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**PT Adaro Energy Indonesia  
Tbk / PT Adaro Minerals  
Indonesia Tbk Results  
Presentation**

**August 30, 2022**

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# Recent business performance

Record Revenues, Operational EBITDA & Profits in 1H22



## 1 Pricing and Sales Volume Drove Outsized EBITDA Growth

- 1H22 Average selling price(ASP) increased by 117% YoY and sales volume increased by 7% to 27.5 mt from 25.8 mt in the year ago period.
- Revenues, Operational EBITDA and Net Profit increased by 127%, 269%, 611% to \$3.54 bn, \$2.34 bn, \$1.35 bn, respectively in 1H22 compared to the YoY period. Operational EBITDA margins expanded to 66% from 41% in the year ago semester. Record pricing was driven by geopolitical conflict in Europe, volatile weather globally and delays due to global supply chain issues.
- Strengths were pricing, sales and production while we are behind our targets for overburden removal and strip ratio

## 2 Strong performance at Adaro Minerals

- 1H22 ASP increased by 143% YoY and sales volume increased by 9% to 1.28 mt from 1.17 mt in the year ago period.
- Revenues, Operational EBITDA and Net Profit increased by 165%, 332% and 491% to \$436 mn, \$288 mn and \$204 mn respectively, in 1H22 compared to the YoY period. Operational EBITDA margins expanded to 66.1% in 1H22M21 compared with 40.6% in 1H21
- Strengths were pricing and increased sales/production, while weaknesses were weather impact on mining and logistics

## 3 Transformation Continues to move forward

- Progress is moving forward in our transformation to renewables and supporting the EV battery segment in Indonesia. We anticipate financial close by year end 2022 on our 500,000 ton Aluminium smelter in Kaltara (N. Kalimantan).
- We continue to tender for large scale solar, wind and hydro projects in Indonesia while working on finalizing tenants at our Green Industrial Park in Kaltara.

Specific to 2Q22, Strong performance across our consolidated business, led by Revenues, Operational EBITDA, and Earnings in the quarter

- Revenues increased by 166% to \$2.3 bn in 2Q22 compared with \$871 mn in 2Q21.
- Operational EBITDA increased by 305% in 2Q22 to \$1.6 bn compared with \$391 mn in the same quarter of last year.
- 2Q22 Net Profit improve by 681% to \$905 mn from \$116 mn in the year ago quarter.

# Key Business Metrics

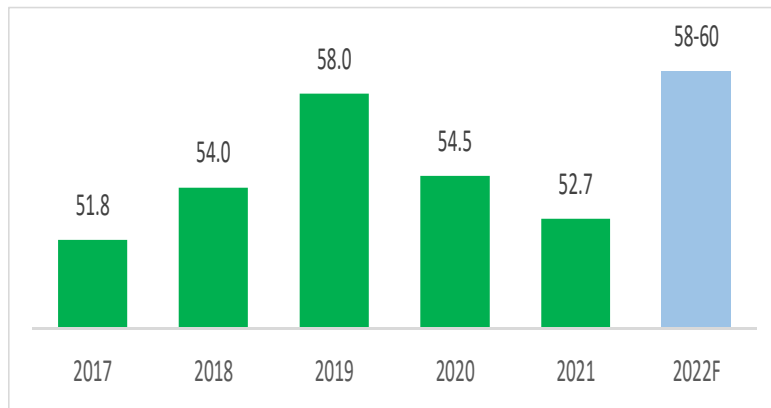


Adaro continues to meet targets, driving business expansion & solid results

- Production figures continue to increase with the target of 58-60 mt of consolidated (ADRO & ADMR) production forecast for FY22, representing an increase of 10-14% YoY. Despite inclement weather and challenges in procuring heavy equipment, Management is maintaining the production target.
- 2022 strip ratio target at ADRO is 4.1x, representing a decrease of 0.1x from 4.2x achieved in FY21. At 1H22, the strip ratio stood at 3.6x, a decrease of 16% YoY and tracking below the FY22 target. We anticipate we can increase the overburden removal in 2H22, but we may miss the strip ratio target in FY22.
- ADRO's Capex target is \$300-\$450 m and we currently have spent \$157m. We anticipate we will meet the Capex target as we continue to add heavy equipment to support operations and invest in the transformation.

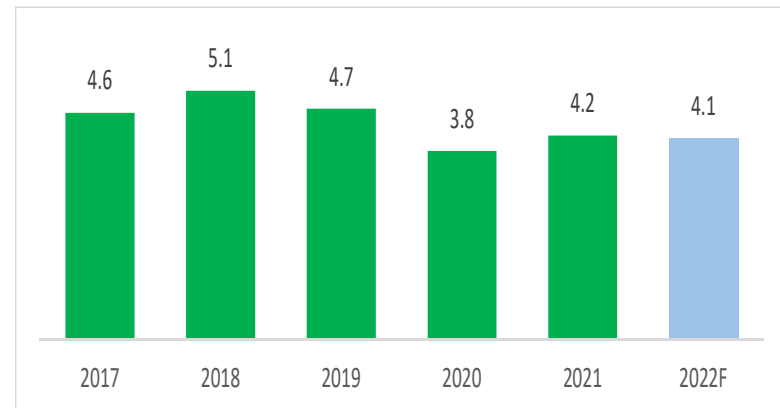
## 2022 Production Target of 58-60 mt; up 10-14% YoY

mt



## 2022 Strip Ratio target of 4.1x

(x)



# Regulatory Changes in 2022

New regulations will have a minor impact



## IUP and IUPK Royalty Scheme

- **Regulation:** Government Regulations No. 15 and No. 26 of 2022 both set the type and tariff for government's non-tax revenue from the Ministry of Energy and Mineral Resources. In the coal sector, holders of Izin Usaha Pertambangan (IUP) and Izin Usaha Pertambangan Khusus (IUPK) are most affected due to the change in royalty rate for stipulated in this regulation.
- **Impact:** From Regulations 15 and 26 we anticipate a negative impact to net profits as the Royalty paid to the Government increases in both cases. Beginning in January 2023, the larger impact will be from regulation 15 as we transition to an IUPK at our largest mine from its current CCOW generation 1 status.

