

1 November 2022

PT HARUM ENERGY Tbk 9M 2022 Summary and Highlights

Important Note: The results provided below reflect the unaudited consolidated results of PT Harum Energy Tbk. ("the Company") for the 9-month period ending 30 September 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 Tanito Harum Nickel ("THN"), PT Harum Nickel Industry ("HNI"), Harum Energy Australia Ltd and Harum Asia Capital Pte Ltd. The report below is prepared by the management and unaudited.

- **Coal sales volume in 3Q 2022 totaled 1.8 million tonnes (Mt), or 45.1% higher quarter-on-quarter (q-o-q). For 9M 2022, coal sales volume totaled 3.9Mt, or 55.6% higher year-on-year (y-o-y);**
- **Total revenues generated in 9M 2022 is USD 702.8 million, or 241.9% higher y-o-y with record EBITDA of USD 369.4 million or 339.5% higher y-o-y**
- **The Company's Average Sales Price (ASP) in 3Q 2022 is USD 183.4/t, remaining stable q-o-q. Overall ASP achieved in 9M 2022 increased to USD 179.9/t or by 128.5% y-o-y from USD 78.7/t in the same period last year;**
- **The Company's nickel division contributes USD 28.7million of net profit in 9M 2022 with production reaching nearly full capacity;**
- **Net profit attributable to owners of the parent in 9M 2022 rose by 532.5% y-o-y to a record USD 237.4 million**

		2Q2022	3Q2022	Q-o-Q change	9M2021	9M2022	Y-o-Y change
Sales volume	(million tonne)	1.2	1.8	45.1%	2.5	3.9	55.6%
Average Sales Price	(USD/tonne)	183.3	183.4	0.1%	78.7	179.9	128.5%
Revenues	(USD million)	225.3	325.3	44.4%	205.5	702.8	241.9%
EBITDA	(USD million)	123.5	156.4	26.6%	84.0	369.4	339.5%
Net profit attributable to the owners of the parent	(USD million)	83.2	91.5	9.9%	37.5	237.4	532.5%

Coal Production and Sales

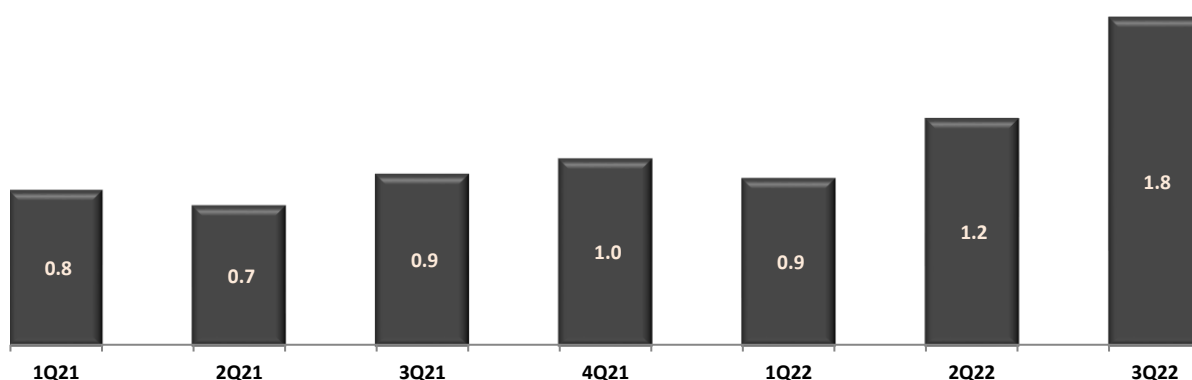
The Company was able to accelerate coal production and sales in 3Q 2022 assisted by dry weather and additional equipments. The Company produced 1.5Mt of coal in 3Q 2022, which brings the total coal produced in the first 9 months of this year to 3.8Mt or 51.2% higher than 2.5Mt produced during same period of last year. Meanwhile, total coal sales volume in 3Q 2022 is 1.8Mt or 45.1% higher than the

previous quarter. The Company’s combined sales volume in 9M 2022 is 3.9Mt, representing a significant 55.6% increase from the 2.5Mt of coal sold in the same period a year ago.

