ANNUAL REPORT **2012**

MATAHARI
PT MATAHARI PUTRA PRIMA Tbk

We grow our core business to **maximize shareholders' value**


hypermart

We maintain a clear focus on meeting our customers' needs by **delivering greater range of quality products** and better shopping experience across all business formats.

VISION

To be Consumers' **Most Preferred** Retailer

MISSION

To consistently bring value fashion-right products and **services that enhance** the consumers' **quality of lifestyle**

COMPANY **MILESTONES**

1958	First store in Pasar Baru, Jakarta
1972	Pioneer of Departement Store concept in Indonesia
1980	Opening of first store outside Jakarta - Sinar Matahari Bogor
1992	IPO at Jakarta Stock Exchange and Surabaya Stock Exchange
1995	Core Business Expansion to Supermarket Operation. 1st Rights Issue - Rp 75 B
1996	Issuance of 5-year US$ 100 Million Bond. 2nd Rights Issue - Rp 226 B
1997	Multipolar became majority shareholder. 3rd Rights Issue - Rp 902 B
2000	Launch of Matahari Club Card (MCC)
2001	Settlement of 5-year US$ 100 Million Bond
2002	• New Management Team • Core Business Restructuring : Matahari Departement Store, Matahari Supermarket & TimeZone • Independent and transparent Business Units. Issuance of 5-year Obligasi I - Rp 450 B
2003	• Consolidation Year • Closure of Non-profitable stores • Re-focus to internal infrastructure, resources & company's foundation
2004	• Launch of Hypermart • Top 500 Asia Pacific Retail Award : #1 - Indonesia. Issuance of 5-year Obligasi II - Rp 300 B & Syariah I Rp 150 B
2005	• Successfull Aggresive expansion : 10 Departement Stores, 4 Kids2Kids, 13 Hypermarts, 4 Cut Prices, 1 Matahari Supermarket • First Matahari Departement Store in China • Top 500 Asia Pasific Retail Award : #1- Indonesia
2006	• Continued aggresive expansion : +18 new MDS / Hypermart / Specialty Stores. • Top 500 Asia Pasific Retail Award: #1- Indonesia • Issuance of 3-year US$ 150 M, Unsecured Notes < 10% • Company Ratings : B1 (Moody's) and B+ (Standard and Poor's)
2007	• Continued aggresive expansion : +15 new MDS / Hypermart / Specialty Stores & 3rd Distribution Center in Eastern Indonesia • Launch of Parisian new departement store concept • Top 500 Asia Pacific Retail Award : Best of the Best • Top 500 Asia Pacific Retail Award : #1 - Indonesia • 4th Rights Issue - Rp 1 Trillion • Successfull participation in REIT program • Company Ratings : B+ (Standard & Poor's), B1 (Moody's), and A+ (PEFINDO)
2008	• Aggresive expansion : 6 MDS (incl. 3 New Generation Stores), 7 Hypermarts, 2 Foodmarts, 4 Times Bookstores • Achievements : 2008 TOP 500 Asia Pacific Retail Award : Best of The Best, 2008 TOP 500 Asia Pacific Retail Award : #1 - Indonesia, Service Quality Gold Award Excellent 2008, Indonesia Most Admired Company 2008 • Company Ratings : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's), and A+ with Stable Outlook (PEFINDO)
2009	• Issuance of 3-year US$ 200 M; 3-5 year Obligasi III - Rp 302 B; 3-5 year Syariah II - Rp 226 B • Company Ratings : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's), and A+ with Stable Outlook (PEFINDO) • Achievement : • ISO 22000:2005 Certification for Food Safety and Management System • 2009 Top 500 Asia Pacific Retail Award : Best of the Best • 2009 Top 500 Asia Pacific Retail Award : #1 - Indonesia • FAPRA Best Modern Retailer Asia Pacific Award • 2009 Top Brand Award by Frontier Group • 2009 Indonesia's Most Admired Companies Award by BusinessWeek and Frontier Group • 2009 Service Quality Award Excellent Award by Marketing Magazine.
2010	• MDS' divestment valued at Rp 7.2 trillion; Early Redemption of US$ 200 Million Bond; Rp 3 trillion interim special dividends. • **Company Ratings** : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's) and A+ with Stable Outlook (PEFINDO) • **Achievement** : 2010 Top 500 Asia Pacific Retail Award "Hall of Fame"; 2010 Top 500 Asia Pacific Retail Award : #1 – Indonesia; 2010 SUPERBRAND Award.
2011	• **Ratings** : A+ rating with Stable Outlook from PEFINDO; B+ rating with Stable Outlook from Standard & Poor's; B1 rating with Negative Outlook from Moody's • **Achievements** : 2010 Retail Asia Top 500 Awards for the 8th consecutive years from Retail Asia, Euromonitor International and KPMG; 1st Ranking of SWA 100: Indonesia Best Public Companies 2011 for Retailing Category, Record breaking for the opening of 12 Hypermart stores.
2012	• B2 rating with Stable Outlook from Moody's; A+ with Stable Outlook from PEFINDO; B+ with Stable Outlook from Standard & Poor's. • **Achievements** : 2012 Retail Asia Top 500 Awards from Retail Asia, Euromonitor International, KPMG; Super Brands Award from SuperBrands Indonesia; Social Media Achievement Award 2012 from Majalah Marketing Publication; Solo Best Brand Index Award 2012 from Solo Pos Media Publishing and Excellent Brand Award 2012 from Solo TV Station; 17 new Hypermart stores opening.

We are a prominent ***FMCG*** **modern retailer** with global standard of best practices.

2012 Total Revenues reached Rp 10.8 trillion, or increased

22%

Net Earning After Tax reached Rp 238.5 billion, or increased

98%

Hypermart's CAGR Growth since 2004 increased

28%

1. Herry Senjaya -- VP Finance & Accounting MFD
2. Liem Valentinus -- VP Non Food MFD
3. Eka Supriadi -- VP Logistic MFD
4. Ong Thian Yoe -- VP Fresh MFD
5. Tunggul Sinaga -- VP Hypermart Operation
6. Vincentius Sariyo -- GM Hypermart Regional 7
7. Senjaya Honggo Linando -- Srategic Plan & Business Analyst, Digital Channel Div. Head MFD
8. Safrida Kartini Sihombing -- GM Hypermart Regional 4
9. Anto Suwartono -- VP Sales Development Grocery & Non Food MFD
10. Sanny Hartono -- VP Grocery MFD
11. Oktavianus Kusuma -- GM Customer Loyalty MFD
12. Yoelius Saputra -- GM Marketing & Promotion MFD


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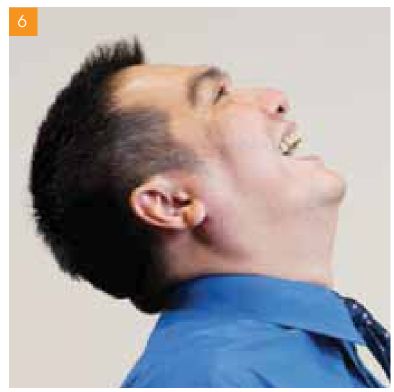
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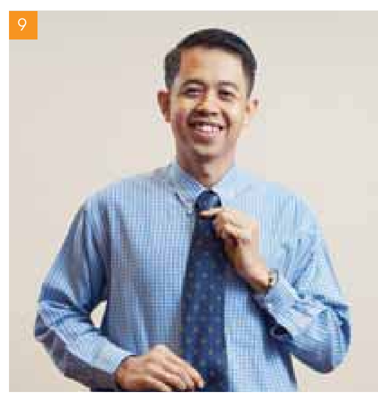
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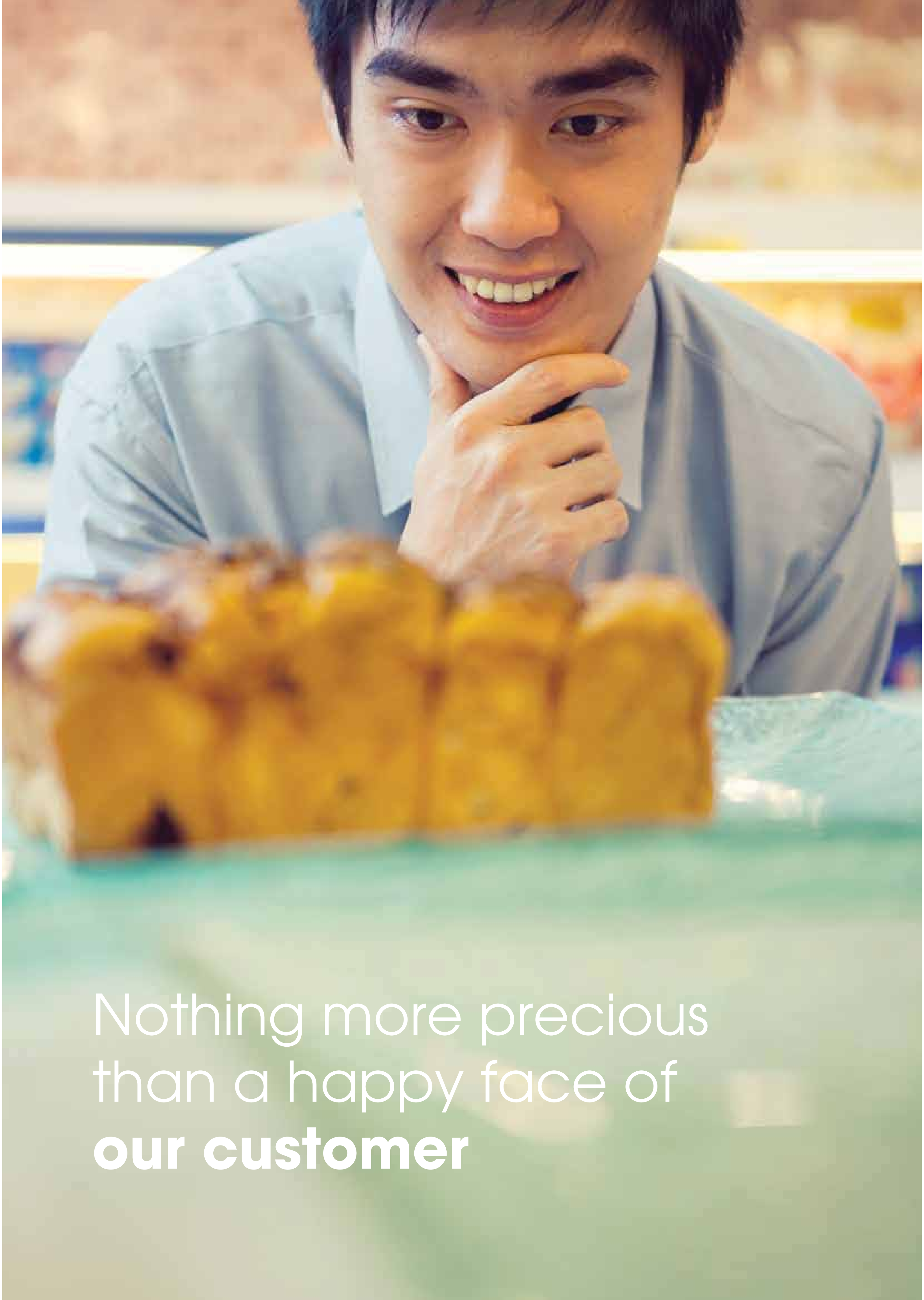

Nothing more precious
than a happy face of
our customer

COMPANY **ACHIEVEMENT**

+22%
2012 Total Revenue

+98%
2012 Net Earnings After Tax

+28%
Hypermart's CAGR Growth

In millions Rp

Total Revenues	Net Earnings After Tax	Total Equity - net
10,868,164	238,448	3,845,754
Operating Income	**Total Asset**	
312,867	8,225,206	

ACHIEVEMENT 2012

Superbrands Indonesia's Choice
2012

Anugerah Solo Best Brand Index
2012

Retail Asia Pacific Top 500
2012

Excellent Brand Award
2012

Social Media Award
2012

FINANCIAL **HIGHLIGHTS**

COMPANY **SHAREHOLDING STRUCTURE**

(as of 31 December 2012)

338,419,625
PT STAR PACIFIC Tbk.
6.29 % (6.07 %)

2,701,386,108
PT MULTIPOLAR Tbk.
50.23 % (48.22 %)

198,584,000
TREASURY SHARES
3.69 % (3.56 %)

2,338,157,067
MINORITY SHAREHOLDERS
43.48 % (41.93 %)

MATAHARI
PT MATAHARI PUTRA PRIMA Tbk

NOTE :
Figures in parentheses represents shareholding structure ownership including treasury shares

SHARE PRICE **PERFORMANCE**

(as of 31 December 2012)

	2008	2009	2010	2011	2012
Highest	690	1,050	1,830	1,850	1,630
Lowest	500	510	910	840	870
Average	669	749	1,162	1,259	1,117

DIVIDEND HISTORY

(for the last 5 years)

Fiscal Year	Net Profit (in mio Rp)	Dividend/Share (Rp)	Number of Shares	Total Cash Dividend (in mio Rp)	Dividend Payout Ratio (%)
2006	160,500	10.4	4,711,922,000	49,004	30.5%
2007	180,200	11.5	4,711,922,000	54,187	30.1%
2009	300,035	16	4,721,073,575	75,537	25.2%
		16	834,755,115	13,356 (1)	4.5%
2010	5,800,640	180	5,555,812,690	1,000,046 (2)	17.2%
		180	5,559,284,239	1,000,671 (3)	17.3%
		180	5,576,546,800	1,003,778 (4)	17.3%
		300	5,576,546,800	1,672,964 (5)	28.8%
2011	105,037	6	5,576,546,800	32,268	30.70%

(1) Additional warrant exercise from 31 December 2009 until 10 June 2010
(2) Interim Dividend I (paid on May 12, 2010)
(3) Interim Dividend II (paid on June 28, 2010)
(4) Interim Dividend III (paid on January 10, 2011)
(5) Final Dividend IV (paid on March 22, 2011)

HISTORY OF SHARE LISTING

Description	Listing Date at BEI	Total Shares
Initial Public Offering	15 December 1992	8,700,000
Company Listing	15 December 1992	33,366,320
Conversion of Convertible Bond	19 July 1993	926,457
Conversion of Convertible Bond	6 August 1993	1,727,628
Conversion of Convertible Bond	13 August 1993	824,250
Conversion of Convertible Bond	13 August 1993	3,297
Conversion of Convertible Bond	25 August 1993	1,648,500
Conversion of Convertible Bond	02 September 1993	3,297
Conversion of Convertible Bond	13 September 1993	3,297
Conversion of Convertible Bond	23 September 1993	3,297
Conversion of Convertible Bond	24 September 1993	2,884,875
Conversion of Convertible Bond	23 March 1994	3,297
Conversion of Convertible Bond	30 March 1994	3,297
Conversion of Convertible Bond	16 May 1994	9,891
Bonus Share	15 July 1994	100,215,406
Conversion of Convertible Bond	17 October 1994	9,891
Rights Issue I	30 June 1995	75,166,500
Rights Issue II	10 October 1996	225,499,500
Stock Split	15 September 1997	450,999,000
Rights Issue III	03 November 1997	1,803,996,000
Rights Issue IV	11 January 2007	2,005,928,000
Warrant Exercise	September 2009	3,181,000
Warrant Exercise	October 2009	5,970,375
Warrant Exercise	December 2009	200
Warrant Exercise	January 2010	36,532,200
Warrant Exercise	February 2010	131
Warrant Exercise	March 2010	24,775,000
Warrant Exercise	April 2010	754,259,092
Warrant Exercise	May 2010	19,185,192
Warrant Exercise	June 2010	12,469,100
Warrant Exercise	July 2010	8,252,510
Total Listed Shares		**5,576,546,800**

* As of November 27, 2012, the Company's share nominal value has been changed from Rp 500/share to Rp 50/share.