	IUPK Conversion Disaggregation	CCOW	IUPK
1	Royalty rate	13.5%	14% - 28%
2	CIT	45%	22%
3	Profit Sharing (from net income)		
	- Central Government	-	4%
	- Regional Government	-	6%

## Proposed regulatory changes

- **Proposed Regulation:** The government will implement a (BLU) which would help to support Company's that meet the Domestic Market Obligation (DMO) by reallocation of industry export revenues.
- **Impact:** As a consolidated entity Adaro Energy Indonesia supplies ~27% of its coal to the domestic market implying a benefit to the Company if the proposed legislation is enacted. However, at Adaro Minerals there could be a negative impact. The final regulation is needed before providing more details.

# Balance of People, Planet and Profit

Adaro strives to balance our responsibilities among the generation of profit, the utilization of planet and employment of people.

ADRO's corporate social responsibility programs focus on five main areas:



Education



Economic development



Health



Environmental enhancement



Socio-cultural Enrichment

Our environmental programs cover four main areas:  
**land, air, water, and biodiversity.**



PT Adaro Energy Indonesia Tbk is rated **BBB** on MSCI ESG ratings.



# Financials That Will Drive the Transition



# Adaro Energy Indonesia's Performance

Continue to deliver consistent results and strong cash flows



OPERATIONAL	1H22	1H21	% Change
Production (Mt)	28.01	26.49	6%
Sales (Mt)	27.50	25.78	7%
OB removal (Mbcm)	102.05	115.22	-11%
FINANCIAL (US\$ millions, unless indicated)	1H22	1H21	% Change
Revenue	3,541	1,563	127%
Core Earnings	1,447	330	338%
Operational EBITDA	2,339	635	269%
Cash	2,244	1,208	86%
Net Debt (Cash)	(770)	305	-352%
Capex	157	74	112%
Free Cash Flow	1,040	324	221%
Operational EBITDA Margin	67.0%	40.6%	2640 bps
Net Debt (Cash) to Equity (x)	(0.14)	0.08	-2200 bps
Net Debt (Cash) to Last 12 months Operational EBITDA (x)	(0.20)	0.29	-4900 bps
Cash from Operations to Capex (x)	8.63	5.38	3245bps



