PT Harum Energy Tbk
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10 May 2022

# PT HARUM ENERGY Tbk
# 1Q 2022 Summary and Highlights

*Important Note: The results provided below reflect the unaudited consolidated results of PT Harum Energy Tbk. ("the Company") for the 3-month period ending 31 March 2022, which include the results of PT Mahakam Sumber Jaya ("MSJ"), PT Layar Lintas Jaya ("LLJ"), PT Santan Batubara ("SB"), PT Karya Usaha Pertiwi ("KUP"), PT Bumi Karunia Pertiwi ("BKP"), PT Tambang Batubara Harum ("TBH"), PT Tanito Harum Nickel ("THN"), Harum Energy Australia Ltd, Harum Energy Capital Ltd, and Harum Asia Capital Pte Ltd. The report below is prepared by the management and unaudited.*

**The seaborne thermal coal market continued its strong momentum into 1Q 2022 as global energy demand sustained its rise together with stronger economic growth. At the same time, supply from coal producing countries remained limited, especially from Indonesia partly due to bad weather and the temporary export ban in January 2022 which disrupted supply in the seaborne market. In addition, the Russian invasion of Ukraine which began in February 2022 also raised the threat of a potential energy crisis in Europe, which led to even higher energy prices globally, including coal.**

**The sharply higher average selling prices of coal in 1Q 2022 as well as the inaugural earning contribution from the Company's nickel division propelled the Company's consolidated quarterly earnings into an all-time record high:**

- **Average Sales Price (ASP) achieved in 1Q 2022 was USD 168.4 per tonne, or 158.8% higher y-o-y than the ASP in 1Q 2021;**
- **Revenues in 1Q 2022 rose to USD 152.2 million, or 166.6% higher y-o-y than the revenues achieved in 1Q 2021, and still 16.5% higher q-o-q;**
- **Quarterly EBITDA in 1Q 2022 reached USD 89.5 million, or an improvement of 317.4% y-o-y, and 35.3% q-o-q;**
- **Recorded initial profit contribution from the Company's first nickel smelter in 1Q 2022 of USD 7.5million.**

| | | 1Q 2021 | 4Q 2021 | 1Q 2022 | Y-o-Y change | Q-o-Q change |
|---|---|---|---|---|---|---|
| **Sales volume** | (Mt) | 0.8 | 1.0 | **0.9** | **+7.7%** | -10.6% |
| **Average Sales Price** | (USD/tonne) | 65.1 | 128.0 | **168.4** | **+158.8%** | +31.6% |
| **Revenues** | (USD million) | 57.1 | 130.6 | **152.2** | **+166.6%** | +16.5% |
| **EBITDA** | (USD million) | 21.4 | 66.1 | **89.5** | **+317.4%** | +35.3% |
| **Net profit attributable to the owners of the parent** | (USD million) | 17.6 | 36.6 | **62.8** | **+256.5%** | +71.5% |

### Production and Sales

Despite multi-year high of rainfall in the Company's mining areas, the Company managed to produce 1.0 Mt of coal in the first three months of 2022 or 28.3% higher y-o-y from the 0.8 Mt of coal produced in 1Q 2021. However, due to the temporary coal exports ban policy in January 2022, total coal sales volume in

