



NEWS RELEASE

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For further information please contact:

Danuta Komar, Manager Investor Relations

danuta.komar@adaro.com

Febriati Nadira, Head of Corporate Communication

febriati.nadira@adaro.com

PT Adaro Energy Indonesia Tbk (“Adaro”) reported record profitability in FY22. Operational EBITDA increased by 139% to \$5.03 billion and core earnings increased 140% to \$3.01 billion.

- ADRO’s FY22 operational EBITDA increased by 139% to \$5,030 million from \$2,104 million in FY21. FY22 average selling price increased by 74% year on year on the back of strong coal price environment.
- Our contribution to the Government of Indonesia through royalty combined with income tax expense in FY22 increased by 222% to \$2,876 million from \$893 million in the same period last year.
- FY22 core earnings reached \$3,013 million, reflecting a 140% increase y-o-y from \$1,256 million due to continuation of historically strong pricing and sales volume.
- ADRO generated \$2.769 million of free cash flow in FY22, representing a 118% increase y-o-y despite capex increasing by 119% to \$424 million.
- ADRO’s balance sheet remains healthy with a net cash position of \$2,599 million, and total cash position increasing by 125% y-o-y to \$4,067 billion from \$1,811 billion.

	Units	4Q22	4Q21	YoY Change	FY22	FY21	YoY Change
Production	Mt	17.52	13.06	34%	62.88	52.70	19%
OB Removal	Mbcm	62.15	45.87	35%	235.68	218.90	8%
Strip Ratio	x	3.55	3.52	1%	3.75	4.15	-10%

Jakarta, March 2, 2023 – PT Adaro Energy Indonesia Tbk (IDX: ADRO) today released its financial performance for fiscal year ending December 31, 2022, where we booked historically high levels of profitability supported by higher sales volume and a continuation of the high coal price environment, leading to FY22 operational EBITDA increasing by 139% to \$5,030 million from \$2,104 million on a year-on-year basis. Sales volume in FY22 rose 19% to 61.34 million tonnes (Mt) from 51.58 Mt in FY21, and FY22 average selling price (ASP) increased by 74% from FY21.

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

“Adaro was able to deliver historical high performance in an unprecedented year for our industry. Our revenue more than doubled to \$8.1 billion on the back of strong and efficient operation combined with the strong selling price of our products. The quality of Adaro’s earnings is reflected in our operational EBITDA of \$5.0 billion, and core earnings of \$3.0 billion which increased by 139% and 140% y-o-y, respectively. The strong profitability will allow us to speed up our transformation projects and build a bigger and greener Adaro.”

We are guiding coal sales volume of 62 Mt to 64 Mt for FY23, consisting of 58 Mt to 60 Mt of thermal coal, and 3.8 Mt to 4.3 Mt of metallurgical coal from ADMR. We expect volume from ADMR, Balangan Coal Companies and PT Mustika Indah Permai to increase in FY23. This figure does not include the target of Kestrel mine of 6 Mt. Strip ratio in FY23 is expected to be 4.2x.

The company is allocating \$400 million to \$600 million of capital expenditure in FY23. The capex will be used for routine capex and expansion of, primarily, our mining, services, and logistics businesses. This capex does not include capex for our business transformation projects in Kaltara.

Financial Performance

<i>(\$ Millions, except otherwise stated)</i>	FY22	FY21	% Change
Revenue	8,102	3,993	103%
Cost of Revenue	(3,449)	(2,223)	55%
Gross Profit	4,653	1,770	163%
Operating Income	4,308	1,528	182%
Core Earnings ⁽¹⁾	3,013	1,256	140%
Operational EBITDA ⁽²⁾	5,030	2,104	139%
Total Assets	10,782	7,587	42%
Total Liabilities	4,255	3,129	36%
Total Equity	6,527	4,458	46%
Interest Bearing Debt	1,573	1,598	-2%
Cash and Cash Equivalents	4,067	1,811	125%
Net Debt (Cash) ⁽³⁾	(2,599)	(434)	499%
Capital Expenditure ⁽⁴⁾	424	193	120%
Free Cash Flow ⁽⁵⁾	2,769	1,270	118%
Basic Earnings Per Share (EPS) in US\$	0.080	0.029	176%

Financial Ratios

	FY22	FY21	% Change
Gross Profit Margin (%)	57%	44%	13%
Operating Margin (%)	53%	38%	15%
Operational EBITDA Margin (%)	62%	53%	9%
Net Debt (Cash) to Equity (x)	(0.40)	(0.10)	300%
Net Debt (Cash) to last 12 months Operational EBITDA (x)	(0.52)	(0.21)	148%
Cash from Operations to Capex (x)	9.66	8.11	19%

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, additional and/or 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, additional and/or 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 FULL YEAR 2022

Revenue, Average Selling Price and Production

Adaro booked record high revenue of \$8,102 million in FY22, an increase of 103% from \$3,993 million in FY21, due to the higher sales volume, and higher ASP year-on-year on the back of strong coal price. Inclement weather, supply constraints and geopolitical events have maintained prices near historically high levels and thereby supporting the year-on-year ASP increase for the company.

Increasing metallurgical coal volume from our subsidiary, PT Adaro Minerals Indonesia Tbk (IDX: ADMR), and the strong metallurgical coal price, have supported the portion of revenue from metallurgical coal. In FY22, revenue from ADMR accounted for approximately 11% of Adaro's revenue. Revenue portion from metallurgical coal is expected to continue increase as ADMR's volume grows to 6 Mtpa in the medium term.