# 1H22 BS – Adaro Energy Indonesia

Sizable improvements ytd due to cash generation

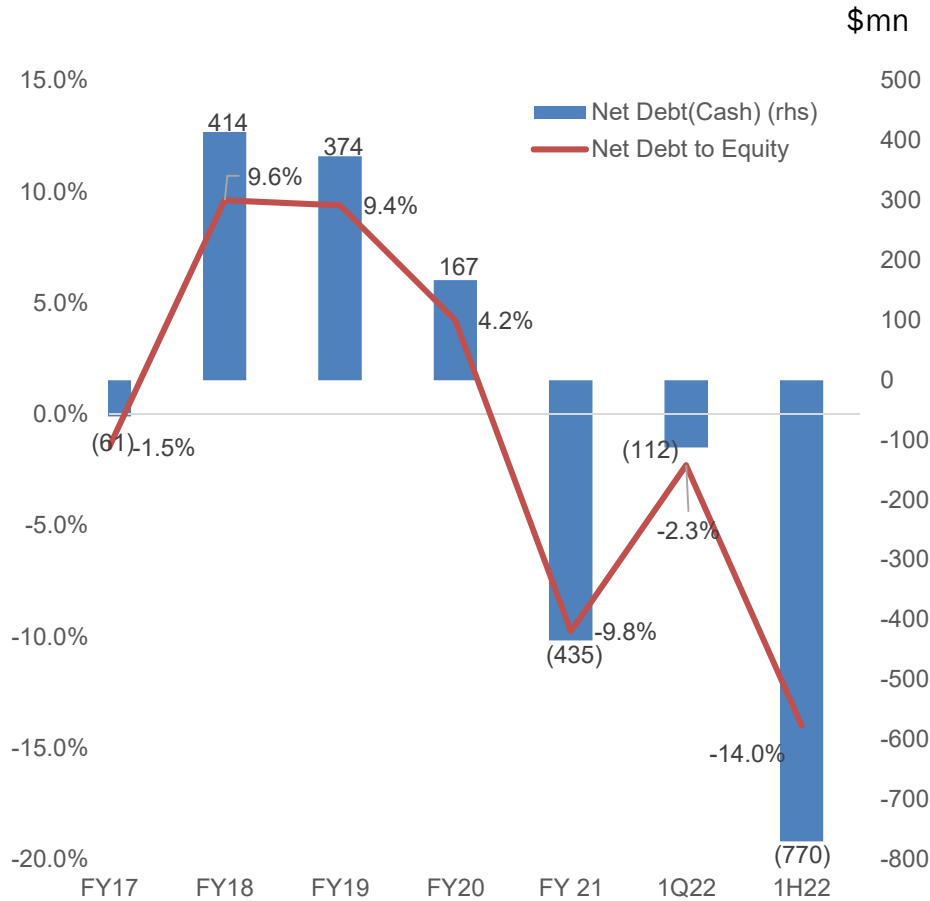


Assets	1H22	FY21	Liabilities & Stockholder Equity	1H22	FY21
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalent	2,243,724	1,811,141	Trade payables	322,173	272,409
Trade receivables	874,124	451,989	Bank loans	312,055	218,971
Inventories	195,219	125,738	Corporate income tax payable	700,401	324,807
Prepaid taxes - current portion	34,372	26,564	Accrued expenses	99,328	59,936
Other current assets	252,913	422,700	Royalties payable	53,325	16,773
<b>Total Current Assets</b>	<b>3,600,352</b>	<b>2,838,132</b>	Other current liabilities	91,937	468,662
			<b>Total Current Liabilities</b>	<b>1,579,219</b>	<b>1,361,558</b>
<b>NON CURRENT ASSETS</b>			<b>NON CURRENT LIABILITIES</b>		
Investments in joint venture	1,145,296	831,991	Bank loans	512,873	550,594
Mining properties	1,117,284	1,217,484	Lease liabilities	25,212	42,271
Fixed assets	1,365,166	1,397,105	Deferred tax liabilities	173,905	187,396
Goodwill	776,943	776,943	Other non current liabilities	990,889	986,802
Deferred tax asset	154,261	92,933	<b>Total Non Current Liabilities</b>	<b>1,702,879</b>	<b>1,767,063</b>
Other non current assets	629,409	432,348			
<b>Total Non Current Assets</b>	<b>5,188,359</b>	<b>4,748,804</b>	<b>EQUITY</b>		
			Share issued and fully paid	342,940	342,940
			Additional paid in capital	1,154,494	1,154,494
			Transaction with non controlling interest	7,852	7,852
			Appropriated Retained earnings	68,588	68,588
			Unappropriated retained earnings	3,627,565	2,714,907
			Other comprehensive income (loss)	26,764	-54,931
			Treasury shares	-139,936	-97,070
			Non controlling interest	418,346	321,535
			<b>Equity</b>	<b>5,506,613</b>	<b>4,458,315</b>
<b>TOTAL ASSETS</b>	<b>8,788,711</b>	<b>7,586,936</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,788,711</b>	<b>7,586,936</b>

# Strong Net Cash Position with Cash Balance Reaching \$2.2 Billion



## Historical Net Debt



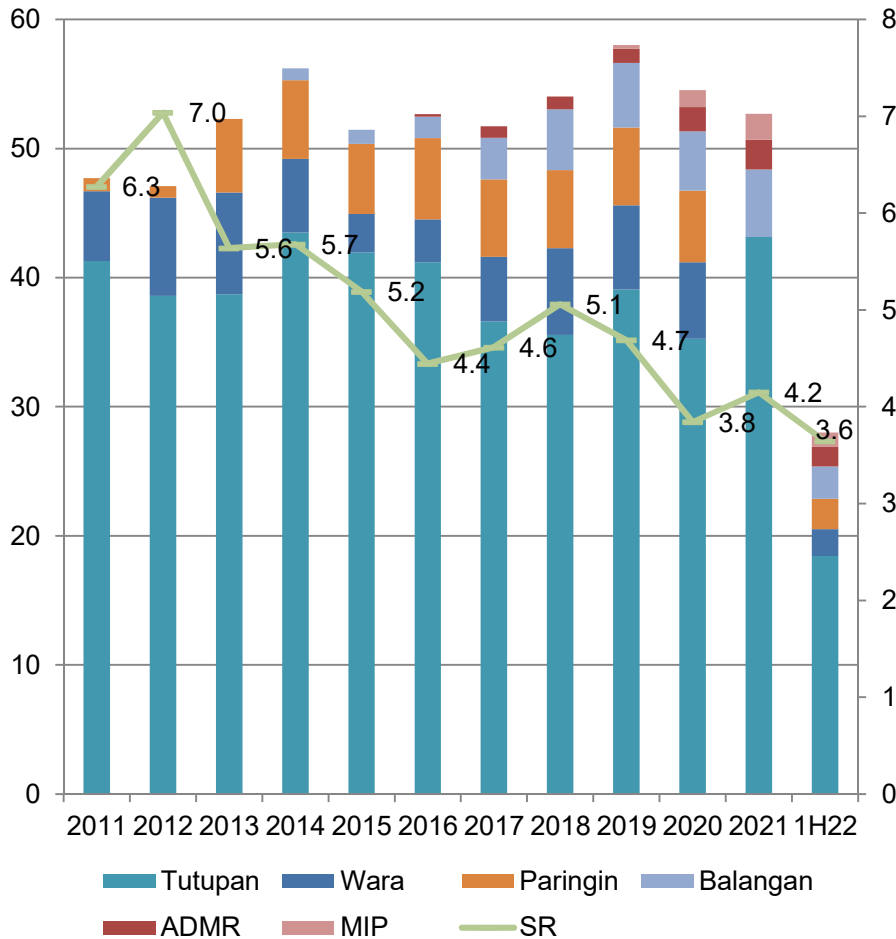
## Historical Cash Position



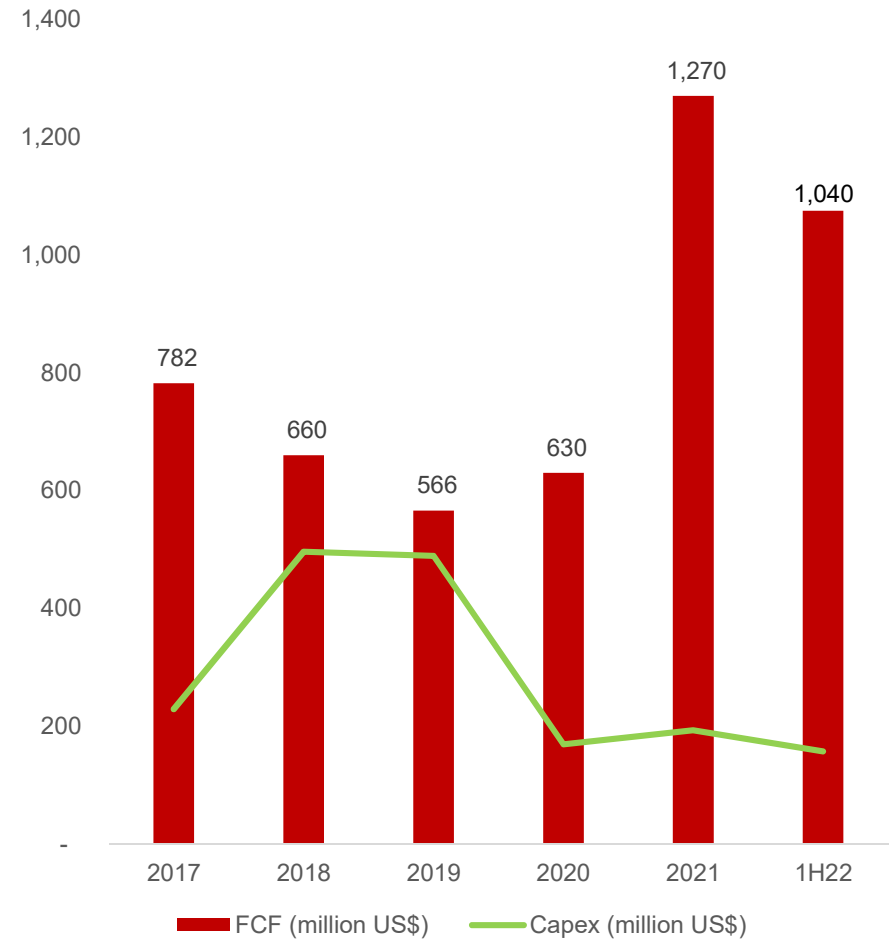
# Solid Financials Backed by Strong Operations



