

1 August 2024

PT HARUM ENERGY Tbk 1H 2024 Summary and Highlights

Important Note: The results provided below reflect the unaudited consolidated results of PT Harum Energy Tbk. ("the Company") for the 6-month period ending 30 June 2024 ("1H 2024"), 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 Harum Nickel Perkasa ("HNP"), PT Tanito Harum Nickel ("THN"), PT Harum Nickel Industry ("HNI"), PT Infei Metal Industry ("IMI"), PT Position ("POS") and PT Blue Sparking Energy ("BSE"). The report below is prepared by the management and unaudited.

- The Company's consolidated revenues in 2Q 2024 rose 24.3% higher quarter-on-quarter (q-o-q) to USD 330.7 million, bringing the total revenue in the first 6 months of 2024 to USD 596.7 million or 21.2% growth year-on-year (y-o-y);
- In 2Q 2024, the revenue contribution from the Nickel Business Unit (56.8%) surpassed that of the Coal Business Unit (43.2%) for the first time, marking a significant milestone in the Company's business transformation;
- Quarterly EBITDA in 2Q 2024 reached USD 73.6 million or 20.1% lower q-o-q. EBITDA generated in 1H 2024 was USD 165.7 million or 31.5% lower y-o-y;
- Total coal sales volume for 2Q 2024 came at 1.6 million tonnes (Mt) with an Average Coal Sales Price (ACSP) of USD 88.7 per tonne (/t). For 1H 2024, coal sales volume is 3.2Mt with an ACSP of USD 94.5/t;
- The Company's overall nickel sales volume in 2Q 2024 grew by 63.1% q-o-q to 13,874 tonne at an Average Nickel Sales Price (ANSP) of USD 13,537/t or 18.3% higher q-o-q. Total nickel sales volume in 1H 2024 is 22,383 tonne;
- Consolidated net profit attributable to owners of the parent in 1H 2024 reached USD 37.4 million.

Consolidated		1Q 2024	2Q 2024	Q-o-Q change	1H 2023	1H 2024	Y-o-Y change
Coal Sales Volume	Mt	1.7	1.6	-5.7%	3.6	3.2	-10.9%
Average Coal Sales Price	USD/t	99.9	88.7	-11.2%	135.6	94.5	-30.3%
Nickel Sales Volume	tonne	8,509	13,874	63.1%	-	22,383	-
Average Nickel Sales Price	USD/t	11,439	13,537	18.3%	-	12,740	-
Revenues	USD million	266.0	330.7	24.3%	492.2	596.7	21.2%
EBITDA	USD million	92.1	73.6	-20.1%	242.0	165.7	-31.5%
Profit for the period attributable to Owners of the parent	USD million	1.0	36.4	3584.5%	150.6	37.4	-75.2%

Coal Business Unit

Production and Sales

The Company's coal production in 2Q 2024 totaled 1.7 Mt, which brings its total coal production in the first six months of 2024 to 3.5 Mt. In the same period, the Company sold 1.6 Mt of coal, which is 5.7% lower than the previous quarter's sales. Overall, the Company's sales volume reached 3.2 Mt in 1H 2024, or 10.9% lower than the volume sold in the same period a year ago.

The Company's ACSP declined by 11.2% q-o-q in 2Q 2024 to USD 88.7/t from USD 99.9/t achieved in 1Q 2024, which was primarily caused by higher proportion of lower-priced domestic sales in 2Q 2024. In the first six months of 2024, the Company's ACSP decreased by 30.3% y-o-y to USD 94.5/t from USD 135.6/t in 1H 2023, which is in line with the downward trend of global coal prices during the respective periods.

Due to the lower coal sales volume and lower ACSP, the Company recorded coal revenue of USD 142.9 million in 2Q 2024, compared with USD 168.6 million in 1Q 2024 or 15.3% lower q-o-q. For 1H 2024, the Company's coal revenue was USD 311.5 million, or 36.7% lower y-o-y than the USD 492.2 million recorded in 1H 2023, which is attributable mainly to lower average selling prices.

