



NEWS RELEASE

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Adaro Energy Indonesia Reported Record 1H22 Operational EBITDA and Core earnings increase of 269% and 338% y-o-y to \$2.34 billion and \$1.45 billion, respectively supported by strong pricing and sales; ADRO remains on track to meet FY22 production target

- ADRO's operational EBITDA increased by 269% to \$2,339 million from \$635 million year on year as pricing and production increased on a y-o-y basis by 117% and 6% respectively. Our ASP in 2Q22 increased by 135% year on year.
- Royalties to the Government of Indonesia combined with income tax expense increased by 315% to \$1,207 million from \$291 million in the same period last year.
- Core earnings in 1H22 reached \$1,447 million, reflecting a 338% increase y-o-y from historically-strong pricing driven by geopolitical events and continued operational efficiency.
- The Company generated \$1,040 million of free cash flow in 1H22, representing a 221% increase y-o-y despite capex increasing by 111% to \$157 million.
- ADRO's balance sheet remains healthy with a net cash position of \$770 million, and total cash position increasing by 86% y-o-y to \$2.2 billion from \$1.2 billion.

ADRO Key Highlights			Change			Change
	2Q22	2Q21	YoY	1H22	1H21	YoY
Production	15.87	13.64	16%	28.01	26.49	6%
OB Removal	53.83	62.68	-14%	102.05	115.22	-11%
Strip Ratio	3.39	4.60	-26%	3.64	4.35	-16%

Jakarta, August 30, 2022 – PT Adaro Energy Indonesia Tbk (IDX: ADRO) today released its financial performance for the six months period ended June 30, 2022 (1H22). In adherence with the Company's annual practices, public accounting firm Tanudiredja, Wibisana, Rintis & Rekan (a member firm of the PriceWaterhouse Cooper Global Network) conducted a limited review on the 1H22 financial statements. Overall, results were historically strong with profitability supported by higher than anticipated coal prices, leading to operational EBITDA increasing by 269% to

\$2,339 million from \$635 million year on year. Adaro expanded operational EBITDA margins y-o-y by 2545bps to 66.1% from 40.6% as average selling price increased by 117% and sales volume rose by 7%.

Adaro Energy Indonesia's President Director and Chief Executive Officer, Mr. Garibaldi Thohir, said:

“The first half of 2022 was a stellar semester for pricing that drove our revenues to historically high levels. This was driven by a confluence of issues occurring in a short period of time, from unpredictable weather that led to increased demand for our products to supply challenges remaining in place due to heavy equipment procurement and inclement weather at mine sites globally. Moreover, the most prolific impact came from geopolitical risks emanating from Europe. Our revenues, EBITDA and net profit reached all-time highs for any first half since we became a publicly listed company 14 years ago. Our operational EBITDA of more than \$2.3 billion, and core earnings of \$1.4 billion were 269% higher and 338% higher y-o-y, respectively, reflecting the quality of our earnings. The outsized earnings will help us to financially support our Group’s transformation over the coming years as we invest heavily in renewables, the buildout of the world’s largest green industrial park and further diversify away from thermal coal.”

Financial Performance

<i>(\$ Millions, except otherwise stated)</i>	1H22	1H21	% Change
Revenue	3,541	1,563	127%
Cost of Revenue	(1,516)	(1,064)	43%
Gross Profit	2,025	499	306%
Operating Income	1,891	348	443%
Core Earnings ⁽¹⁾	1,447	330	338%
Operational EBITDA ⁽²⁾	2,339	635	269%
Total Assets	8,789	6,739	30%
Total Liabilities	3,282	2,692	22%
Stockholders' Equity	5,507	4,046	36%
Interest Bearing Debt	1,629	1,690	-3%
Cash	2,244	1,208	86%
Net Debt (Cash) ⁽³⁾	(770)	305	-352%
Capital Expenditure ⁽⁴⁾	157	74	112%
Free Cash Flow ⁽⁵⁾	1,040	324	221%
Basic Earnings Per Share (EPS) in US\$	0.039	0.005	634%

Financial Ratios

	1H22	1H21	Change(bps)
Gross Profit Margin (%)	57.2	31.9	2,524
Operating Margin (%)	53.4	22.3	3,111
Operational EBITDA Margin (%)	66.1	40.6	2,545
Net Debt (Cash) to Equity (x)	(0.14)	0.08	-2,153
Net Debt (Cash) to last 12 months Operational EBITDA (x)	(0.20)	0.29	-4,923
Cash from Operations to Capex (x)	8.63	5.38	325

¹ Profit for the period, excluding non-operational items net of tax (amortization of mining properties, prior year tax assessment, loss on derivative financial instruments, loss on impairment of loan to related parties, recoverable of allowance uncollectible receivables, loss on impairment of fixed assets, loss on impairment of investments in JV and provision decommissioning costs).

