PT ADARO ENERGY INDONESIA TBK (IDX: ADRO) 1H23 EARNINGS NEWS RELEASE

Jakarta, August 22, 2023 – PT Adaro Energy Indonesia Tbk (IDX: ADRO) today released its consolidated financial statements for the six-month period ending June 30, 2023 (1H23) to IDX/FSA. In adherence with the Company's annual practices, public accounting firm Tanudiredja, Wibisana, Rintis & Rekan (a member firm of the PricewaterhouseCoopers Global Network) conducted a limited review on the 1H23 financial statements.

President Director and Chief Executive Officer, Mr. Garibaldi Thohir, said:

"The first semester of 2023 demonstrated Adaro's operational durability amidst fluctuating prices and rising costs. Despite these challenges, we were able to achieve healthy margins, generating $1,024 million in core earnings."

"We are on track to achieve our FY23 targets on the back of solid execution in each of our businesses. We are also well positioned to take part in Indonesia's downstream initiatives through our aluminum smelter, which achieved financial close in May. This underlines our commitment to long-term sustainable growth, via our three pillars strategy."

Highlights

- We recorded a 19% increase in sales volume to 32.62 Mt, with revenue declining by 2% to $3,479 million, due to an 18% decline in average selling price (ASP).
- We booked core earnings of $1,024 million in 1H23 and operational EBITDA of $1,393 million.
- In line with our investment plans, capex increased 71% to $269 million. We invested in heavy equipment, barges and supporting infrastructure at our supply chain, whilst commencing our investment in our aluminum smelter and its ancillary facilities.
- ADRO's balance sheet remains healthy with a net cash position of $1,324 million as of end of 1H23.
- We achieved financial close for our aluminum smelter and related ancillary facilities in May 2023, securing a total of $1.585 billion and Rp2.5 trillion.

Financial Performance

($ Millions, except otherwise stated)	1H23	1H22	% Change
Revenue	**3,479**	3,541	-2%
Cost of Revenue	**(2,033)**	(1,516)	34%
Gross Profit	**1,446**	2,025	-29%
Operating Income	**1,178**	1,891	-38%
Core Earnings(1)	**1,024**	1,447	-29%
Operational EBITDA(2)	**1,393**	2,339	-40%
Total Assets	**9,736**	8,789	11%
Total Liabilities	**2,717**	3,282	-17%
Total Equity	**7,019**	5,507	27%
Interest Bearing Debt	**1,502**	1,629	-8%
Cash and Cash Equivalents	**2,762**	2,244	23%
Net Debt (Cash)(3)	**(1,324)**	(770)	72%
Capital Expenditure(4)	**269**	157	71%
Free Cash Flow(5)	**933**	1,040	-10%
Basic Earnings Per Share (EPS) in US$	**0.028**	0.039	-28%

Financial Ratios

	1H23	1H22	% Change
Gross Profit Margin (%)	42%	57%	-15%
Operating Margin (%)	34%	53%	-19%
Operational EBITDA Margin (%)	40%	66%	-26%
Net Debt (Cash) to Equity (x)	(0.19)	(0.14)	35%
Net Debt (Cash) to last 12 months Operational EBITDA (x)	(0.32)	(0.20)	60%
Cash from Operations to Capex (x)	0.27	8.63	-97%

1 Profit for the period, excluding non-operational items net of tax (amortization of mining properties, prior year tax assessment, allowance (recoverable) for uncollectible receivables, and provision for decommissioning costs)

2 EBITDA excluding prior year tax assessment, allowance (recoverable) for uncollectible receivables, and provision decommissioning costs.

3 After deduction of cash and cash equivalent and current portion of other investments.

4 Capex spending defined as: purchase of fixed assets – proceed from disposal of fixed assets + payment for addition of mining properties + addition of lease liabilities.

5 Operational EBITDA – taxes – changes in trade receivables, inventories, and trade payables – capital expenditure excluding lease liabilities.

Operating Segment

Segment	Revenue			Net Profit		
($ Millions)	**1H23**	**1H22**	**% Change**	**1H23**	**1H22**	**% Change**
Coal mining & trading	**3,386**	3,464	-2%	**838**	1,087	-23%
Mining services	**483**	386	25%	**24**	21	14%
Others	**322**	238	35%	**139**	247	-44%
Elimination	**(712)**	(547)	30%	**(6)**	(9)	-33%
Total	**3,479**	3,541	-2%	**996**	1,345	-26%

FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST SIX MONTHS OF 2023 (1H23)

Revenue, Average Selling Price and Production

We booked revenue of $3,479 million in 1H23, reflecting a 2% decrease compared to 1H22. Production and sales were 19% higher at 33.41 Mt and 32.62 Mt respectively, which was offset by a correction in coal prices, with average selling price (ASP) declining by 18%.

Cost of Revenue

The cost of revenues increased by 34% y-o-y to $2,033 million, mainly due to increased royalty expenses for PT Adaro Indonesia (AI) compared to the year ago period.

