

The Effect of DHE SDA Policy (Natural Resource Export Proceeds)

The Market Perception of — Coal Industry

NEW GOVERNMENT REGULATION

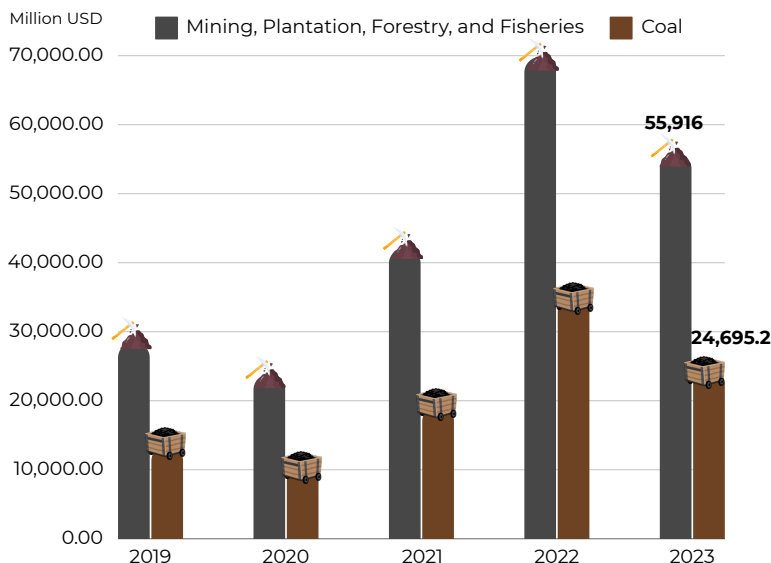
No. 36 of 2023 on Export Proceeds from Natural Resources Business Activities, Management, and/or Processing



This regulation requires exporters to retain at least 30% of their Natural Resource Export Proceeds (DHE SDA) in the Indonesian financial system, with a minimum export value of USD 250,000 and a minimum retention period of three months



Objective: to increase foreign exchange liquidity and encourage the realization of macroeconomic stability and domestic financial markets



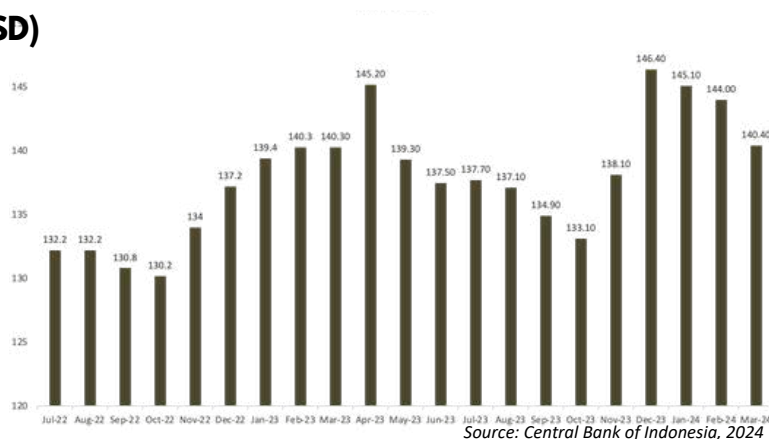
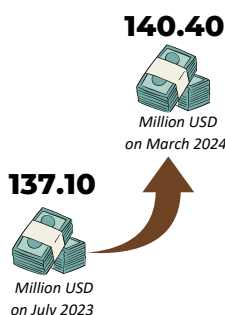
The export of natural resources in four main sectors—Mining, Plantation, Forestry, and Fisheries—reached reached USD 55.91 billion or 22% of total exports in 2023. In the same year, the mining sector contributed USD 51.52 billion (20% of total exports), with coal emerging as the sector with the highest total mining export value, reaching USD 24.69 billion (47.94% of total mining exports). This potential will be utilized by the government to strengthen the domestic economy by increasing the availability of foreign exchange domestically.

55,916 million USD
Natural Resource Export Proceeds

Source: BPS, 2023

Indonesia's Foreign Exchange Reserves (Million USD)

The mandatory policy of exporters to deposit DHE SDA at Bank Indonesia has an impact on fortifying Indonesia's foreign exchange reserves (domestic economic resilience) amidst the ongoing global economic conditions that are still unstable