In 3Q 2022, the Company recorded an ASP of USD 183.4/t, comparable to the ASP achieved in the previous quarter. The Company’s ASP for the first 9 months of the year, however, jumped to USD 179.9/t, which is 128.5% higher y-o-y. The lingering coal supply constraints and geopolitical crisis in Europe continued to support global coal prices and this was reflected in the sharp increase of the Company’s ASP in 2022.

On the back of the sharply higher sales volume and stable ASP, the Company recorded USD 325.3 million of revenue in 3Q 2022, or 44.4% higher than the USD 225.3 million revenues recorded in 2Q 2022. In 9M 2022, the Company’s revenues increased by 241.9% year-on-year to USD 702.8 million from USD 205.5 million recorded in 9M 2021 which was driven by the combination of both higher ASP and coal sales volume.

Chart 1 – Coal Sales Volume (Mt)



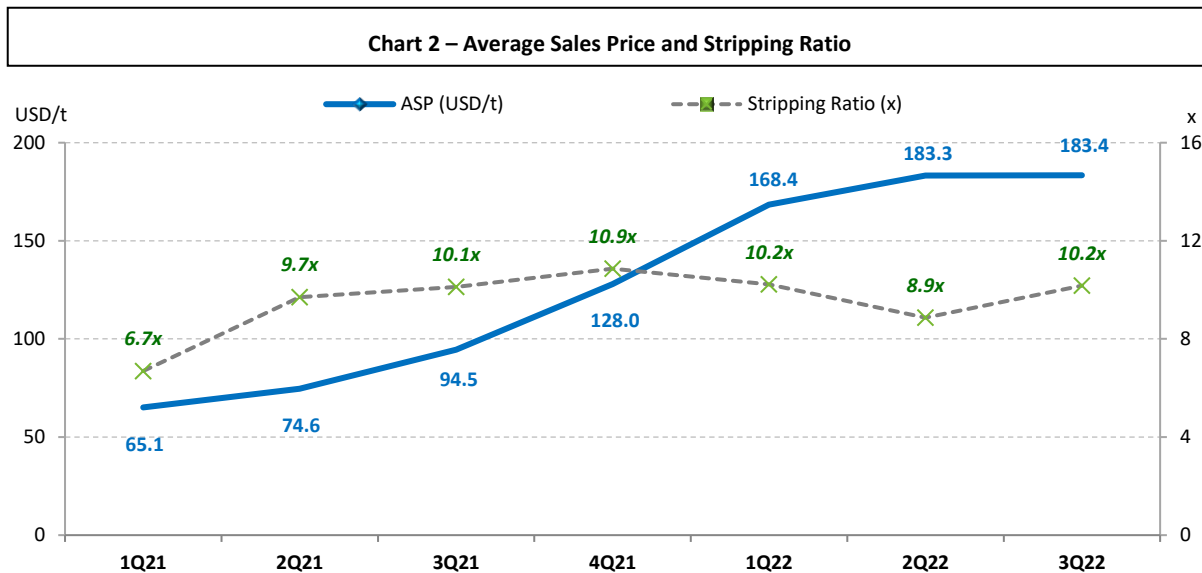
Coal Production Cost

In 3Q 2022, the production cash cost per tonne (/t) increased by 14.4% from the previous quarter due to:

- 24.8% higher royalty expense/t (in line with the sharply higher monthly benchmark prices set by the government during the period), and;
- higher provision for Domestic Market Obligation (“DMO”) related costs (the Company recorded additional provision for potential DMO-related compensation cost in 3Q 2022 due to the forthcoming amendment to the DMO mechanism).