## Steady Production Through the Commodity Cycle



## Strong free cash flow generation to support Capex

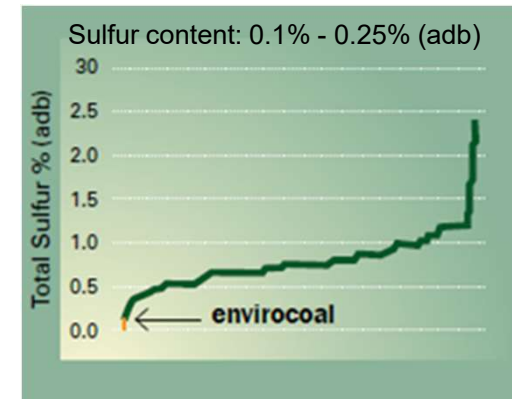
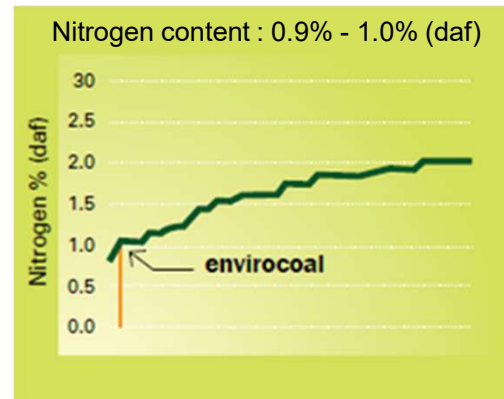
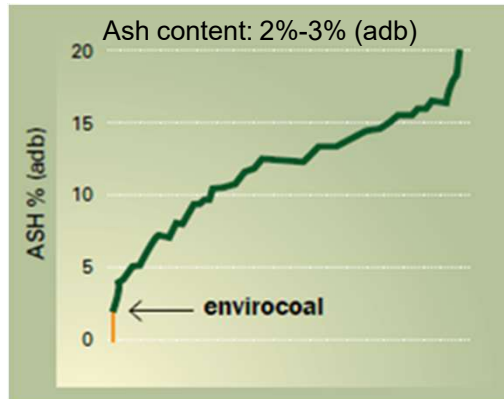


\*Production (LHS), Strip Ratio (RHS)

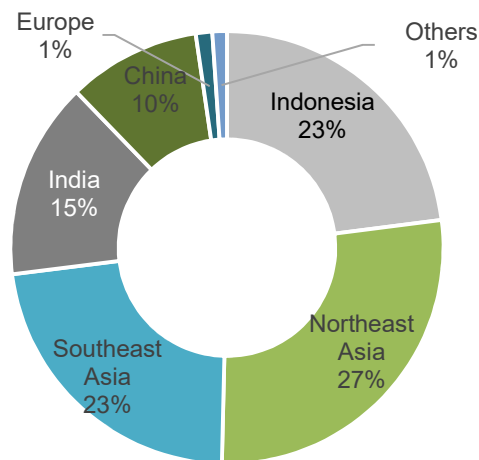
# Well Positioned Product and Strong Customer Base Focused on Asia



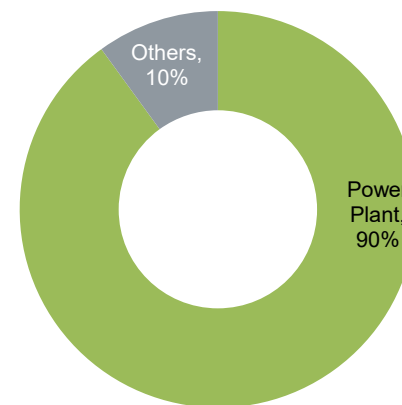
## Envirocoal is among the lowest pollutant content coal in the seaborne market



