,881	4,655	-17%	(8,236)	(16,829)	-51%
Metal processing	-	-	-	(708)	-	100%
Elimination	(1,923)	(1,958)	-2%	-	62	-
ADMR	1,085,962	908,142	20%	440,843	335,739	31%

FINANCIAL PERFORMANCE ANALYSIS FOR FULL YEAR 2023 (FY23)

Revenue, Average Selling Price and Production

FY23 revenue increased 20% to \$1.09 billion driven by a 39% increase in sales volume, which balanced a 14% decline in ASP over FY22. After a period of weaker ASP in 2Q23 and 3Q23, ASP rebounded in 4Q23 in line with the improvement in global metallurgical coal prices. ADMR's high-quality metallurgical coal product was sold to a diversified mix of steelmakers in Japan, China, India, Indonesia, and South Korea.

Production volume in FY23 increased 52% to 5.11 Mt, supported by heavy equipment availability and solid contractor performance. ADMR recorded overburden removal of 18.70 Mbcm, 125% higher than in FY22, resulting in a strip ratio of 3.66x for FY23.

Cost of Revenue

Cost of revenue in FY23 increased 35% to \$502.75 million mainly due to higher production volumes. Royalties to the Government increased 4% to \$158.23 million, mining costs increased 150% to \$149 million, coal processing costs declined 52% to \$23.58 million, while freight and handling costs increased 36% to \$116.59 million. Fuel consumption in FY23 increased 42% on the back of increased activities, while fuel cost per litre was lower by 5% y-o-y. Coal cash cost per tonne in FY23 decreased by 10% as our operations scale up and volume increases.

Operating Expenses

Operating expenses in FY23 declined by 88% to \$8.84 million as we reversed a significant portion of allowances for government charges from FY22 to be in line with new government regulations. Selling and marketing costs in FY23 increased 50% to \$13.76 million on the back of higher sales volumes. Employee costs increased 131% to \$8.75 million as the company's workforce grows to support expansion.

Operational EBITDA and Core Earnings

Operational EBITDA in FY23 increased 17% to \$573.50 million, and operational EBITDA margin for the period was 53%. Core earnings in FY23 increased 23% to \$421.02 million. Higher sales volume in the period supported revenue generation, while we recorded significantly lower operational expenses on the back of changes in regulation related to government charges.

Total Assets

Total assets increased 32% to \$1.70 billion at the end of FY23, consisting of \$884.55 million in current assets and \$810.87 million in non-current assets. Cash balance at the end of FY23 increased 15% to \$586.42 million on the back of strong cash flow generation. Cash accounted for 35% of total assets.

Fixed Assets

Fixed assets as at the end of FY23 increased by 34% to \$550.00 million mainly due to investments in KAI's aluminium smelter and infrastructure projects at MC. Fixed assets accounted for 32% of total assets.

Mining Properties

Mining properties at the end of FY23 declined by 6% year-on-year to \$174.06 million in-line with production.

Total Liabilities

At the end of FY23, total liabilities declined by 8% to \$657.37 million. Current liabilities increased 6% to \$209.75 million driven by higher trade payable and accrued expenses related to expenses for suppliers and contractors.

Non-current liabilities declined by 14% to \$447.62 million at the end of FY23 as loans from shareholders declined by 35% to \$316.9 million, having repaid a total of \$170.6 million. Bank loans, net of loan financing costs, at the end of FY23 were \$98.73 million as we began to draw down loan for KAI.

Equity

At the end of FY23, equity increased 82% to \$1.04 billion driven by the increase in retained earnings which more than doubled to \$854.76 million driven by higher profit.

Cash Flows from Operating Activities

In FY23 our cash flows from operating activities declined by 38% to \$296.59 million mainly driven by higher payments to suppliers and higher royalties due to higher sales volume. Corporate income tax payment also increased 127% to \$150.23 million due to higher profitability.