For the first nine months of 2022, the Company’s overall production cash cost/t is higher by 76.4% y-o-y, which resulted from a combination of:

- higher royalty expense/t;
- higher DMO provision/t;
- higher average fuel price, and;
- higher overburden removal costs due to increase in Stripping Ratio;



Nickel Division

The Company’s nickel mining subsidiary, PT Position (POS), continued to progress with the various permitting process which is required prior to construction of the mining infrastructure and other pre-operating activities. The Company already completed a comprehensive mining scoping study in September 2021. The study is undertaken to support the optimization of the long term mine plan and to ensure the optimal realization of the economic value of the resources.

POS development plan

	2022		2023			
	Q3	Q4	Q1	Q2	Q3	Q4
Permit Application & Mine Study						
Hauling Road Survey						
Drilling						
Infrastructure Construction						
Mining Commencement						

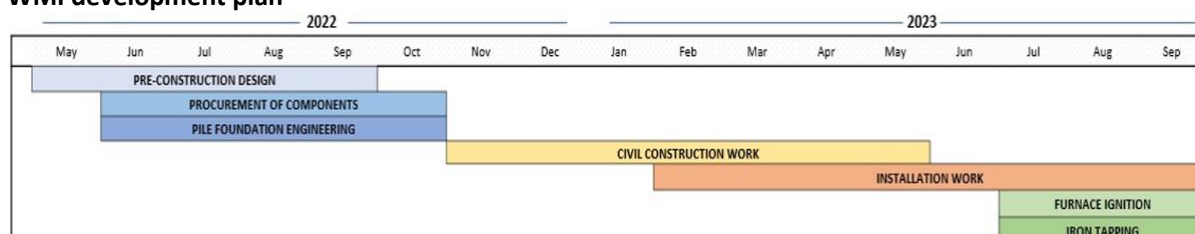
The Company's first smelter at its associate company, PT Infei Metal Industry (IMI), successfully sold 17,001t of nickel metal in NPI during the first 9 months of 2022 (inclusive of NPI produced during the trial production phase). The EBITDA generated by IMI in 9M 2022 reached USD 54.7 million.

IMI (100% basis)		1Q2022*	2Q2022	3Q2022	9M2022
NPI Production	(tonne)	27,876	40,126	43,630	111,632
Nickel Metal Production	(tonne)	4,065	6,456	6,480	17,001
Nickel Sales Revenues	(USD million)	88.3	116.5	107.3	312.0
ASP Nickel	(USD/tonne)	17,493	19,588	16,099	17,672
Cash Cost	(USD/tonne)	13,755	14,858	14,937	14,573
EBITDA	(USD million)	18.9	28.1	7.7	54.7
Net Profit After Tax	(USD million)	16.2	25.3	4.2	45.8

*) 1Q2022 data is shown for information purposes but it is not comparable due to the low utilization rate during trial production. Commercial production started in April 2022.

The Company's second smelter at its associate company, PT Westrong Metal Industry (WMI), is currently still under construction. In early October 2022, the progress of civil construction at WMI has reached 23%. The progress of civil work of the main workshop has reached 67%. The smelter at WMI is expected to commence commercial production in stages starting from 4Q 2023 which will support the continued growth of the Company's nickel production.

WMI development plan



Corporate Profitability

In 3Q 2022, the Company recorded improved gross profit of USD 192.7 million compared with USD 147.6 million in 2Q 2022. The Company's gross profit in 9M 2022 leapt to USD 437.2 million compared with USD 101.8 million in 9M 2021, which is a result of significant jump of its revenues y-o-y.

In 3Q 2022, the Company managed to generate an EBITDA of USD 156.4 million which was 26.6% higher than USD 123.5 million generated in 2Q 2022. The increase in EBITDA is attributable to higher sales revenue in the second quarter, which more than compensated the increase in production costs and DMO-related cost provision (please refer to paragraph Coal Production Cost). Year-on-year, the EBITDA generated in 9M 2022 rose by 339.5% to a record **USD 369.4 million**, mainly due to a jump in the Company's revenue. The higher EBITDA also shows accompanying improvement to the Company's EBITDA margin to 52.6% in 9M 2022 compared with 40.9% in 9M 2021.