Source: Central Bank of Indonesia, 2024

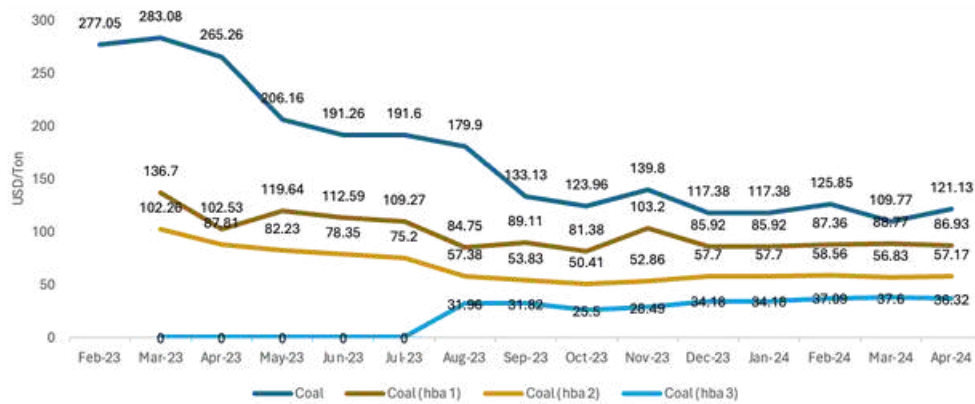
The data shows that Indonesia's foreign exchange reserves tend to increase, with financing adequacy equivalent to 6.2 months of imports and servicing of government external debt.



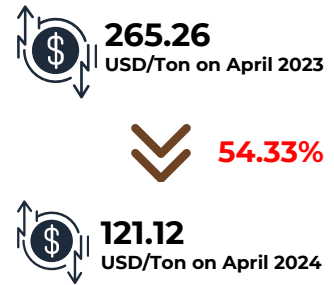
Coal companies in Indonesia are currently in the midst of severe financial liquidity problems. This is due to several factors, including:

- 01 Price**
 Significant decline in the coal reference price (HBA) over the past year
- 02 Cost**
 Increase in production costs
- 03 Natural Resource Export Proceeds**
 The existence of a minimum 3-month DHE SDA (Natural Resource Export Proceeds) policy at Bank Indonesia, which began in July 202

Country's Coal Reference Price (HBA)

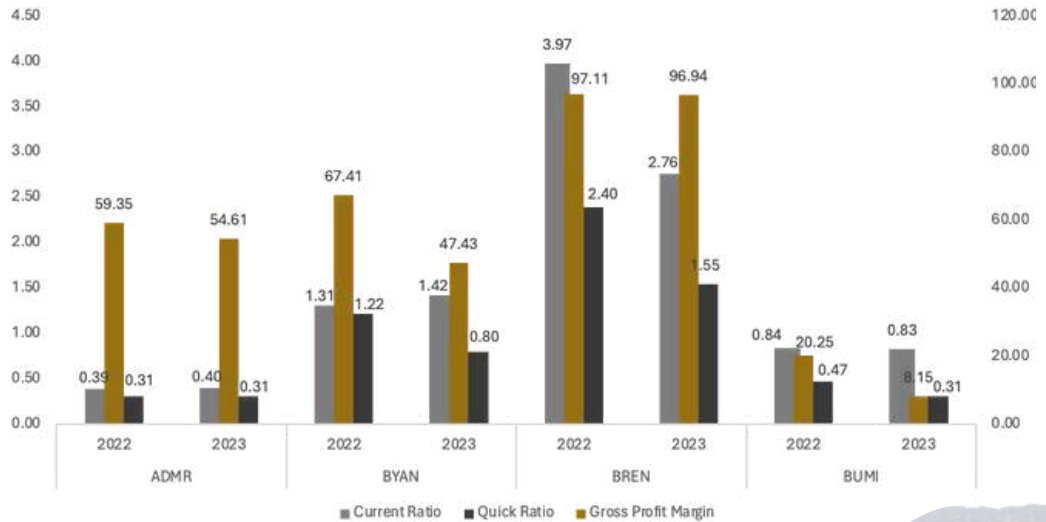


Source: Indonesian Energy and Mineral Resources Ministry, 2024



- Current Ratio**
 2022 to 2023 (yoy) **Decline**
- Quick Ratio**
 2022 to 2023 (yoy) **Decline**
- Gross Profit Margin**
 2022 to 2023 (yoy) **Decline**

Financial Performance of Coal Company



Source: SnP Capital IQ, 2024

Furthermore, three significant factors influence the company's ability in terms of cash management and corporate financing, particularly in the short term. Data from four coal mining companies—Adaro Minerals Indonesia Indonesia (ADMR), Bumi Resources Minerals (BUMI), Barito Renewables Energy (BREN), and Bayan Resources (BYAN)—indicate that all companies experienced a year-on-year decrease in Current Ratio and Quick Ratio in 2023, signaling a decline in the companies' cash performance or liquidity to meet short-term obligations. Additionally, the Gross Profit Margin for these four companies also decreased in 2023 (YoY), indicating challenges in generating sufficient profits from the companies' operational activities.