Cash Flows from Investing Activities

We recorded net cash flows used in investing activities of \$140.68 million in FY23, driven by a significant increase in purchases of fixed assets of \$133.47 million in FY23 related to MC's infrastructure projects and KAI's aluminium smelter construction.

Capital Expenditure and Free Cash Flow

Capital expenditure in FY23 was \$134.02 million mainly for the construction of the aluminium smelter under KAI and MC's infrastructure projects. KAI alone accounted for \$97 million of this figure. Free cash flow in FY23 declined 48% to \$194.58 million as we executed our investment plans.

Upon completion, the infrastructure upgrade projects will support our medium-term volume target of 6 Mtpa and will enable us to reliably deliver our volume commitments to customers. The first phase of KAI's aluminium smelter is expected to reach its commercial operations date (COD) in 2025 – which will diversify our revenue streams.

Cash Flows from Financing Activities

Net cash flows used in financing activities in FY23 declined 31% to \$82.49 million, as in the period we made loan repayment to shareholders of \$170.6 million and drew down \$87.58 million of bank loans, net of loan financing costs.

PT ADARO MINERALS INDONESIA TBK (IDX: ADMR) FY23 ACTIVITIES REPORT

Operational Highlights

- Production volume in FY23 reached 5.11 million tonnes (Mt) with sales reaching 4.46 Mt, a 52% and 39% increase from FY22, respectively, with sales exceeding our FY23 target of 3.8 Mt – 4.3 Mt.
- Overburden removal volume increased 125% to 18.70 million bank cubic meter (Mbcm), with a strip ratio of 3.66x compared to 2.47x in FY22 as we restarted the operation at PT Lahai Coal (“LC”) and opened up more areas at PT Maruwai Coal’s (“MC”) Lampunut mine.
- Our ongoing investments in facilities and infrastructure to support our 6 Mtpa volume target in 2025 continue to progress. We completed the tender process for our second barge-loading conveyor and Lampunut Waterfront Camp in 4Q23 and construction is targeted to start in 1Q24.
- In 4Q23, PT Kalimantan Aluminium Industry (“KAI”) continued to advance the construction of the aluminium smelter. KAI has completed the soil investigation, land levelling process, and piling works for the baking furnace facilities in the aluminium smelter area.

ADMR’S FY24 Guidance

- Sales volume: 4.9 million tonnes – 5.4 million tonnes
- Strip ratio: 3.6x
- Capital expenditure: \$175 million – \$250 million. This capital expenditure target includes our equity investments in KAI’s aluminium smelter.

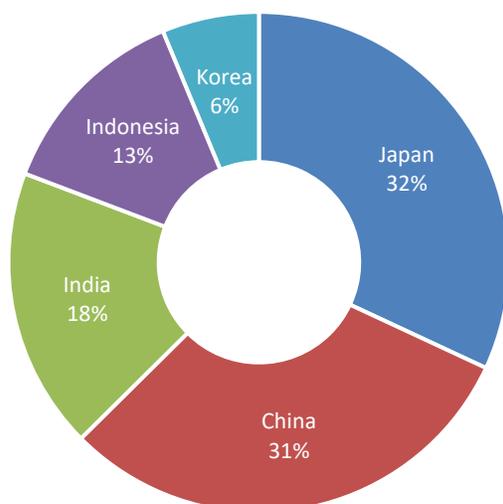
OPERATIONAL PERFORMANCE

PT MARUWAI COAL (MC) AND PT LAHAI COAL (LC)

- Metallurgical coal production volume in 2023 reached 5.11 million tonnes (Mt), a 52% increase over 2022, with sales reaching 4.46 Mt, 39% higher than in 2022, which was also affected by the restart of operations from LC in 2H23 and was able to ramp up its production to 0.28 Mt for the year.
- Overburden removal reached 18.70 Mbcm in 2023, 125% higher than in 2022, leading to a strip ratio of 3.66x in 2023, 48% higher than 2022.

