PT Harum Energy Tbk
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1 November 2018

PT HARUM ENERGY Tbk
9M 2018 Summary and Highlights

Important Note: The results provided below reflect the unaudited consolidated results of PT Harum Energy Tbk. ("Company") for the 9-month period ending 30 September 2018, which include the results of PT Mahakam Sumber Jaya ("MSJ"), PT Layar Lintas Jaya ("LLJ"), PT Tambang Batubara Harum ("TBH"), PT Karya Usaha Pertiwi ("KUP"), PT Bumi Karunia Pertiwi ("BKP"), PT Santan Batubara ("SB"), Harum Energy Australia Ltd and Harum Energy Capital Ltd. The report below is prepared by the management and unaudited.

- **The Company's Average Sales Price improved by 13.4% in 9M 2018 to USD 72.2 per tonne from USD 63.7 per tonne achieved in the same period last year. The ASP achieved in 3Q 2018 is USD 69.9 per tonne, a 4.5% decrease from USD 73.1 per tonne in 2Q 2018.**
- **Coal production in 3Q 2018 is 1.3 million tonnes, an increase of 61.7% over the production level in 2Q 2018. In 9M 2018, the Company produced 2.9 million tonnes and sold 3.1 million tonnes of coal;**
- **FOB Vessel Cash Cost[1] for 3Q 2018 improved to USD 42.4 per tonne, or 4.2% lower than in 2Q 2018. In 9M 2018, the FOB Vessel Cash Cost increased by 15.3% to USD 42.5 per tonne from USD 36.8 per tonne in the same period a year ago;**
- **Total revenues recorded in 9M 2018 is USD 233.0 million, or 2.3% lower than the same period last year.**

		2Q2018	3Q2018	Q-o-Q change	9M2017	9M2018	Y-o-Y change
Sales volume	(million tonne)	0.9	1.1	27.9%	3.6	3.1	-15.3%
Average Sales Price	(USD/tonne)	73.1	69.9	-4.5%	63.7	72.2	13.4%
Revenues	(USD million)	66.3	79.8	20.4%	238.5	233.0	-2.3%
FOB Vessel Cash Cost	(USD/tonne)	44.3	42.4	-4.2%	36.8	42.5	15.3%
EBITDA	(USD million)	15.4	13.7	-10.9%	60.8	53.7	-11.7%
Net profit attributable to the Company	(USD million)	4.6	5.6	22.2%	32.6	22.7	-30.3%
Operating profit margin	(%)	16.4%	12.1%		21.6%	18.1%	

[1] FOB vessel cash cost consists of costs related to coal mining, coal hauling, coal processing, coal purchase, coal barging and transshipment, and fixed/overhead costs, excluding depreciation and amortization, marketing, general and administrative, royalty payments and one time charges, if any

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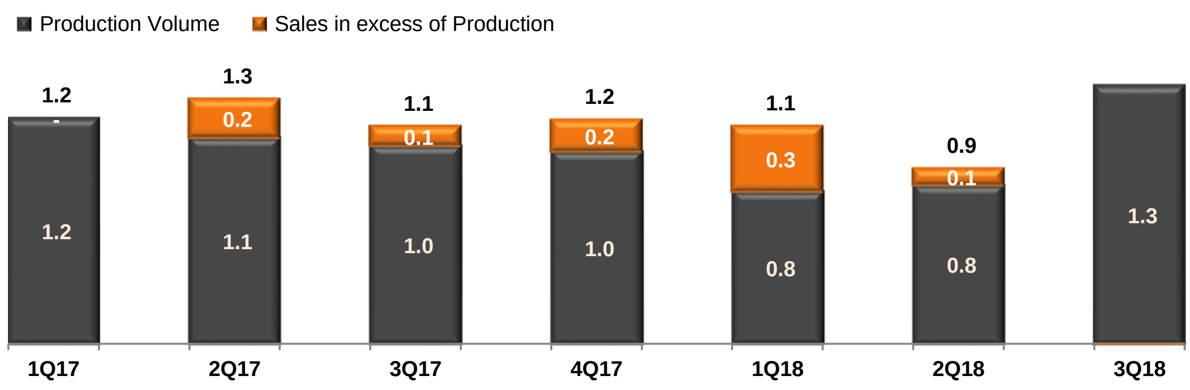
Production and Sales