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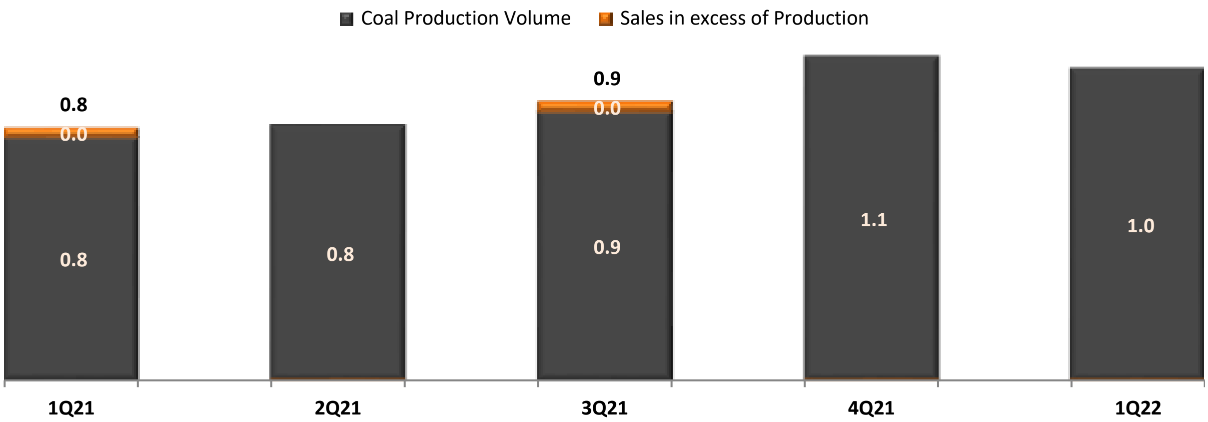
1Q 2022 was 0.9 Mt, or only 7.7% higher than the volume sold year-on-year. The suspension of sales in January 2022 forced the Company to reschedule shipments that were initially scheduled for that month to the following months.

The Company's Average Sales Price (ASP) during 1Q 2022 improved q-o-q to USD 168.4 per tonne or 31.6% higher from the USD 128.0 per tonne achieved in 4Q 2021. Compared with the same period a year ago, the Company's ASP experienced a 158.8% y-o-y increase from USD 65.1 per tonne achieved in 1Q 2021.

As a result, the Company recorded revenues of USD 152.2 million in 1Q 2022, or 16.5% higher than USD 130.6 million of revenues recorded in 4Q 2021. Compared with the same period a year ago, the Company's revenues is higher by 166.6% from USD 57.1 million in 1Q 2021 as a result of both higher ASP and higher sales volume.

**Chart 1 – Coal Sales and Production Volume (Mt)**




**Nickel**

The RKEF smelter owned by the Company's associate, PT Infei Metal Industry (IMI) which was initially constructed in October 2020, started its trial production ahead of schedule in December 2021. For the first three months of 2022, IMI successfully produced and sold 4,065 ton and 5,046 ton of Ni metal equivalent, respectively. The inaugural sale generated revenue of USD 88.3million and a net profit of USD 16.2 million for the quarter (the Company's effective ownership in IMI is 46.6% through its subsidiary PT Tanito Harum Nickel). IMI will continue to ramp up its production capacity in the coming months and expect to reach at least 80% of its designed capacity in 2Q 2022.

*Aerial photo of IMI's smelter*

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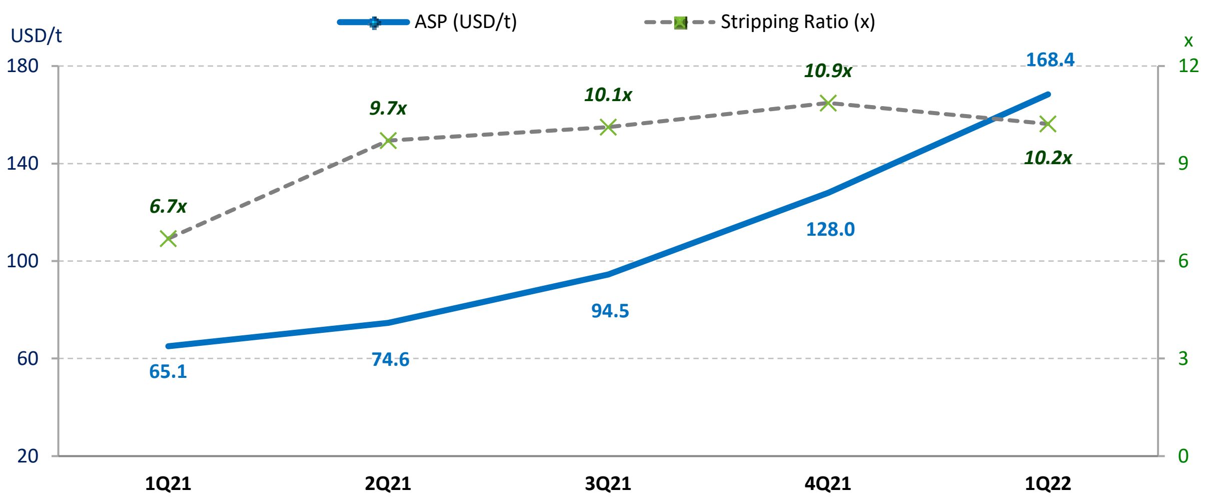
**Production Cost**