	Units	4Q23	3Q23	4Q23 vs. 3Q23	4Q22	4Q23 vs. 4Q22	FY23	FY22	FY23 vs. FY22
Overburden Removal	Mbcm	4.89	6.27	-22%	2.26	116%	18.70	8.32	125%
Maruwai	Mbcm	3.02	4.65	-35%	2.26	33%	15.22	8.32	83%
Lahai	Mbcm	1.87	1.62	16%	-	100%	3.49	-	100%
Production Volume	Mt	1.13	1.44	-21%	0.81	40%	5.11	3.37	52%
Maruwai	Mt	0.93	1.36	-32%	0.81	15%	4.83	3.37	43%
Lahai	Mt	0.20	0.08	157%	-	100%	0.28	-	100%
Sales Volume	Mt	1.45	1.19	21%	1.02	43%	4.46	3.20	39%
Maruwai	Mt	1.25	1.19	5%	1.02	24%	4.26	3.20	33%
Lahai	Mt	0.20	-	100%	-	100%	0.20	-	100%

- Japan accounted for 32% of sales in 2023, with India and China also seeing growth. Our sales portion to Indonesia increased to 13%, in line with domestic demand. The chart below shows our sales destination in 2023.



- Investment in our facilities and infrastructure is ongoing, through the upgrading of our hauling roads, expansion of fuel storage facilities, and staff accommodation. Moreover, we have appointed a contractor for the construction of our second barge loading conveyor facility. This expansion will increase our barge loading capacity.
- Furthermore, supporting our planned production increase to 6 Mtpa, MC has completed the tender process for the staff facilities expansion in the Lampunut area. Construction is planned to start within the first quarter of 2024.

PT KALIMANTAN ALUMINIUM INDUSTRY (KAI)

- As part of Adaro Group's commitment to support the green economy and pursue sustainable growth, ADMR, through KAI, is actively developing opportunities in the mineral sector, with a focus on downstream minerals processing.
- After completing land clearing, in 4Q23 KAI was focused on the construction stage of the aluminium smelter project. KAI has completed the soil investigation, land levelling, and piling work for the baking furnace facilities in the aluminium smelter area.

- Moving forward to 1Q24, KAI will focus on piling and foundation activities in the aluminium smelter area.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

In 2023, MC and LC experienced four lost time injuries (LTI), which resulted in a lost-time injury frequency rate (LTIFR) of 0.32, with a severity rate of 12.12. Total man-hours worked in 2023 for MC and LC were 12,376,864. Meanwhile at KAI there were no LTI in 2023, and thus LTIFR and SR were zero. Total man-hours worked in 2023 for KAI were 7,573,781.

CORPORATE ACTIVITIES

Share Purchase of PT Alam Tri Cakra Indonesia

In December 2023, we subscribed new shares issued by PT Alam Tri Cakra Indonesia (ATCI) which was majority owned by PT Adaro Energy Indonesia Tbk, with the total amount of Rp376,687,000,000, resulting in us owning 90.84% of the shares in ATCI. This capital increase by ATCI is to prepare ATCI to capture business opportunities, if any, in the areas that are in line with the purposes and objectives of ADMR.

Awards

In 4Q23, MC received awards for their exceptional operations and performance, with details as follows:

- Blue PROPER Award from the Ministry of Environment and Forestry.
- Two Gold awards at the National Quality and Productivity Workshop (TKMPN) XXVII.
- Appreciation of Dewi Sartika at Temu Pendidik Nusantara event, in the Pemimpin Merdeka Belajar category.
- Silver award at Indonesia Sustainable Development Goals Award 2023 for its contribution on SDGs 15.3 about Land Conservation (Konservasi Darat).
- Gold award at Indonesia Sustainable Development Goals Award 2023 for its achievement on SDGs 4.c about Capacity Building for Educators at All Levels (Peningkatan Kapasitas Tenaga Pendidik di Semua Tingkatan).
- Gold award at Indonesia Sustainable Development Goals Award 2023 for its contribution on SDGs 8.3.(a) about Enhancing Business and Job Opportunities for Communities (Peningkatan Peluang Usaha dan Kerja Bagi Masyarakat).

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