## Sales by Destination (1H22)



## Customer type by volume (1H22)

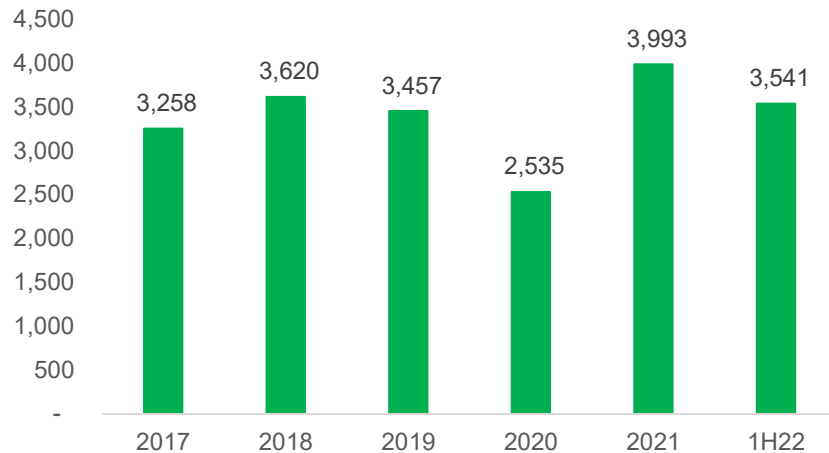


\*others include cement, pulp & paper, and industrial

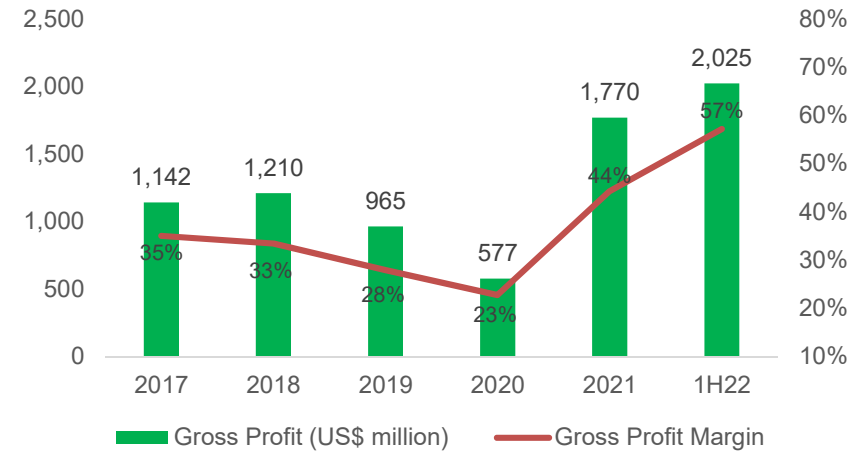
# 1H22 P&L – Adaro Energy Indonesia

Strong Results to Finance Transformation

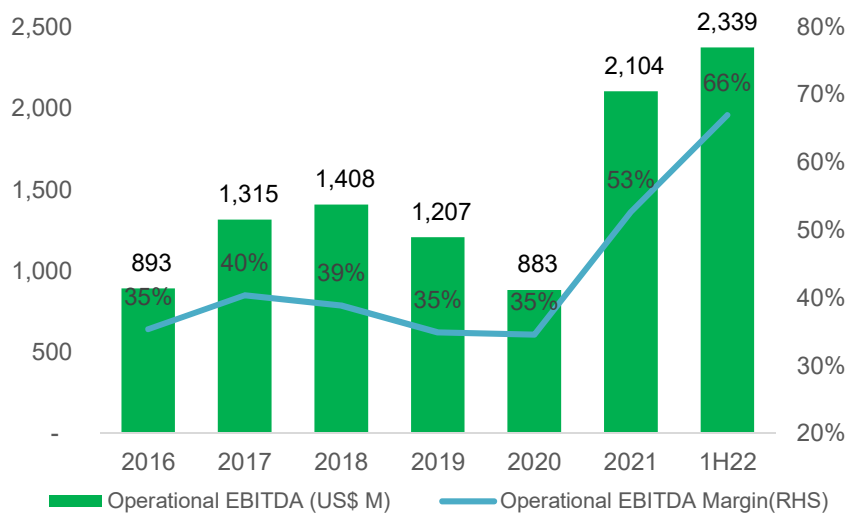
## Revenue



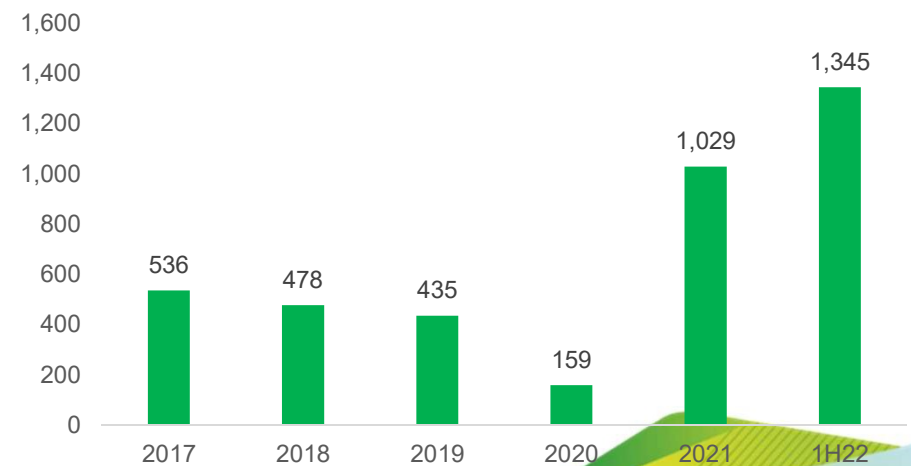
## Gross Profit & Margin



## Operational EBITDA



## NPAT

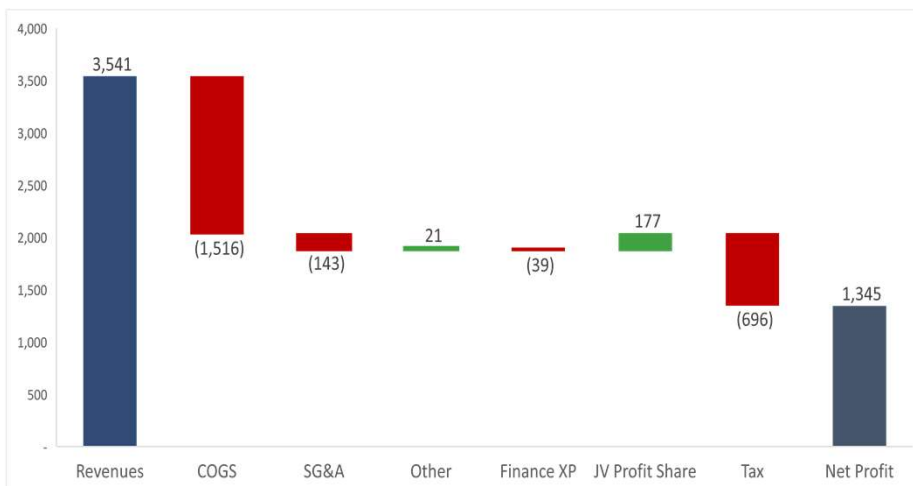


Note: EBITDA and Gross Profit exclude final tax

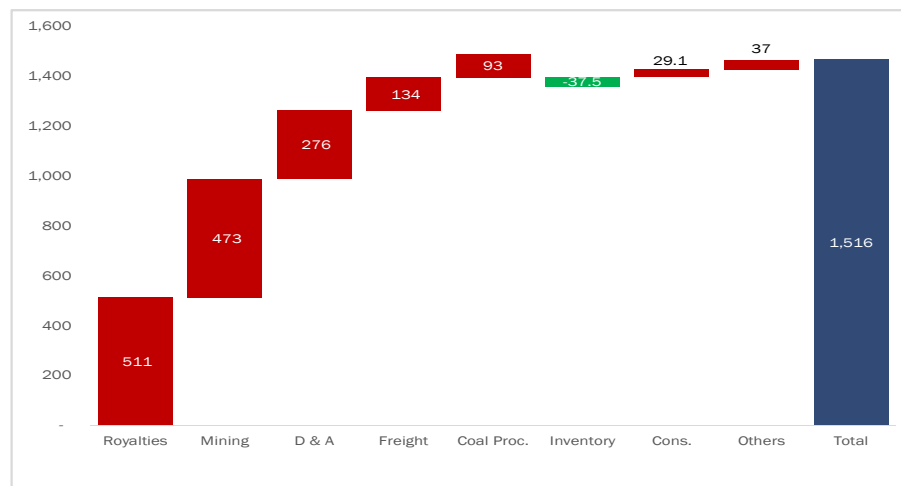
# Income Statement Highlights



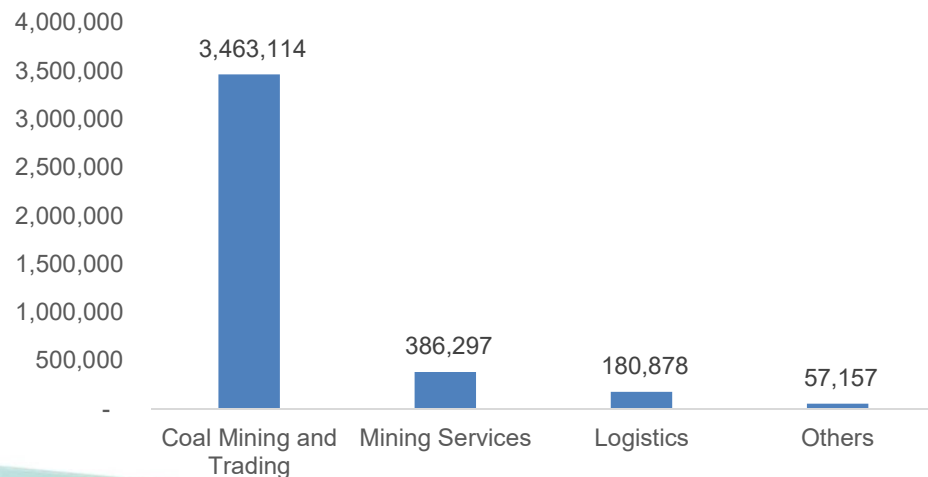