The production Cash Cost on a per tonne basis in 1Q 2022 increased by 8.6% q-o-q due to 21.2% higher average fuel price and 20.7% higher royalty expense/tonne from the sharply higher benchmark prices set by the government for the period.

Year-on-year, the Company's overall production cash cost on a per tonne basis in 1Q 2022 increased by 63.4% compared with 1Q 2021 as a result of:

- higher average stripping ratio of 10.2x in 1Q 2022 compared to 6.7x in 1Q 2021;
- 68.1% higher average fuel price; and
- 212.4% higher royalty expense/tonne.

**Chart 2 – Average Sales Price (USD/tonne)**




**Profitability**

The Company's gross profit margin in 1Q 2022 improved to 63.7% from 55.8% in the preceding quarter. Compared to the gross margin in the same period last year of 46.3%, it also reflected even more significant improvement. The main reason for such improvement in gross margin is the overall increase in average selling prices in 1Q 2022.

In 1Q 2022, the Company generated an EBITDA of USD 89.5 million, compared to an EBITDA of USD 66.1 million in 4Q 2021. The increase is mainly due to the higher sales revenues in 1Q 2022. Similarly, the operating profit in 1Q 2022 increased to USD 84.1 million from USD 60.7 million in the previous quarter. The improvement in the operating earnings is reflected in the increase of the Company's EBITDA margin to 58.8% in 1Q 2022 from 50.6% in 4Q 2021, and from 37.6% in 1Q 2021.

The Company also recorded a positive USD 11.9 million share of profit from associates at the end of 1Q 2022, from its equity investment in PT Infei Metal Industry (IMI) and Nickel Mines Limited (NIC). The Company's share of USD 7.9 profit from IMI was the inaugural quarterly profit contribution as IMI managed to sell its first batch of nickel pig iron (NPI) production in 1Q 2022. In the same period, the Company also received cash dividend of USD 2.4 million from its equity investment in NIC.

Due to the above factors, the net profit attributable to the owners of the parent in 1Q 2022 was USD 62.8 million, or 71.5% higher from previous quarter, and it reflected a 256.5% increase from the USD 17.6 million earned in the same quarter last year.

**Balance Sheet**

During the first three months of 2022, the Company maintained a robust and liquid balance sheet. As of 31 March 2022, the Company had a total assets of USD 989.9 million compared with a total liabilities of only USD 245.4 million.

On 31 March 2022, the Company had a cash and cash equivalents balance of USD 200.2 million. The net increase in the cash balance by USD 50.9 million from USD 149.4 million on 31 December 2021 largely came from:

(i) net cash generated from operating activities of USD 32.4 million; plus
(ii) net cash received from sales of treasury shares of USD 17.4 Million; plus
(iii) net cash received from dividend payment of USD 2.4 million; and
minus
(iv) capital expenditure and advance payment of USD 1.2 million.

The Company's bank loan outstanding stood at USD 100.0 million at the end of 1Q 2022, hence the Company held a net cash position (cash and cash equivalents minus bank loans and finance lease obligations) of USD 100.2 million as at 31 March 2022.

The Company's non-current assets increased to USD 630.2 million as at 31 March 2022 from USD 627.0 million as at 31 December 2021. The increase was primarily driven by the increase in investment in associates which was partially offset by the decrease in other non-current assets, the accumulated depreciation of fixed assets and the accumulated amortization of mine properties .