The Company produced 1.3 million tonne of coal in 3Q 2018, which is 61.7% higher compared to the previous quarter. The increase came mostly from the additional production from KUP and SB, which commenced commercial production in April and August this year, respectively. Altogether, the coal produced in the first 9 months of 2018 is 2.9 million tonnes or 9.5% lower from the same period a year ago, due to operational issues at MSJ in the first half of this year. Total sales volume in 3Q 2018 is 1.1 million tonnes or 27.9% higher from the 0.9 million tonnes sold in the previous quarter. The Company's combined sales volume in 9M 2018 is 3.1 million tonnes, which is 15.3% lower than the 3.6 million tonnes it sold in the same period a year ago.

The Company recorded an Average Sales Price (ASP) of USD 69.9 per tonne in 3Q 2018, compared with USD 73.1 per tonne achieved in the previous quarter. Market prices for Indonesian coal has weakened considerably in 3Q 2018 due to a combination of Chinese import restrictions, and increased supply from Indonesia, and concerns on slowing economic growth. The lower ASP in 3Q 2018 brings the Company's ASP for the first 9 months of the year to USD 72.2 per tonne, which is still 13.4% higher than the same period last year.

The Company recorded USD 79.8 million of revenue in 3Q 2018, or 20.4% higher than the USD 66.3 million revenues recorded in 2Q 2018. This was driven by higher sales volume as described above, but was partially offset by the lower ASP in 3Q. However, when compared with the same period a year ago, the Company's revenues of USD 233.0 million in 9M 2018 similar to the USD 238.5 million recorded in 9M 2017, due to the combination of higher ASP which was offset by a lower sales volume.

Chart 1 – Sales and Production Volume (million tonne)



Note: Sales volume for MSJ includes coal purchase volume of 0.2mt, 0.3mt, 0.1mt, 0.2mt, 0.2mt, 0.2mt and 0.1mt for 1Q17, 2Q17, 3Q17, 4Q17, 1Q18, 2Q18 and 3Q18, respectively

Production Cost

The Company's FOB Vessel Cash Cost in 3Q 2018 decreased to USD 42.4 per tonne from USD 44.3 per tonne in 2Q 2018. The cost reduction was largely supported by a lower volume of coal blending in the third quarter. The average SR in 3Q 2018 was 11.2x, and in line with the Company's annual target average stripping ratio for 2018.

The Company's FOB Vessel Cash Cost in 9M 2018 increased by 15.3% to USD 42.5 per tonne from USD 36.8 per tonne in 9M 2017. The increase mainly came from a higher SR which rose to

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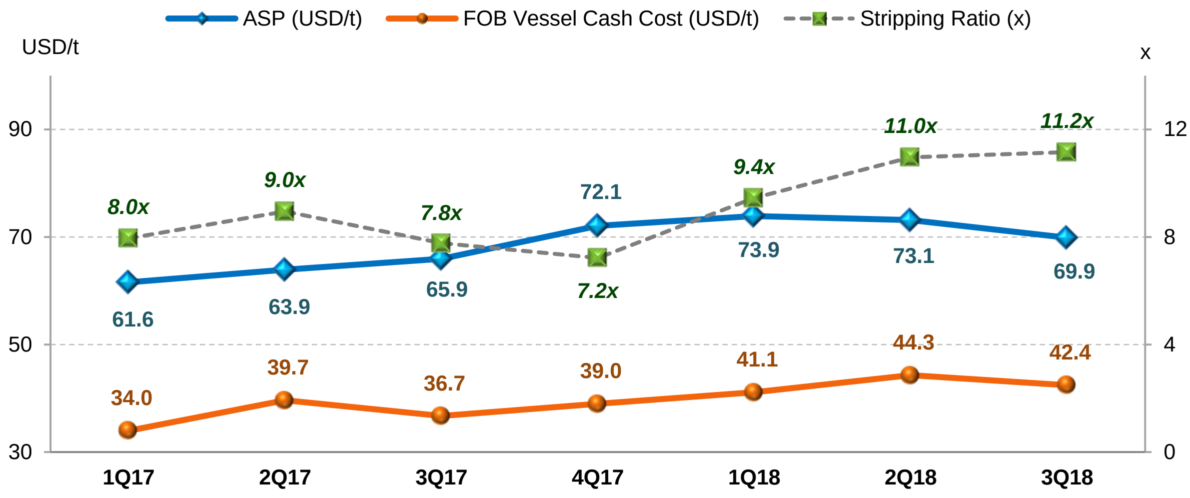
10.6x in 9M 2018 from 8.2x in 9M 2017, as well as the 23.0% higher average fuel price year-on-year.