(in Billions Rp)

	2010*	2011	2012
Consolidated Statements of Comprehensive Income			
Net Sales	8,545	8,909	10,868
Gross Profit	1,867	1,558	1,897
Profit For The Year	5,819	120	239
Profit Attributable To:			
Owners of The Parent	5,800	105	220
Non-controlling Interest	19	15	19
Total Comprehensive Income For The Year	5,906	120	238
Total Comprehensive Income Attributable To:			
Owners of The Parent	5,887	105	219
Non-controlling Interest	19	15	19
Earning per share (in full Rp)	1,122	20	41
Consolidated Statements of Financial Position			
Total Assets	11,421	10,308	8,225
Total Liabilities	4,227	4,625	4,379
Total Equity	7,194	5,683	3,846
Financial Ratios			
Profit For The Year / Total Assets (%)	51.0	1.2	2.9
Profit For The Year / Total Equity (%)	80.9	2.1	6.2
Profit For The Year / Net Sales (%)	68.1	1.3	2.2
Current ratio (x)	1.8	1.2	1.9
Total Liabilities / Total Equity (x)	0.6	0.8	1.1
Total Liabilities / Total Aset (x)	0.4	0.4	0.5
EBITDA / Net Sales (%)	76.1	7.5	7.2
Net cash / equity (%)	39	(8)	24
Others			
Number of Employees	9,069	10,980	12,248
Gross Space (sqm)	396,658	456,063	544,699
Number of Stores Location	51	63	80

* PT Matahari Department Store Tbk (formerly PT Pacific Utama Tbk) was deconsolidated starting April 1, 2010

LETTER FROM **BOARD OF COMMISSIONERS**

We're **creating unique environments** and **experience** that make shopping even more convenient and enjoyable.

THEO L. SAMBUAGA
President Commissioner

Dear Shareholders,

Indonesia economy continued to do well in 2012. Despite several uncertainties and crises happened in other region of the world, the Indonesia economy continued to surge well supported by the financial monetary and political stabilities. Foreign funds inflow increased and channeled into various promising sectors which led to upward growth of regional economy as well as the record breaking financial markets. This also positively impacted to the general consumers' purchasing power and vast growth of modern lifestyles not only seen in major cities but also into smaller areas throughout the country. PT Matahari Putra Prima Tbk ("MPP"), as a prominent FMCG modern retailer, benefited with these current encouraging trends and opportunities. Accompanied with its aggressive expansion strategy, our market position has been further strengthened.

In 2012, MPP continued its growth through a series of aggressive expansion strategies seen in all of its retail businesses. The core business, Matahari Food Busines ("MFB") which operates Hypermart, Foodmart and Boston HBC, has successfully opened record breaking 17 new Hypermarts, 4 Foodmarts and 16 Boston HBC outlets throughout the year which led Hypermart to become the largest nationwide coverage with 80 stores in operation at yearend and closing the market share gap quickly to become the No.1 hypermarket operator in Indonesia in near future. Through its non-core businesses, MPP has also successfully crafted additional value-added benefits. Timezone family entertainment centers opened 9 new outlets and posted a strong 15.3% same store sales growth in its revenues. The modern international bookstore has evolved from the former Times Bookstores into the new Books & Beyond format to capture the growing modern lifestyles with quality books and modern accessories. The restaurant-chain, Teo Chew Palace Group has also successfully operated several restaurant formats from fine cuisine, casual cuisine and food court.

In 2012, MPPA has taken an important milestone to fully focus its efforts and resources to its core Hypermarket. It successfully divested all other non-core assets/businesses to its parent company, PT Multipolar Tbk ("MPC") for a total value of approximately Rp 3.2 trillion, through a mechanism of capital reduction to our valued shareholders. Moving forward, MPP with its current asset structure fully-focused toward core Hypermart, will be ready to support the dynamic and aggressive Hypermart expansion to become the leading hypermarket operator in Indonesia.

An aggressive expansion plan has been set for 2013, the Company plans to open at least 20 new Hypermarts throughout the region with particular focus toward the eastern part of Indonesia. This will continue strengthen the Company's market position within the fast-growth FMCG industry making its Hypermart brand as the growth leader in the market.

MPP Gross Sales in 2012 reached Rp 10.9 trillion, EBITDA improved to Rp 785 billion and Net Earning amounted to Rp 239 billion. Cash and cash equivalent reached approximately Rp 1.4 trillion at yearend despite aggressive new store capex, cash dividend payments and disbursement of capital reduction. Existing banking facilities are well maintained which is important to support the Company's liquidities to strengthen its leadership position in Indonesia with another phase of aggressive expansion in 2013 and beyond. MFB recorded a sales growth of 23.1% reaching Rp 10.8 trillion. Comparable store sales growth continued to produce higher results compared from its competitors at 7.9% at 2012 end. EBITDA improved more than 20% from 2011. Format innovation and improvement continued to be the cornerstone of MFB's drive of the Hypermart.

In 2012, MPP received industry recognitions and relatively sound financial ratings from rating agencies, B2 rating with Stable Outlook from Moody's, A+ with Stable Outlook from PEFINDO and B+ with Stable Outlook from Standard & Poor's. MPP also received several industry awards, e.g., the 2012 Retail Asia Top 500 Awards for the 9th consecutive years from Retail Asia, Euromonitor International, KPMG; Super Brands Award by SuperBrands Indonesia; Social Media Achievement Award 2012 by Majalah Marketing Publication; Solo Best Brand Index Award 2012 by Solo Pos Newspaper Publishing and Excellent Brand Award 2012 by Solo TV Station.

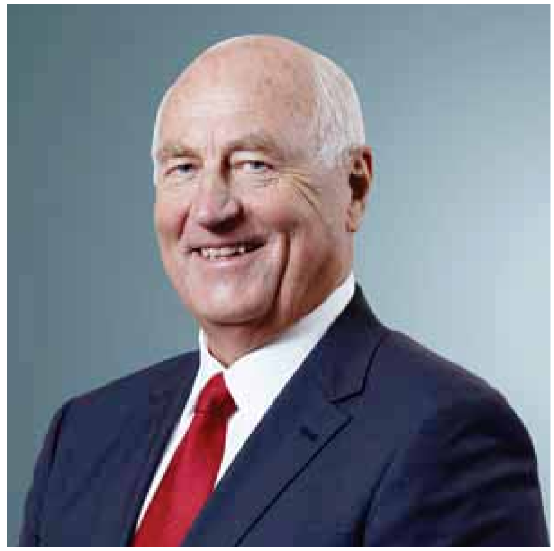
To assure Good Corporate Governance practices, our Board of Commissioners take their duties prudently in supervising and supporting Board of Directors and management team to perform their respective duties without any violation from the Company's direction and regulation. The Audit Committee reported that all business aspects had been performed prudently and correctly without any deviations to the prevailing Company's standards and procedures.

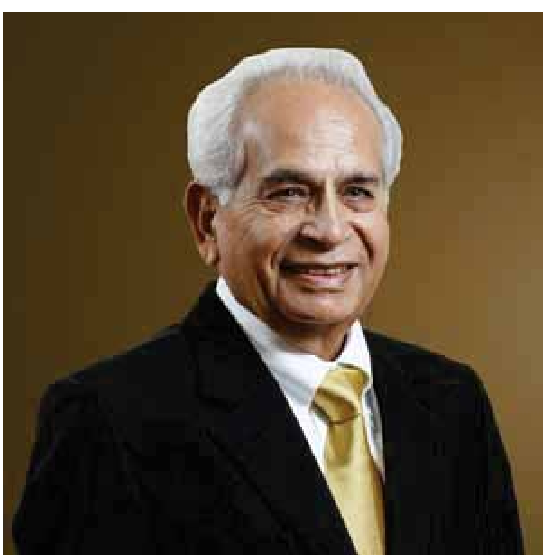
Looking forward, we remain cautiously optimistic in entering the year 2013 thanks to the stable economic condition of Indonesia. The future outlook remains attractive and positive for our business to step solidly further through new aggressive expansions and maintaining the existing stores performance at optimum level. Our main priority for MPP is to maintain its strong cash generation capability, continue its Hypermart growth phase with new store expansion as well as anticipate new business opportunities arising from rapid changing markets.

On behalf of the Board of Commissioners, I would like to express our sincere thanks to all our shareholders as well as our vendors, partners and employees who have worked together as a family to achieve the good results in 2012. We treasure your continuing supports in 2013 and beyond.

On behalf of Board of Commissioners,

THEO L. SAMBUAGA
President Commissioner





Left to right

JONATHAN L. PARAPAK
Independent Commissioner

JOHN BELLIS
Independent Commissioner

JEFFREY K. WONSONO
Commissioner

PROF. DR. ADRIANUS MOOY
Independent Commissioner

GANESH C. GROVER
Independent Commissioner

LETTER FROM BOARD OF DIRECTORS

We're delivering a world of **value** and **innovation** for the customers' satisfaction.

BENJAMIN J. MAILOOL
President Director

Dear Shareholders,

We are pleased to report another great year for MPP in 2012. The dynamic growth of modern retail sector in Indonesia, coupled with growing regional economy and rising consumer lifestyles have enabled us to put the Company firmly on its track to expand its core business and move forward. Within the year, we have also successfully executed an important corporation action to put the Company into higher phase to focus and expand its main retail business. We have successfully expanded all of our business lines within the year through series of successful aggressive expansions of new stores as well as maintaining existing stores' upward performance. Our core Matahari Food Division (MFD) opened a new record of 17 new Hypermarts and 4 Foodmarts adding more than 62,000 square meters of selling spaces into our store network. These aggressive expansion led MPP to further reinforce its position within modern retail in Indonesia.

In 2012, the Company took a strategic step to streamline, separate and release its non-core assets/business (Timezone, Books & Beyond, restaurants, property, etc.) and divested to its affiliated holding company, PT Multipolar Tbk ("MLPL"), through the mechanism of the sale of shares of the Company's 100% subsidiaries, PT Matahari Pacific ("MP") and PT Putra Nadya Investama ("NPI"). The divestment is a strategic step and commitment to be more focused and intense in operating and developing the core business Hypermart/Food Division being the primary contributor, 95% of the Company's revenue today. This step convinces the Company to achieve rapid growth opportunities in the Indonesian retail market and further strengthens its core business going forward. This strategic action is the implementation of key recommendations from the Merrill Lynch's strategic review to the Company earlier.

As a result of this transaction, the Company's liquidity increased dramatically which led to our prudent action to optimize this excess liquidity by allocating Rp 2.4 trillion for debt repayment and to maximise shareholders distribution for the amount of Rp 3.4 trillion through Rp 2.4 trillion capital reduction and Rp 1 trillion special dividend. While the debt repayment is on progress, we are proud to have executed the capital reduction successfully at yearend, which also marked as the first corporate action of its kind in Indonesia. The streamlined and efficient capital structure will give direct positive impact on the Company's performance and financial ratios going forward. Post the streamline process, the core MFD business will be the key business assets and activities which will become the Company's focus.

In 2012, the Company recorded Total Net Sales reaching Rp 10.9 trillion driven by Hypermart business. As core key growth contributor, MFD contributed Rp 10.4 trillion net sales, a 23.1% growth from last year with its comparable store sales continued to contribute a positive 7.9% growth. Since the launching of the Hypermart brand in 2004, MFD has generated a CAGR on gross sales of 27.9% and Hypermart reached Rp 9.8 trillion or 24.2% growth from last year.

Consolidated Gross Profit amounted to Rp 1.9 trillion in 2012, compared to Rp 1.6 trillion, in 2011, which were relatively stable at 17.5% of sales. This marks the Company's continuing ability to maintain healthy margins amid aggressive merchandise and marketing strategies.

The Company's Operating Income amounted to Rp 312.9 billion in 2012 compared to Rp 101.1 billion in 2011. EBITDA remained strong at Rp 116 billion. After net interest expense of Rp 45.8 billion and small gain from minority interests, the Company registered Income Before Tax of Rp 268.5 billion for the year, compared to Rp 164.4 billion last year. The comprehensive Net Earning After Tax amounted to Rp 238.5 billion, Rp 41 per share, from last year's Rp 120.3 billion which represented a 98% yoy earnings growth for the Company.

At yearend, Cash and cash equivalent reached approximately Rp 1.4 trillion despite aggressive new store capex, dividend payments, debt retirement and disbursement of capital reduction. The Company has successfully streamlined and divested out the non-core assets/business and reduced Total Asset and Net Equity to Rp 8.2 trillion and Rp 3.9 trillion respectively from the previous year's Rp 10.3 trillion and Rp 5.7 trillion respectively. The more efficient asset and equity structure will allow the Company to maximize its resources for supporting the dynamic of Hypermart's expansion and its overall FMCG offerings going forward and sustainably improve ROA & ROE financial ratio performance.

Completing its previous achievements, in 2012 the Company received industry recognitions both domestically and internationally with relatively sound financial ratings from rating agencies, B2 rating with Stable Outlook from Moody's, A+ with Stable Outlook from PEFINDO and B+ with Stable Outlook from Standard & Poor's. The Company also received several prestigious awards such as 2012 Retail Asia Top 500 Awards for the 9th consecutive years from Retail Asia, Euromonitor International, KPMG; Super Brands Award by SuperBrands Indonesia; Social Media Achievement Award 2012 by Majalah Marketing Publication; Solo Best Brand Index Award 2012 by Solo Pos Newspaper Publishing and Excellent Brand Award 2012 by Solo TV Station. Various other CSR activities as seen in later sections of this report, also completed our overall objective to not only becoming a leading

Left to right

Stand

CARMELITO J. REGALADO
Director

RICHARD H. SETIADI
Director

Seated

R. SOEPARMADI
Director

LINA H. LATIF
Director

BENJAMIN J. MAILOOL
President Director

We successfully streamlined and divested non-core assets and businesses to remain on this path toward further **growth and innovation.**

modern retailer but also being a responsible corporate citizen in supporting and building the nation.

In keeping with our aggressive growth strategy, we will fully focus to our core MFD with an aggressive plan to open over 20 new Hypermart stores in 2013, making us the fastest growing hypermarket in Indonesia as our objective to maximize shareholders value by maintaining our market leadership within the fast growing Indonesia's FMCG market.

We would like to extend our sincere gratitude to our valued customers and stakeholders for their trust and continuing support. We also wish to express our thanks to the hard work and dedication of our staff and management teams, without them the Company's success and achievements would not have been possible. I thank you all for your continued support and confidence in us.