Total capital expenditure of the Company in the first three months of 2022 was USD 1.6 million, which was related to the addition of mine properties in MSJ, THN and KUP, maintenance expenditure for tugboats and barges in LLJ, and vehicles.

The Company's total liabilities as of 31 March 2022 stood at USD 245.4 million, reflecting an increase of USD 21.4 million from the beginning of the year. The increase of was primarily driven by the increase in tax payables and trade payables.

The Company's equity attributable to the owners of the parent as at 31 March 2022 was USD 547.1 million, or 16.7% higher than as at 31 December 2021 mainly due to the profit generated during the period.

The Current Ratio (defined as the ratio of current assets to current liabilities) as at 31 March 2022 was 2.6x, once again indicating the Company's high liquidity position.

**Environment, Health and Safety**

In 1Q 2022, there were no lost-time accidents or any reportable environmental incidents.

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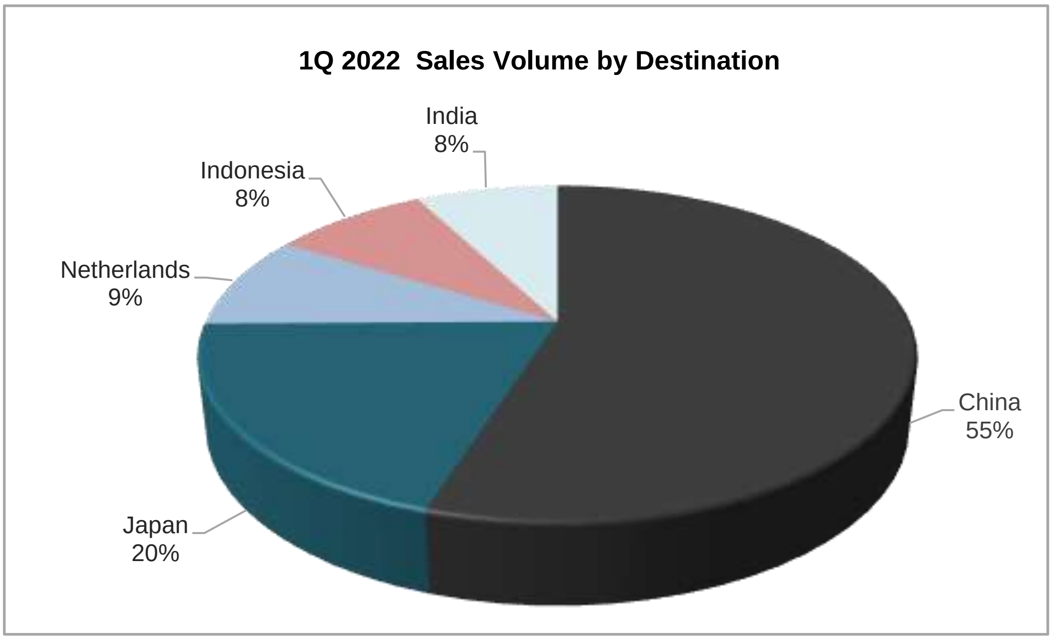
**Marketing**

The Company's sales during the first three months of 2022 were exclusively into the Asia Pacific region. The largest volume was sold to China (55%), followed by Japan (20%), Netherlands (9%), Indonesia (8%) and India (8%).

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**2Q 2022 Outlook**

**Operations**

High rainfall figures were recorded at the Company's two mines during 1Q 2022, with January and March reporting all-time monthly records. However, dry weather is forecast in 2Q 2022, which will bring relief from the prolonged wet and slippery conditions. Thus, the production outlook for 2Q 2022 is more favourable. Lower rainfall will undoubtedly improve equipment productivity, which in turn will help support the planned uplift in production. The drier weather will also allow for much-needed repair and re-sheeting of the hauling roads.