As of 30 September 2018, the Company's inventory level of both raw and industrial coal stood at 0.9 million tonnes, which is 124.0% higher compared to the level at the start of the year. The increase in inventory was due to the increase in production as well as some shipments being rescheduled to the next quarter.

Chart 2 – Average Sales Price and FOB Vessel Cash Cost (USD/tonne)



Profitability

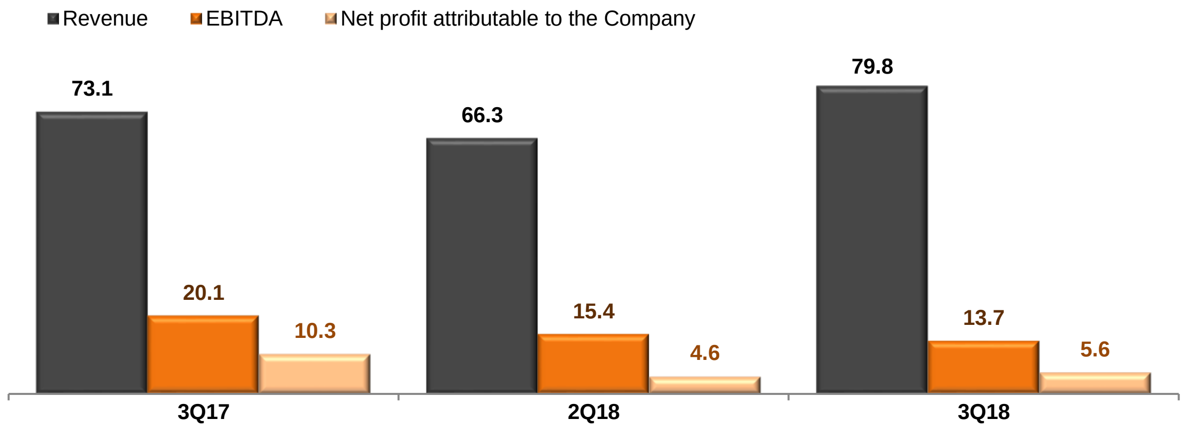
Despite the lower ASP, the Company managed to improve its gross profit margin in 3Q 2018 to 30.1% from 29.3% in 2Q 2018. For 9M 2018, the Company recorded a gross profit margin of 32.0% compared with 33.2% in 9M 2017, which is a result of the year-on-year increase in production costs which was partially offset by improvement in its ASP.

In 3Q 2018, the Company generated an EBITDA of USD 13.7 million which was 10.9% lower than USD 15.4 million generated in 2Q 2018. Compared with the same period a year ago, the EBITDA generated in 9M 2018 decreased by 11.7% to USD 53.7 million from USD 60.8 million in 9M 2017, mainly due to decrease in the Company's operating profit margin. Overall, the Company's EBITDA Margin decreased to 23.1% in 9M 2018 from 25.5% in 9M 2017.

The Company recorded a net foreign exchange loss of USD 2.6 million due to the depreciation of Rupiah from the start of the year to the end of 9M 2018. The loss was recorded when the Rupiah denominated portion of the Company's bank deposit was translated into USD at the end of the period.

Due to the above factors, the Company recorded a net profit attributable to the Company in 3Q 2018 of USD 5.6 million. While for 9M 2018, the Company recorded a net profit attributable to the Company of USD 22.7 million, down from USD 32.6 million recorded in 9M 2017.