On behalf of Board of Directors,

BENJAMIN J. MAILOOL
President Director

OPERATIONAL REVIEW

We are spearheading our **aggressive expansion** to capture the great market opportunities and strengthen our leading position.

TRAVIS SAUCER
CEO - Retail Group

We are pleased to report another banner year in 2012 with record sales and profit that continue to add value for our shareholders. Our Matahari Food Division ("MFD") revenue hit a new high with over Rp 10.8 trillion in retail sales for a 23.1% increase over last year. We successfully opened 17 new Hypermart stores and 4 new Foodmart stores in 2012 adding more than 62,000 new square meters of space. We became the largest hypermart in market share in Eastern Indonesia with successful new openings in Ambon, Jayapura, Kupang, and Kendari. The high demand and low market penetration of modern retail in Indonesia offers us a tremendous opportunity as we move forward. In keeping with our aggressive growth strategy, we plan to open over 20 new stores in 2013 making us the fastest growing hypermart in Indonesia.

In order to keep pace with the aggressive expansion, we have expanded the capacity of our Surabaya distribution center and have plans to open a fourth distribution center in the Eastern Indonesia area in-line with our future expansion in those regions. We are at the forefront on training and educating our associates for future leadership positions as we continue our rapid growth. We are testing new concepts such as the Bigmart, a hybrid between the hypermarket and convenience store format, which will allow us to penetrate into areas with more product offerings than an ordinary convenience store can offer. Although it is still in the concept stage, the early results are encouraging, Bigmart can complement our core Hypermart business in the future.

Left to right (stand)

DANNY KOJONGIAN
Director - Corporate Communication

ANDRE RUMANTIR
Director - Corporate HRD

Left to right (seated)

JOHANES JANY
Director - Property & Asset Management

TRAVIS SAUCER
CEO - Retail Group

MPPA also had a record-breaking year in profitability with EBITDA 17% over last year. Cost control strategies remain on the forefront driven by our talented management team.

We are excited with the growth rate of our smaller supporting businesses. Our family entertainment business Time Zone posted a 13% comparable store sales growth in addition to opening 9 new stores. The profit margin had over a 30.8% increase as result of new cost control strategies initiated by our Management Team. Time Zone has plans to open over 17 new stores in 2013 thus continuing their dominant position in this market.

Our other supporting businesses, a modern international bookstore chain that has evolved from the previous Times Bookstores into a new format , Books and Beyond, to capture the vast developing modern lifestyle. It has had success with adding new concepts, higher quality books, and modern accessories to the mix along with e-commerce. Within the restaurant services, Teo Chew Palace Group has successfully operated several restaurant formats from fine cuisine, casual dining and foodcourt as well as improving its operating profitability. It has also undergone extensive new recipes and an overall MIS system upgrade to add to the quality and competiveness of our offerings and service.

The Indonesia economy is one of the fastest growing in the world and the Company is well positioned to take advantage of this Fast Moving Consumer Market. In order to fully capitalize on these opportunities, the Company has streamlined all its non-core assets/businesses to its parent company, PT Multipolar Tbk., through a mechanism of capital reduction and dividend rewards to our valued shareholders. This allows the Company to fully focus and support the dynamic and aggressive Hypermart expansion to become the leading hypermarket in Indonesia.

The Matahari Retail Group continues to accelerate shareholder value with world-class results in revenue and profitability. With our strong seasoned management team and solid infrastructure in place, we look forward to a very exciting and prosperous future in Indonesia.

The Matahari Retail Group continues to **accelerate shareholder** value with world-class results in revenue and profitability. With our strong seasoned management team and solid infrastructure in place, we look forward to a very exciting and prosperous future in Indonesia.

MATAHARI
FOOD DIVISION

We are committed to deliver sustainable values for our shareholders.

Left to right (stand)

KEITH DOLLING
DC & Logistic Advisor

IWAN GOENADI
Director - MIS, HRD & GA

CARMELITO J. REGALADO
President & COO

GILLES PIVON
Format Director - Hypermarket

STEVEN A. MARTIN
CFO

Left to right (seated)

EMI NUEL
Format Director - Supermarket

MESHVARA KANJAYA
Director - Merchandising & Marketing

DEBORAH ROSANTI
Associate Director - Store Planning & Dev.

ANG KASMIN RASILIM
Director - Risk Management

MATAHARI **FOOD DIVISION**

Continues to **add value for our shareholders** with successful retail operation and aggressive expansion.

Matahari Food Division (MFD) is a multi-channel food retailer, which operates with the widest geographical coverage among modern food retailers in Indonesia. Our most developed channel is in the hypermarket format, operating under the Hypermart brand. However, our supermarket format, operating as Foodmart, is strong, profitable, and poised for accelerated growth. We are also developing a very promising minimarket format. Our goal is to become the largest and most profitable multi-channel food retailer in Indonesia, and this objective is rapidly becoming a reality.

The year 2012 proved to be a challenging one, but at also a very successful one. MFD created its unique compact hypermarket format in 2004, and has been focused on its evolution ever since. This evolution includes the ability to rapidly roll out new stores. In 2012 we had our fastest year of new store growth ever with the addition of 17 new stores. We now believe that we have the ability to identify locations, design and construct new stores, and begin operations which will enable us to accelerate the pace of new store openings even more in the future.

This pace of new store opening helped us generate sales of over Rp 10.8 trillion in 2012, a growth rate of 23.1%. Since the launching of the Hypermart brand in 2004, MFB has generated a CAGR on sales of 27.9%. Our sales in the hypermarket segment were only slightly behind the industry leader by the end of the year, and we should reach our objective to become the leading hypermarket in the short future. The supermarket / hypermarket segment of the industry grew by only about 5% during 2012 while MFD grew by over 23%, comparable to the performance of the rapidly expanding minimarket segment.

MFD EBITDA grew by 20.2% in 2012 to a total of Rp 616.2 billion. The slight margin contraction was caused by the highly competitive industry, accompanied by somewhat slower growth in food retailing overall. Since 2004 MFD has improved EBITDA from a loss position to a margin of 5.7%, and we believe that there is room for further growth. MFD EBIT also grew by 20.2%, reaching Rp 464.9 billion in 2012.

The Hypermart business represents Rp 9.8 trillion, or 90.8% of the total which grew 24.2% from last year. Foodmart sales grew by only 12.8%, which largely came from same store sales growth, so that profit contribution grew by 18.2% as the contribution margin grew by 0.5%.

Strategically 2012, along with the upcoming year 2013, represents a slight shifting of the gears for MFD. Since 2004, the major focus of MFD has been the rapid development of our Hypermart brand. By 2012, we have reached the point where we are able to operate this format very profitably and rollout new stores very quickly. At the same time, unprofitable stores of our Foodmart supermarket brand have been closed down or converted to Hypermarts. We have reached a point where virtually all of our Foodmart stores are profitable, and in fact we are experiencing growing profitability in many stores. This format now represents a strong strategic alternative in locations and situations where Hypermart cannot effectively address the entire market.

MFD has also been experimenting with the very important minimarket segment with very promising results. According to Euromonitor, the minimarket segment has grown by about 28% per year over the past five years while the hypermarket segment has grown by only 15%. Minimarkets are also projected to be the fastest growth segment in modern food retailing over the next five years. With one of the most sophisticated distribution networks in Indonesia, MFD is well positioned to take advantage of this growth, even while we continue to expand our Hypermart and Foodmart brands.

As we expand our multi-channel focus, our basic operational strategies remain largely unchanged. First we place a strong emphasis on same store sales growth, not just the addition of new stores. Same store sales growth leads to high space productivity, which in turn leads to strong profitability. Since 2007 our comparable stores have experienced sales growth of about 56%, while some of our competitors have actually seen declines.

This has led to industry leading productivity, especially in our Hypermart format. We have achieved these results through a combination of aggressive promotions, strategic relationships with suppliers, customer service, a strong in-stock program, and aggressive loyalty programs. In the latter half of 2011, for example, we replaced our old loyalty program with the new, more aggressive HiCard. By the end of 2012 we have collected almost 2 million HiCard members, who together generate about 40% of our sales.

A second strategy is the rapid rollout of new stores, as mentioned above. We currently operate 80 Hypermarts, almost all of which are located in malls. With 90 to 140 new malls expected in Indonesia over the next five years, there is plenty of opportunity for growth. However, in order to accelerate growth we are placing greater emphasis on stand-alone formats or on combo formats with our affiliated company, Matahari Department Stores.

This stand-alone approach also ties in to our strategy of rapid penetration of secondary markets throughout Indonesia, where mall development may be lagging. Over a third of our stores are outside Java, and this percentage is steadily increasing. We have the widest geographic coverage among modern food retailers with stores in 48 cities and Hypermart will enter 10 new cities in 2013. Stores located in secondary markets face less competition and are usually able to produce higher profitability than those in relatively crowded markets, such as Jakarta.

A third strategy is to place emphasis on categories that offer the opportunity to create differentiation and competitive advantage. This includes areas such as fresh, bakery, bazaar, and softline. We are also looking for ways to take advantage of attractive B2B opportunities, including working with the restaurant and hospitality industries.

A fourth strategy, and a linchpin for the other strategies, is a continual emphasis on operating efficiency. One example of this is our distribution system, which now handles goods representing almost 60% of our sales. This system enables us to efficiently support stores almost anywhere in Indonesia, and also to operate a multi-channel strategy, including a minimarket channel that is under development. In fact we plan to considerably expand the capacity of our distribution network in 2013.

We believe these strategies will produce increasingly exciting results, especially when combined with the continued development of the Indonesian economy. Our target customer, the middle class consumer, now represents 40% of the population, up from 25% ten years ago, and it should reach 80% in less than 20 years. GDP per capita has been rapidly increasing and should reach USD 5.000 within the next two years. The experiences of other countries show that this is the point at which modern retail formats rapidly replace the traditional ones, which should create many new opportunities for MFD.

Since 2004 MFD has largely focused on the Hypermart brand to build the fastest growing hypermarket retailer, and one of the fastest-growing food retailers in Indonesia. While Hypermart will continue to grow rapidly, MFD is now positioned to also expand the supermarket and minimarket segments to create an even more dynamic growth business. We believe the results should be exciting for our investors and our customers.

GOOD CORPORATE GOVERNANCE

Through Corporate Social Responsibility, the Company is directly involved in various social activities focused on **community development and education.**

PT Matahari Putra Prima Tbk as a limited liability company with its core business in consumer goods modern retail trade through its format "Hypermart" and "Foodmart", further strengthens its confidence to implement the principles of Good Corporate Governance ("GCG") in every step taken by the Company as part of its efforts to achieve accelerated growth and effective protection to stakeholders.

The implementation of GCG in Company's activities is conducted based upon the General Guidance of GCG Indonesia issued by National Committee on Governance Policy, which is based on the following main principles :

TRANSPARENCY

Company always attempts to maintain its objectivity in its decision making of business operation including dispersing relevant and material information in an easily accessible and understandable fashion. Company provides information transparently to the public and shareholders in compliance to existing Bapepam-LK regulations. All reports and announcements are released on regular basis in a timely manner, including Quarterly Financial Reports, Half Year Financial Reports, Audited Annual Financial Reports, Annual Reports and press releases. Those informations are also dispersed through public exposes, print and electronics media and investor forums.

ACCOUNTABILITY

Company has management system supporting the clarity of function, authority and responsibility of the Company's organ so that the corporate governance can be conducted effectively. Various steps taken to uphold the accountability principle include Directors' Report to Board of Commissioners for annual budget plan and evaluation of Company's performance, reporting of financial results within Annual Shareholders Meeting, formation of Internal Audit and appointment of external auditor as well as enforcement of Company's Business Ethics and Code of Conduct.

RESPONSIBILITY

Company always gives meaning to every business step taken with priority to comply toward prevailing regulation and conducts its responsibility to the society and environment with proper values away from conflicting interests so that long-term efforts can be maintained continuosly and receives recongnition as good corporate citizen.

INDEPENDENCY

Company ensures that the corporate governance is conducted professionally and independently, where each aspect of the Company will not dominate each other and can not be interven by conflicting parties. Board of Commissioners and Directors give their professional and independent views for any decision makings, with possibility to consider inputs from independent consultants relating to financials, laws and regulations and human resources.

FAIRNESS AND EQUALITY

Company applies fair and equal treatment proportionally in order to meet the public rights, capital market authority requirements, capital market community and other related parties with compliance to the prevailing laws and regulations, as well as its relationship with staffs to be continuously maintained with upholding the right and responsibility fairly and equally.

STRUCTURE OF GOOD CORPORATE GOVERNANCE

The structure of Company's GCG consists of main organ: Annual Shareholders Meeting, Board of Commissioners, Directors and supporting organ: Internal Audit, Audit Committee, Corporate Secretary and Corporate Communication

A. MAIN ORGAN

ANNUAL SHAREHOLDERS MEETING (AGM)

AGM holds the highest authority within GCG structure which includes appointment and dismissal members of Board of Commissioners and Directors, evaluation of Board of Commissioners and Directors' performance, approval for changes of Article of Association, approval for Annual Report and determine form and amount of Board of Commissioners and Directors' renumeration, approval or objection for any corporate action plans proposed by the Board of Directors. Within AGM, shareholders are entitled to obtain all informations relating to the Company as long as it relates to the AGM's agenda and does not conflict with the Company's interest.

In 2012, the Company held two General Meeting of Shareholders with the following :

1. **Annual Shareholders Meeting (AGM) for fiscal year 2011**
   The AGM was held on April 5, 2012 at Aryaduta Hotel, Jakarta where it accepted and approved the reports from the Board of Directors and Board of Commissioners in relation to :

a. Company's Operational and Financial Results for the fiscal year 2011 including cooperation with several supporting professional institutions and the programs of procurement, purchasing, rental and its adjustment, new stores' contracts, credit facilities agreements, fullfillment of obligations to banks and Bond Holders and Sukuk Ijarah, review on the economic value of the Company's assets, implementation of Corporate Social Responsibilities, including the Company's future business plans.

