

PT ADARO MINERALS INDONESIA TBK (IDX: ADMR) 9M23 EARNINGS NEWS RELEASE

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

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

“Despite challenges in the external environment, these results reflect our ability to execute on production growth, which has sustained our profitability. Overall demand for our premium hard met coal product remains strong, leaving us confident for the future.

“Furthermore, construction of KAI’s aluminium smelter and its ancillary facilities continues to make progress. We expect this project to be completed by Q3 2025, a significant milestone in our efforts to support Indonesia’s downstream initiatives at the Kaltara Green Industrial Park.”

Highlights

- Production volume in 9M23 reached 3.98 million tonnes (Mt) with sales reaching 3.01 Mt, a 55% and 38% increase from 9M22, respectively.
- Overburden removal volume increased 128% to 13.81 million bank cubic meter (Mbcm), with our strip ratio reaching 3.47x compared to 2.36x in 9M22.
- 9M23 operational EBITDA of \$358.1 million was 13% lower on the back of higher costs and lower average selling price (ASP). Core earnings declined 11% to \$258.1 million. Operational EBITDA and core earnings exclude non-operational items and reflect the performance of our core business.
- Our CAPEX in 9M23 reached \$95.7 million. We advanced construction of PT Kalimantan Aluminium Industry’s (KAI) aluminium smelter whilst infrastructure projects at PT Maruwai Coal (MC) continue to progress.
- PT Kalimantan Aluminium Industry has appointed all main contractors for aluminium smelter construction and installation. KAI has completed land clearing for permanent dorms, coastal jetty breakwater, construction of ancillary facilities, earthworks, and construction of a temporary jetty and continues to work on the construction of other infrastructure related facilities.

Financial Performance

| <i>(\$ thousand, except otherwise stated)</i> | 9M23 | 9M22 | Change |
|---|------------------|-----------|--------|
| Revenue | 720,628 | 666,485 | 8% |
| Cost of revenue | (341,019) | (251,599) | 36% |
| Gross profit | 379,609 | 414,886 | -9% |
| Operating income | 333,255 | 387,654 | -14% |
| Core earnings ¹ | 258,099 | 291,586 | -11% |
| Operational EBITDA ² | 358,609 | 411,494 | -13% |
| Total assets | 1,517,974 | 1,242,970 | 22% |
| Total liabilities | 671,856 | 753,090 | -11% |
| Total equity | 846,118 | 489,880 | 73% |
| Interest bearing debt | 405,447 | 561,501 | -28% |
| Cash | 581,881 | 401,826 | 45% |
| Net debt (cash) ³ | (176,434) | 159,676 | -210% |
| Capital expenditure ⁴ | 95,728 | 4,853 | 1873% |
| Free cash flows ⁵ | 151,967 | 253,046 | -40% |
| Basic earnings per share (EPS) in US\$ | 0.0061 | 0.0070 | -13% |

Financial Ratios

| | 9M23 | 9M22 | Change |
|--|---------------|-------|--------|
| Gross profit margin (%) | 52.7% | 62.2% | -10% |
| Operating margin (%) | 46.2% | 58.2% | -12% |
| Operational EBITDA margin (%) | 49.8% | 61.7% | -12% |
| Net debt (cash) to equity (x) | (0.21) | 0.33 | -163% |
| Net debt (cash) to last 12 months operational EBITDA (x) | (0.49) | 0.39 | -227% |
| Cash from operations to capex (x) | 2.39 | 62.97 | -96% |

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 | | |
|--------------------|----------------|----------------|-----------|-----------------------|----------------|-------------|
| | 9M23 | 9M22 | % Change | 9M23 | 9M22 | % Change |
| Coal mining | 719,073 | 664,404 | 8% | 254,797 | 298,025 | -15% |
| Other services | 2,996 | 3,556 | -16% | (3,304) | (10,781) | -69% |
| Elimination | (1,441) | (1,475) | -2% | - | - | - |
| ADMR Consol | 720,628 | 666,485 | 8% | 251,493 | 287,244 | -12% |

FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST NINE MONTHS OF 2023 (9M23)

Revenue, Average Selling Price and Production

ADMR's revenue in 9M23 increased 8% to \$720.6 million driven by a 38% increase in sales volume balanced by a 21% decline in ASP. ADMR's high-quality metallurgical coal product was sold to a diversified mix of steelmakers in Japan, China, India, Indonesia, and South Korea.

ADMR's production volume in 9M23 increased 55% to 3.98 Mt, supported by heavy equipment availability and solid contractor performance. ADMR recorded overburden removal of 13.81 Mbcm, 128% higher than in 9M22, resulting in a strip ratio of 3.47x for 9M23.