From its nickel division, the Company recorded a positive contribution of USD 28.7 million through its share of profit from associates for 9M 2022, which came from its equity investment in IMI and Nickel Industries Limited (NIC). Specifically in IMI, the Company's share in its net profit increased to USD 22.4 million for 9M 2022. In 9M 2022, the Company recorded USD 6.4 million share of profit from its equity investment in NIC, which reflected its share of profit in 6M 2022. As of this date, NIC has not yet published its full financial results for the quarter ended September 30, 2022.

Due to the above factors, the Company reported a net profit attributable to the owners of the parent in 3Q 2022 of USD 91.5 million. While for 9M 2022, the Company recorded a record net profit attributable to the owners of the parent of **USD 237.4 million**, reflecting a **532.5%** y-o-y increase from USD 37.5 million recorded in 9M 2021.

Balance Sheet

The Company's balance sheet continues to grow stronger throughout 2022. As of 30 September 2022, the Company had total assets of USD 1,208.2 million compared with total liabilities of only USD 231.3 million.

The Company's current assets stood at USD 484.4 million as of 30 September 2022, or higher than USD 247.6 million recorded as of 31 December 2021, mainly due to the increase of cash and cash equivalents trade receivables and prepaid expenses.

As at 30 September 2022, the Company had a cash and cash equivalents balance of USD 296.7 million which is USD 147.4 million higher from 31 December 2021. At the end of 3Q 2022, the Company had no bank loan outstanding and had a net cash position (cash and cash equivalents minus bank loans and finance lease obligations) of USD 296.7 million as at 30 September 2022.

The Company's non-current assets was USD 723.9 million as at 30 September 2022, which is an increase of 15.4% from USD 627.0 million as at 31 December 2021. The net movement of non-current assets mainly came from the increase in investment in associates.

Total capital expenditure spending in 9M 2022 was USD 12.4 million mainly in relation to (i) addition of mine properties in MSJ, KUP and THN; (ii) maintenance expenditure for the barging fleet owned by LLJ; (iii) purchase of vehicles; as well as (iv) purchase of heavy equipment.

The Company's total liabilities increased to USD 231.3 million as of 30 September 2022, from USD 224.0 million as of 31 December 2021. The increase in accrued expenses, taxes payables and trade payables were partially offset with the decrease in bank loan.

The equity attributable to owners of the parent as at 30 September 2022 was USD 732.1 million, or 56.1% higher than as at 31 December 2021 due to the profit generated during the period.

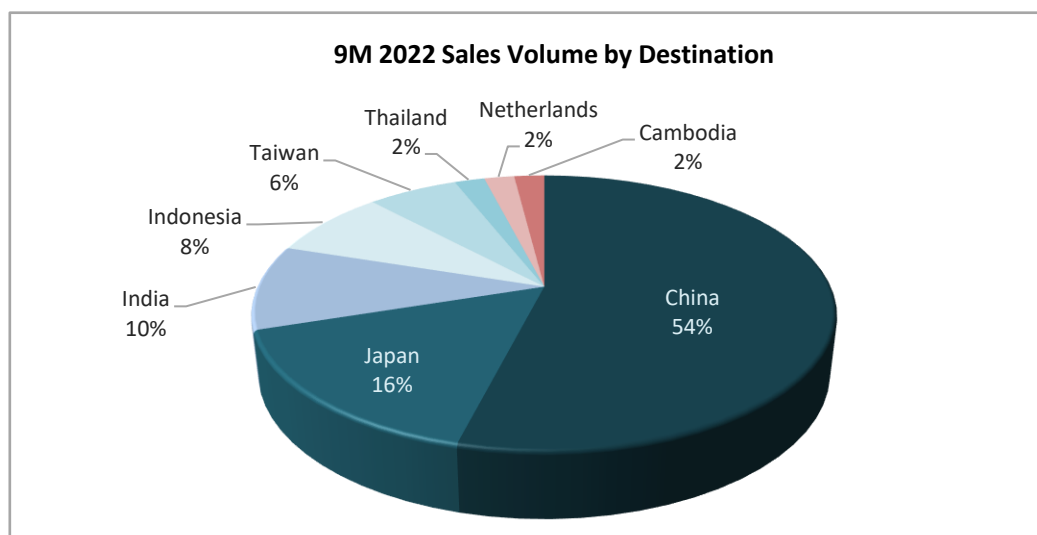
The Current Ratio (defined as the ratio of Current Assets to Current Liabilities) as at 30 September 2022 stood at 2.8x.