DID YOU KNOW

A **The Hypermart's customer loyalty program - HiCard - already has nearly 2 million active members.**

B **Hypermart owns and operates 3 distribution centers located in Greater Jakarta and Surabaya to support the product distribution to all Hypermart and Foodmart stores.**

b. Endorsement of 2011 Financial Results based on the audted review of Public Accountant with its fairness opinion, Board of Commissioners' supervisory reports and acquit et de charge to Board of Commissioners and Directors from their duties and responsibilities for the year.

c. Usage of Fiscal Year 2011 profitability in the amount of Rp 105 billion :
   - Rp 2 billion was allocated as reserve in accordance to Article 70 UU No 40 year 2007 regarding Limited Company;
   - Rp 32 billion was paid as final cash dividend;
   - The remaining Rp 71 billion was booked as Retained Earnings.

d. Authorized Board of Commissioners and/or Directors to appoint External Auditor to perform audit process for Company's 2012 financials and granted Directors to decide the honorarium and other related requirements.

e. Appointed the structure of Board of Commissioners, including Independent Commissioners, and Directors for the fiscal year of 2012

Board of commissioners :

Chairman	: Theo L. Sambuaga
Independen Commissioner	: Jonathan Limbong Parapak
Independen Commissioner	: Prof. Dr. Adrianus Mooy
Independen Commissioner	: John Bellis
Independen Comimssioner	: Ganesh Chander Grover
Commissioner	: Jeffrey Koes Wonsono

Directors :

President Director	: Benjamin J. Mailool
Director	: Lina Haryanti Latif
Director	: Richard H. Setiadi WP
Director	: Carmelito J. Regalado (Direktur Tidak Terafiliasi)
Director	: R. Soeparmadi

2. Extraordinary General Meeting of Shareholders (EGM)

The EGM was held on September 19, 2012 at Aryaduta Hotel, Jakarta in order to seek approval for the proposed corporate action to capitalize on market growth opportunities within Fast Moving Consumer Goods (FMCG) retail market in Indonesia as well as to implement the Company's strategic steps within its core business inline with the Merrill Lynch's strategic review to focus more on the core business developmets in FMCG through Hypermart format as the major contributor to the Company's current revenue. The Company has streamlined its non-core assets/business through the sale and transfer to PT Multipolar Tbk ("MLPL") for the Company's share in PT Matahari Pacific ("MP") and PT Nadya Putra Investama ("NPI"), the Company's subsidiaries that operate business activities in non-core asset/ business as well as the related receivables.

The Company believes this transaction implementation would bring positive impacts where the Company will have excess capitalization and fund liquidity, thus it was proposed at the EGM to make changes in Company's Authorized Capital, Issued Capital dan Paid-Up Capital through reduction of Shares' Par Value.

The EGM accepted, granted its approval and/or ratification the following resolutions :

1. The Company's Board of Directors prepared and signed Sale Purchase and Receivable Agreement dated July 30, 2012 as announced in Company's Disclosure followed by the amendment and addendum published in Suara Pembaruan newspaper dated August 1, 2012 and September 17, 2012, in regards of Sale/Transfer of :
   - Entire Company's shareholding in MP in the amount of 879,750 shares to MLPL for Rp 945 billion;
   - Entire Company's shareholding in NPI in the amount of 1,998 shares for Rp 416 billion

   Including the Company's receivables in MP with selling price of Rp 945 billion and Company's receivables in NPI with selling price of Rp 922 billion.
2. Company's action and/or plan to perform asset restructuring as well as its subsequents to fullfill the precondition requirement of point 1 and as agred in CSPA, namely :
   - Implementation on Sale and/or Transfer of land and/or building owned by the Company as well as it subsequents which is part of its land and building in 34 locations indirectly to its subsidiaries, MP and NPI, with overall transfer price of Rp 1,1 trillion;
   - Transfer of the Company's rights and obligations pursuant to the Cooperation Agreement between the Company and third parties following with the Sale and Transfer of Receivables related with the activities of land and building management in the amount of Rp 11 billion indirectly to its subsidiaries, MP and NPI;
   - Sale and Transfer of Company's Receivables to third parties in amount of Rp 3,5 billion to NPI.
3. The Company's Board of Directors prepared and signed Memorandum of Understanding with NPI and MP dated August 1, 2012 in regards to Intercompany Loan between Company and NPI in amount of Rp 375 billion and between Company and MP in amount of Rp 945 billion.
4. NPI's debt acknowledgement to the Company as stated in its Acknowledgement Letter dated May 31, 2012 with total debt of Rp 548 billion
5. Agreed that the transactions described in this Meeting being categorized as Affiliate Transaction as it defined in Regulation of Bapepam-LK. IX.E.1 regarding Affiliate Transactions and Conflict of Interest Transactions and/or Material Transactions as defined in Regulation of Bapepam-LK No. IX.E.2 regarding Material Transactions and Core Business Changes, the decision-making process for this transactions followed the procedures and conflict of interest procedures as it stipulated in Regulaton of Bapepam-LK No. IX.E.1 regarding Affiliate Transactions and Conflict of Interest Transactions and the Articles of Association, Clause 23 paragraph (7) and (8).
6. Reports and/or opinions submitted and/or created by the supporting professionals, independent valuer and the Company's management in connection with the transaction.
7. Approved and authorized the Company's Board of Directors with the rights of substitution to take all necessary actions needed and/or required for the transaction implementation, validity and/ or effectiveness of all matters in regards to the transactions reported in EGM and Disclosure of Information, without exception and complied to applicable regulations.
8. Implementation of reduction on Issued and Paid-Up Capital by lowering the share's nominal value in the amount of Rp 450,- from Rp 500,- per share to Rp 50,- per share, thus the Company would have a decreased Authorized Capital, Issued Capital and Paid-Up Capital as follow :
   a. Authorized Capital of Rp 5,400,000,000,000,- with 10,800,000,000 shares would be changed to Rp 540,000,000,000 with 10,800,000,000 shares;

b. Issued and Paid-Up Capital of Rp 2,788,273,400,000,- with 5,576,646,800 shares would be changed to to
Rp 278,827,340,000,- with 5,576,546,800 shares.

9. Implementation of the Amendments of Articles of Association Article 4 deed (1) and (2) on CAPITAL and conferment of consent, authority and/or power of attorney to the Board of Directors with the right of substitution to perform all steps deemed necessary and/or required relating to the Amendment Article of Association.
10. Determination the Company's recording date for eligible shareholders to receive the difference of capital reduction, which is the same date with the issuance of approval letter from the Minister of Law and Human Rights Republic of Indonesia for the Proposed Changes on the Company's Capital, whose estimation of implementation schedule previously proposed in the EGM. .

Prior to EGM implementation, the Company's Corporate Action plan had been previously approved by the creditors (banks) and bondholders of Matahari Putra Prima III year 2009 with fixed rate and holders of Sukuk Ijarah Matahari Putra Prima II year 2009 ("Bond & Sukuk Ijarah Holders").

The approval from Bonds & Sukuk Ijarah Holders was obtained through the Annual Bond and Sukuk Ijarah General Meetings ("RUPO & RUPSI") held on September 11, 2012, with the decisions as follows :

1. Approved the Company's plan to reduce its Authorized and Paid-Up Capital ("Changes in Capital Structure").
2. After the Company obtained an approval letter from Minister of Law and Human Rights Republic of Indonesia on Capital Structure Changes, the Issuer shall :

a. Gave consent fees to bondholders and Sukuk Ijarah holders as much as 0.5% from the outstanding Bond and Sukuk Ijarah which will be paid by the Company to bondholders and Sukuk Ijarah holders whose names are registered on the list of Bond and Sukuk Ijarah Holders in KSEI on the date when RUPO & RUPSI was held. The Consent Fee would be fully paid on December 11, 2012 or 10 trading days after the Company received the approval letter from Minister of Law and Human Rights Republic of Indonesia regarding the Capital Structure Changes should such letter would be received after December 11, 2012, subject to KSEI's ability to execute on such date. In the case that KSEI would not be able to execute on such date, the payment would be executed on the interest payment dates of Bond and Sukuk Ijarah, whichever the closest between those two dates.
b. Provided additional reserve for sinking fund payment, amounting to 4% (four percent) from the outstanding principle of Bond and Sukuk Ijarah, and will be executed on April 14, 2013 with the following arrangements :
   - Sinking Fund shall be placed in an escrow account at a bank to be determined by the Trustee and Company.
   - The fund in the escrow account can be placed in the form of bank deposits or other bank instruments approved by the Trustee. Any interest incomes arised from the placement belongs to the Company.

- The Company provides power of attorney to Trustee with its right of substitution to control the fund and sign any related documents.
- If the Issuer fails to fullfill its responsibilities as referred to Article 14 of Trustee Agreement, the Trustee is hereby authorized by the Company to draw, receive and perform other actions in relation to the Sinking Fund including signing any required documents, which will be used for the repayment of outstanding principle of Bond and Sukuk Ijarah.

3. Provided power of attorney to Trustee to perform any changes and sign documents for the changes in Trustee Agreement for Bond and Sukuk Ijarah in relation to the RUPO and RUPSI's decisions and results.

BOARD OF COMMISSIONERS

In accordance withits function and role, the Board of Commissioners shall perform the duties and responsibilities in supervising the management policies, and supervising the Directors in performing their duties as mentioned in Article 108 paragraph (1) Regulation No. 40 year of 2007 on Limited Liability Companies and the Article of Association of the Company, in good faith and prudent to ensure the implementation of GCG principles within the Company.

Eligibility, Membership and Tenure

All members of Boad of Commissioners who have been appointed by the AGM have fullfilled all requirements in accordance to prevailing regulations and Articles of Association of the Company and adjusted to the Company's needs and business nature.

Majority members of Board of Commissioners for fiscal year 2012 were still the same members of Board of Commissioners for fiscal year 2011, except the Chaiman position was now assumed by Mr Theo L. Sambuaga replacing the former Mr. Cheng Cheng Wen. Th complete structure of Board of Commissioners was as disclosed in AGM's resolution above.

All members of Board of Commissioners were elected for the period until the next AGM, despite AGM has its rights to dismiss at anytime.

The remuneration including salary or honorarium and allowances for the Board of Commissioners members are determined by the AGM based on the performance orientation, market competitiveness and financial capacity of the Company which is based on the decision of the AGM for fiscal year of 2011 with the limitation on the collective amount of 0.2% from Company's net sales.

Independent Commissioner

In accordance to Regulation No. 40 year of 2007 regarding Limited Liability Company, Bapepam Regulation and IDX Regulation No. 1-A dated 19 July 2004, AGM has appointed the Company's Board of Commissioner for fiscal year of 2012 consisting of President Commissioner and five Commissioners which four of them are Independent Commissioners. The Independent Commissioners are to encourage an objective working environment and climate as well as to emphasize fairness and equality within all interests including the interests of minority shareholders and other stakeholders.

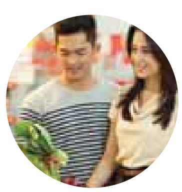
Board of Commissioners' Meeting

During fiscal year 2012, the Board of Commissioners held regular meetings at least four (4) times a year to discuss matters although the Board of Commissioners can call meetings at anytime to discuss any supervisory steps, analysis of Company's performance and discussion on Board of Directors' reports. report.

Every meeting held was in compliance with Article 16 of Company's Articles of Association about the meeting procedures, attendance, and decision-

DID YOU KNOW

A **The Company has successfully streamlined its non-core assets/ businesses at 2012 year end.**



B **Hypermart focuses to expand in Eastern Indonesia, and has successfully opened new stores in Papua, Ambon and Kupang.**

making mechanism, in which each member is eligible for one vote and also can grant its voting right to the other members based on a valid power of attorney. Each meeting decision will be communicated to Board of Directors through joint meetings together with business unit's management in determining the next management action and strategy going forwad

DIRECTORS

Directors is part of the Company's structure that has function and role in the Company's management to reach the corporate objectives in line with the Company's vision and mission, thus within its authority to decide and execute company policies shall be deemed appropriate within the limits specified in Article 92 paragraph (1) and paragraph (2) of Law no. 40 of 2007 on Limited Liability Companies and the Company's Articles of Association.

Requirement, Membership, Tenure and Remuneration

All members of the Company's Directors have been elected and appointed by the AGM, and met the prevailing requirements in accordance with the prevailing regulations and Company's Articles of Association as well as tailored to the Company's needs and business nature.

Majority members of Board of Commissioners for fiscal year 2012 were still the same members of Board of Commissioners for fiscal year 2011, except the Finance Director position was now assumed by Mr Richard H. Setiadi WP replacing the former Mr. Hendra Sidin. Th complete structure of Board of Commissioners was as disclosed in AGM's resolution above. Structure of the Company's Board of Directors was fully stated in AGM's resolution above and in accordance with the IDX Regulation No.I-A Section III.1.5. Mr. Carmelito J. Regalado is an un-affiliated director.

All members of Directors were elected for the period until the next AGM, despite AGM has its rights to dismiss at anytime. For the Directors' renumeration system for fiscal year 2012, the AGM has delegated Board of Commissioners to design, establish and enforce the renumeration including salary or honorarium, allowances, salaries, bonus and other remuneration to the Company's Directors with the basis of formulation based on performance orientation, market competitiveness and alignment of the Company's financial capacity to meet them, and other things necessary.

Directors' Meeting

During fiscal year 2012, the Directors held regular meetings to create continuous coordination among members. The meetings were held with the agenda to discuss the Company's performance and other matters relating to the strategic steps to be achieved in line with the Company's objectives. Each decision already approved within meeting is further reported to the Board of Commissioners and in particular through joint meetings with the business unit management in order to obtain further consideration and approval in determining the management strategy and action going forward.

Similar to the implementation of Board of Commissioners' meeting, the Directors' meetings are also held in compliance to Article 13 of Company's Article of Association which includes meeting procedures, attendance, and decision-making mechanisms.

B. SUPPORTING ORGAN

AUDIT COMMITTEE

The formation of Audit Committee with its duties is based on Bapepam & LK Regulation No. IX.I.5 Appendix Chairman of Bapepam & LK Decree No.29/PM/2004 dated 24 September 2004 in regards to the Establishment and Implementation Guidelines for the Audit Committee, the IDX Regulation No. I-A Appendix IDX Board of Directors Decree No. 305/BEJ/07-2001 dated July 19, 2004 and the Audit Committee Charter as determined by the Company's Board of Commissioners and Directors on January 30, 2008 as amended on 23 November 2009.

In accordance with the changes to the Regulation of Bapepam & LK No.IX.I.5 as contained in the Appendix Chairman of Bapepam & LK No.Kep-643/BL/2012 dated December 7, 2012, the Audit Committee is currently on-progress for the revision of the existing Audit Committee Charter to conform to these regulations which is expected to be applied for the fiscal year 2013.

Based on the Board of Commissioner Decree No.002/Dekom-MPPA/IV/2012 dated 12 April 2012, the Board of Commissioners has determined the structure and membership of the Company's Audit Committee effective from 12 April 2012 until the AGM

commencement for fiscal year 2012 based on the criteria of independence, expertise, experience and integrity required in the regulations, with the following structure:

1. **Ganesh Chander Grover – (Chairman/Independent Commissioner)**
   His professional career included several important positions such as Chief Financial Officer of Bist Industri Corp, India and Financial Analyst USAID in India and Indonesia during 1964-1975, as well as Chief Financial Controller of Group Usaha Trisakti, Indonesia (1975-1990). Since 2002 he has been appointed as Company's Director and since 2013 appointed as Commssioner. Currently he takes responsibilities as an Independent Commissioner and Chairman of Audit Committee as well. He has been a member of Company's Audit Committee since 2007.
2. **DR. Isnandar Rahmat Ali, SE, MM (Independent Member)**
   Graduated his Doctorate (PhD) degree in Education Management from the Jakarta State University. He started his career by assuming various important positions in several industrial companies. Between the year of 1980-1989 he assumed the position as Vice President Director of Bank Bhumy Bahari and then in 1989-2001 as Vice President Director's position at Tokai Bank Lippo. Currently, besides being an active lecturer at University Krisnadwipayana since in 1998, he isalso Independent Commissioner and Chairman of the Audit Committee of PT Multipolar Tbk.
3. **Lie Kwang Tak - (Independent Member)**
   Between 2008-2009, he was as a member of the Company's Audit Committee. Began his professional career in 1980 by joining a consulting firm and continued to hold several important positions such as Director of Trisula Corporation since 1991; Executive Director PT Southern Cross Textile Industries since 2003 and partner PT Bina Analisindo Semesta since 1985. He graduated from the University of Indonesia majoring in Economics in 1982.