Coal Production Cost

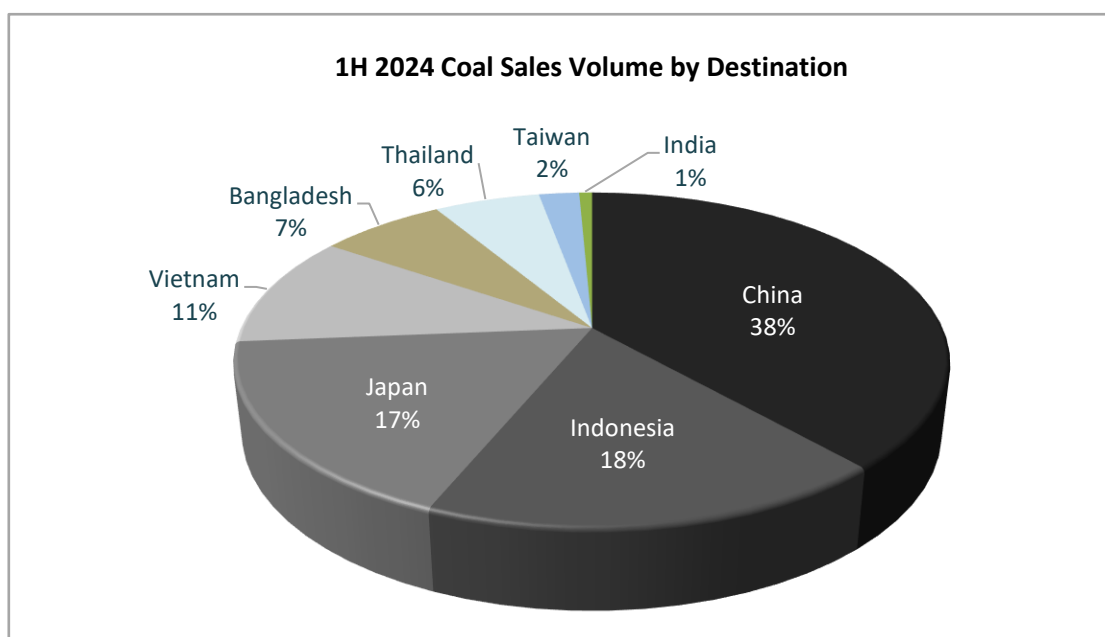
The overall production cash cost per tonne (/t) for coal on a normalized basis in 1Q 2024 (after adjusting for DMO-related provisions) was comparable with the previous quarter. For the first six months of 2024, the Company's overall coal production cash cost/t on a normalized basis declined by 8.8% y-o-y, which mainly resulted from lower royalty expense/t.

Environment, Health and Safety (EHS)

2Q 2024 was a successful period for our EHS efforts in coal mining operations, with no reportable lost-time accidents or environmental incidents.

Marketing

The Company's coal sales during the first six months of 2024 were sold to China (38%), followed by Indonesia (18%), Japan (17%), Vietnam (11%), Bangladesh (7%), Thailand (6%), Taiwan (2%) and India (1%).



Nickel Business Unit

In the second quarter of 2024, the Company signed a Memorandum of Understanding with Eternal Tsingshan Group Limited (ET). This partnership is intended to combine the strengths and expertise of both organizations to improve efficiency and performance in our nickel mining and processing operations, as well as facilitate closer collaboration on future projects within the nickel supply chain.

The key points of the Memorandum of Understanding include establishing a strategic cooperation with ET to jointly manage and develop projects in the Company's nickel portfolio, which include the planned issuance of mandatory convertible notes to ET, giving them the right to subscribe up to 49% ownership in the nickel portfolio, while the Company remains the majority shareholder. The proceeds from these notes will be used to settle liabilities related to the acquisition of interests in our nickel portfolio.

A major financial benefit of this partnership is the improvement of our capital structure. Through issuance and conversion of the notes, we expect to lower our liabilities to equity ratio, and strengthen our financial position to support our long-term growth. Our strategic alliance aims to create an integrated nickel industry portfolio, from mining to processing and refining. This is expected to diversify our nickel products and provide better earnings stability, thus enhancing our ability to raise funds for future developments. The partnership will also enable us to access advanced technology and valuable marketing expertise, as well as connect to global stainless steel and battery supply chains. These efforts position us to seize new opportunities and drive sustainable growth in the nickel sector.