## P & L Movement



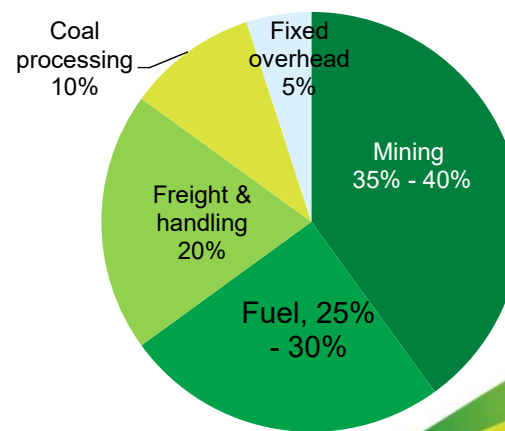
## Cost Of Revenues Disaggregation



## Revenue By Segment (not adjusted for elimination)



## Adaro's estimated coal cash cost breakdown (1H22)



# Adaro Minerals MetCoal Business

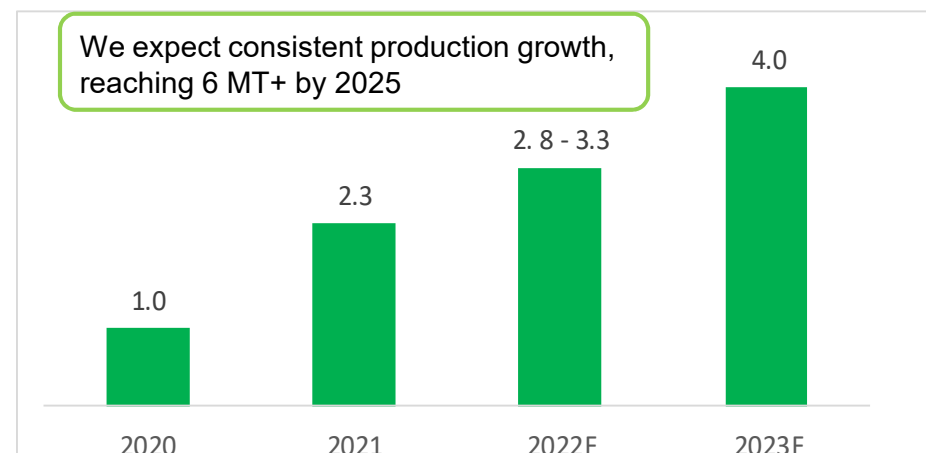


supports the Steel Industry a key component in Wind Turbines and the Solar Industry

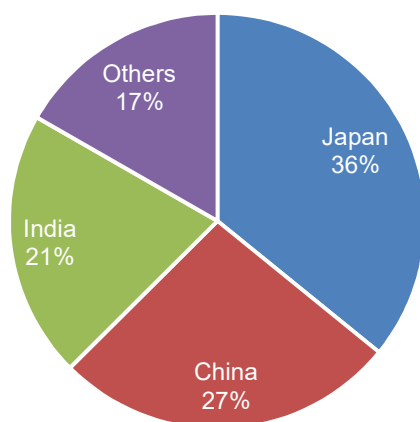
## Adaro Minerals key financial highlights

OPERATIONAL	1H22
Production (Mt)	1.53
Sales (Mt)	1.28
OB removal (Mbcm)	3.50
FINANCIAL (US\$ thousands, unless indicated)	1H22
Revenue	436
Core Earnings	207
Total Asset	1,139
Operational EBITDA Margin	66.1%