The Structure and composition of the Audit Committee have been reported by the Company to the Indonesian Stock Exchange with the Company's letter No.024/ IV/2012-CSExt dated 16 April 2012 with a copy to Bapepam & LK and Bank Mega Company as Trustee of the Company in issuance of Bonds / Sukuk Ijarah.

The independency of Audit Committee

The independency of Audit Committee in carrying out its duties and responsibilities plays a very important objective role in controlling the implementation of

the Company's management. Therefore, to foster its independency, the Board of Commissioners has decided that the Audit Committee is chaired by an independent commissioner.

Duty and Responsibility of Audit Committee

The purpose of the Company's Audit Committee establishment is to support the functions and duties of the Board of Commissioners in conducting its supervisory duties for the Company as stated in Article 121 of Regulation No. 40 year of 2007 on Limited Liability Companies. The Audit Committee has a strategic role in assisting the Board of Commissioners to encourage, among others, with its main task to promote the implementation of good corporate governance, the establishment of an adequate internal control structure, improve the quality and transparency of financial reporting as well as review the scope, accuracy, independence and objectivity of public accountants.

The Audit Committee is responsible to the Board of Commissioners and assist the Board to perform the following tasks:

1. Conduct a review of financial information that will be incurred by the Company such as financial statements and other financial information
2. Conducted a review of Company's compliance to prevailing legislation and capital market laws and regulations related to the activities of the Company
3. Conduct a review of the implementation of the examination by the External Auditor
4. Report to the Board of Commissioners for various risks facing the Company and implementation of risk management by the Directors
5. Carry out other tasks given by the Board of Commissioners within the scope of duties and obligations of the Board of Commissioners under the provisions of applicable legislation
6. Implementing other provisions as contained in the the Audit Committee Charter.

The Audit Committee is authorized to access the records or information about employees, funds, assets and other resources of the Company relating to the execution of their duties.
In exercising its authority, Audit Committee shall cooperate with the party that performs the function of Internal Audit.

Implementation of Duty and Responsibility of Audit Committee

In 2012, the Audit Committee has performed the following tasks:

- Discuss the Financial Statements and Quarterly Management Report
- Take an active role in determining the work program / scope of audit by the Internal Auditor
- Review of internal auditor's audit findings and application/implementation of audit recommendations
- Conduct regular meetings and communication with the public accountant to discuss the key findings and results of financial audits conducted by public accounting firm RSM Aryanto, Amir Jusuf, Rose & Saptoto
- Conduct an assessment to the public accountant nomination recommended by the Directors
- Review the Company's compliance toward capital market's laws and regulations
- Review the application of Good Corporate Governance principles in the Company's operations.

INTERNAL AUDIT

Internal Audit Work Unit has main task to ensure internal control activities peforming well. As a working guide of Internal Audit, the Company has renewed the Internal Audit Charter ("Company Audit Charter") as determined by the Company's Directors and approved by the Board of Commissioners on December 21, 2009. Structure of the Company's Internal Audit is under the supervision of President Director and it coordinates with the Company's Audit Committee in carrying out its duties and responsibilities.

Based on the Directors' Decree and approved by the Board of Commissioners dated 21 April 2010, the structure and membership of the Company's Internal Audit has been established effective as of April 21, 2010 and appointed Freddy Tigor Sihite as Head of Internal Audit Unit. Mr Sihite is an alumnus of University of Indonesia with an educational background in Economics and Accounting. He joined the Company in 2008 and has experience in the application of the Financial Audit, Internal Audit and Enterprise Wide Risk Management in several countries in Asia, including Indonesia. In his carrier, he has joined with Ernst & Young, and PricewaterhouseCoopers Indonesia, Singapore as Financial and Internal Auditor and Risk Management consultant. Since 2003, he has been registered as a member of the Institute of Internal Audit of Indonesia.

Implementation Of Internal Audit Duties And Responsibilities

In the year 2012, the Internal Audit performed the following tasks:

- Conducted planning and implementation of Risk Based and Internal Audit Compliance, reported results to the Management, and monitored the implementation of Action Plan from the audit recommendations that had been previously agreed by relevant operational division heads.
- Discussed and evaluated the presentation of Quarterly Financial Statements and Management Report.
- Performed early detection of possible underperformed control measures and special audit tasks (investigation, performance, information technology, Conformity Assessment Audit - MOPR)
- Review / evaluation of Risk Management
- Reviewed the application of good corporate governance principles i in the Company's operation.
- Reviewed the Company's compliance with prevailing laws and regulations including compliance to the capital market regulations.

CORPORATE SECRETARY

With reference to the BAPEPAM and LK Regulation No.IX.I.4 and Regulation of the Indonesia Stock Exchange (BEI) No.IA, the Company has appointed a Company Secretary who acts as a liaison officer in carrying out the Company's intermediatery functions with the Capital Market Authority, investors and public. Corporate Secretary is responsible to the Directors and also reports the performance of its duties to the Board of Commissioners.

As approved by the Board of Commissioners, the Directors have appointed Mrs. Lina Haryanti Latif, Director and Corporate Secretary of the Company. She started her career in the Company since 2001 as the Director until now.

The existence of Corporate Secretary is a "conditio sine quanon" for the Company to implement the functions of transparency and is responsible for the main tasks as follows:

1. Follow the Capital Market development specifically the prevailing regulations
2. Provide the public with all information needed by investors relating to the Company's condition

3. Advise the Directors regarding compliance with the provisions of Law No. 8 Year 2005 concerning Capital Market and its implementing regulations
4. Act as a liaison between the Company and Bapepam-LK, Indonesia Stock Exchange and public as well as the supporting professionals in all Company's activities (Corporate Action).

CORPORATE COMMUNICATION

Investor Relation and Corporate Communication also have very important roles as part of the GCG implementation. Investor Relation has strategic management responsibility that integrates aspects of finance, communication, marketing and compliance with securities regulation that allow the creation of most effective two-way communication between the Company, the financial community and other parties that ultimately affect the formation of a reasonable valuation of the Company's shares. The Company has always sought to establish a good image through the development of relations with investors, especially relating to the Company's performance and prospects.

Main duty of Investor Relation includes the following:

1. Build a good relationship with the financial community (investors, analysts, and media)
2. Follow the development of stock markets and provide advice to management relating to the Company's shares
3. Provide information about the Company's condition to the financial community
4. Provide answers to many questions in financial aspects

As a public company who has always upheld aspects of openness (transparency), the Company constantly works on improving quality and access of information to investors, shareholders and public. For this, the Corporate Communication perform its role in the implementation of GCG using various media as a means to convey information as possible about the the Company's business activities.

In 2012, the Investor Relation function is focused intensively toward meetings held with investors and analysts in both domestic and regional level in the format of one-on-one meeting or conference. In addition, the Corporate Communication also regularly represents the Company in meetings with public and fosters positive and professional relationships with the press media both at domestic, regional and international level in order to spread information related to the Company.

Submission of information is done through press releases, correspondences to Bapepam-LK and the Indonesia Stock Exchange, Quarterly and Annual Financial Reports, press conferences, road shows, analyst meetings, investor conferences, website and other communication media. Recognizing the growing importance of corporate website as an effective medium of information dissemination, the Company has launched its new official website **www.mataharigroup.co.id** in order to improve the communication of information disbursement, overall business activities, promotional programs to our customers, investors and public as a whole. The site is also connected with Facebook and Twitter accounts to facilitate interactions more quickly to the readers connected on the internet.

INTERNAL CONTROL SYSTEM

Internal control system is a series of actions that covers the entire process of the organization by involving all sections of the Company's management structure from the Board of Commissioners, the Directors to staff line function, which is designed to provide reasonable assurance of the following achievements:

- Effectiveness and efficiency of the operations;
- Reliability of financial reporting;
- Well-maintained asset and all Company's business abilities;
- Compliance toward the applicable laws and regulations

The components of Internal Control applied within the Company include:
1. Control Environmental. The factors of control environement include integrity, ethical values, competence and entities, management philosophy and operating style including review and improvements / addition to the Company's operational policies and procedures, management's grant of authority and responsibility and organizing and developing the staffs, attention and direction provided by the Board.
2. Risk assessment. The mechanism is to identify, analyze, and manage the risks related to various operational activities in the organization.

3. Control activities. Implementation of the policies and procedures established by management to help ensure that the goals can be achieved. This includes implementation of the Internal Control Checklist conducted every month by each unit/section of the Company's operations.
4. Information and communication. System that allows a person or entity to acquire and exchange information necessary to implement, manage, and control operations.
5. Monitoring. Internal control systems need to be monitored in order to to review the quality of system performance from time to time. This activity is conducted through continuous monitoring, separate evaluations or a combination of both.

RISK MANAGEMENT SYSTEM

The Company has established a Risk Management Division in order to identify and mitigate (efforts to prevent negative impacts to occur or has occurred due to planned activity or negative impacts arising as a result of an activity/business) on a variety of risks who might potentially impede the Company's achievement. The process of risk management is a structured, systematic and repeated process to improve the performance of sustainable enterprise risk management (continuous improvement).

General strategies that have been applied by the Company in the risk management are:

- Integrate risk management processes into the Company's business processes.
- Intensification of the risk awareness process at all levels within the Company.
- Describe, share and receive feedback on a regular basis at the regular management meeting (EXCOM) in regards with the risks that being faced by the Company.
- Increase the competency and knowledge of the risk management personnel in charge through seminars and training.
- Development of business continuity management which is supported by business continuity plan

Final goal to be achieved by the Company in risk management is to minimize as much as possible the probability and impact of risk occurrence/exposure and to optimize the achievement of corporate objectives.

COMPLIANCE WITH THE APPLICABLE REGULATORY REQUIREMENTS

The fulfillment on requirements of Bonds and Sukuk Ijarah

In 2009 the Company issued Matahari Putra Prima III Year 2009 Bond with Fixed Interest Rate for the Series A for a 3-year period, Series B for a period of 5 years ("Bonds") and Sukuk Ijarah Matahari Putra Prima II in 2009 consisted of Serie A for a period of 3 years and Series B for a period of 5 years ("Sukuk Ijarah").

During fiscal year 2012, the Company has implemented and complied with all obligations required under the Bonds and Sukuk Ijarah agreements and other relevant regulations including the repayment of the Bonds and Sukuk Ijarah Series A which matured on April 14, 2012. The Company always ensures that financial ratios are within the limits specified in the Trustee Agreement.

Treasury Stock

From the implementation of share buy back program in 2003, the Company has bought back 198,584,000 shares from the market valued at Rp123 billion (treasury stock)

Reffering to the provisions of Article 37 paragraph (4) of Regulation No. 40 year of 2007 on Limited Liability Companies and Bapepam – LK Regulation No. XI.B.2, the Company has submitted in the 2011 AGM that the Company still reviewed the available options which could be taken and viewed favorably to the Company regarding the treatment of these treasury shares, including but not limited to treat these shares as a reduction in the Company's issued and paid up capital. Settlement of treasury stock will be proposed for approval by Company's shareholders through the next AGM to be held in 2013, for which the Company will cancel out the treasury shares by a capital reduction mechanism. The plan has been submitted to the Indonesian Stock Exchange with a copy to Bapepam & LK through the Company's letter No.073/X/2012-CSExt dated October 2, 2012.

The Asset Restructuring, the Sale of Shares of PT Matahari Pacific ("MP") and PT Nadya Putra Investama ("NPI") as well as it receivables.

The Company's asset restructuring to PT Multipolar Tbk as part of the streamlining process of the Company's Non-

Core Assets/Business which is a precondition requisite for the implementation of the share sale in MP and NPI with the Company's Receivables to PT Multipolar Tbk. ("MLPL") as contained in the Sale and Purchase Agreement of Shares and Receivables dated July 30, 2012, by and between the Company and MLPL, has been implemented in two phases with the compliance to the applicable law and regulations, the Articles of Association of the Company and the approval of the Company's EGM dated 19 September 2012.

Results from the implementation of the Company's assets restructuring and the process of share sale in MP and NPI with the Company's Receivables have been reported to Bapepam & LK with a copy to the Indonesian Stock Exchange, the Company's Trustee in Company's letters No. 082/XII/2012-CSExt dated December 4, 2012 and No. 083/XII/2012-CSExt dated December 12, 2012.

Reduction of Authorized, Issued and Paid Up Capital

The Company has completed the EGM's decisions held on 19 September 2012 in the regard of the reduction of authorized capital, issued and paid up capital by lowering the nominal value of the Company's shares from the previous Rp500 per share to Rp50 per share.

The whole process of the Company's action has been executed in accordance with the law and applicable regulations and the Company's Articles of Association. Further reductions are expressed by changing the Articles of Association, Article 4 paragraph (1) and (2) on CAPITAL, so that henceforth it is read as following paragraphs :

Paragraph (1)
The Company's Authorized Capital is set in amount of Rp 540,000,000,000,- consists of Rp 540,000,000,000 shares, each of par value shares of Rp 50, - (fifty Rupiah).

Paragraph (2)
The authorized capital has been subscribed and paid-up as much as 5,576,546,800 shares, with a total nominal value of Rp 278,827,340,000 by each shareholder with details as well as the nominal value of shares listed at the end of the deed.

Issued capital as referred to the Article 4 paragraph (2) have taken part and paid by the shareholders with the following details:

- **PT. Multipolar Tbk.**, a number of 2,701,391,108 shares with a total nominal value of Rp. 135,069,555,400, -.
- **PT. Star Pacific Tbk.,** a number of 338,419,625 shares with a total nominal value of Rp. 16,920,981,250, -.
- **Public,** a number of 2,536,736,067 shares with a total nominal value of Rp. 126 836 803 350,-

These changes in the Company's capital have been approved by the Ministry of Justice and Human Rights of the Republic of Indonesia by its letter No.AHU-58827. AH.01.02 year of 2012 dated 26 November 2012.

The difference between the amount of paid-in capital before and after the implementation of capital changes was distributed to the shareholders in accordance with the letter of notification from the Company submitted to the Indonesian Stock Exchange with a copy to Bapepam & LK, KSEI, BAE, respectively Trustee No.076/XI/2012-CSExt dated 21 November 2012, No.078/XI/2012-CSExt dated 26 November 2012, No.079/XI/2012-CSExt dated 27 November 2012, as it was announced through Investor Daily and Suara Pembaruan newspapers.

REGISTER OF SHAREHOLDERS AND SPECIAL REGISTER SHAREHOLDERS

Since 1992, the Company has been maintaining its Register of Shareholders and the Special Register of Shareholders which could help the Company to identify potential insider trading and conflict of interest transactions.. The List of Shareholders is recorded and stored by PT Sharestar Indonesia as the Registrar of Securities designated by the Company, while the Special Register of Shareholders is recorded in the Company's Corporate Secretary.