Chart 3 – Profitability (USD million)



Balance Sheet

The Company's balance sheet remains liquid throughout 2018. As of 30 September 2018, the Company had total assets of USD 464.1 million compared with total liabilities of only USD 86.7 million.

The Company's current assets stood at USD 309.1 million as of 30 September 2018, or relatively flat compared to USD 314.8 million recorded as of 31 December 2017, mainly due to the decrease of cash and banks which was partly offset by the increase of inventory and trade receivables.

As at 30 September 2018, the Company had a cash and cash equivalents balance of USD 232.7 million. The net decrease in the cash balance by USD 33.7 million from USD 266.4 million as at 31 December 2017 largely came from (i) net cash generated for operating activities of USD 53.5 million in 9M 2018; minus (ii) income tax payment of USD 21.2 million in 9M 2018; minus (iii) capital expenditure of USD 4.9 million; plus (iv) net cash generated from other investing activities of USD 3.5 million; minus (v) expenditures related to acquisition of BKP of USD 11.4 million; minus (vi) cash dividend distribution of USD 46.3 million; minus (vii) cash utilized for treasury stock acquisition of USD 1.5 million, minus (viii) net cash disbursed related to the acquisition of additional equity ownerships in SB of USD 5.0 million in August 2018.

The Company's noncurrent assets increased to USD 155.1 million as at 30 September 2018 from USD 144.6 million as at 31 December 2017. The increase was mainly due to an increase of deferred exploration and development expenditures, mining properties, property and equipment which was offset by the decrease in investments in associate and joint venture.

Total capital expenditure in 9M 2018 was USD 5.5 million in relation to the exploration and development expenditures over certain mining areas in MSJ and KUP, maintenance expenditure for tugboats and barges in LLJ, as well as purchase of heavy equipment.

The Company's total liabilities stood at USD 86.7 million as of 30 September 2018, compared to USD 63.6 million as of 31 December 2017, mostly due to the increase of trade payables and accrued expenses which was partly offset by the decrease in taxes payables.

The Company had long term liabilities of only USD 6.1 million as at 30 September 2018 relating to post-employment benefits.

The equity attributable to owners of the Company as at 30 September 2018 was 291.5 million, or 7.6% lower than as at 31 December 2017 due to the profit generated during the period which was offset with the cash dividend distribution in June 2018.

The Current Ratio (defined as the ratio of Current Assets to Current Liabilities) as at 30 September 2018 remained high at 3.8x.

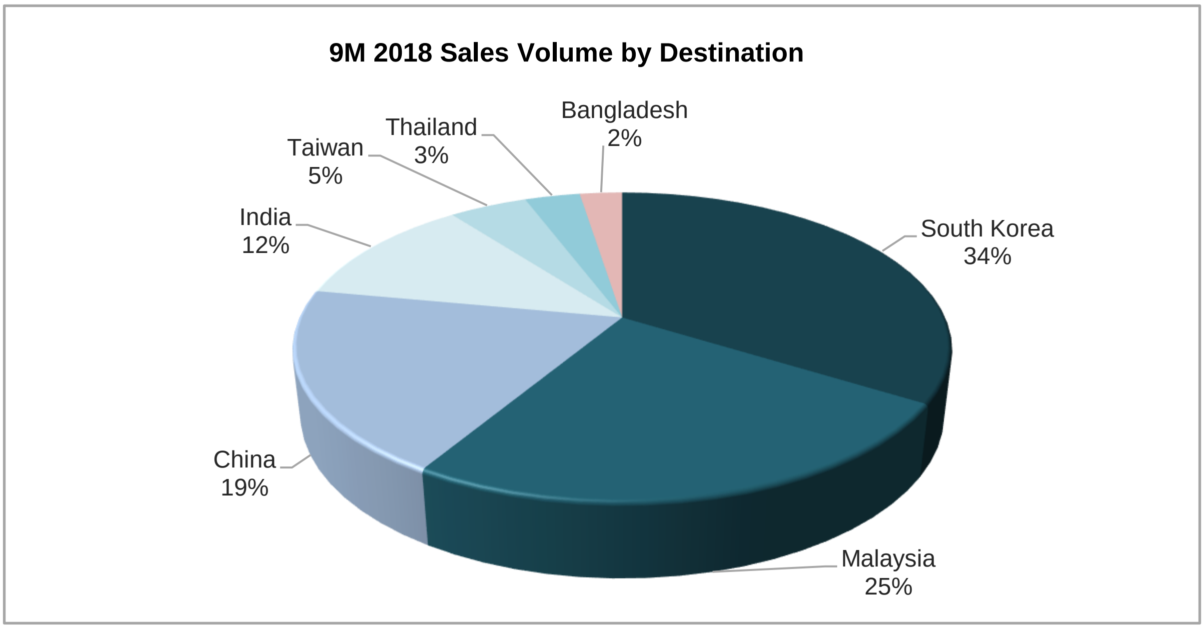
The Company still had no external borrowings until the end of 9M 2018, and its net cash position (Cash and Cash Equivalents minus Bank Loans and Finance Lease Obligations) was USD 232.7 million as at 30 September 2018.