The 2Q 2022 production at MSJ will see overburden removal and coal hauling increase by approximately 30% quarter-on-quarter. This increase in production will be at a slightly lower strip ratio than planned. The mining sequence at MSJ's block E has reached its most northern point in the operations and will turn south along the eastern flank of the synclinal basin. As a result, lower strip ratios will prevail during the first half of the year, which will result in a rapid climb in pit inventory. This newly exposed coal will support a higher hauling rate through into 2H 2022. And the multiple pit operations in Block D are well established after a full year of opening up this new mining block. This year, the Company is confident Block D operations will progress according to the annual plan, with coal hauling forecast to increase in 2Q 2022 by over 50% versus the 1Q 2022.

At the Company's other operating mine, KUP, the remaining restrictions on land access have finally been resolved allowing the mining contractor to commence clearing. The expansion of working areas at KUP will support higher production rates. Similar to MSJ, the ramp-up in volumes will be at lower strip ratios. Coal hauling is forecast to almost double alongside a significant waste removal increase of 45% compared to 1Q 2022. As a result, the mine schedule for 2Q 2022, if achieved, will be the best quarterly performance at KUP since operations recommenced in March 2020.

**Markets and Sales**

The Ukraine-Russia war thus far appears to be a prolonged event, unfortunately. The already tight coal supply also appears to continue for a while. With the Russian coal import ban starting in August, the European consumers may start looking for alternative coal very soon. GC Newcastle and Richards Bay (RB) prices may remain strong as supplying countries like Australia and Indonesia may face challenges to fulfill demand from Europe due to the weather-related issues. The quality requirements is potentially another challenge especially for Indonesian coal miners. This means not all coal suppliers can enjoy the higher price level in the European market. Many producers may still need to sell their coal to the traditional destinations like China and India. This is yet another challenge as the price level is well below the GC Newc or RB levels.

China total 1Q 2022 coal imports has fallen from the previous periods. Due to a negative outlook in global coal supply, the ban on Russian coal and changes in coal trade flows, China has made contingency plans to lower overall imports in 2022. To mitigate the shortfall and support a challenging 2022 GDP growth target of around 5.5%, China's NDRC is boosting domestic supply with plan to increase coal production capacity by 300Mt this year and build coal reserves target of 620Mt. As a result, 1Q 2022 domestic coal production had increased by 10% to 1082Mt, while imports dropped 24% to 52Mt. Nevertheless, it remains uncertain if this domestic production trend can be maintained for the rest of 2022.

By adopting new regulations and measures, NDRC is also keeping a close eye on domestic coal prices. The price levels of China domestic term contracts are currently much lower compared to imports, and we are seeing an increasing divergence in domestic Chinese coal prices to higher international levels. Together with the policy to boost coal production, this is keeping a lid on coal import prices to China.

With the ban on Australian coal imports still in effect, and caution on Russian supply due to concerns arising from risk of sanctions, we expect the overall reduced coal imports to China to be dominated by supply from Indonesia. So far, most Indonesian producers have achieved significant improvement in their average selling prices compared to a year ago. However, we expect the market condition going forward to become more uncertain, as issues such as Chinese government policies, disruptions in mining logistics, mining safety, further geopolitical conflicts, and weather elements will have greater influence on the market dynamics and increase near term volatility.

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## SUMMARY FINANCIAL STATEMENTS
## Consolidated Statements of Profit or Loss
## For The Three-Month Periods Ended 31 March 2021, 31 December 2021 and 31 March 2022