LEGAL ISSUES

During the fiscal year 2012, the Company did not experience any material issue of law or disruption on the business activities which might impact on the Company's financials. Any problem solving with third parties is sought as much as possible through bilateral discussions for win-win solutions in order to avoid the risk of spending greater costs.

CODE OF ETHICS AND CORPORATE CULTURE

The management always focus on the alignment of behaviours in accordance to the code of ethics prevailing in the Company, in order to maintain the positive working environment in each working group between superiors and subordinates and vice versa.

The code of ethics is essentially a moral standard between the right and wrong, the good andbad. Within the framework of the code of ethics concept, there are rules to be obeyed in order to support the Company to stride forward properly as expected.

The corporate culture is created to foster a positive ownership for the workplace so that all levels of management and staffs in carrying out their duties and obligations have a foundation of a strong moral responsibility in maintaining the Company's continuity from various aspects, among others, in terms of expenses, assets utilization efficiency and company facilities.

Within the framework of maintaining ethical and corporate culture, since 2002 the Company has developed and implemented a Code of Conduct applicable to all employees without exception as follows:

1. Grow the Company's values as a moral foundation in achieving its vision and mission.
2. Behavioral benchmark within the Company's values so that it becomes invaluable guide to all employees in the case of conflict of interest, giving and receiving gifts and donations, regulatory compliance, information confidentiality and reporting of unethical behaviors.

The socialization of Code of Conduct implementation has been made by distributing the Code of Conduct books to every employee along with the distribution of the Company's Regulations.

WHISTLEBLOWING SYSTEM

Some surveys claim that the application of Whistleblowing System proves to be a powerful tool in preventing and detecting fraud within the company.

In order to prevent and have early detection for violations that may occur within the Company, and as a first step in preparing Whistleblowing System, the Company has begun to implement a simple policy of Gift & Gratuity rewards for any reporting on irregularities of Employee Code of Conduct implementation by increasing the participation of employees and the community to be actively involved in violation reporting.

Further more, the Company continues to explore a more professional Whistleblowing System which might involve the proffessional support from independent consultants.

From time to time, the system is expected to provide benefits to the Company, among others:

1. Anticipate leaks and inefficiencies that might lead to high-cost economy.
2. The Company's working environment will be healthier and safer with the early detection for unexpected acts .
3. Create efficiency in every line of corporate control due to all parties' involvement.
4. The integrity and working morale in all Company's levels will develop better.
5. Increase public confidence as well as the Company's shareholders for the seriousness in implementing GCG.

IMPLEMENTATION OF SOCIAL RESPONSIBILITY AND AWARDS OBTAINED BY THE COMPANY

Through its Corporate Social Responsibility (CSR), the Company is directly involved in various social activities focusing on community development and education. Company's commitment to bring awareness and social responsibility is manifested in a variety of programs and social activities through Hypermart business, including:

1. Granting scholarships to 200 outstanding students
2. In cooperation with PT Unilever Indonesia Tbk conducting the school health unit improvement program by building hand-washing facilities for 20 schools.
3. Continuing customer donation program "Practical Infaq" which facilitates customer's infaq at Hypermart and Foodmart cashiers. This program is the seventh program in cooperation with Dhuafa Wallet. Total Infaq collected was more than Rp 2 billion.
4. Conducting free medical treatment in some surrounding areas of new Hypermart stores.
5. In cooperation with PT Phillips Indonesia launching "Energy Saving Light Village" by donating lighting equipment for 20 villages.
6. In cooperation with PT Kino Sentra Industrindo launching "Sharing Love in the Month of Ramadhan"
7. Handed over customer's donations in the amount of Rp 3,2 billion to the Indonesian Red Cross (PMI).

In the year 2012, the Company again won prestigious awards in the retail world such as Top 10 Retailers Award Indonesia - Silver Winner organized by Retail Asia Pacific, Social Media Award organized by Marketing Magazine, Super Brand 2012 organized by Superbrand as well as several awards from local media Jogja Solo, a Best Brand Index organized by Solo Pos newspaper and Excellent Brand Award organized by SOLO TV.

The Company has maintained a relatively positive rating as a retail company with good financial performance and liquidity as well as promising business prospects. Outcome ratings issued by rating agencies domestically and internationally in the year 2012 are as following:

- A + for conventional bonds and A + (sy) for sukuk ijarah, A + (negative outlook) to corporate from PEFINDO
- B + stable outlook from Standard & Poor's
- B2 stable outlook from Moody's.

We prudently ensure that all business practices follow the **good governance and transparency.**

AUDIT
COMMITTEE REPORT

In compliance with the regulation as stipulated in the BAPEPAM-LK Regulation No.IX.I.5 Attachment of BAPEPAM-LK Chairman Decree No.Kep-29/PM/2004 dated 24 September 2004 regarding Audit Committee as it has been changed with the BAPEPAM-LK Chairman Decree No. Kep-643/BL/2012 dated December 7, 2012 and The Jakarta Stock Exchange Regulation No. I-A Attachment of IDX Chairman No.Kep-305/BEJ/07-2004 regarding the General Rules on the Registration of the Equity like Securities on the Stock Exchange dated 19 July 2004, the Audit Committee has performed the following:

1. Review the Company's Financial Statements, Financial Projections and other Financial information from Company for one (1) year period ending at December 31, 2012.
2. Evaluation of the appointment of the External Auditors recommended by the Board of Directors.
3. Review of the independency and objectivity of the External Auditor.
4. Review of the adequacy of the examination conducted by the External Auditor to ensure that all the Company's critical risks have been covered and adequately addressed, to include :
   a. Areas where the internal control system is critical;
   b. Potential areas where to increase profitability and cost efficiency;
   c. Areas where the risk of authority of abuse high prevailing.
   d. Areas sensitive to misconduct;
   e. Operational, financial, and information technology aspects.
5. Review of audit findings and the implementation of the auditors' recommendation.
6. Review of the effectiveness of the Company's internal control.
7. Review of the Company's compliance with the capital market and other laws relevant to its activities.

In the performance of the above-mentioned reviews, besides examinations of the Company's financial report, the Internal Auditors' findings and the minutes of the Board of Directors meetings, the Audit Committee has examined the Company's accounting policies and procedures, tested the effectiveness of the integrated built-in control in its operational activities, and conducted intensive discussions with the Management, the Internal as well as the External Auditors.

In the fulfillment of its responsibility to disclose its examination results to the Company's Annual Report, the Audit Committee herewith reports that:

a. The Company's business activities have been conducted under effective internal control, whose quality has been continually improved in accordance with the policies set by the Board of Directors and under the supervision of the Board of Commissioners.
b. The Financial Statements have been properly prepared and presented in accordance with the generally accepted accounting principles in Indonesia.
c. The Company has always complied with the capital market and other regulation relevant to its activities.
d. The appointment of the External Auditor has been recommended by the Board of Directors on the basis of their competence and independency, and approved by the Board of Commissioners mandated by the shareholders at the General Shareholders' Meeting on April 5, 2012.
e. No potential of the abuse of authority or misconduct have been identified which need the attention and the consideration of the Company's Board of Commissioners.

Jakarta, December 31, 2012
Audit Committee of PT Matahari Putra Prima Tbk,

Ganesh Chander Grover	**DR. Isnandar Rachmat Ali, S.E., M.M.-**	**Lie Kwang Tak**
Chairman	Independent Member	Independent Member

HUMAN RESOURCES

As per December 31, 2012

TOTAL
12,248

JOB PROFILE

	Total	%
Advisor	2	0.02
Director	17	0.14
General Manager	91	0.74
Manager	2,020	16.49
Supervisor	2,175	17.76
Staff	7,943	64.85

TOTAL
12,248

EDUCATION

	Total	%
Post Graduate	26	0.21
Bachelor	800	6.53
Diploma	207	1.69
Senior High School	3,065	25.02
Junior High School	62	0.51
Others	8,088	66.04

TOTAL
12,248

AGE

	Total	%
<= 25	7,146	58.34
26 - 30	2,396	19.56
31 - 35	1,062	8.67
36 - 40	815	6.65
41 - 45	533	4.35
=> 46	296	2.42

Note :
Employess of PT Matahari Putra Prima Tbk.

In-line with its fast growing business development as the leading modern retailer, the Company has long-term strategic vision with the recognition of Human Resources ("HR") being an important aspect as its invaluable asset. This can be seen through various steps adopted continuously by the Company in developing and enactment of HR, transforming from being supporting function into Company's strategic function in order to create more added values strengthening its business strategy. Alignment between HR and Company's needs with existing business development is continuously conducted to support the Company's performance.

In order to support its growth and optimize existing HR, the Company continues to re-organize its HR more efficiently and effectively in order to allow a proper translation process of its vision, mission and business objectives to all internal parties. Moreover, the Company has also mapped out the HR potentials and allocated into proper organization (business units or Company's group) as well as continued career development as efforts to strengthening the overall organization.

To support the overall business strategy, the Company also continues to develop and implement the competence-based human resources management for supervising HR procedures, organization, recruitment and selection, performance appraisal, career development and compensation in order to produce effective, innovative HR with high integrity to meet Company's business achievements.

Various training programs as well as advanced training and development are also conducted with the objective to prepare Company's future leaders on continual basis. The management development program is not only designed to enhance skills and required competences, but also to engraft the Company's culture. Main priority from this human capital development is to ensure all staffs actively being involved in every career steps toward the Company's efforts, objectives and core values. Several training and development programs have been already conducted including Basic Supervisory Refreshment Training & Development Program, Career Development Program & Management Training, Certified Professional Program, General Management Training, and Training for Trainers.

To effectively map out staffs' potentials and increase the efficiency of HR development, the Company has also implemented Human Resources Information System ("HRIS"), in which management team can retrieve real-time information transparently for any related HR information. Moreover, HRIS would allow time and cost efficiencies for the Company as compared to

its manual implementation since it allows accurate recording of staffs information, performance appraisal and recruitments. HRIS development will be continued with additional related HR modules such as attendance records, health, business trips, leave allowances and budget control integrated into all HR activities.

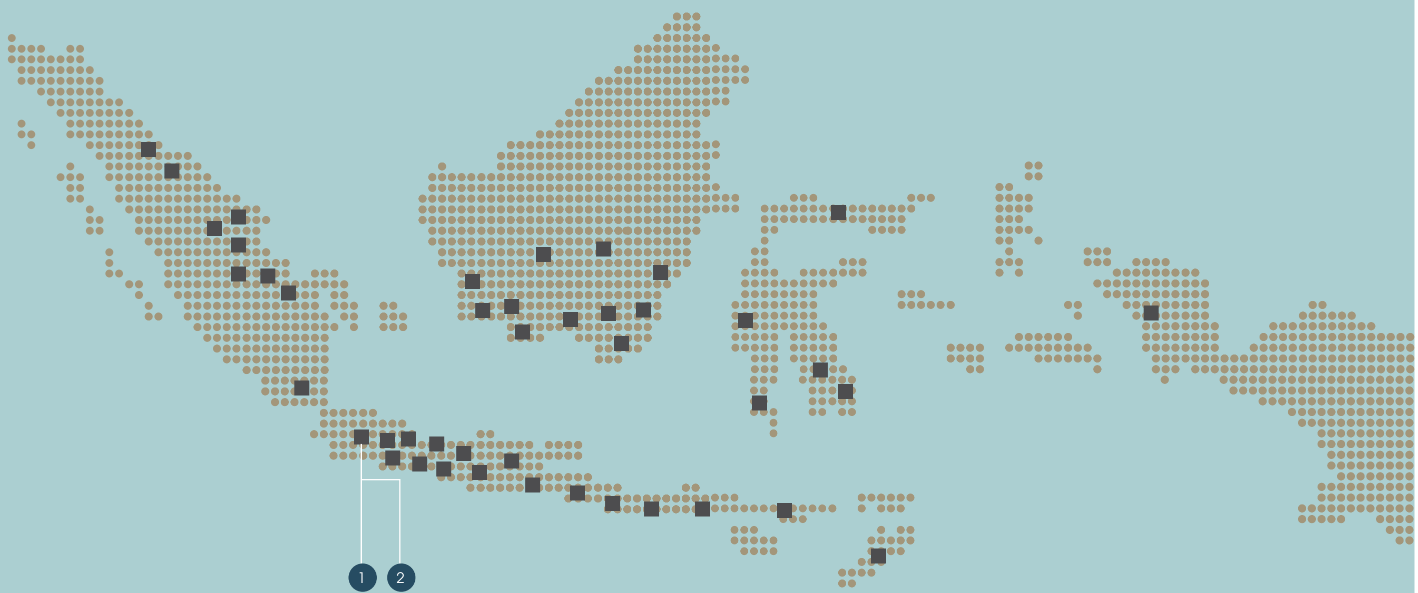
Other important aspects relating to human capital development is the Rewards as the appreciation given by the Company to performing staffs in order to stimulate challenging working environment where staffs are expected to be motivated higher to perform their best. Thus, Rewards strategy has become an integral part of human capital strategy in order to support the Company's business.

The Company also continues to maintain positive relationships among staffs as well as with management through IKM – Management Communication Forum ("IKM"). Since its inception in 2003, IKM now has representatives in headquarter, stores and distribution center.

IKM Chairman is elected periodically by the staffs' working units where IKM operates. Its activities are focused in 4 (four) main areas: Social, Religion, Sports and Communication, and is expected to strengthen relationships, increase work productivity, uphold order and job disciplines. IKM is also driven to be able to manage its activities for the staffs' welfare. Through Bipartit Cooperation Agency (Lembaga Kerjasama (LKS) Bipartit), IKM actively participates in assisting problem solving for matters related to industrial relations, and/or follow up and coordinate as well as consult those various aspects to Company's management. In return, Company also fully supports those IKM activities by providing various facilities and funding budget.

In building and developing the positive working relationship, the Company management periodically perform store visits to directly meet and discuss with staffs' representatives (IKM, LKS Bipartit and Cooperative). This activity represents one of management's concern, especially in developing and prospering quality industrial relations.

MATAHARI'S PRESENCE IN **INDONESIA**



We are **expanding** our business network to dominate all markets in all regions.