Environment, Health and Safety

During third quarter, there were no lost time incidents or environmental incidents at any of the Company's Mines.

Marketing

The Company's sales during the first nine months of 2018 were exclusively into the Pacific region. The largest volume were sold to South Korea (34%) and Malaysia (25%), followed by China (19%), India (12%), Taiwan (5%), Thailand (3%) and Bangladesh (2%).



4Q 2018 Outlook

Operations

Despite return of the rainy season, the Company will seek to lift production volume from the previous quarter with combined increases in coal hauling and overburden waste removal across its three operating mines in 4Q.

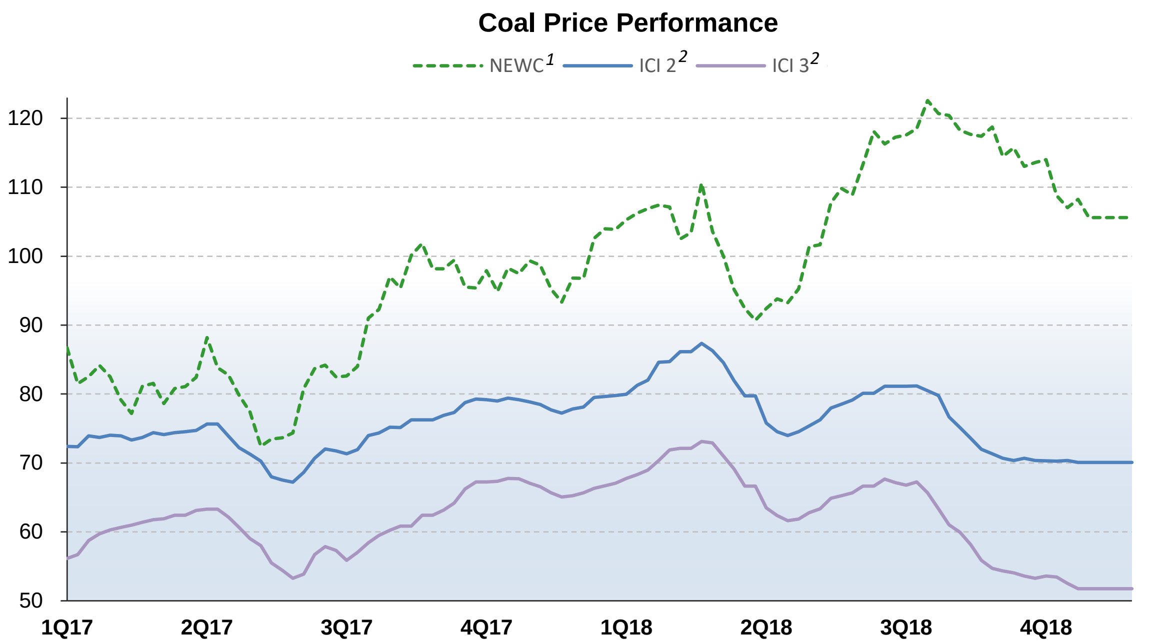
At the MSJ mine, the overburden removal will drop slightly with an uptick in coal hauling to HE’s processing facility. This will result in a quarterly strip ratio below SR 9:1 - the lowest quarterly strip ratio for the year. The increase in coal production will provide the Company with additional product to sell, but, unfortunately, the release of additional tonnage comes at a time of softening in the market. Further increases to production volumes above current levels will be highly dependent on improved market conditions as we enter 2019. Current indications are that seaborne coal market will remain under pressure as we close out this year.