Environment, Health and Safety

There were no lost-time accidents in Q3. The Company also had no reportable environmental incidents during this period.

Marketing

The Company’s sales during the first nine months of 2022 was sold to China (54%), followed by Japan (16%), India (10%), Indonesia (8%), Taiwan (6%), Thailand (2%), Netherlands (2%), and Cambodia (2%).



4Q 2022 Outlook

Coal Mining Operations

The operations outlook for 4Q 2022 is focused on managing the wet weather conditions to allow for further increases in coal production through to the end of the year. The regular clearing of in-pit access and ramps after rainfall has become the daily norm for coal producers in Kalimantan - the Company’s two operating mines are no exception. The increased downtime caused by the higher-than-planned rain decreases equipment productivity. Indonesian coal producers, much like the surface coal miners on the eastern seaboard of Australia, are now operating under the La Nina weather phenomenon for the third year in a row. This prolonged wet weather is a rare climatic sequence that makes mining by surface methods more challenging with flooded pits and trafficability issues all year round.

However, despite the adverse weather, the Company’s MSJ mine will target similar production volumes in 4Q 2022 to 3Q 2022. Additional ancillary equipment mobilised to MSJ has supported quarter-on-quarter increases throughout 2022. Both waste removal and coal hauling in 4Q 2022 will be up 10% on 3Q 2022. The Company will seek to maintain this uptick in volumes moving into 1Q 2023. As a result, MSJ forecasts that the combined 2H 2022 production volumes will be over 35% higher than 1H 2022.

The quarterly trend will shift in the opposite direction at the Company’s other mine, KUP, with 4Q 2022 anticipated being lower than 3Q 2022 actuals. This forecast drop in volumes is because the remaining reserves inside the current IPPKH permit area will be exhausted in 1Q 2023. As a result, the OB removal and coal hauling at KUP will dip as the available working space shrinks over the coming months.

As KUP slows down, the Company plans to reopen the Santan Batubara (SBB) mine at a similar production run rate to KUP. This transition will mirror events in 2018 when the Company also used the services of the same mining contractor to switch personnel and equipment from KUP back to the neighbouring SBB concession. As a result, the Company is hoping to recommence production from SBB during the 1H of 2023.

Coal Markets and Sales

While the 3Q 2022 GC Newc again flew to another record high at USD421, this trend was not followed by ICI2 and ICI3 indices. ICI2 stood at USD 174 and ICI3 at USD 120, down by 7.9% and 15.3% respectively from the 2Q 2022 numbers at USD 189 and USD 143. Supply tightness of High CV coal seemed to persist causing GC Newc to continue its rally. Medium CV and Low CV coal did not follow the same trend in 3Q. With China retreating from market, the price kept a downtrend path despite weather issues.

However, given the recent mining accidents and Covid outbreak in top mining regions and along several railway stations in China driving down low spot availability in major northern coal loading ports, we expect firm demand for coal imports for the rest of the year to fill in the gap as coastal utilities and industrial users seek to restock for the coming winter period.