Operating companies of the Nickel Division

		PT Position (POS)	PT Infei Metal Industry (IMI)	PT Westrong Metal Industry (WMI)	PT Blue Sparking Industry (BSE)
					
Description		Nickel laterite mine	2-line 60kVA RKEF smelter	4-line 60kVA RKEF smelter & sulfidation converter	3 line/train HPAL
Product		Limonite & Saprolite 	Nickel Pig Iron 	Nickel Matte 	Mixed Hydroxide Precipitate 
Estimated Resources	<i>million DMT</i>	215	-	-	-
Annual	<i>ton</i>	-	200,000	400,000	382,400
name plate capacity	<i>indicative metals contained (ton)</i>	-	28,000	56,000	67,000 nickel 7,500 cobalt
Operational status		Under development. Target commercial operation in 3Q 2024	Operating	Operating	Under development. Target commercial operation in 2026

Summary of Smelter Operational and Financial Performance

Consolidated		1Q 2024*	2Q 2024	Q-o-Q change	1H 2024
Nickel Metal Production	tonne	8,287	14,826	78.9%	22,113
Nickel Sales Volume	tonne	8,509	13,874	63.1%	22,383
Average Nickel Sales Price (ANSP)	USD/t	11,439	13,537	18.3%	12,740
Nickel Revenues	USD million	97.3	187.8	93.0%	285.1
Nickel EBITDA	USD million	10.7	28.9	169.8%	39.6

*The 1st quarter EBITDA of WMI is based only for the month of March 2024.

Average nickel sale price (ANSP) grew 18.3% q-o-q to USD 13,537, which is attributable to both higher average nickel market prices and higher volume of nickel matte sales in 2Q 2024 as WMI had a full quarter of commercial production. As a result, the EBITDA from the nickel business unit also rose sharply during the quarter to USD 28.9 million or 169.8% higher q-o-q.

Macroeconomic conditions in the second quarter of 2024 remained constructive, following the dovish statements from the US Federal Reserve, and the support from Chinese authorities to key sectors with fiscal and monetary stimulus. A new round of sanctions against Russian nickel exports announced in mid-April brought hope supporting nickel prices. Despite the markets being well supplied, nickel prices rallied further in May 2024 due to civil unrest in New Caledonia, creating concerns on possible supply disruption. In Indonesia, delays in issuing mining quotas and heavy rains have hurt local supply of nickel ore. The tight supply of nickel ore has constrained the industry output and supported prices of nickel products.

PT Infei Metal Industry (IMI)

During 2Q 2024, IMI's RKEF operations sold 5,509 tons of nickel metal equivalent (in the form of nickel pig iron ("NPI")) and recorded revenue of USD 62.7 million, or 14.6% lower q-o-q, mainly due to lower sales volume.

PT Westrong Metal Industry (WMI)

WMI continued to ramp up production of high-grade nickel matte in 2Q 2024, recording a sale of 8,365 tons of nickel metal which translates into revenue of USD 125.1 million. WMI recorded its maiden sale of nickel matte in March 2024. Nickel matte is an intermediate nickel product used in producing nickel sulfate, amongst others, which is an essential material for the battery supply chain. In 2Q 2024, the nickel matte from WMI was processed by factories that exported the end products to buyers in Europe in 2Q 2024.



WMI Nickel Matte

PT Blue Sparking Energy (BSE)

BSE is progressing well with ongoing earthworks and facility foundation construction on site. Long lead items fabricated in China, the US, and Europe are on schedule, with major deliveries expected in stages during 3Q and 4Q 2024.



Foundation bearing platform steel bar fabrication and binding



Howden Fan equipment for Acid Plant Blower from Germany



Valves for Autoclaves from the U.S.

Environmental, Social and Governance (ESG)

We are strongly committed to maintaining a safe and healthy working environment for our employees. IMI and WMI are currently in the process of obtaining ISO 9001 for quality management, ISO 14001 for environmental management, and ISO 45001 for occupational health and safety management, which is expected to be completed in 4Q 2024. These certifications will ensure that we meet the highest international standards for operations.

At our nickel ore mine, PT POS, as part of our community development and empowerment program, we initiated a program for planting mangrove seedlings to help with land rehabilitation in collaboration with local youth groups. We are also constructing a nursery to generate saplings and providing the local human resources to run the nursery sustainably and autonomously.