At the KUP mine, the 4Q coal production will drop to its lowest level since operations commenced in late 2017. As advised in the Company’s 3Q Outlook, the main reason for the delay in ramping up is the slower than expected access to land. Clearing and development of pits and waste dump footprints are therefore taking significantly longer, thus the ramp up in KUP's operations will be pushed back into 1H 2019.

Fortunately, the Company utilizes the services of the same mining contractor at both KUP and SB, respectively. This has permitted the seamless transfer of men and equipment from the KUP project to SB. This has helped accelerate the re-opening of the SB mine. With additional contractor resources put to work, the operations at SB are advancing ahead of mine plan and the coal hauling run-rate for this quarter should be ahead of the Company's initial forecasts. After 4 years of care and maintenance, the Company will make its first coal sales from SB in 4Q.

The project status of the Company’s 4th asset, TBH, remains on hold. The Company continues to assess development options for TBH with the hope of commencing operations next year, but again, this is subject to the prevailing market conditions.

Markets and Sales



Source: globalCOAL, Argus
(1) GC Newcastle Benchmark based on coal CV of 6,322 Kcal/kg GAR / 6,700 Kcal/kg GAD
(2) ICI 2 (Indonesian Coal Index 5,800GAR/5,500NAR), ICI 3 (Indonesian Coal Index 5,000GAR/4,600NAR)

NEWC Global Coal Index still performed well throughout 3Q 2018 averaging around USD117. The October 2018 Japanese Reference Price for thermal coal between Japan Power Utilities (JPUs) and Australian suppliers also resulted almost the same as April 2018 level at close to USD110, which shows that high CV coal going into Japan still fetches high prices. This development, however, is not followed by markets elsewhere. Starting July this year, the medium CV coal indices (ICI2 and ICI3) have been trending down at a much rapid pace compared with NEWC. A key reason for this situation is the development in the Chinese market. On the other hand, the Indian market has showed some life, but not strong enough to offset the weakness from China.

There are at least three key factors that affect slowdown of coal imports from China:
1. Knock-on effects of the US vs China trade dispute on China's economic activity and the USD/RMB exchange rate
2. China's government regulatory stance on coal imports
3. Domestic Chinese coal supply delivering a surprise.

The ongoing trade dispute between US and China is unnerving to the coal market, because it's unclear how long it will last. Many fear tighter trade conditions could slow down China's economy, due to the heavy tariffs imposed by the US. In fact, China's economy had slowed with 3Q GDP of 6.5%, a drop from 6.7% in 2Q and 6.8% in 1Q. The RMB has become a collateral damage, having dropped more than 9% against the USD this year, with growing signs that it may fall further to the greenback.

In early October, the Chinese government decided that coal imports will be tightly controlled for the rest of 2018. Import quotas for 2018 will not be increased and total imports in 2018 will not exceed that of last year. At the same time, China's total coal production in 9M 2018 came in at a surprising 2.59 billion tonne, growing 5% from 2.45 billion tonne in the same period 2017. It suggests that the country's thermal coal market remained well-supplied, indicating less pressure to increase coal imports for the rest of 2018.

On the other hand, India thermal coal imports have been rising in 2018 amid a domestic supply shortfall and firm demand from the power generation sector. Coal imports rose 18% for the year from January to September, to 125Mt from 106Mt in 2017. Receipts have gained year on year for six consecutive months.

Indonesian material is still in demand from Indian buyers, but firm bids are increasingly hard to come by, in what is perceived to be a falling market and the Rupee's weakness vs USD. The Rupee has fallen more than 12% year to date and counts among the worst-performing emerging market currencies. With freight also ticking higher, Indian buyers are understood to be leaving purchasing as late as possible hoping for some respite from either currency or freight.