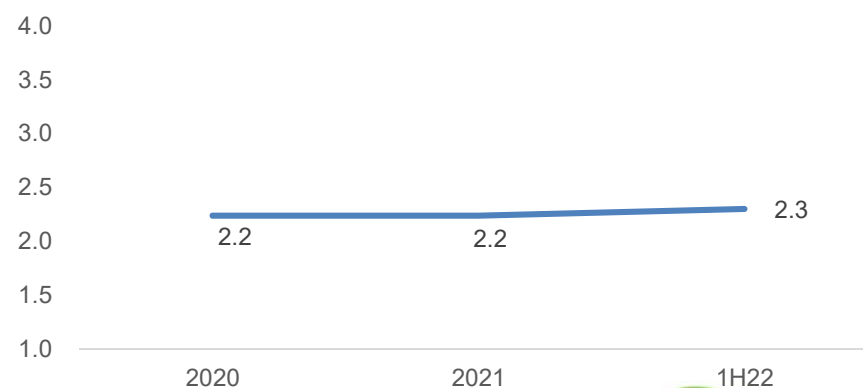
## Adaro Minerals metcoal production (Mt)



## Sales by Destination 1H22



## Adaro Minerals Strip Ratio Remains Very Low

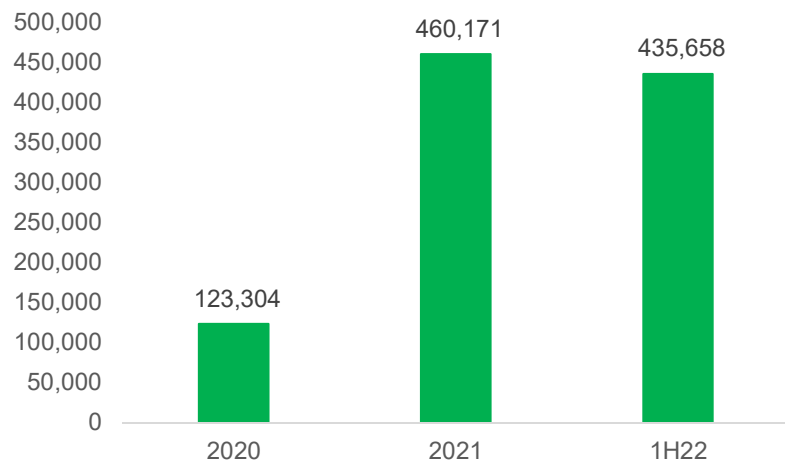


# 1H22 P&L – Adaro Minerals

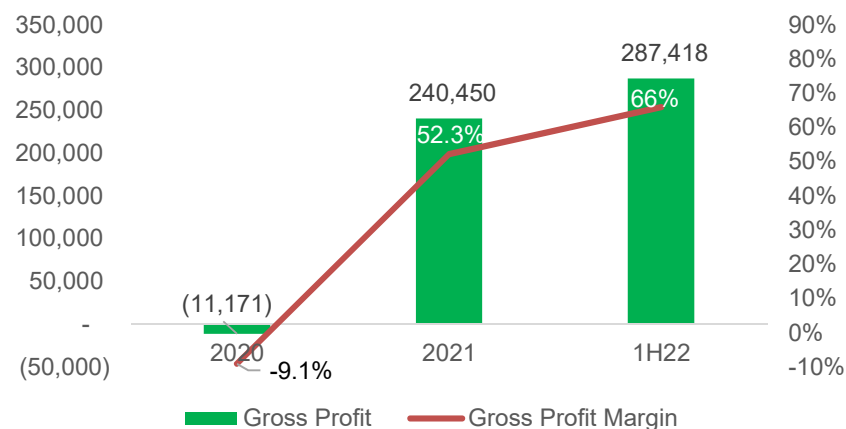
Strong Results driven by pricing and volume expansion



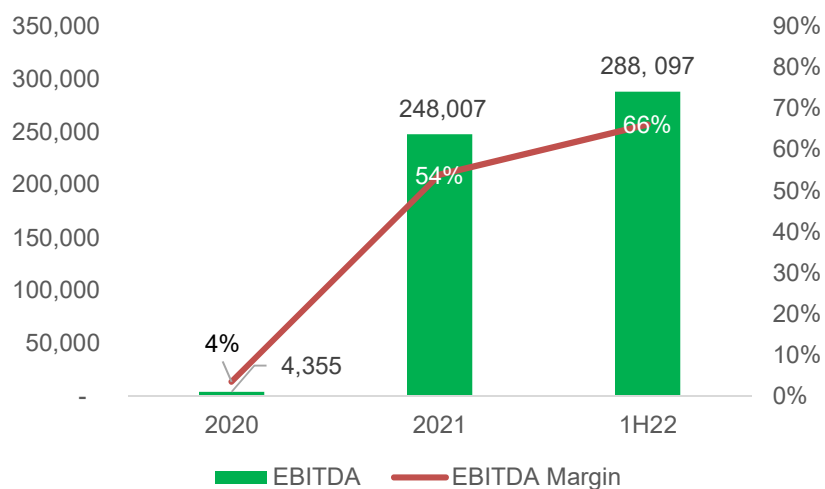
## Revenue



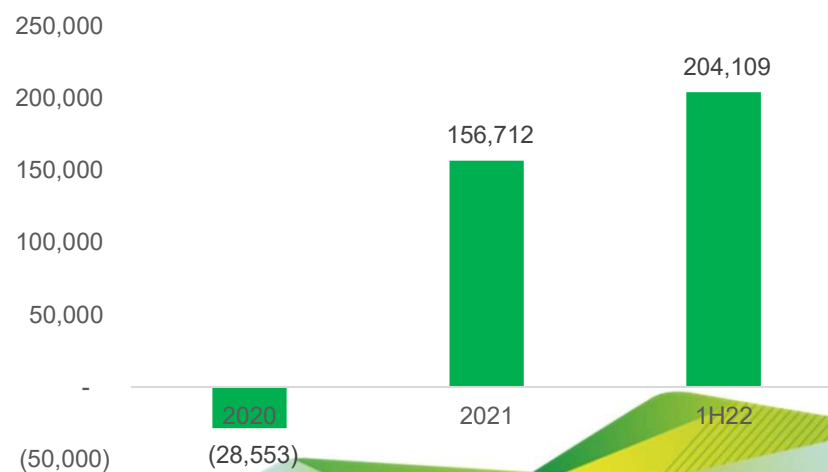
## Gross Profit



## EBITDA & Margin



## Net Profit



\*All figures in \$thousands on this slide aside from margin %age's



# Outlook



# Macro Environment & Coal Industry Remain Positive



## Macro Environment

Indonesia's macro environment remains accommodative with low interest rates, a stable currency, increased mobility, and strong commodity prices.