Mangrove planting program at POS

Profitability

The Company recorded overall gross profit margin of 23.8% in 2Q 2024, or slightly lower than the 26.3% margin achieved in 1Q 2024 because of higher contribution from the nickel business unit which carries lower margin. Year-on-year, the Company recorded a lower gross profit margin of 24.9% in 1H 2024 compared with a gross margin of 51.5% in 1H 2023 when the Company's ACSP was much higher.

In 2Q 2024, the Company generated a quarterly EBITDA of USD 73.6 million or 20.1% lower q-o-q than USD 92.1 million generated in 1Q 2024. The lower EBITDA is attributable to lower EBITDA contribution from the coal business unit due to the lower ACSP and lower sales volume in the quarter, which is only partially offset by the growth in EBITDA generated from the nickel business unit during the same period. Overall, the total consolidated 1H 2024 EBITDA is USD 165.7 million, or 31.5% lower y-o-y than the USD 242.0 million generated in 1H 2023. Hence, the EBITDA margin in 1H 2024 decreased to 27.8% from 49.2% in 1H 2023 due to lower ACSP and higher contribution from the nickel business unit.

Due to the above factors, the quarterly consolidated net profit attributable to the owners of the parent in 2Q 2024 increased to USD 36.4 million, compared to USD 1.0 million in the previous quarter (after taking into account the one-off change in fair value of investment of USD 30.7million in 1Q 2024). For the first six months of 2024, the net profit attributable to the owners of the parent amounted to USD 37.4 million, or 75.2% lower than from USD 150.6 million recorded in 1H 2023. However, excluding the one-off adjustments in 1Q 2024, the Company's normalized net profit attributable to parents in 1H 2024 would have been approximately USD 68.1 million, which reflects a 54.8% decline y-o-y from 1H 2023.

Balance Sheet

During the first six months of 2024, the Company continued to maintain a robust and liquid balance sheet. As of 30 June 2024, the Company recorded total assets of USD 2,544.5 million or 55.8% higher than USD 1,633.1 million recorded at the end of 2023. The overall increase in the Company's total assets is primarily a result of the consolidation of WMI's balance sheet post the acquisition of a majority stake in WMI in January 2024.

The Company's current assets rose to USD 610.2 million as of 30 June 2024, or 41.2% higher than USD 432.3 million recorded as at 31 December 2023. As of 30 June 2024, the Company maintained a consolidated cash and cash equivalents balance of USD 194.5 million.

The Company's non-current assets increased to USD 1,934.2 million as at 30 June 2024 from USD 1,200.8 million as at 31 December 2023. The net movement of fixed assets and goodwill mainly came from the Company's additional equity investments in BSE and WMI during the period.

Total capital expenditure in the first six months of 2024 was USD 44.8 million mainly in relation to (i) addition of mine properties in POS, MSJ and SB; (ii) addition of construction in progress in BSE; (iii) purchase of vehicles and heavy equipment; (ii) maintenance expenditure for the barging fleet owned by LLJ.

The Company's total liabilities as of 30 June 2024 increased to USD 1,168.4 million from USD 458.4 million recorded at the end of 2023. The increase in liabilities is mainly attributable to increases in notes payable related to the additional stake acquisitions at WMI and SNMI, bank loans, and increase in the payable to non-controlling shareholders.

The equity attributable to owners of the parent as at 30 June 2024 was USD 922.2 million, which reflects a 4.1% increase from the position as at 31 December 2023, due to the additional income generated during the period.

3Q 2024 Outlook

Coal Operations

The Company's operating coal mine, MSJ, has so far this year been producing ahead of the annual plan, primarily because of drier weather and stronger-than-expected contractor performance. To balance the production as per initial plan, MSJ plans to keep overburden volumes in the coming quarter at a similar level to 2Q 2024.

As mentioned in the previous quarterly update, the Company has recently conducted an extensive exploration drilling programme at SBB's Birawa Block. All fieldworks, including drilling and analysing drill cores, were completed at the end of 2Q 2024. The Company's geological team, working with external consultants, are currently validating the coal quality data and will aim to publish JORC resources and reserves by the end of 3Q 2024.

Coal Markets and Sales

Indonesian thermal coal export volume for 1H 2024 has reached 270Mt, an 8% increase (21Mt) compared to the same period last year. This amount annualizes at 544Mt, up from 515Mt in 2023, marking the largest 1H 2024 export volume on record. China was again the largest buyer, purchasing 115.74Mt (43% of all coal exports), followed by India with 59Mt (22%).