As such, the strength in the Indian market is not enough to offset the weakness in China, and lift sentiment for the seaborne market. Weakness is expected to persist for the remainder of the year, at least until the winter buying season comes into full swing.

In our case, we have some additional production in 4Q and, in line with this, our sales volume is well positioned. We are aiming for total shipments in 4Q to reach about 2Mt with the bulk of that tonnage already sold.

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SUMMARY FINANCIAL STATEMENTS
Consolidated Statements of Profit or Loss
For The Nine Month Periods Ended 30 September 2017 and 2018

Consolidated Statements of Profit or Loss							(in USD millions)
		Unaudited	Unaudited		Unaudited	Unaudited	
Description		2Q18	3Q18	*% chg*	9M17	9M18	*% chg*
Revenues		**66.3**	**79.8**	***20.4%***	**238.5**	**233.0**	***-2.3%***
Cost of revenues & direct costs		(46.9)	(55.8)	19.1%	(159.3)	(158.5)	-0.5%
Gross profit		**19.4**	**24.0**	**23.5%**	**79.3**	**74.5**	**-6.1%**
Operating expenses		(8.5)	(14.3)	67.6%	(27.7)	(32.3)	16.8%
Operating profit		**10.9**	**9.7**	**-11.1%**	**51.6**	**42.2**	**-18.3%**
Depreciation and amortization		4.5	4.0	-10.3%	9.2	11.5	25.3%
EBITDA		**15.4**	**13.7**	**-10.9%**	**60.8**	**53.7**	**-11.7%**
Equity in net loss of associate and joint venture		(0.3)	0.2	155.9%	(0.4)	(0.3)	-0.3%
Other gains (losses)		(1.1)	0.3	129.8%	0.8	(1.7)	-305.2%
NPBT		**9.5**	**10.2**	**6.8%**	**52.1**	**40.1**	**-22.9%**
Income tax expense - net		(3.5)	(2.5)	-29.2%	(12.0)	(10.6)	-11.7%
Net profit		**6.0**	**7.7**	**27.5%**	**40.0**	**29.5**	**-26.3%**
Attributable to:							
Owners of the Company		**4.6**	**5.6**	**22.2%**	**32.6**	**22.7**	**-30.3%**
Non-controlling interests		1.5	2.1	43.7%	7.4	6.8	-8.2%
Less: MI preferred dividend		*0.5*	*0.9*	*70.6%*	*2.6*	*2.1*	*-20.7%*
Core net income		*5.5*	*6.8*	*23.5%*	*37.4*	*27.4*	*-26.7%*
Gross profit margin		29.3%	30.1%		33.2%	32.0%	
Operating profit margin		16.4%	12.1%		21.6%	18.1%	
EBITDA margin		23.2%	17.1%		25.5%	23.1%	
Net profit margin		6.9%	7.0%		13.7%	9.8%	
Sales volume	(million tonne)	0.9	1.1	27.9%	3.6	3.1	-15.3%
Coal purchase volume	(million tonne)	0.2	0.2	3.6%	0.6	0.5	-3.3%
Production volume	(million tonne)	0.8	1.3	61.7%	3.2	2.9	-9.5%
Monthly prod. run rate	(million tonne)	0.3	0.4	61.7%	0.4	0.3	-9.5%
Average sales price	(US$/tonne)	73.1	69.9	-4.5%	63.7	72.2	13.4%
FOB vessel cash cost *)	(US$/tonne)	44.3	42.4	-4.2%	36.8	42.5	15.3%
Royalty	(US$/tonne)	7.5	7.2	-4.6%	6.7	7.5	12.1%
Commissions, DMO and G&A	(US$/tonne)	7.8	10.9	38.6%	5.5	8.5	52.6%
Total cash cost	(US$/tonne)	59.6	60.5	1.4%	49.0	58.4	19.1%
Average fuel price purchased	(US$ per litre)	0.6	0.7	7.4%	0.5	0.6	23.0%
Stripping ratio	(times)	11.0	11.2		8.2	10.6	
Overburden volume	(million bcm)	9.0	14.9	64.7%	26.7	31.3	17.2%
Total inventory							
Raw coal	(million tonne)	0.1	0.2		0.0	0.2	
Industrial coal	(million tonne)	0.4	0.7		0.4	0.7	