Despite challenges during the year, Adaro achieved record coal production of 62.88 Mt in FY22, surpassing our 2022 guidance of 58-60 Mt. This corresponds to a 19% increase from 52.70 Mt in FY21. We recorded overburden removal of 235.68 million bank cubic meter (Mbcm), an 8% increase compared with 218.90 Mbcm in FY21, and strip ratio for the year was 3.75x, lower than 4.15x in FY21. Adaro's FY22 strip ratio performance was below guidance of 4.1x mainly due to abnormal wet weather in 1H22.

Segment (\$ Millions)	Revenue			Net Profit		
	FY22	FY21	% Change	FY22	FY21	% Change
Coal mining & trading	7,933	3,836	107%	2,332	850	174%
Mining services	119	92	29%	91	57	60%
Others	50	65	-23%	422	133	217%
Elimination	-	-	0%	-14	-12	17%
Total	8,102	3,993	103%	2,831	1,028	175%

Cost of Revenue

The cost of revenues increased by 55% y-o-y to \$3,449 million mainly due to increased royalty payments due to the stronger ASP and higher production volume. We recorded strip ratio of 3.75, a decrease of 10% from 4.15x in FY21. Our FY22 strip ratio performance was below guidance of 4.1x, however we continue to be in line with our life-of-mine strip ratio and are guiding for higher strip ratio of 4.2x for FY23.

Operating Expenses

Our operating expenses in FY22 more than doubled to \$375 million from \$185 million in FY21, as sales commission in FY22 increased by 246% to \$125 million from \$36 million in FY21 due to higher ASP and higher sales volume in the period. We also recorded a higher allowance for government charges.

Royalties to Government and Income Tax Expense

Royalties to the Government of Indonesia combined with income tax expense increased by 222% to \$2,876 million in FY22 from \$893 million in the year ago period resulting from higher coal revenue given the higher average selling price and higher sales volume.

Operational EBITDA

Our operational EBITDA grew by 139% y-o-y to \$5,030 million from \$2,104 million in the year ago period, making this our strongest operational EBITDA to date. The strong operational EBITDA generation is reflective of volatile weather patterns, demand for coal from the global reopening post pandemic and geopolitical dynamics driving the increase in coal prices. Operational EBITDA margin remains healthy at 62% in FY22, an increase of 9% y-o-y from 53% in FY21.

Core Earnings

ADRO's core earnings in FY22 increased by 140% to \$3,013 million from \$1,256 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 \$2,831 million, an increase of 175% y-o-y.

Total Assets

Total assets at the end of FY22 increased by 42% to \$10,782 million from \$7,587 million in the previous year driven by a 125% increase in cash to \$4,067 million from \$1,811 million a year ago. Current assets increased by 87% y-o-y to \$5,319 million from \$2,838 million, while non-current assets increased by 15% to \$5,463 million from \$4,749 million y-o-y. The most significant contribution to the increase in non-current assets was an increase in investments in JV.

Fixed Assets

Fixed assets at the end of FY22 increased by 4% y-o-y to \$1,452 million from \$1,397 million in the year ago period and accounted for 13% of total assets.

Mining Properties

At the end of FY22, mining properties declined by 15% y-o-y to \$1,033 from \$1,217 million a year ago due to regular amortization.

Total Liabilities

Total liabilities increased by 36% to \$4,255 from \$3,129 million due to the sizable increase in taxes payable given the increase in profitability. In FY22, total tax payable increased by 240% to \$1,176 million from \$345 million y-o-y. This led to current liabilities rising by 80% to \$2,448 million from \$1,362 million y-o-y. Non-current liabilities increased by 2% to \$1,807 million from \$1,767 million y-o-y.

Borrowings

The current portion of long-term borrowings in FY22 decreased by 35% to \$173 million from \$267 million in the year ago period. Meanwhile, the non-current portion of long-term borrowings in FY22 increased by 5% to \$1,401 million from \$1,330 million.

Debt Management and Liquidity

Adaro continues to strengthen its balance sheet and prudently manage debt. At the end of FY22, ADRO's cash balance reached \$4,067 million from \$1,811 million y-o-y. Interest bearing debts declined by 2% to \$1,573 million from \$1,598 million y-o-y. As of December 2022, ADRO had access to \$188 million in undrawn committed facilities. The company is in a net cash position of \$2,599 million.

Total Equity

At the end of FY22, total equity stood at \$6,527 million, representing an increase of 46% from \$4,458 million y-o-y.

Cash Flow from Operating Activities

During FY22, our cash flows from operating activities increased by 169% to \$3,864 million from \$1,436 million y-o-y driven by the 110% increase in receipts from customers to \$7,898 million from \$3,753 million, driven by higher ASP and sales volume.

Cash Flow from Investing Activities

In FY22, Adaro reported \$767 million in net cash outflows used in investing activities 19% higher from \$645 million in FY21, as a result of the increase in purchase of other investments, purchase of fixed assets, loans to third parties and additional investments in joint ventures, net with receipts from the sales of other investments and receipts from other receivables.

Capital Expenditure and Free Cash Flow

Net capital expenditure in FY22 increased by 119% to \$424 million from \$193 million y-o-y. The capital expenditure spending in the period was mainly for purchase of new capacity and replacement of heavy equipment. Free cash flow increased by 118% to \$2,769 million from \$1,270 million y-o-y as a result of higher operational EBITDA.

Cash Flow from Financing Activities

Net cash outflow used in financing activities in FY22 was \$798 million. ADRO drew down \$419 million of bank loans and made repayments on bank loans totalling \$372 million.

Dividend

The 2022 AGMS approved a total dividend payment of \$650 million, equivalent to 70% of the 2021 profit for the year attributable to owners of parent entity of US\$933 million. We distributed an Interim Dividend of US\$500 million for the fiscal year 2022 that was paid on January 13, 2023.

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