

Clarification Statement regarding Negative Equity

PT Matahari Department Store Tbk ("Matahari" or the "Company") wishes to address the Special Notation E and X (5) issued by the Indonesia Stock Exchange ("IDX") effective on 2nd August 2023 concerning Negative Equity in its financial statements ending 30th June 2023. There may be concerns on the minds of investors, and the Company wishes to reassure them of the strong financial capacity and commitment to growth, which are not affected by the negative equity position.

As at 30th June 2023, the equity composition was as follows.

<i>in Million IDR</i>	Amount
Share capital	243,874
Additional paid-in capital	(3,629,906)
Treasury shares	(4,978)
Reserve for changes on fair value of financial assets	(206,024)
Retained earnings	3,436,964
Total (net deficiency)/equity	(160,070)

As can be seen from the above table, the Company has ample Retained Earnings and the negative Equity position is primarily attributed to a negative Additional Paid-in Capital of IDR 3.6 Trn. The negative Additional Paid-in Capital is a result of the merger of PT Meadow Indonesia and Matahari back in September 2011. However, it is essential to note that the Company managed to accumulate Retained Earnings of IDR 3.4 Trn over the years, showcasing resilience and ability to generate sustainable profits and consistent dividend payout profile.

The Company's Equity position in the past few periods has been positive albeit low due to the above reasons. This has been further reduced by the Company's recent dividend payout of IDR 1.2 Trn in Q2 2023 and cumulative share buyback activities of IDR 1.3 Trn since 2022.

The Company continues to demonstrate a robust financial performance, generating strong Sales and Net Income, and maintaining a healthy cash flow over the past 13 years, excluding 2020 (COVID-19). Despite the recent muted performance during 2023 Lebaran period, for the first half of 2023 alone, the Company generated an EBITDA of IDR 1,075 Bn and a Net Income of IDR 684 Bn. The Management forecasts the Equity balance by December 2023 to be positive and expects to reduce the Company's Net Debt position to around IDR 200 Bn by the end of 2023, utilizing IDR 400 Bn out of IDR 1.7 Trn Bank Loan facility.

The Company wishes to clarify that the dividend payment and share buyback activities have strictly followed due process, in compliance with OJK and other necessary regulations. The Company remains committed to strong corporate governance.

For the full-year 2023, the Board and Management are committed to paying a minimum 50% dividend payout in line with the company's published dividend policy. This dividend payout is based on the positive Retained Earnings position and robust confidence in future profitability and the growth of the business. The Company would like to highlight that in accordance with regulations it is allowed to issue a final dividend even if the equity is negative.

Looking ahead, Management expects a positive equity for 2024, even after factoring in the dividend payment. This projection demonstrates confidence in the future profitability and growth of the business.

The negative equity issue does not affect the Company's current ability to generate cash, profit, repay loans, or issue dividend. It has no impact on business sustainability. The Company has no intention or need of any rights issue.

Management appreciates the continued support and trust of shareholders, who will be rewarded as the Company achieves its strategic goals.