With the rainy monsoon season dominating 4Q 2022, we expect the pace of Indonesia coal production to slack which will tighten availability for the Chinese market during winter. China's National Climate Center has forecasted the La Nina weather system to extend into winter which will see lower than historical average temperatures and less rains. If forecast of a cold Chinese winter eventuates together with a reduced contribution from hydropower generation, we expect coal consumption and coal fired power generation to remain strong lending support to prevailing high coal prices. Given an outlook of tighter supply and a firm seasonal demand, in turn this would influence the timing of our coal sales.

Nickel Markets and Sales

NPI prices have turned weaker in 3Q 2022 primarily due to falling stainless steel prices in China. At the same time, continued elevated nickel ore prices together with high energy prices have caused NPI smelter cash cost to remain persistently high in the quarter. As a result, smelter margins for the quarter has been compressed to the lowest level this year. Nevertheless, some costs improvement has been seen towards the end of 3Q 2022 with cash costs declining by 13% in September compared with July 2022. On the demand side, the market also expects some resumption of Chinese stainless steel production with increased demand coming from large engineering infrastructure projects. Consequently, NPI prices is expected to remain stable in the 4Q 2022 with potential margin improvement from lower smelter costs.

SUMMARY FINANCIAL STATEMENTS
Consolidated Statement of Profit or Loss
For the nine-month periods ended 30 September 2021 and 2022

Consolidated Statement of Profit or Loss				(in USD millions)		
Description	Unaudited	Unaudited	% chg	Unaudited	Unaudited	% chg
	2Q22	3Q22		9M21	9M22	
Revenues	225.3	325.3	44.4%	205.5	702.8	241.9%
Cost of revenues & direct costs	(77.7)	(132.6)	70.6%	(103.7)	(265.6)	156.0%
Gross profit	147.6	192.7	30.6%	101.8	437.2	329.5%
Operating expenses	(31.3)	(42.9)	37.1%	(30.3)	(87.0)	186.9%
Operating profit	116.3	149.9	28.9%	71.5	350.3	389.9%
Depreciation and amortization	7.2	6.5	-9.5%	12.6	19.1	52.3%
EBITDA	123.5	156.4	26.6%	84.0	369.4	339.5%
Share of profit of associates	14.8	1.9	-87.4%	4.6	28.5	526.1%
Other income (expense)	0.9	(0.8)	-181.2%	(8.2)	(0.1)	-98.5%
Profit before income tax	132.0	151.0	14.4%	67.8	378.7	458.3%
Income tax expense	(25.5)	(33.4)	30.6%	(15.8)	(77.3)	389.1%
Profit for the period	106.5	117.6	10.5%	52.0	301.3	479.3%
Attributable to:						
Owners of the parent	83.2	91.5	9.9%	37.5	237.4	532.5%
Non-controlling interests	23.3	26.2	12.4%	14.5	63.9	341.3%
Gross profit margin	65.5%	59.2%		49.5%	62.2%	
Operating profit margin	51.6%	46.1%		34.8%	49.8%	
EBITDA margin	54.8%	48.1%		40.9%	52.6%	
Net profit margin	36.9%	28.1%		18.3%	33.8%	
Sales volume (million tonne)	1.2	1.8	45.1%	2.5	3.9	55.6%
Production volume (million tonne)	1.3	1.5	12.7%	2.5	3.8	51.2%
Monthly production run rate (million tonne)	0.4	0.5	12.7%	0.3	0.4	51.2%
Average sales price (US\$/tonne)	183.3	183.4	0.1%	78.7	179.9	128.5%
Stripping ratio (times)	8.9	10.2		8.9	9.7	
Overburden volume (million bcm)	11.5	14.9	29.3%	22.3	36.8	65.5%

SUMMARY FINANCIAL STATEMENTS
Consolidated Statement of Financial Position
As of 31 December 2021 and 30 September 2022