Cost of Revenue

Cost of revenue in 9M23 increased 33% to \$341.0 million mainly due to higher production volumes. Royalties to the Government increased 2% to \$121.2 million, mining costs increased 95% to \$83.4 million, coal processing costs increased 51% to \$50.2 million, and freight and handling costs increased 38% to \$82.1 million. Fuel consumption in 9M23 increased 49%, while fuel cost per litre was flat y-o-y. Coal cash cost per tonne in 9M23 increased by 13%.

Operating Expenses

Operating expenses in 9M23 increased 83% to \$48.4 million on the back of a significant increase in allowances for government charges. Selling and marketing costs in 9M23 increased 55% to \$8.2 million in line with higher sales volumes. Employee costs also increased 86% to \$5.7 million as the workforce grows to facilitate our expansion.

Operational EBITDA and Core Earnings

Operational EBITDA in 9M23 declined 13% to \$358.6 million, and operational EBITDA margin for the period was 49.8%. Core earnings in 9M23 declined 11% to \$258.1 million. Profitability declined as metallurgical coal prices were weaker in the period and we booked higher costs driven by higher volume.

Total Assets

Total assets increased 22% to \$1.52 billion at the end of 9M23, consisting of \$763.8 million in current assets and \$754.1 million in non-current assets. Cash balance at the end of 9M23 increased 45% to \$581.9 million on the back of strong cash flow generation. Cash accounted for 38% of total assets.

Fixed Assets

Fixed assets as at the end of 9M23 were \$496.1 million, a 24% increase from the year ago period mainly due to investments in KAI's aluminium smelter and infrastructure projects at MC. Fixed assets accounted for 33% of total assets.

Mining Properties

Mining properties as at the end of 9M23 declined by 6% year-on-year to \$176.1 million in-line with production.

Total Liabilities

At the end of 9M23, total liabilities declined by 11% to \$671.9 million. Current liabilities increased 46% to \$232.1 million driven by higher accrued expenses related to allowances for government charges.

Non-current liabilities declined by 26% to \$439.8 million at the end of 9M23 as loans from shareholders declined by 44% to \$316.9 million, having repaid a total of \$170.6 million. Bank loans, net of loan financing costs, at the end of 9M23 were \$88.6 million as we began to draw down loan for KAI.

Equity

At the end of 9M23, equity increased 73% to \$846.1 million mainly due to an 82% increase in retained earnings to \$664.4 million.

Cash Flows from Operating Activities

In 9M23 our cash flows from operating activities declined by 25% to \$229.0 million mainly driven by higher payments to suppliers and higher royalties due to higher sales volume. Corporate income tax payment also increased 114% to \$115.1 million due to higher profitability in FY22.

Cash Flows from Investing Activities

We recorded net cash flows used in investing activities of \$102.0 million in 9M23, driven by the significant increase in purchases of fixed assets to \$94.8 million in 9M23 related to MC's infrastructure projects and KAI's aluminium smelter construction.

Capital Expenditure and Free Cash Flow

Capital expenditure in 9M23 was \$95.7 million mainly related to MC's infrastructure projects and construction of aluminium smelter under KAI. Free cash flow in 9M23 declined 40% to \$152.0 million as we execute our investment plans.

Upon completion, the infrastructure upgrade projects will support our medium-term production 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 flow used in financing activities in 9M23 declined 24% to \$57.8 million, as in the period we made loan repayment to shareholders of \$170.6 million and drew down \$88.3 million of bank loans, net of loan financing costs.

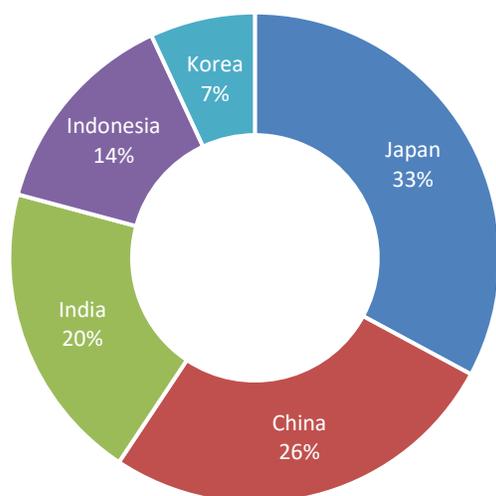
PT ADARO MINERALS INDONESIA TBK 9M23 ACTIVITIES REPORT

PT Maruwai Coal and PT Lahai Coal

- Production volume in 9M23 reached 3.98 million tonnes (Mt), a 55% increase over the period. Sales volume reached 3.01 Mt, 38% higher than in 9M22, putting us on track to achieve our FY23 volume target of 3.8 – 4.3 Mt.
- Overburden removal reached 13.81 Mbcm in 9M23, 128% higher than in 9M22, leading to a 9M23 strip ratio of 3.47x, 47% increase from 9M22.
- We began operation activities from PT Lahai Coal (LC) in the quarter and recorded 1.62 Mbcm of overburden removal volume and 0.08 Mt of production volume.