Note:
**) FOB Vessel Cash Cost consists of mining, haulage, coal purchased, transportation and fixed/overhead costs, excluding depreciation and amortization, marketing, general and administrative, and royalty payments, as well as any one-off cost item*

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SUMMARY FINANCIAL STATEMENTS
Consolidated Statements of Financial Position
As of 31 December 2017 and 30 September 2018

Consolidated Statements of Financial Position			(in USD millions)
	Audited	Unaudited	
Description	**31-Dec-17**	**30-Sep-18**	***% change***
Cash and cash equivalents	266.4	232.7	*-12.6%*
Other financial assets	4.3	4.5	*5.9%*
Trade receivables	25.6	30.2	*17.9%*
Inventories	11.6	31.6	*172.0%*
Prepaid Expenses	1.2	2.2	*91.5%*
Advances	8.7	7.9	*-9.0%*
Deferred tax assets - net	2.9	2.5	*-15.1%*
Investments in an associate & joint venture	5.4	-	*-100.0%*
Property and equipment - net	80.5	83.5	*3.7%*
Deferred exploration & development expenditures - net	41.0	49.5	*20.6%*
Stripping activity assets	0.2	3.1	*1718.5%*
Mining properties	2.2	6.4	*187.8%*
Others	9.5	10.1	*6.6%*
Total Assets	**459.4**	**464.1**	***1.0%***
Trade payables	31.4	50.3	*60.4%*
Taxes payable	12.8	2.4	*-81.6%*
Accrued expenses	4.1	12.9	*211.3%*
Payable to non-controlling interests	4.8	7.5	*55.2%*
Estimated liability for environmental management	3.3	6.3	*92.5%*
Post-employment benefits obligation	5.8	6.1	*4.0%*
Other Liabilities	1.4	1.3	*-3.6%*
Total Liabilities	**63.6**	**86.7**	***36.4%***
Total equity attributable to owners of the Company	315.3	291.5	*-7.6%*
Non-controlling interests equity	80.6	86.0	*6.7%*
Total Equity	**395.9**	**377.4**	***-4.7%***
Net debt/(net cash)*	(266.4)	(232.7)	
Net debt/(net cash) to equity (x)	(0.8)	(0.8)	
Current ratio (x)	5.5	3.8	
Trade receivables days	27.9	32.7	
Trade payables days	57.1	70.3	

Notes:
**) 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 Nine-Month Periods Ended 30 September 2017 and 2018

Consolidated Statements of Cash Flows			(in USD millions)
	Unaudited	Unaudited	
Description	**9M17**	**9M18**	***% chg***
Cash Flows From Operating Activities			
Cash generated from operations	231.3	228.4	*-1.2%*
Cash paid related to operations	(208.3)	(196.1)	*-5.9%*
Net Cash Provided by Operating Activities	**22.9**	**32.3**	*40.7%*
Cash Flows From Investing Activities			
Interest received	2.7	3.5	*31.6%*
Additional in deferred exploration and development expenditures	(3.7)	(2.8)	*-25.7%*
Net payment for fixed assets	(0.7)	(2.1)	*205.5%*
Net cash outflow on acquisition of subsidiary	-	(6.1)	*n/a*
Others	(0.5)	(0.3)	*-35.1%*
Net Cash Used in Investing Activities	**(2.3)**	**(7.8)**	*241.6%*
Cash Flows From Financing Activities			
Payment of dividend:			
The Company	-	(45.0)	*n/a*
Subsidiaries to non-controlling interests	(1.7)	(1.3)	*-27.0%*
Payment of loan to a third party	-	(10.4)	*n/a*
Acquisitions of treasury stock	(9.0)	(1.5)	*-83.3%*
Net Cash Used in Financing Activities	**(10.7)**	**(58.2)**	*445.0%*
Net Increase in Cash and Cash Equivalents	**10.0**	**(33.7)**	*-437.5%*
Cash and Cash Equivalents at Beginning of the Year	**231.0**	**266.4**	
Cash and Cash Equivalents at End of the Period	**241.0**	**232.7**	

For further information, investors and shareholders can contact :

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