Bank Indonesia has begun to raise interest rates to combat inflation, but remains in a better financial position than most peers given strong commodity prices, which has helped support Rupiah outperformance.

The Fed continues to raise rates and we are closely monitoring their actions as the US gets closer to midterm elections. We anticipate prices will remain above historical levels as long as geopolitical risks are escalated, as supply chains and energy logistics are being reconfigured, actions we see as inflationary.

## Coal Industry

The thermal coal industry remains quite strong while in the last few weeks we have seen a pick up in metcoal pricing. In the first two months of 3Q we saw some pressure on thermal – subbituminous coal prices as Russian coals were offered at very cheap prices compared to Indonesian coal. However, the recent pricing levels have increased due to unprecedented prolonged heatwave in the Pacific, especially China.

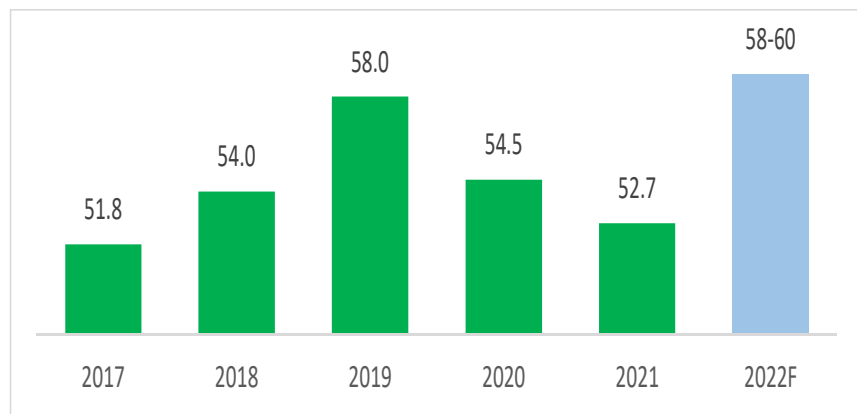
Moreover, We are receiving inquiries from European buyers which reflects an increase from historical demand from that region. On metcoal, there would be demand to replace Russian coal post import ban by the EU and restocking for post-monsoon construction activities in Pacific. In addition, the supply side will be limited by upcoming La Nina in Australia.

# On track to meet FY22 guidance

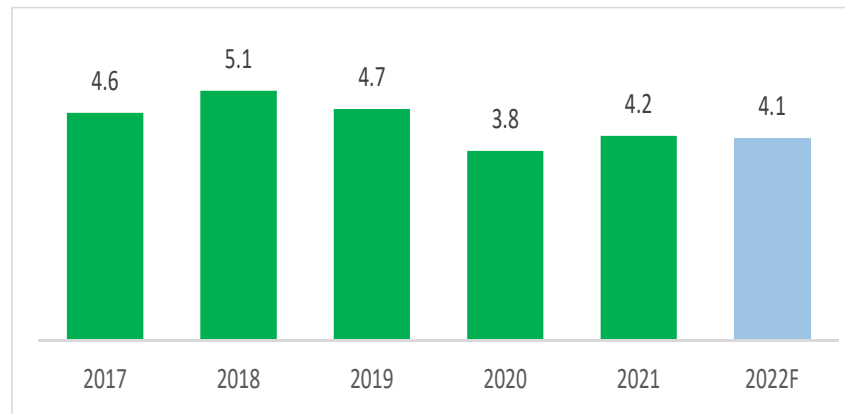
provides cash to invest in EV value chain and renewables



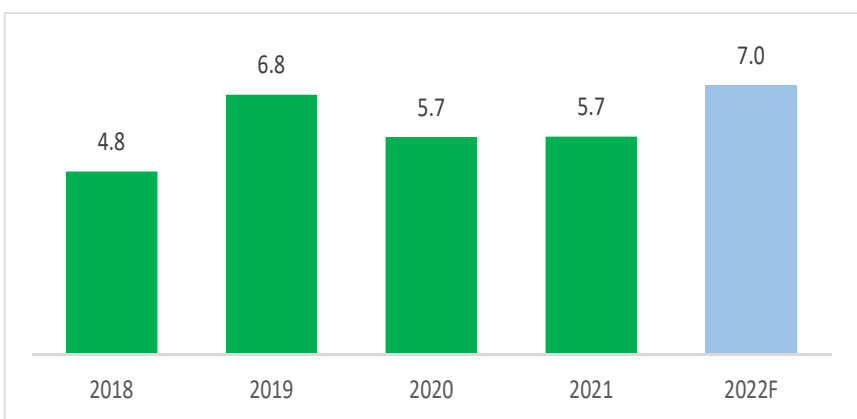
## Coal production (Mt)



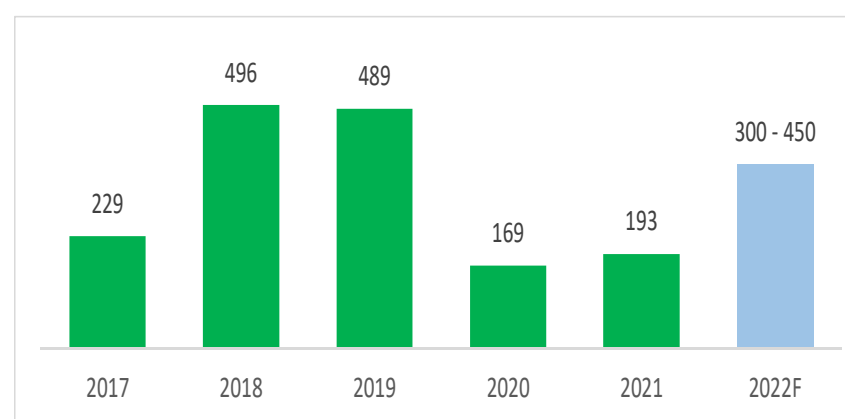
## Consolidated planned strip ratio (bcm/t)



## Kestrel MetCoal Production (Mt)



## Consolidated Capital expenditure (\$m)





**Thank You**

