# NEWS RELEASE

Jakarta, August 29, 2022

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**Adaro Minerals Indonesia reports historical high 1H22 earnings growth of 499% to $207 million; Supported by elevated prices and increased volume**

- ADMR generated strong operational EBITDA of $288 million in 1H22, an increase of 332% from $67 million in 1H21, and core earnings increased to $207 million in 1H22, 499% higher than $35 million in 1H21.

- Higher ASP of 143% and 9% higher sales volume supported the historically strong results.

- ADMR recorded production volume of 1.53 Mt in 1H22, 7% higher from 1.43 Mt in 1H21, and recorded sales volume of 1.28 Mt in 1H22, 9% higher from 1.17 Mt in 1H21.

**Jakarta, August 29, 2022** – PT Adaro Minerals Indonesia Tbk (IDX: ADMR) today reported its consolidated financial statements for the six-month period ending June 30, 2022. ADMR generated operational EBITDA of $288 million, a 332% increase compared with $67 million in 1H21. The Company generated solid core earnings of $207 million in 1H22, representing a 499% increase from $35 million in 1H21. The significant increase in ADMR's average selling price (ASP) and higher sales volume contributed to the increase in profitability.

Adaro Minerals Indonesia's President Director and Chief Executive Officer, Mr. Christian Ariano Rachmat, said:

**"Adaro Minerals has enjoyed a strong first half as a publicly-listed Company supported by higher ASP and increased sales volume. We continued to receive strong interest for our hard coking coal product, leading to 9% growth in 1H22 sales volume. The strong price environment boosted our 1H22 ASP by 143%, as we generated strong profitability in the period. While slower manufacturing and construction activities present a challenge for metallurgical coal in the current environment, we remain on track to meet our production guidance of 2.8 - 3.3 Mt in 2022. Moreover, we continue to support the transformation within the Adaro Group, meeting new milestones in our plan to break ground in early 2023 on an Aluminium smelter as the first project in the buildout of the world's largest green industrial park in Kaltara."**

## Financial Performance

| ($ thousands, except otherwise stated) | 1H22 | 1H21 | % Change |
|---|---|---|---|
| Net Revenue | 435,658 | 164,152 | 165% |
| Cost of Revenue | (148,240) | (102,372) | 45% |
| Gross Profit | 287,418 | 61,780 | 365% |
| Operating Income | 272,719 | 50,667 | 438% |
| Core Earnings [1] | 206,697 | 34,534 | 499% |
| Operational EBITDA [2] | 288,097 | 66.544 | 332% |
| Total Assets | 1,139,642 | 804,172 | 42% |
| Total Liabilities | 731,456 | 577,604 | 27% |
| Total Equity | 408,186 | 226,568 | 80% |
| Interest Bearing Debt | 561,201 | 487,061 | 15% |
| Cash | 368,217 | 52,981 | 595% |
| Net Debt [3] | 192,984 | 434,080 | -56% |
| Capital Expenditure [4] | 911 | 4,241 | -79% |
| Free Cash Flow [5] | 236,910 | 32,560 | 628% |
| Basic Earnings Per Share (EPS) in US$ | 0.00490 | 0.00470 | 4% |

## Financial Ratios

| | 1H22 | 1H21 | Change |
|---|---|---|---|
| Gross Profit Margin (%) | 66.0% | 37.6% | 28% |
| Operating Margin (%) | 62.6% | 30.9% | 32% |
| Operational EBITDA Margin (%) | 66.1% | 40.5% | 26% |
| Net Debt (Cash) to Equity (x) | 0.47 | 1.92 | -75% |
| Net Debt (Cash) to last 12 months Operational EBITDA (x) | 0.67 | 6.52 | -90% |
| Cash from Operations to Capex (x) | 298.51 | 6.71 | 4,348% |

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[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 mining properties + payment for addition of exploration and evaluation asset + payment for intangible asset – proceed from disposal of fixed assets.
[5] Operational EBITDA – taxes – change in net working capital – capital expenditure.

**Operating Segment**

| (US$ thousand) | Revenue | | | Profit for the period | | |
|---|---|---|---|---|---|---|
| | 1H22 | 1H21 | % Change | 1H22 | 1H21 | % Change |
| Coal mining | 434,234 | 163,770 | 165% | 210,528 | 35,247 | 497% |
| Other services | 2,417 | 382 | 532% | (6,419) | (713) | 800% |
| Elimination | (994) | - | - | - | - | - |
| **ADMR** | **435,658** | **164,152** | **165%** | **204,109** | **34,534** | **491%** |

## FINANCIAL PERFORMANCE ANALYSIS FOR THE FIRST SIX MONTHS OF 2022

### Revenue, Average Selling Price and Production

ADMR's reported 1H22 revenue of $436 million, representing a 165% increase compared to $164 million in 1H21, resulting from higher ASP from the stronger price environment in 1H22 and higher sales volume. ASP in 1H22 increased by 143% compared to ASP in 1H21.

Production volume in 1H22 increased by 7% to 1.53 Mt from 1.43 Mt in the same period in 2021, while sales volume in 1H22 of 1.28 Mt was 9% higher compared with 1.17 Mt in 1H21. Overburden removal volume reached 3.50 Mbcm in 1H22, 15% higher from 3.05 Mbcm in the year ago period, resulting in a strip ratio of 2.29x for 1H22. Our strip ratio in 1H22 was 7% higher than 1H21 of 2.13x. We are currently mining from the Lampunut pit which has a low strip ratio.