The global coal market remains well-supplied. Indonesia produced 387Mt in the first 6 months of 2024, or 7Mt higher than 1H 2023 production of 380Mt, but is still below the annual RKAB production limit of 922Mt. With little constraints on production volumes, capacity, or logistics, incremental demand from the export market is met quickly by this supply boost.

The largest demand markets (China, India, Japan, and Korea) have seen above average stock levels. Economic headwind in China has resulted in lower manufacturing and weak cement output due to the ongoing real estate crisis, dragging down coal consumption. Additionally, Chinese hydro generation, driven by strong rainfall, has increased by 21% year on year, contributing to over 22% of the country's power generation. Despite high temperatures in 3Q 2024, these factors have dampened the bullish momentum typically seen in June and July restocking.

However, there are a few bright spots. Bangladesh's coal-fired power generation has increased to over 25% of total generation as new power plants come online. At the same time, Vietnam's soaring temperatures are expected to keep import demand strong, with annual imports expected to exceed 40Mt. On the domestic side, PLN has indicated very low stocks at several power stations, which might result in a reallocation from export to domestic, providing pricing support in the export market for 3Q 2024.

Looking ahead to 3Q 2024, we anticipate soft prices to continue due to high stocks and ample supply. Indonesian thermal coal is likely to trade at the lower end of recent pricing ranges while gencos destock existing inventory in advance of the 4Q 2024 heating season.

SUMMARY FINANCIAL STATEMENTS
Consolidated Statements of Profit and Loss
For the six months ended 30 June 2023 and 2024

Consolidated Statement of Profit or Loss				(in USD millions)		
Description	Unaudited	Unaudited	% chg	Unaudited	Unaudited	% chg
	1Q24	2Q24		1H23	1H24	
Revenues	266.0	330.7	24.3%	492.2	596.7	21.2%
Cost of revenues & direct costs	(195.9)	(252.1)	28.7%	(238.9)	(448.0)	87.5%
Gross profit	70.1	78.6	12.2%	253.4	148.7	-41.3%
Operating expenses	(1.9)	(19.5)	946.0%	(42.8)	(21.3)	-50.2%
Operating profit	68.2	59.2	-13.2%	210.6	127.4	-39.5%
Depreciation and amortization	23.9	14.4	-39.7%	31.4	38.3	22.0%
EBITDA	92.1	73.6	-20.1%	242.0	165.7	-31.5%
Share of profit of associates	0.9	0.9	3.8%	21.1	1.8	-91.3%
Other income (expense)	(40.6)	(7.4)	-81.8%	2.0	(48.0)	-2538.2%
Profit before income tax	28.5	52.7	84.8%	233.7	81.3	-65.2%
Income tax expense	(18.3)	(9.4)	-48.8%	(47.2)	(27.7)	-41.2%
Profit for the period	10.2	43.3	324.6%	186.5	53.6	-71.3%
Attributable to:						
Owners of the parent	1.0	36.4	3584.5%	150.6	37.4	-75.2%
Non-controlling interests	9.2	7.0	-24.4%	35.9	16.2	-54.9%
Gross profit margin	26.3%	23.8%		51.5%	24.9%	
Operating profit margin	25.6%	17.9%		42.8%	21.4%	
EBITDA margin	34.6%	22.3%		49.2%	27.8%	
Net profit margin	0.4%	11.0%		30.6%	6.3%	
Nickel sales volume (tonne)	8,509	13,874	63.1%	-	22,383	n/a
Nickel production volume (tonne)	8,287	14,826	78.9%	-	23,113	n/a
Average nickel sales price (ANSP) (US\$/tonne)	11,439	13,537	18.3%	-	12,740	n/a
Coal sales volume (million tonne)	1.7	1.6	-5.7%	3.6	3.2	-10.9%
Coal production volume (million tonne)	1.9	1.7	-12.1%	3.5	3.5	2.3%
Monthly coal production run rate (million tonne)	0.6	0.6	-12.1%	0.6	0.6	2.3%
Average coal sales price (ACSP) (US\$/tonne)	99.9	88.7	-11.2%	135.6	94.5	-30.3%
Stripping ratio (times)	9.8	9.6		8.6	9.7	
Overburden volume (million bcm)	18.5	15.8	-14.3%	29.8	34.3	15.0%