Consolidated Statement of Financial Position		(in USD millions)		
Description	Audited	Unaudited		
	31-Dec-21	30-Sep-22	% change	
Cash and cash equivalents	149.4	296.7	98.7%	
Trade receivables	22.7	89.6	294.9%	
Inventories	21.3	28.2	32.2%	
Advances to suppliers	4.9	6.5	32.1%	
Prepaid Taxes	12.1	12.7	4.8%	
Prepaid Expenses	1.7	11.8	608.0%	
Deferred tax assets	4.1	4.6	13.8%	
Goodwill	3.9	3.9	0.0%	
Investments in an associate	274.7	376.5	37.1%	
Fixed assets	58.7	52.5	-10.7%	
Mine properties	266.8	266.4	-0.2%	
Other assets	54.4	58.9	8.4%	
Total Assets	874.6	1,208.2	38.1%	
Trade payables	17.3	45.3	161.4%	
Taxes payable	25.1	61.7	145.8%	
Accrued expenses	16.7	60.8	263.1%	
Bank loan*	99.2	-	-100.0%	
Deferred tax liabilities	45.3	45.3	0.0%	
Employee benefits liability	9.9	9.6	-2.9%	
Provision for environmental management	7.7	7.9	3.2%	
Other Liabilities	2.6	0.5	-79.2%	
Total Liabilities	224.0	231.3	3.3%	
Equity attributable to the owners of the parent	469.0	732.1	56.1%	
Non-controlling interests	181.7	244.8	34.7%	
Total Equity	650.7	976.9	50.1%	
Net debt/(net cash)**	(49.4)	(296.7)		
Net debt/(net cash) to equity (x)	(0.1)	(0.4)		
Current ratio (x)	3.1	2.8		
Trade receivables days	17	22		
Trade payables days	25	32		

SUMMARY FINANCIAL STATEMENTS
Consolidated Statement of Cash Flows
For the nine month periods ended 30 September 2021 and 2022

Consolidated Statement of Cash Flows		(in USD millions)	
Description	Unaudited 9M21	Unaudited 9M22	% chg
Cash Flows From Operating Activities			
Cash generated from operations	190.4	635.9	234.0%
Cash paid related to operations	(121.3)	(326.8)	169.5%
Net Cash Provided by Operating Activities	69.1	309.0	347.2%
Cash Flows From Investing Activities			
Additions to mine properties	(7.4)	(11.4)	53.7%
Additions to fixed assets	(1.4)	(1.0)	-29.2%
Payment of docking expense	(0.2)	(0.1)	-51.5%
Receipt of dividend	4.3	4.8	10.2%
Placement of mine reclamation & closure guarantees	(2.9)	(2.4)	-18.5%
Acquisition of subsidiary net of cash acquired	(80.3)	-	-100.0%
Acquisition of associate	(109.8)	(75.0)	-31.7%
Addition to investment in an associate	(45.0)	(4.1)	-90.8%
Capital contribution from NCI	-	0.9	n/a
Others	1.8	1.7	-2.2%
Net Cash Used in Investing Activities	(241.0)	(86.6)	-64.1%
Cash Flows From Financing Activities			
Reissuance of treasury shares	29.5	42.6	44.3%
Receipt of long-term loan repayment from associate	-	1.8	n/a
Payment of cash dividend	(8.2)	(16.5)	100.6%
(Payment)/Proceeds from bank loan	100.0	(100.0)	-200.0%
Others	(5.1)	(2.9)	-43.9%
Net Cash Used in Financing Activities	116.1	(75.1)	-164.6%
Net Increase in Cash and Cash Equivalents	(55.8)	147.4	364.2%
Cash and Cash Equivalents at Beginning of the Year	211.1	149.4	
Cash and Cash Equivalents at End of the Period	155.4	296.7	

For further information, investors and shareholders can contact:

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