| | Units | 3Q23 | 2Q23 | 3Q23 vs. 2Q23 | 3Q22 | 3Q23 vs. 3Q22 | 9M23 | 9M22 | 9M23 vs. 9M22 |
|--------------------|-------|------|------|---------------|------|---------------|-------|------|---------------|
| Overburden Removal | Mbcm | 6.27 | 4.25 | 47% | 2.55 | 145% | 13.81 | 6.05 | 128% |
| Maruwai | Mbcm | 4.65 | 4.25 | 9% | 2.55 | 82% | 12.20 | 6.05 | 102% |
| Lahai | Mbcm | 1.62 | - | 100% | - | 100% | 1.62 | - | 100% |
| Production Volume | Mt | 1.44 | 1.32 | 9% | 1.04 | 39% | 3.98 | 2.56 | 55% |
| Maruwai | Mt | 1.36 | 1.32 | 3% | 1.04 | 30% | 3.90 | 2.56 | 52% |
| Lahai | Mt | 0.08 | - | 100% | - | 100% | 0.08 | - | 100% |
| Sales Volume | Mt | 1.19 | 0.97 | 23% | 0.90 | 32% | 3.01 | 2.19 | 38% |
| Maruwai | Mt | 1.19 | 0.97 | 23% | 0.90 | 33% | 3.01 | 2.19 | 37% |
| Lahai | Mt | - | - | - | - | - | - | - | - |

- Japan remains the largest market for ADMR in the period, and we saw volume increase from China in line with its increasing demand for imported coal. We are also encouraged by growth prospects in other regional markets and continue our marketing efforts in other key steel producing countries. The chart below shows our sales destination by country in 9M23.



- We continue our ongoing investment in facilities and infrastructure 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 and efficiently support logistics to increase sales volume.
- Furthermore, supporting our planned production increase to 6 Mtpa, MC's tender process for the staff facilities expansion in the Lampunut area is coming to a close with construction planned to start within the first quarter of 2024.

PT KALIMANTAN ALUMINIUM INDUSTRY (KAI)

- Through KAI, ADMR is actively developing opportunities in the mineral space, with a focus on downstream minerals processing. This business leads the Adaro Group's transformation to support the green economy and pursue sustainable growth.
- After signing of facility agreement in 2Q23, KAI is now focused on the pre-construction stage of the aluminium smelter project. By end of 3Q23, KAI has completed land clearing of the permanent dorms, coastal jetty breakwater, and construction of ancillary facilities such as an outdoor laydown warehouse, heavy equipment workshop, and batching plant. KAI has also started the piling works for the foundation of the aluminium smelter area, and the construction of other supporting facilities including a temporary camp, indoor warehouse, and brick factory.
- KAI has appointed all main contractors for the aluminium smelter construction and installation. Moving forward, in 4Q23 KAI will continue to work on soil improvement and land levelling in the aluminium smelter area, and continue with dredging, construction of heavy cargo, universal cargo, and berthing trestle for the jetty area.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

As part of our commitment to strengthen the safety culture among our employees and contractors, we continue to preserve and advance the implementation of Adaro Group's Adaro Zero Accident Mindset (AZAM). Our health and safety programs focus on the implementation of Good Mining Practices (GMP) through various means, including, among others, health and safety risk assessments, workplace inspections, industrial health and hygiene inspections, safety training, awareness strengthening, and working environment monitoring.

During the first nine months of 2023, MC and LC experienced one lost-time injury (LTI) incident involving one of their contractors, resulting in a lost-time injury frequency rate (LTIFR) of 0.46, with a severity rate standing at 17.17. Furthermore KAI recorded zero LTI incidents, LTIFR, and severity rates in the third quarter of 2023. The total man-hours worked during these nine months for MC and LC were 8,737,168 and for KAI was 3,155,422.

CORPORATE ACTIVITIES

Launching of Enviromet – Indonesia’s First Hard Coking Coal Product



ADMR launched Enviromet at the 2023 Coaltrans Asia event in Bali. Enviromet is Indonesia’s first hard coking coal product which has low ash, low phosphorus, and high vitrinite, making this a premium product in the metallurgical coal market. These qualities are essential in maintaining an efficient, high quality and environmentally friendly coke and steel making.

Initial Public Offering Funds Usage Report as of September 2023

In compliance with the regulations of the Financial Services Authority (OJK) in Indonesia regarding the utilization of Initial Public Offering funds, we have disclosed our fund allocation as of September 2023 to the public. All IPO proceeds have now been used. From the remaining balance, an amount of Rp342.8 billion has been transferred to MC for their capital expenditure related to infrastructure development.

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