Total fuel costs increased by 13%, in line with the higher fuel consumption which increased by 17%. We recorded overburden removal of 129.83 Mbcm, 27% higher than in 1H22. Strip ratio was 3.89x, 7% higher than in 1H22. Coal cash cost per tonne (excluding royalty) in 1H23 increased by 23% from 1H22.

Operating Expenses

Our operating expenses in 1H23 increased by 68% y-o-y to $241 million, mainly due to accrual of non-tax state revenue and regional government revenue, allowance for government charges, and higher selling and marketing expenses. The increase in selling and marketing expenses were in-line with the increase in sales volume.

Royalties to the Government and Income Tax Expense

Royalties to the Government increased 67% to $853 million from $511 million, while income tax expense decreased 65% to $244 million from $696 million. After AI was granted the IUPK-KOP in September of 2022, starting from January 1, 2023, it began to implement the provision on taxation and non-tax revenue (PNBP) in accordance with the prevailing regulations.

The IUPK-KOP has increased AI's royalty rate to the range of 14% to 28%, from the previous 13.5%. However, the corporate income tax rate decreased from 45% to 22%. The IUPK-KOP also brings about other changes to AI's business, such as non-tax state revenue (PNBP) for central government and local government's portion in accordance with the provisions of laws and regulations. AI accounted for 75% of ADRO's production in 1H23.

Operational EBITDA and Core Earnings

ADRO's operational EBITDA declined by 40% y-o-y to $1,393 million and core earnings declined by 29% to $1,024 million in 1H23 as global coal prices normalized during the period. Our operational EBITDA margin in 1H23 was 40%. Core earnings excludes non-operational accounting items net of tax, which consisted of, among others, amortization of mining properties.

Net profit for the period of $996 million already accounted for the non-tax state revenue (PNBP) for central government (4% portion) and local government (6% portion).

Total Assets

Total assets at the end of 1H23 increased by 11% to $9,736 million compared with $8,789 million at the end of 1H22, as our cash balance increased 23% to $2,762 million. Cash balance at the end of FY22 was $4,067 million. At the end of 1H23, cash and cash equivalents represent 28% of our total assets.

Current assets at the end of 1H23 increased by 13% to $4,057 million, mainly due to a higher cash balance. Non-current assets at the end of 1H23 were 9% higher from the year ago period at $5,679 million as fixed asset and investments in joint ventures increased.

Fixed Assets

Fixed assets as at the end of 1H23 of $1,557 million were 14% higher than at the end of 1H22 as we increased capex spending during the period mainly for heavy equipment, vessel, and the aluminum smelter. Fixed assets accounted for 16% of total assets.

Mining Properties

At the end of 1H23, our mining properties were 9% lower y-o-y to $1,014 million, due to regular amortization. Mining properties accounted for 10% of total assets.

Total Liabilities

Total liabilities at the end of 1H23 were $2,717 million, 17% lower compared to the same period last year mainly due to the 94% decline in corporate income tax payable, despite accrued expenses increasing by 167% and other taxes payable increasing by 218% in line with changes in government regulations. Current liabilities decreased by 33% y-o-y to $1,062 million and non-current liabilities decreased by 3% y-o-y to $1,655 million.

Debt Management and Liquidity

ADRO's cash balance at the end of 1H23 increased by 23% to $2,762 million from $2,243 million y-o-y. Adaro also had access to $64 million in other investments and a total of approximately $1.9 billion in undrawn committed loan facilities from various outstanding loans at 1H23, increasing total liquidity to approximately $4.7 billion at the end of 1H23. Interest bearing debts declined by 8% to $1,502 million from $1,629 million y-o-y.

Equity

At the end of 1H23, shareholder's equity stood at $7,019 million, representing an increase of 27% y-o-y driven by higher retained earnings.

Cash Flows from Operating Activities

During 1H23, ADRO's cash flows from operating activities declined by 95% to $72 million from $1,357 million y-o-y driven by the increase in payments of royalties and income tax. We paid $1,379 million in income tax, mainly due to settlement for FY22 tax which was concluded in 1H23 period. Moreover, effective in 2023, AI's corporate income tax rate has decreased to 22% from 45%.

Cash Flows from Investing Activities

The company reported $251 million in net cash outflows used in investing activities, 40% higher than in 1H22, mainly driven by the 77% increase in purchase of fixed assets to $262 million.

Capital Expenditure

Capital expenditure in 1H23 increased by 71% to $269 million from $157 million in the year ago period. The capital expenditure spending in the period was mainly for purchase and replacement of heavy equipment and vessels, initial investment in the aluminum smelter and related ancillary facilities, and investment in infrastructure.

Cash Flows from Financing Activities

Net cash outflow from financing activities in 1H23 was $1,147 million, a 57% increase compared to 1H22 mainly due to higher dividend payment. The company distributed $1,000 million in cash dividend to shareholders for FY22.

###

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