| Consolidated Statement of Profit or Loss | | | | | | | (in USD millions) |
|---|---|---|---|---|---|---|---|
| | | Unaudited | Unaudited | | Unaudited | Unaudited | |
| **Description** | | **4Q21** | **1Q22** | *% chg* | **1Q21** | **1Q22** | *% chg* |
| **Revenues** | | **130.6** | **152.2** | ***16.5%*** | **57.1** | **152.2** | ***166.6%*** |
| Cost of revenues & direct costs | | (57.8) | (55.3) | -4.3% | (30.6) | (55.3) | 80.5% |
| **Gross profit** | | **72.9** | **96.9** | **33.0%** | **26.5** | **96.9** | **266.3%** |
| Operating expenses | | (12.1) | (12.9) | 6.0% | (9.3) | (12.9) | 38.8% |
| **Operating profit** | | **60.7** | **84.1** | **38.4%** | **17.2** | **84.1** | **388.8%** |
| Depreciation and amortization | | 5.4 | 5.5 | 1.1% | 4.3 | 5.5 | 27.8% |
| **EBITDA*** | | **66.1** | **89.5** | **35.3%** | **21.4** | **89.5** | **317.4%** |
| Share of profit of associates | | 1.3 | 11.9 | 835.4% | 0.0 | 11.9 | 2150285% |
| Other income (expense) | | (2.3) | (0.3) | -86.9% | 9.1 | (0.3) | -103.3% |
| **Profit before income tax from continuing operations** | | **59.7** | **95.7** | **60.2%** | **26.3** | **95.7** | **263.9%** |
| Income tax expense | | (13.3) | (18.4) | 39.0% | (4.1) | (18.4) | 349.4% |
| **Profit for the period (from continuing operations)** | | **46.4** | **77.2** | **66.3%** | **22.2** | **77.2** | **248.1%** |
| Loss after tax for the period from discontinued operation | | (0.2) | (0.0) | -85.1% | (0.1) | (0.0) | -67.4% |
| **Profit for the year** | | **46.3** | **77.2** | **66.8%** | **22.11** | **77.20** | **249.2%** |
| Attributable to: | | | | | | | |
| **Owners of the parent*** | | **36.6** | **62.8** | **71.5%** | **17.6** | **62.8** | **256.5%** |
| Non-controlling interests | | 9.750 | 14.421 | 47.9% | 4.5 | 14.4 | 220.6% |
| Gross profit margin | | 55.8% | 63.7% | | 46.3% | 63.7% | |
| Operating profit margin | | 46.5% | 55.2% | | 30.1% | 55.2% | |
| EBITDA margin | | 50.6% | 58.8% | | 37.6% | 58.8% | |
| Net profit margin | | 28.0% | 41.3% | | 30.9% | 41.3% | |
| Sales volume | (million tonne) | 1.0 | 0.9 | -10.6% | 0.8 | 0.9 | 7.7% |
| Production volume | (million tonne) | 1.1 | 1.0 | -3.8% | 0.8 | 1.0 | 28.3% |
| Monthly production run rate | (million tonne) | 0.4 | 0.3 | -3.8% | 0.3 | 0.3 | 28.3% |
| Average sales price | (US$/tonne) | 128.0 | 168.4 | 31.6% | 65.1 | 168.4 | 158.8% |
| Stripping ratio | (times) | 10.9 | 10.2 | | 6.7 | 10.2 | |
| Overburden volume | (million bcm) | 11.5 | 10.4 | -9.4% | 5.3 | 10.4 | 96.0% |

** including discontinued operation*

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**SUMMARY FINANCIAL STATEMENTS**
**Consolidated Statements of Financial Position**
**As Of 31 December 2021 and 31 March 2022**