² EBITDA excluding prior year tax assessment, loss on derivative financial instrument, loss on impairment of loan to related parties, recoverable of allowance for uncollectible receivables, loss on impairment of fixed assets, and loss on impairment of investments in JV, provision for 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 – change in net working capital – capital expenditure excluding lease liabilities.

FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST SIX MONTHS OF 2022 (1H22)

Revenue, Average Selling Price and Production

Adaro Energy Indonesia's 1H22 reported revenue increased by 127% to \$3,541 million from \$1,563 million y-o-y, mainly due to a 117% higher average selling price (ASP) y-o-y. Inclement weather, supply constraints and geopolitical events raised prices to historically high levels, supporting the ASP increase for Adaro. Despite significant rainfall and challenges in procuring heavy equipment ADRO was able to increase production by 6% to 28.0 mt from 26.5 mt y-o-y in 1H22. The increase in production helped coal sales rise by 7% to 27.5 mt in 1H22 from 25.8 mt in the year ago period. Additionally, Adaro recorded overburden removal decreased by 11% to 102.05 Mbcm in 1H22 from 115.2 Mbcm and the strip ratio declined by 16% y-o-y to 3.64x from 4.35x. Weather permitting we anticipate the strip ratio will increase in 2H22, but it could be challenging to meet our guidance of 4.1x in 2022.

Segment (\$ Millions)	Revenue			Net Profit		
	1H22	1H21	% Change	1H22	1H21	% Change
Coal mining & trading	3,464	1,495	132%	1,087	192	466%
Mining services	386	311	24%	21	23	-9%
Others	238	206	16%	247	(10)	-2487%
Elimination	(547)	(449)	22%	(9)	(16)	-44%
Total	3,541	1,563	127%	1,345	189	612%

Cost of Revenue

The cost of revenues increased by 42% y-o-y to \$1,516 million mainly due to increased royalty payments due to the higher ASP and higher mining cost as a result of the increase in global oil prices. The strip ratio of 3.64x decreased by 71bp in 1H22, as 102.1 mBcm of overburden was removed, reflecting an 11% decrease compared to the same period last year. The lower strip ratio is below our guidance but we anticipate this can be made up in subsequent years as we follow our mining plan and mining sequence. Overall, cash costs (ex-Royalty) increased by 7% y-o-y.

Cost of Revenue (\$ millions)	Change			Change		
	2Q22	2Q21	YoY	1H22	1H21	YoY
Mining	856	533	61%	1,445	1,008	43%
Mining Services	30	23	27%	56	46	24%
Logistics	6	4	65%	12	7	59%
Others	1	1	78%	3	3	34%
Total	893	561	59%	1,516	1,064	43%

Operating Expenses

Our operating expenses in 1H22 increased by 66% y-o-y to \$143 million, as we recorded 215% increase in sales commission expenses. The higher sales commission expenses contributed 50% of the y-o-y increase in opex and is attributed to the higher coal prices in the period.

Royalties to Government and Income Tax Expense

Royalties to the Government of Indonesia combined with income tax expense increased by 315% to \$1,207 million from \$291 million in the period resulting from higher coal revenue given the higher average selling price. To note on the royalties, Adaro Indonesia's contract of work will expire and transition to an IUPK as we enter FY23. Based on the terms of an IUPK, the royalties paid by Adaro Indonesia (Adaro Indonesia's mine represents 82% of our 1H22 production) will increase progressively to approximately 28% from the current 13.5% level and the tax rate will decline to 22% from 45% among other changes to profit sharing, legal jurisdiction, and concession size.

Operational EBITDA

ADRO's operational EBITDA grew by 269% y-o-y to \$2.3 billion from \$635 million in 1H22, implying that the Company has already surpassed FY22 operational EBITDA guidance of \$1.9 – \$2.2 billion for 2022. The strong operational EBITDA generation is reflective of volatile weather patterns, demand from global reopening post pandemic and geopolitical dynamics driving prices.

Operational EBITDA margin continues to report historically high levels and surpassed 66% in 1H22, an increase of more than 2500bps y-o-y as demand remains strong and operating leverage remains positive.

In calculating Operational EBITDA, Adaro adjusts for one-time non-operational items such as provision decommissioning costs, allowances, derivatives and impairment expenses. In 1H22 the Company did not have any significant adjustments that impacted our EBITDA.