SUMMARY FINANCIAL STATEMENTS
Consolidated Statements of Financial Position
As of 31 December 2023 and 30 June 2024

Consolidated Statement of Financial Position		(in USD millions)	
Description	Audited	Unaudited	% change
	31-Dec-23	30-Jun-24	
Cash and cash equivalents	157.2	194.5	23.8%
Trade receivables	111.2	156.7	40.9%
Inventories	77.8	86.9	11.7%
Prepaid Taxes	49.7	90.0	81.0%
Prepaid Expenses	9.4	13.6	44.6%
Financial investments	17.6	22.4	27.0%
Other receivables - related party	93.5	-	-100.0%
Other receivables - third party	400.0	-	-100.0%
Investments in an associate	226.1	150.0	-33.7%
Fixed assets	169.2	825.5	387.8%
Mine properties	252.6	247.7	-1.9%
Advances for purchases of fixed assets	-	427.4	n/a
Other assets	68.8	329.8	379.0%
Total Assets	1,633.1	2,544.5	55.8%
Trade payables	79.7	97.3	22.2%
Taxes payable	12.8	13.9	9.1%
Accrued expenses	39.3	13.6	-65.5%
Dividend payable	39.1	16.6	-57.5%
Notes payables	70.4	538.5	665.2%
Bank loans	139.0	282.0	102.9%
Payable to non-controlling shareholders (subsidiary)	3.1	92.0	2861.8%
Deferred tax liabilities	46.2	46.2	-0.1%
Employee benefits liability	10.2	10.1	-0.7%
Provision for environmental management	7.7	7.6	-0.5%
Other Liabilities	11.0	50.5	359.6%
Total Liabilities	458.4	1,168.4	154.9%
Equity attributable to the owners of the parent	885.8	922.2	4.1%
Non-controlling interests	288.9	453.9	57.1%
Total Equity	1,174.7	1,376.1	17.1%
Net debt/(net cash)*	(18.2)	87.5	
Net debt/(net cash) to equity (x)	(0.0)	0.1	
Current ratio (x)	1.7	0.7	
Trade receivables days	36	41	
Trade payables days	34	36	

Notes:

*) Defined as total debt, which consist of bank loans and finance lease obligations, minus cash and cash equivalents

SUMMARY FINANCIAL STATEMENTS
Consolidated Statements of Cash Flows
For the six months ended 30 June 2023 and 2024

Consolidated Statement of Cash Flows		(in USD millions)	
Description	Unaudited 1H23	Unaudited 1H24	% chg
Cash Flows From Operating Activities			
Cash generated from operations	523.0	551.1	5.4%
Cash paid related to operations	(346.7)	(489.3)	41.1%
Net Cash Provided by Operating Activities	176.3	61.9	-64.9%
Cash Flows From Investing Activities			
Additions to mine properties	(11.8)	(7.7)	-34.5%
Additions to fixed assets	(1.0)	(37.1)	3511.4%
Additions to advance of fixed assets	-	(31.7)	n/a
Payment of docking expense	(0.8)	-	-100.0%
Receipt of dividend	2.4	2.9	22.4%
Advance to third party	(100.0)	-	-100.0%
Placement of mine reclamation & closure guarantees	0.1	0.4	156.1%
Capital contribution from NCI	3.2	5.0	54.9%
Receipt cash and banks from business combination	-	19.3	n/a
Others	4.8	2.2	-54.3%
Net Cash Used in Investing Activities	(103.1)	(46.7)	-54.7%
Cash Flows From Financing Activities			
Payment of cash dividend	(63.6)	(22.5)	-64.7%
(Payment)/Proceeds from bank loan	-	143.0	100.0%
Additions to other receivables due from third party	-	(107.0)	100.0%
Repayment of other receivables due from related party	(22.0)	9.3	142.1%
Others	(0.6)	(0.6)	-1.3%
Net Cash Used in Financing Activities	(86.2)	22.2	125.7%
Net Increase in Cash and Cash Equivalents	(13.1)	37.4	386.2%
Cash and Cash Equivalents at Beginning of the Year	370.5	157.2	
Cash and Cash Equivalents at End of the Period	357.5	194.5	

For further information, investors and shareholders can contact:

PT Harum Energy Tbk
Corporate Secretary
email : corsec@harumenergy.com