| Consolidated Statement of Financial Position | | | (in USD millions) |
|---|---|---|---|
| | **Audited** | **Unaudited** | |
| **Description** | **31-Dec-21** | **31-Mar-22** | ***% change*** |
| Cash and cash equivalents | 149.4 | 200.2 | *34.1%* |
| Trade receivables | 22.7 | 61.4 | *170.7%* |
| Inventories | 21.3 | 27.9 | *31.1%* |
| Advances to suppliers | 4.9 | 4.3 | *-11.8%* |
| Prepaid Taxes | 12.1 | 14.2 | *17.1%* |
| Prepaid Expenses | 1.7 | 5.2 | *213.3%* |
| Right-of-use assets | 1.2 | 0.9 | *-23.8%* |
| Investments in an associate | 274.7 | 284.2 | *3.5%* |
| Deferred tax assets | 4.1 | 4.1 | *0.9%* |
| Goodwill | 3.9 | 3.9 | *0.0%* |
| Fixed assets | 58.7 | 56.5 | *-3.8%* |
| Mine properties | 266.8 | 264.7 | *-0.8%* |
| Other assets | 53.2 | 62.3 | *17.2%* |
| **Total Assets** | **874.6** | **989.9** | ***13.2%*** |
| Trade payables | 17.3 | 27.2 | *57.1%* |
| Taxes payable | 25.1 | 38.6 | *53.8%* |
| Accrued expenses | 16.7 | 12.3 | *-26.3%* |
| Bank loan* | 99.2 | 99.3 | *0.1%* |
| Deferred tax liabilities | 45.3 | 45.3 | *0.0%* |
| Lease liabilities | 1.2 | 0.9 | *-24.0%* |
| Employee benefits liability | 9.9 | 9.8 | *-1.2%* |
| Provision for environmental management | 7.7 | 7.9 | *3.4%* |
| Other Liabilities | 1.4 | 3.8 | *168.2%* |
| **Total Liabilities** | **224.0** | **245.4** | ***9.6%*** |
| Equity attributable to the owners of the parent | 469.0 | 547.1 | *16.7%* |
| Non-controlling interests | 181.7 | 197.5 | *8.7%* |
| **Total Equity** | **650.7** | **744.5** | ***14.4%*** |
| Net debt/(net cash)** | (49.4) | (100.2) | |
| Net debt/(net cash) to equity (x) | (0.1) | (0.2) | |
| Current ratio (x) | 3.1 | 2.6 | |
| Trade receivables days | 17 | 24.9 | |
| Trade payables days | 25 | 36.3 | |

*Notes:*
**) net off deferred charges on bank loan*
***) Defined as total debt, which consist of bank loans and finance lease obligations, minus cash and cash equivalents*

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## SUMMARY FINANCIAL STATEMENTS
## Consolidated Statements of Cash Flows
## For The Three Months Ended 31 March 2021 and 2022

| Consolidated Statement of Cash Flows | | | (in USD millions) |
|---|---|---|---|
| **Description** | **Unaudited 1Q21** | **Unaudited 1Q22** | ***% chg*** |
| **Cash Flows From Operating Activities** | | | |
| Cash generated from operations | 51.7 | 113.5 | *119.3%* |
| Cash paid related to operations | (34.1) | (81.1) | *137.9%* |
| **Net Cash Provided by Operating Activities** | **17.7** | **32.4** | *83.4%* |
| **Cash Flows From Investing Activities** | | | |
| Additions to mine properties | (1.1) | (1.0) | *-12.8%* |
| Additions to fixed assets | (0.5) | (0.2) | *-69.7%* |
| Payment of docking expense | (0.1) | (0.1) | *-30.5%* |
| Receipt of dividend | 1.6 | 2.4 | *55.6%* |
| Placement of mine reclamation & closure guarantees | (2.5) | (2.5) | *0.8%* |
| Acquisition of subsidiary net of cash acquired | (80.3) | - | *-100.0%* |
| Acquisition of associate | (68.6) | - | *-100.0%* |
| Others | 0.3 | 0.3 | *21.7%* |
| **Net Cash Used in Investing Activities** | **(151.4)** | **(1.0)** | *-99.4%* |
| **Cash Flows From Financing Activities** | | | |
| Reissuance of treasury shares | - | 17.4 | *n/a* |
| Payment of cash dividend | - | (0.3) | *n/a* |
| Addition/(payment) of bank loan | 69.0 | - | *-100.0%* |
| Others | (0.4) | 2.3 | *666.5%* |
| **Net Cash Used in Financing Activities** | **68.6** | **19.4** | *-71.7%* |
| **Net Increase in Cash and Cash Equivalents** | **(65.1)** | **50.9** | *178.1%* |
| **Cash and Cash Equivalents at Beginning of the Year** | **211.1** | **149.4** | |
| **Cash and Cash Equivalents at End of the Period** | **146.0** | **200.2** | |

**For further information, investors and shareholders can contact :**

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