Core Earnings

ADRO's underlying core earnings in 1H22 increased by 338% to \$1,447 million from \$330 million in the year ago period, a result of the current pricing environment and continued operational excellence. On an as reported basis, net profit totaled \$1,345 million, an increase of 611% year on year.

Total Assets

Total assets increased by 30% to \$8,789 million from \$6,739 million in the previous year driven by an 86% increase in cash to \$2,244 billion. Current assets increased by 81% to \$3,600 million from \$1,989 million y-o-y, while non-current assets increased by 9% to \$5,188 from \$4,750 million

y-o-y. The most significant contribution to the increase in non-current assets was through other investments and an additional investment made in TPI in 1H22.

Fixed Assets

Fixed assets at 1H22 declined by 6% y-o-y to \$1,365 million from \$1,447 million, and accounted for 16% of total assets as accumulated depreciation increased to \$2,679 million from \$2,407 million.

Mining Properties

At the end of 1H22, mining properties declined by 14% y-o-y to \$1,117 from \$1,296 million, and accounted for 13% of total assets.

Total Liabilities

Total liabilities increased by 22% to \$3,282 from \$2,692 million due to the sizable increase in taxes payable given the strong coal price. In 1H22, taxes payable increased by 416% to \$723 million from \$140 million y-o-y. This led to current liabilities rising by 95% to \$1,579 from \$811 million y-o-y. Non-current liabilities decreased by 10% to \$1,703 million from \$1,882 in the year ago period as a portion of the Company's bank loans shifted to current from non-current liabilities.

Borrowings

The current portion of long-term borrowings in 1H22 increased by 66% y-o-y to \$352 million due to SIS's revolving loan becoming current. The non-current portion of long-term borrowings decreased 14% y-o-y to \$1,277 from \$1,476 driven by the decrease in long term bank loans of 25% to \$513 million as the Company paid down long term bank loans y-o-y and the SIS revolving loan movement to current. In 1H22 the Company did not add any new bank loans.

Debt Management and Liquidity

ADRO's cash balance at the end of 1H22 increased by 86% to \$2,244 million from \$1,208 million y-o-y. Adaro also had access to US\$156 million in the current portion of other investments and a total of \$212 million in undrawn committed loan facilities from various outstanding loans at 1H22, increasing total liquidity to \$2,612 million at the end of the quarter.

Interest bearing debts declined by 4% to \$1,629 million from \$1,690 million y-o-y. The Company continues to strengthen its balance sheet and prudently manage debt. Currently, ADRO stands in a net cash position of \$770 million.

Equity

At the end of 1H22, shareholder's equity stood at \$5,507 million, representing an increase of 36% y-o-y from \$4,046 million.

Cash Flows from Operating Activities

During 1H22, ADRO's cash flows from operating activities increased by 238% to \$1,357 from \$401 million y-o-y as receipts from customers increased by 122% to \$3,117 from \$1,405. The increase in cash receipts was significant enough to more than offset higher royalty and tax payments which increased by 199% combined to \$875 million in the period.

Cash Flows from Investing Activities

The Company reported \$179 million in net cash outflows used in investing activities, as a result of the purchase of other investments and fixed assets.

Capital Expenditure and Free Cash Flow

Net capital expenditure in 1H22 increased by 111% to \$157 million from \$74 million in the year ago period. The capital expenditure spending in the period was mainly for purchase and replacement of heavy equipment and vessel maintenance costs. Free cash flow increased by 221% to \$1,040 million from \$324 million y-o-y as a result of higher operational EBITDA.

Cash Flows from Financing Activities

Net cash outflow from financing activities in 1H22 was \$733 million. Adaro drew down \$107 million of bank loans and made repayments on bank loans totaling \$55 million. In addition, the Company distributed \$650 million in cash dividend to shareholders while spending \$43 million on the share buyback. As of 1H22, Adaro has repurchased 1,000,000,000 shares and spent \$140 million on the share buyback that is extended through 9M22.

Recent Industry Regulatory News

Government Regulation No. 26 of 2022

This regulation sets 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) are most affected due to the change in royalty rate for IUP stipulated in this regulation.

We have multiple concessions under the IUP scheme including Balangan Coal Companies which produce approximately 5 Mtpa and Mustika Indah Permai (MIP), our asset in South Sumatra that produces approximately 2 Mtpa. The calorific value from these concessions are medium CV, between 4,200 kcal/kg – 5,200 kcal/kg, and therefore their royalty payment will increase from 3%

- 5% to 7% - 10.5% depending on the HBA price. At current price, these concessions are expected to pay 10.5% in royalty.

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