

PT ADARO ENERGY INDONESIA TBK (IDX: ADRO) 1H24 EARNINGS NEWS RELEASE

Jakarta, August 27, 2024 – PT Adaro Energy Indonesia Tbk (IDX: ADRO) today released its consolidated financial statements for the six-month period ending June 30, 2024 (1H24) to IDX/FSA. In adherence with the Company’s annual practices, public accounting firm Rintis, Jumadi, Rianto & Rekan (a member firm of the PricewaterhouseCoopers Global Network) conducted a limited review on the 1H24 financial statements.

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

“Despite a challenging pricing environment for both thermal and metallurgical coal, Adaro as a group has demonstrated a resilient financial performance through our commitment to operational excellence and efficiency. Our resilience is a testament to the collective dedication of our team. We remain focused on project execution in an effort to convert our long-term visions into tangible value for shareholders.”

“We also remain committed to providing shareholder returns via regular cash dividend distribution and the company’s share buyback program. We thank shareholders for being an integral part of our journey”

Highlights

- We recorded a 7% increase in sales volume to 34.94 Mt, with revenue declining by 15% to \$2,973 million, driven by the 19% decline in average selling price (ASP) in line with weaker coal prices.
- We booked core earnings of \$911 million in 1H24 and operational EBITDA of \$1,234 million.
- In line with our investment plans, capital expenditure increased 46% to \$394 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 \$1,557 million as of end of 1H24.

Financial Performance

(\$ Millions, except otherwise stated)	1H24	1H23	% Change
Revenue	2,973	3,479	-15%
Cost of Revenue	(1,765)	(2,033)	-13%
Gross Profit	1,208	1,446	-16%
Operating Income	1,008	1,178	-14%
Core Earnings ⁽¹⁾	911	1,024	-11%
Operational EBITDA ⁽²⁾	1,234	1,393	-11%
Total Assets	10,264	9,736	5%
Total Liabilities	2,564	2,717	-6%
Total Equity	7,701	7,019	10%
Interest Bearing Debt	1,294	1,502	-14%
Cash and Cash Equivalents	2,794	2,762	1%
Net Debt (Cash) ⁽³⁾	(1,557)	(1,324)	18%
Capital Expenditure ⁽⁴⁾	394	269	46%
Free Cash Flow ⁽⁵⁾	648	933	-31%
Basic Earnings Per Share (EPS) in US\$	0.02530	0.02823	-10%

Financial Ratios

	1H24	1H23	% Change
Gross Profit Margin (%)	41%	42%	-1%
Operating Margin (%)	34%	34%	0%
Operational EBITDA Margin (%)	42%	40%	2%
Net Debt (Cash) to Equity (x)	(0.20)	(0.19)	5%
Net Debt (Cash) to last 12 months Operational EBITDA (x)	(0.65)	(0.32)	103%
Cash from Operations to Capex (x)	2.70	0.27	-900%

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

² EBITDA excluding prior year tax assessment, allowance 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 + payment for addition of intangible assets + addition of lease liabilities.

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

Operating Segment

Segment (\$ Millions)	Revenue			Net Profit		
	1H24	1H23	% Change	1H24	1H23	% Change
Coal mining & trading	2,937	3,386	-13%	672	838	-20%
Mining services	-	483	-100%	-	24	-100%
Others	812	322	152%	355	139	155%
Elimination	(776)	(712)	9%	(147)	(6)	2,350%
Total	2,973	3,479	-15%	880	996	-12%

FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST SIX MONTHS OF 2024 (1H24)

Revenue, Average Selling Price and Production

We booked revenue of \$2,973 million in 1H24, reflecting a 15% decrease compared to 1H23. Production and sales were 7% higher at 35.74 Mt and 34.94 Mt respectively, which was offset by a correction in coal prices, with average selling price (ASP) declining by 19%.

Cost of Revenue

The cost of revenues decreased by 13% y-o-y to \$1,765 million, mainly due to lower royalty expenses for PT Adaro Indonesia (AI) compared to the year ago period due to lower ASP.

Total fuel costs increased by 13%, in line with the higher fuel consumption which increased by 15% driven by higher volume. We recorded overburden removal of 141.58 Mbcm, 9% higher than in 1H23. Strip ratio was 3.96x, 2% higher than in 1H23. Coal cash cost per tonne (excluding royalty) in 1H24 decreased by 11% from 1H23.

Operating Expenses

Our operating expenses in 1H24 declined by 26% y-o-y to \$179 million, mainly due to the 46% decline in non-tax state revenue and regional government revenue.

Royalties to the Government and Income Tax Expense

In line with the lower ASP, royalties to the Government declined 30% to \$599 million from \$853 million, while income tax expenses decreased 19% to \$199 million from \$244 million y-o-y.

Operational EBITDA and Core Earnings

Operational EBITDA declined by 11% y-o-y to \$1,234 million and core earnings declined by 11% to \$911 million in 1H24 on the back of lower profitability. We maintain a healthy operational EBITDA margin in 1H24 at 42%.

Net profit for the period of \$880 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 1H24 increased by 5% to \$10,264 million compared with \$9,736 million at the end of 1H23. Our cash balance increased 1% y-o-y to \$2,794 million. At the end of 1H24, cash and cash equivalents represent 27% of our total assets.

Current assets at the end of 1H24 declined by 8% to \$3,743 million compared to \$4,057 million at the end of 1H23. Non-current assets at the end of 1H24 were \$6,521 million, 15% higher from the year ago period as fixed assets and investments in joint ventures increased.

Fixed Assets

Fixed assets as at the end of 1H24 of \$2,008 million were 29% higher than at the end of 1H23 as we increased capex spending during the period mainly for heavy equipment, barges, and investments in aluminum smelter and its ancillary facilities. Fixed assets accounted for 20% of total assets.

Mining Properties

At the end of 1H24, our mining properties were 4% lower y-o-y to \$971 million, due to regular amortization. Mining properties accounted for 9% of total assets.

Total Liabilities

Total liabilities at the end of 1H24 were \$2,564 million, 6% lower compared to the same period last year. Current liabilities increased by 55% y-o-y to \$1,642 million as we reclassified AI's senior notes into current liabilities as it is maturing in October 2024. Non-current liabilities decreased by 44% y-o-y to \$922 million.

Debt Management and Liquidity

Our cash balance at the end of 1H24 increased by 1% to \$2,794 million y-o-y. Adaro also had access to \$57.5 million in other investments and a total of approximately \$1,793 million in undrawn committed loan facilities from various outstanding loans at 1H24, leading to total liquidity of \$4,645 million at the end of 1H24. Interest bearing debts declined by 14% to \$1,294 million from \$1,502 million y-o-y.

Equity

At the end of 1H24, equity stood at \$7,701 million, representing an increase of 10% y-o-y driven by higher retained earnings.

Cash Flows from Operating Activities

During 1H24, ADRO's cash flows from operating activities increased significantly to \$1,033 million from \$72 million y-o-y driven by the lower payments of royalties and income tax. Receipts from customers declined by 15% on the back of lower prices.

Cash Flows from Investing Activities

The company reported \$400 million in net cash outflows used in investing activities, 59% higher than in 1H23, mainly driven by the 47% increase in purchase of fixed assets to \$385 million as the company continues to execute its investment plan.

Capital Expenditure

Capital expenditure in 1H24 increased by 46% to \$394 million from 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 1H24 was \$1,108 million, a 3% decline compared to 1H23 mainly due to dividends payment. The company distributed \$800 million in cash dividend to shareholders for FY23.

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