Data as per December 31, 2012

80

Number of Stores
HYPERMART

29

Number of Stores
FOODMART

98

Number of Stores
TIMEZONE

78

Number of Stores
BOSTON

1
The first new stores opened in 2012
HY Cimanggis
- 30 January 2012 -

2
The last new stores opened in 2012
HY Citra Grand Cibubur
- 28 December 2012-

62.000 m^2

Additional new selling space

GREATER JAKARTA

HYPERMART
HY MALL WTC SERPONG
HY SUPERMALL KARAWACI
HY METROPOLIS TWON SQUARE
HY GAJAH MADA
HY JACC PLAZA
HY DAAN MOGOT
HY CIBUBUR JUNCTION
HY DEPOK TWON SQUARE
HY KTC KALAPA GADING
HY GRAND MALL BEKASI
HY MALL LIPPO CIKARANG
HY MEGA GLODOK KEMAYORAN
HY PEJATEN VILLAGE
HY PONDOK GEDE
HY PURI
HY CYBER PARK LIPPO VILLAGE
HY GADING SERPONG
HY CIPUTRA CIBUBUR
HY CIMANGGIS SQUARE
HY BALE KOTA MALL

FOODMART
FM CILANDAK TOWN SQUARE
FM ATRIUM PLAZA
FM KLENDER
FM CONVIENCE GALL PS BARU
FE CONVIENCE KARAWACI HO
FE REST AREA KM 13,5
FM EKALOSARI BOGOR
FM CONVIENCE SM BOGOR
FM ASTON SUDIRMAN
FM SUPERMAL KARAWACI
FM SANDIAGO HILLS
FM MRCCC SEMANGGI
FM KEMANG VILLAGE
BM CIOMAS
BM SEMERU

BOSTON
BHB KARAWACI
BHB CILANDAK
BHB DAAN MOGOT
BHB CIKARANG NEW
BHB PEJATEN
BHB PARAGON CITY PURI
BHB ATRIUM SENEN
BHB KEMAYORAN
BHB SILOAM KARAWACI
BHB HYPER DEPOK
BHB EKALOKASARI BOGOR
BHB SILOAM KEBUN JERUK
BHB CILEGON
BHB METROPOLIS
BHB GAJAH MADA PLAZA
BHB JACC
BHB BALE KOTA
BHB NORTH LIPPO VILLAGE
BHB GRAND CIBUBUR
BHB GADING SERPONG

WEST JAVA

HYPERMART
HY SENTUL
HY METRO TRADE CENTRE
HY HPM MAYOFIELD CIANJUR
HY BIP PLAZA
HY MAYOFIELD CILEGON
HY MIKO MALL BANDUNG
HY SERANG
HY CIREBON SUPER BLOK

FOODMART
FM KARAWANG
FM GRAGE MALL

BOSTON
BHB BELLANOVA BUKIT SENTUL
BHB SERANG
BHB MTC BANDUNG
BHB CIANJUR
BHB GRAGE CIREBON
BHB MIKO BANDUNG
BHB KARAWANG
BHB CIREBON SUPERBLOCK

CENTRAL JAVA

HYPERMART
HY SOLO
HY JAVA MALL
HY SOLO SQUARE
HY PEKALONGAN
HY PARAGON CITY
HY KUDUS
HY SOLO HARTONO

FOODMART
FM KLATEN
FM PURWOKERTO
FM CONVENIENCE GALL JOGJAKARTA

BOSTON
BHB SOLO SQUARE
BHB GRAND MALL SOLO
BHB JAVA SEMARANG
BHB PARAGON CITY SEMARANG
BHB HARTONO SOLO
BHB PEKALONGAN

EAST JAVA

HYPERMART
HY MALANG TOWN SQUARE
HY SUPERMALL PAKUWON
HY ROYAL SURABAYA
HY CITY OF TOMORROW
HY MADIUN
HY EAST COAST (PATOS)
HY BATU MALANG
HY CIPUTRA WORLD MALL
HY KEDIRI TOWN SQUARE
HY GRESIK PLAZA
HY SIDOARJO
HY BANGKALAN

FOODMART
FM SURABAYA TOWN SQUARE
FM JEMBER

BOSTON
BHB SILOAM SURABAYA
BHB ROYAL PLAZA SURABAYA
BHB CITO SURABAYA
BHB SURABAYA TOWN SQUARE
BHB NEW PAKUWON
BHB MALANG TOWN SQUARE
BHB MDIUN
BHB EAST COAST SURABAYA
BHB KUDUS
BHB GRESIK
BHB KEDIRI
BHB SIDOARJO
BHB BANGKALAN MADURA

SUMATERA

HYPERMART
HY MALL GRAND PALLADIUM
HY SUN PLAZA
HY BINJAI SUPERMALL
HY MALL SKA PEKAN BARU
HY PALEMBANG INDAH MALL
HY MEGA MALL BATAM CENTRE
HY NAGOYA HILL BATAM
HY WTC JAMBI
HY LAMPUNG
HY BENGKULU
HY CIPUTRA PEKANBARU
HY PALEMBANG SQUARE
HY DURI PEKANBARU
HY BANGKA TRADE CENTER
HY MUARA BUNGO

FOODMART
BASKO PADANG

BOSTON
BHB SKA PEKAN BARU
BHB MEGA BATAM CENTER
BHB NAGOYA HILL BATAM
BHB LAMPUNG
BHB BINJAI
BHB JAMBI
BHB MEDAN PALLADIUM
BHB BENGKULU
BHB SUN PLAZA MEDAN
BHB PALEMBANG
BHB MANDAU DURI PK BARU
BHB MUARA BUNGO

SULAWESI

HYPERMART
HY GTC MAKASAR
HY PANAKUKANG
HY MANADO TRADE CENTER
HY MANADO TOWN SQUARE
HY GORONTALO
HY KENDARI
HY PALOPO

BOSTON
BHB MANADO TOWN SQUARE
BHB TJ BUNGA MAKASAR
BHB HYPER PANAKUKUNG
BHB GORONTALO
BHB PALOPO
BHB KENDARI
BHB SILOAM MAKASAR
SILOAM MANADO

BORNEO

HYPERMART
HY A YANI MEGAMALL PONTIANAK
HY DUTA MALL BANJARMASIN
HY BALIKPAPAN TRADE CENTRE
HY SAMARINDA
HY Q MALL BANJARBARU BANJARMASIN

FOODMART
FM SAMARINDA
FM E-WALK SUPERBLOCK BALIKPAPAN

BOSTON
BHB BALIKPAPAN
BHB BARJARMASIN
BHB A.YANI PONTIANAK
BHB SAMARINDA
BHB PALANGKARAYA

BALI

HYPERMART
HY MAL BALI GALLERIA

FOODMART
FM CONVIENCE KUTA SQUARE
FM CONVIENCE SUNSET
FM SUNSET BALI

BOSTON
BHB GALERIA BALI
BHB KUTA SQUARE BALI

EAST INDONESIA

HYPERMART
HY PASO AMBON
HY PAPUA
HY KUPANG
HY JAYA PURA

FOODMART
FM AMBON

BOSTON
BHB AMBON CITY CENTER
BHB KUPANG

CORPORATE
SOCIAL RESPONSIBILITY

THROUGH CORPORATE SOCIAL RESPONSIBILITY, THE COMPANY IS DIRECTLY INVOLVED IN VARIOUS **SOCIAL ACTIVITIES FOCUSED ON COMMUNITY DEVELOPMENT AND EDUCATION.**

Donation from Hypermart's customers to Red Cross Indonesia -- Hypermart's CEO, Carmelito Regalado, gave the customers' donation to Red Cross Indonesia in the amount of Rp 3,213,344,467.-, which was received by the Chairman of Red Cross Indonesia, H. Jusuf Kalla. This ceremony was done on November 8, 2012 at the headquarter of Red Cross Indonesia in Jakarta. The donation was from all Hypermart outlets.

Within the opening of 66th store in Cimanggis, Depok, Hypermart cooperated with PT Sinde Budi Sentosa to bring free medication for the residents of Cimanggis. Various social activities was contributed by Hypermart during the new store opening.

Corporate Communication Director, Danny Kojongian, gave the education aid to performing students from Taruna Nusantara Senior High School, Magelang. This event was part of the joint cooperation between the Company and University of Pelita Harapan in educational aid.

On August 1, 2012, Hypermart cooperated with Heinz ABC to launch Festive Break program with 100,000 dhuafa at Al Azhar Mosque in Jakarta. This event also encouraged consumers to purchase various products of Heinz ABC within the period of July 19 – August 31, 2012 to support the program.

On December 19, 2012, Hypermart submitted the infaq from customers in the amount of Rp 1,771,170,399.- to Dompet Dhuafa. This infaq was collected from "Infaq Praktis" program, which was a joint cooperation between Matahari Food Business and Dompet Dhuafa and also marked as the 7th successfully performed annual activity. This program facilitates customers to give the infaq donation through all cashier lines within Hypermart and Foodmart outlets.

Within the opening ceremony of 72th store in Bale Kota, Tangerang on July 25, 2012, Hypermart cooperated with PT Kino Sentro Industrindo, manufacturer of Cap Kaki Tiga & Cap Panda products to launch "Berbagi Kasih" program during the Festive Season through donation to 1,000 orphanages. This program was launch at Keluarga Anak Langit orphanage house in Tangerang.

On December 12, 2012, Lifebuoy and Hypermart donated Rp 100 million in the form of hand washing facilities to 20 Elementary Schools in Jakarta, Banten and West Java. This progam also involved customers' donation of Rp 100 for every purchase of Lifebuoy products within the period of May 10-22, 2012.

MANAGEMENT **PROFILE**

BOARD OF COMMISSIONERS

THEO L. SAMBUAGA
President Commissioner

Joined the Company in 2012 and is a respected figure of the leading politicians in Indonesia. His professional experience included several key positions including Minister of Labour (1998), Minister of State for Housing and Settlement (1998-1999) and member of the Constitutional Committee (1982 – 2009). He obtained his undergraduate degree in Social and Political Studies from University of Indonesia (1978) and he holds Master of International Public Policy from John Hopkins University, Washington DC (1990). Currently, he also serves as President of Lippo Group, President Commissioner of PT Lippo Karawaci Tbk, Commissioner of PT First Media Tbk, President of Berita Satu Media Holding and Commisioner of PT Multipolar Tbk.

JONATHAN LIMBONG PARAPAK
Independent Commissioner

Joined the Company in 2000 and is a highly respected executive business leader in telecommunication industry. His professional experience included several important positions as Secretary General of Department of Tourism, Posts and Telecommunication (1991-1998); Secretary General of the Department of Tourism, Arts and Culture (1998-1999); and President Director & President Commissioner of PT. Indosat Tbk (1980-2000). Currently he takes responsibility as a Rector of Pelita Harapan University and Independent Commissioner of PT Matahari Department Store Tbk (MDS).

JOHN BELLIS

Independent Commissioner

Joined the Company in 2001. Prior assuming his current position, he was the Senior Advisor and CEO of Matahari Department Store. His career started as management trainee at John Lewis Partnership Stores, UK (1965-1970), General Manager Booker Group Zambia (1965-1970) and Edgars Stores Ltd, South Africa (1970-1999) with latest position as Managing Director. He is a NRDC graduate of St Martins College London. Currently, he also serves as President Commissioner of PT Matahari Department Store Tbk (MDS).

GANESH CHANDER GROVER

Independent Commissioner

Prior to assume his current position in the Company, he was also a member of Commissioner (2002-2007) and member of Audit Committee (2007). His professional career included several important positions as Chief Financial Officer of Bist Industrial Corp, India and Financial Analyst of USAID in India and Indonesia during 1964-1975, as well as Chief Financial Controller of Group Usaha Trisakti, Indonesia (1975-1990).

JEFFREY KOES WONSONO

Commissioner

Joined the Company in 1997 and is presently the President Director of PT Multipolar Corporation Tbk. His professional career started in 1980 as Senior Marketing at PT Mitsubishi Corporation. During 1981-2001, he assumed several top management positions in several banks with latest position as Chairman of Bank Mayapada International & Sona Topas. He started joining Lippo Group in 1992 until now and previously took director positions at Lippo Securities and Lippo Investments. He is an MBA graduate of Golden Gate University, San Francisco, USA.

PROF. DR. ADRIANUS MOOY

Independent Commissioner

Joined the Company in 2007. He started his professional career mostly in educational field from Assistant Teacher in Economics Faculty of University Gajah Mada (1958-1959); Teaching Professor in Economics Faculty of University of Indonesia (1987); Governor of Bank Indonesia (1988-1993); Under-Secretary-General of United Nations ESCAP, Bangkok (1995-2000); Chief Consultant SEACEN Center, KL (2000-2001); Senior Advisor on Foreign Aid Management UNSFIR (2004-2005) and Institutional Advisor of ADB Bank (2006-2007). Currently he also serves as Senior Mentor of Business School, Pelita Harapan University, Jakarta; Chair Professor of ABFI Institute. He holds several graduate degrees of Master of Science in Economics (1960) and PhD in Economics from University of Wisconsin, USA (1966).

AUDIT COMMITTEE

GANESH CHANDER GROVER
Chairman

His professional career included several important positions namely as Chief Financial Officer of Bist Industrial Corp, India and in Indonesia during the year of 1964 – 1975, as well as Chief Financial Controller Group Usaha Trisakti, Indonesia (1975 – 1990). In 2002, He has appointed as Company's Director and since 2003 He serves as Commissioner. Currently in the Company, He still serve as an Independent Commissioner as well as Chairman of Audit Committee, previously He has served as a member of Company's Audit Committee.

DR. ISNANDAR RACHMAT ALI, S.E., M.M.
Member

He holds Doctorate (PhD) degree majoring in Education Management from the State University of Jakarta. His professional career started by holding several important positions in several industrial companies. In the year of 1980 – 1989 as Vice President Director of Bhumy Bahari Bank and as Vice President Director of Tokai Lippo Bank in 1989 – 2001. Currently , besides active as a lecturer at Krisnadwipayana University since 1998, he has also held positions as Independent Commissioner and Chairman of the Audit Committee of PT Multipolar Tbk.

LIE KWANG TAK
Member

Joined the Company in 2008-2009 as the member of the Audit Committee. He started his professional career in 1980 by joining several consultancy firms and has progressed to assume several key management positions as Director of Trisula Corporation since 1991; Executive Director PT Southern Cross Textile Industries since 2003 and partner in PT Bina Analisindo Semesta since 1985. He graduated from the University of Indonesia majoring in Economics in 1982.

BOARD OF DIRECTORS

BENJAMIN J. MAILOOL
President Director

Prior to joining the Company in January 2002, he assumed his position as CEO of PT Bukit Sentul Tbk (1997-2001). He started his professional career in Citibank NA, Jakarta (1989-1997) with his last position as Vice President – Risk Management Treasury Head. He is an MBA graduate from Oklahoma, USA. Currently, he also serves as President Director of PT Matahari Department Store Tbk (MDS).

LINA H. LATIF
Director

Joined the Company in 2001. Her career started as Senior Auditor at Prasetio Utomo & Co (1979-1984) and joined Lippo Group in 1985. She assumed several key positions in Lippo Group such as Assitant Vice President Lippo Group (1985-1986); Director PT Lippo Pacific Finance and PT Lippo Merchants Finance (1989-1993) as well as PT Lippo Karawaci Tbk (1993-1998). Her last position was President Director of PT Lippo Securities Tbk (1998-1999). She is a graduate of Trisakti University, Jakarta.

RICHARD H. SETIADI
Director

Joined the Company in 2001. He started his career as an auditor with Arthur Andersen in 1994 where he conducted audits in several reputable companies such as PT Telekomunikasi Indonesia Tbk, PT Semen Gresik Tbk, PT Great Giant Pineapple Company and Asia Pulp & Paper Co. He is a graduate of Atmajaya University, Yogyakarta majoring in Accounting. In 2012, he has appointed as Company's Finance Accounting Director and CFO.