### Cost of Revenue

Cost of revenue in 1H22 increased 45% to $148 million compared to $102 million in 1H21, due to higher royalty costs driven by improved volume and a higher ASP, higher mining cost, higher coal processing cost, and higher freight and handling cost.

The higher volume in 1H22 led to the 30% increase in mining cost to $30 million from $23 million in 1H21, 65% increase in coal processing cost to $18 million from $11 million in 1H21, 45% increase in freight and handling cost to $34 million from $24 million in 1H21, and 97% increase in cost of fuel to $11.9 million from $6.1 million in 1H21.

The 165% increase in revenue y-o-y drove the increase in royalty cost to $73 million, or 282% higher compared to $19 million in 1H21. Royalty cost accounted for 50% of our cost of revenue in 1H22 compared to 19% in 1H21.

### Operating Expenses

Operating expenses in 1H22 increased by 8% to $14 million from $13 million in the same period last year, mainly due to higher sales commission in line with higher sales volume. Sales commissions increased by 287% to $3 million from $0.9 million in the year ago period as our ASP increased by 143%, and sales volume increased 9% on a y-o-y basis.

**Royalties to Government and Income Tax Expense**

Royalties to the Government of Indonesia and income tax expense reached $133 million in 1H22, increasing by 363% from $29 million in 1H21 as a result of higher revenue from sales of coal driven by higher sales volume and higher ASP.

**Operational EBITDA**

Operational EBITDA in 1H22 increased by 332% to $288 million from $67 million in the same period a year ago, driven by higher sales volume and higher ASP. ADMR recorded solid operational EBITDA margin of 66.1%, an increase of 2600 bps from 40.5% in 1H21.

The exceptionally strong pricing in 1H22 boosted our profitability, and although pricing is volatile we anticipate that we will meet our production target for FY22, thereby contributing to record profits.

**Core Earnings**

Core earnings in 1H22 increased 499% to $207 million from $35 million in 1H21. The improvement in core earnings shows the solid performance of our business amid the supportive market environment. Profit before tax increased six fold on a y-o-y basis to $264 million in 1H22 from $44 million in 1H21. Tax expense went up by 528% to $60 million in 1H22 from $9.5 million in 1H21 in line with higher profitability.

**Total Assets**

Total assets at the end of 1H22 increased by 42% to $1,140 million from $804 million at the end of 1H21. Current assets increased by 243% to $502 million at the end of 1H22 from $146 million at the end of 1H21. Non-current assets declined by 3% to $638 million at the end of 1H22 from $658 million at the end of 1H21. Cash balance at the end of 1H22 remained solid at $368 million, higher by 595% compared to $53 million at the end of 1H21.

***Fixed Assets***

Fixed assets as at the end of 1H22 decreased by 6% to $404 million from $428 million a year ago. Fixed assets accounted for 35% of total assets.

***Mining Properties***

Mining properties as at the end of 1H22 declined by 3% to $189 million from $194 million a year ago. The decline was mainly due to amortization in line with production.

### Total Liabilities

At the end of 1H22, total liabilities increased 27% to $731 million compared to $577 million a year ago. Current liabilities at the end of 1H22 increased 114% to $136 million from $64 million a year ago driven by higher taxes payables, and higher royalties payables as revenue increased. Non-current liabilities increased by 16% to $595 million at the end of 1H22 from $514 million a year ago due to higher loans from shareholders to partly fund the acquisition of ADMR's five concessions in August 2021. This was offset by partial repayment made in 1H22.

### Debt Management and Liquidity

At the end of 1H22, we secured an adequate level of liquidity with cash balance of $368 million, 595% higher compared to $53 million a year ago. Interest-bearing debts at the end of 1H22 were $561 million, 15% higher from $487 million a year ago.

### Equity

At the end of 1H22, ADMR's equity level increased by 80% to $408 million from $227 million a year ago as share capital and retained earnings increased significantly on a y-o-y basis. Share capital increased 385% to $304 million from $63 million at the end of 1H21, while retained earnings increased to $283 million from a deficit of $28 million at the end of 1H21 driven by our strong positive result.

### Cash Flows from Operating Activities

In 1H22, cash flows from operating activities increased 838% to $267 million from $28 million. This increase was mainly driven by the three fold increase in receipts from customers which reached $466 million from $154 million in the year ago period due to higher ASP and sales volume.

### Cash Flows from Investing Activities

Net cash flows used in investing activities in 1H22 was $3.5 million, 32% decline from $5.2 million in the same period last year.

#### *Capital Expenditure and Free Cash Flow*

Capital expenditure in 1H22 was $0.91 million, 79% decline over the year ago period of $4 million. The capital expenditure spent during the period was mainly related to the expansion plan of Tuhup Port. ADMR generated strong free cash flow of $237 million in 1H22, 628% higher compared with $33 million in the same period a year ago on the back of robust operational EBITDA.

### Cash Flows from Financing Activities

Net cash flow used in financing activities in 1H22 was $74 million, 481% higher compared with $13 million in 1H21 driven by increase in repayments of loans from related parties.

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