CARMELITO J. REGALADO

Director

Joined the Company in March 2002 and has also served as Director of Merchandising & Marketing of Matahari Food Business Division (2002-2009). His professional career started as Auditor at SGV & Co Public Accountant Office in Philippines and continued to assume several positions in finance areas at hotel industry during 1977-1986. He also assumed several key positions in several business groups in Indonesia prior to joining the Company. He is a graduate from University of Santo Thomas, Philippines. In late 2009, he was elected at President of Matahari Food Business Division (MFB).

R. SOEPARMADI

Director

Joined the Company in 2008. He is a professional executive with 29 years of experience in the area of Corporate Finance, Asset Management, Real Estate and General Management. He holds Bachelor Degree in English Literature. He started his career in Citibank NA (1969-1978) and later appointed as the Managing Director of Finconesia Financial Company. He joined Lippo Group in 1990 and has held several directorship positions in various companies within the Group: Bank Bahari, Lippo Cikarang, Lippo Land, LippoBank and latest current position as President Director & CEO of PT Gowa Makassar Tourism Development Tbk, one of Lippo Group Real Estate Development in Tanjung Bunga Makassar. Currently, he also serves as Director of PT Matahari Department Store Tbk (MDS).

CORPORATE DIRECTOR

TRAVIS SAUCER

CEO - Retail Group

Joined the Company in 2006 as CEO of Matahari Department Store Division. He is a respectable executive on the USA's department store business field with his main expertise & focus in merchandising and marketing aspects. Started his career by joining JC Penney in 1973, he has been a prominent figure within department store division of Saks, Inc. by taking several key positions such as CEO of McRae's (1998-1999) and Parisian (1999-2001). Within 2001-2006, he also provides independent business consultancy to local entrepreneurial venture. In late 2009, he was appointed as the Company's CEO of Retail Group, overseeing all retail businesses. He is a graduate from Troy State University, Alabama, USA.

ANDRE RUMANTIR

Corporate HRD Director

Joined the Company in May 2005. His professional career includes 28 years experience in holding key positions in multinational companies such as PT International Nickel Indonesia Tbk and PT Goodyear Indonesia Tbk with expertise in process plant, manufacturing and human resource management. He is an MBA graduate from Greenwich University, Hawaii, USA. Currently, he also serves as Director of PT Matahari Department Store Tbk (MDS).

DANNY KOJONGIAN
Corporate Communication Director

Joined the Company in 1996. His career in the Company has grown from Senior Manager to the present Director position and has been assuming the investor relations & public relations roles since 1996. He started his professional career in PT Duta Pertiwi as Treasury Senior Staff (1994-1996). He is an MBA graduate majoring in Finance & Portfolio Management from National University, San Diego, USA.

JOHANES JANY
Property and Asset Management Director

Joined the Company in 1989, he later assumed several key positions in the Company's subsidiaries, as President Director of Timezone and Real Estate & Store Planning Director of Matahari Department Store. In 2011, he returned to the Company and currently serves as Property & Asset Management Director. He is a graduate of University of North Sumatra, Medan majoring Accounting.

MANAGEMENT OF MATAHARI FOOD DIVISION

CARMELITO J. REGALADO
President & COO

Joined the Company in March 2002 and has also served as Director of Merchandising & Marketing of Matahari Food Business Division (2002-2009). His professional career started as Auditor at SGV & Co Public Accountant Office in Philippines and continued to assume several positions in finance areas at hotel industry during 1977-1986. He also assumed several key positions in several business groups in Indonesia prior to joining the Company. He is a graduate from University of Santo Thomas, Philippines. In late 2009, he was elected at President of Matahari Food Business Division (MFB).

STEVEN A. MARTIN
CFO

Joined the Company as the MDS' CFO in 2007. In late 2009, he was also appointed as the Company's Head of Retail Strategic Planning. Prior to joining Matahari, he has spent numerous professional experiences in financial fields in USA with starting career as Project Planning Manager of American Management Systems Inc. (1974-1981); Director - Budgets & Analysis of Batus Inc. (1981-1990); Director - Information Systems of Humana Inc. (1990-1992); VP – Strategy and Business of Sears, Roebuck and Co. (1993-1996); Executive VP/CFO – Sun Television and Appliances Inc. (1996-1997); Strategic Consulting (1997-1999); Senior VP/CFO – Oshman's Sporting Goods Inc. (1999-2001); Strategic Consultant/New Business Creation (2001-present) and Partner – BFD Northwest Inc (2001-present). He is a graduate with Bachelor in Economics (High Honors) from Princeton University, NJ and MBA in Finance and Statistics from Wharton School of Business, PA.

GILLES PIVON
Hypermart Format Director

Joined the Company in 2009 as VP Sales Development FMCG's Non Food of Hypermart. He started his professional career in hypermarket business in 1986 by joining the Carrefour Group, France. During his career path, he has assumed several key positions, include the Regional Director of Carrefour Taiwan (2004-2006) and the Regional Director of Carrefour Belgium (2007-2009). He graduated from the Institute Pitiot Lyon majoring in Marketing.

EMI NUEL
Supermarket Format Director

Joined the Company in 2004 as VP-Head of Operation Hypermart. Within 2008-2009, he assumed key position as President Director – COO of Mitra 10. In late 2009, he returned to the Company as Format Director of Foodmart. He started his professional career in Astra Group in 1990. Within 1996-1999, he was Marketing Planning Manager of DHL; and subsequently joined Carrefour as Store GM (1999-2003). He is a graduate of IPB Bogor, majoring Agro Industrial Technology.

IWAN GOENADI

Management Information System , HRD & GA Director

Joined the Company as Head of Management System (MIS) in 1998. He was appointed as Head Store Operation Supermarket in 1999 and MIS Director since 2002. He is a graduate of Institute of Technology Bandung in 1984 and Utah State University, USA in 1987.

ANG KASMIN RASILIM

Risk Management Director

Joined the Company in 2003. His career path includes positions in Gramedia Group (1989-1995) as Marketing Manager; WalMart International Jakarta (1996-1998) as Loss Prevention Country Manager and PT Hero Supermarket Tbk as Procurement General Manager. He is an MBA graduate from Greenwich University, Hawaii.

MESHVARA KANJAYA

Merchandising & Marketing Director

Previously worked for the Company for the period of 2003-2007 as Format Director of Foodmart. In late 2009, she rejoined the Company as Director of Merchandising & Marketing. She started her career in PT Procter & Gamble Indonesia in Product Development Department as Industrial Chemist, after finishing her study in University of New South Wales, Australia. She assumed several positions in other companies such as PT Kao Indonesia, PT Frisian Flag Indonesia, PT Hero Supermarket dan PT Ahold Indonesia with latest position as COO of PT Supra Boga Lestari overseeing the Farmers Market and Ranch Market supermarkets. Meshvara also recently wrote 'Retail Rules' a book about history of Indonesia food retail & tips to move forward.

DEBORAH ROSANTI

Associate Director Store Planning & Dev.

Joined the Company in 2002. Her professional career started in 1989 as a Staff of Architecture at PT Artha Buana Sakti. In the path of her career so far, she has proven her expertise in the field of property and project management. During 1989 - 1997, she assumed several important positions in the field of property such as Harapan Group (1989 - 1992) as Project Coordinator, Kanindo Group (1993 - 1994) as Project Manager, PT Lippo Development Group (1994 - 1999) as Project Manager. Graduated from the National Institute of Technology, majoring in Architecture.

KEITH DOLLING

DC & Logistic Advisor

Joined the Company in January 2004 as Logistics Advisor. He started his career in mid-70's by joining Coles-Myer Group Australia. His 36-years professional career has been intensively focused in distribution & logistic aspects with the experience in holding several director positions in TOPS Retail (Malaysia) Sdn Bhd, Daria-Varia Laboratoria Group, Kalbe Farma Group and TNT Logistics Indonesia. He is a graduate from Swinburne Institute of Technology, Melbourne, Australia.


Blue Sea

CORPORATE INFORMATION

PT MATAHARI PUTRA PRIMA Tbk.

Menara Matahari 17th & 20th Floor
Jl. Boulevard Palem Raya No. 7
Lippo Karawaci 1200
Tangerang 15811
Indonesia
Phone : (62-21) 546 9333
Fax : (62-21) 547 5673
www.mataharigroup.co.id
www.hypermart.co.id

Corporate Communication Division

Email : investor.relation@mataharigroup.com
Twitter : @mataharigroup

SUPPORTING INSTITUTIONS

INDEPENDENT AUDITOR

RSM Aryanto, Amir Jusuf, Mawar & Saptoto
Plaza ABDA 10th & 11th Floor
Jl. Jend. Sudirman Kav. 59
Jakarta - 12190
Phone : (021) 5140 1340
Fax : (021) 5140 1350
www.aaj.co.id

SHARE REGISTRAR

PT Sharestar Indonesia
Citra Graha Building 2nd Floor
Jl. Jend. Gatot Subroto Kav. 35 - 36
Jakarta - 12950
Phone : (021) 527 7966
Fax : (021) 527 7967
www.sharestar.co.id

LEGAL CONSULTANTS

Soemarjono, Herman & Rekan
Kantor Advokat (Law Office)
Jl. Sultan Agung No. 62
Jakarta - 12970
Phone : (62 21) 829 4960, 830 3400
Fax : (62 21) 828 0530
E-mail : eshamer@cbn.net.id

Makes & Partners Law Firm
Menara Batavia, 7th Floor
Jl. KH. Mas Mansyur Kav. 126
Jakarta 10220, Indonesia
Phone : (62 21) 574 7181
Fax : (62 21) 574 7180
E-mail : makes@makeslaw.com
www.makeslaw.com

MATAHARI
PT MATAHARI PUTRA PRIMA Tbk

Statement of Members of Board of Commissioners and Board of Directors on the Responsibility for the 2012 Annual Report of PT Matahari Putra Prima Tbk.

We, the undersigned, state that all information in the Annual Report of PT Matahari Putra Prima Tbk. for the year of 2012 are presented in its entirety and we are fully responsible for the correctness of the contents in the Annual Report of the Company.

This statement is hereby made in all truthfulness.

Tangerang, 6 March 2013

Board of Directors,	Board of Commissioners,
METERAI TEMPEL 6000 DJP	
Bunjamin J. Mailool *President Director*	**Theo L. Sambuaga** *President Commissioner*
Lina H. Latif *Director*	**Jonathan L. Parapak** *Independent Commissioner*
Richard H. Setiadi *Director*	**Prof. Adrianus Mooy** *Independent Commissioner*
Carmelito J. Regalado *Director*	**Ganesh C. Grover** *Independent Commissioner*

MATAHARI
PT MATAHARI PUTRA PRIMA Tbk

R. Soeparmadi
Direktur

John Bellis
Komisaris Independen

Jeffrey K. Wonsono
Komisaris

PT. Matahari Putra Prima, Tbk
Gajah Mada Plaza Lt. SG, Jl. Gajah Mada No. 19-26 Petojo Utara, Gambir, Jakarta Pusat 10130, Indonesia. www.mataharigroup.co.id
Kantor Pusat Operasional :
Menara Matahari, Jl. Bulevar Palem Raya No. 7 Lippo Karawaci 1200 Tangerang 15811, Indonesia. Telp. 62 21 5469333 (hunting) Fax. 62 21 5475229

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Annual Report
2012

PT MATAHARI PUTRA PRIMA Tbk.
AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report Years Ended
December 31, 2012 and 2011, and
Consolidated Financial Statements Position
January 1, 2011/December 31, 2010

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES

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MATAHARI

DIRECTOR'S DECLARATION OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012 PT MATAHARI PUTRA PRIMA Tbk

We, the undersigned:

1.	Name	:	**BUNJAMIN J. MAILOOL**
	Office Address	:	Menara Matahari Lantai 20 Jl. Bulevar Palem Raya No. 7 Lippo Karawaci 1200 Tangerang 15811
	Residental Address/as per ID Card or other identity card	:	Gading Griya Lestari C1/7 RT. 012 / RW. 005 Kec. Sukapura, Jakarta Utara
	Phone	:	5475333, 5469333
	Title	:	President Director
2.	Name	:	**RICHARD H. SETIADI**
	Office Address	:	Menara Matahari Lantai 20 Jl. Bulevar Palem Raya No. 7 Lippo Karawaci 1200 Tangerang 15811
	Residental Address/as per ID Card or other identity card	:	Jalan Hanoman Raya 20A, RT/RW. 003/009, Kel. Rawa Buaya, Kec. Cengkareng, Jakarta Barat
	Phone	:	5475333, 5469333
	Title	:	Director

Herewith endorsed the followings :

1. Responsible for the preparation and presentation of the Company's financial statement;
2. The Company's Financial Statements has been prepared and presented in accordance with generally accepted accounting principles;
3. a. All information has been fully and correctly disclosed in the Company's Financial Statements;
   b. The Company's Financial Statements does not contain any material incorrect information or facts, nor do they omit material information or facts;
4. Responsible for the Company's internal control system.

Therefore, this statement has been made truthfully.

Tangerang, 6 March 2013

Sincerely,
PT MATAHARI PUTRA PRIMA Tbk.

METERAI TEMPEL
BC0CAABF539797414
6000

BUNJAMIN J. MAILOOL
President Director

RICHARD H. SETIADI
Director

This report is originally issued in Indonesia language

Number : R/103.AGA-E/grc.1/2013

Kantor Akuntan Publik
Aryanto, Amir Jusuf, Mawar & Saptoto
RSM AAJ Associates
Plaza ASIA, 10th Floor
Jl. Jend. Sudirman Kav. 59 Jakarta 12190 - Indonesia
T +62 21 5140 1340, F +62 21 5140 1350
www.rsm.aajassociates.com

Independent Auditors' Report

The Stockholders, Commissioners and Directors
PT Matahari Putra Prima Tbk

We have audited the consolidated statements of financial position of PT Matahari Putra Prima Tbk and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011/December 31, 2010, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Matahari Putra Prima Tbk and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011/December 31, 2010, and the consolidated results of their operations and their cash flows for the years ended December 31, 2012 and 2011, in conformity with the Indonesian Financial Accounting Standards.

As disclosed in Note 2 to the consolidated financial statements, PT Matahari Putra Prima Tbk and subsidiaries have implemented certain Statements of Financial Accounting Standards which become effective starting January 1, 2012. In addition, as disclosed in Note 44 to the consolidated financial statements, in 2012 PT Matahari Putra Prima Tbk and subsidiaries have adopted the Chairman of the Indonesian Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) Decree No.KEP-347/BL/2012 regarding Presentation and Disclosures of Issuers or Public Companies. Accordingly, certain comparative figures in the statements of financial position as of December 31, 2011 and January 1, 2011/December 31, 2010 have been reclassified to conform with the presentation in the statement of financial position as of December 31, 2012.

Grace Octavia
Public Accountant License Number: AP.0151

Jakarta, March 6, 2013.

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in equity, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012, 2011 and January 1, 2011/December 31, 2010
(Expressed in millions of Indonesian rupiah, except for share data)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2c,2d,2s,2x, 3,9,35	1,361,736	1,403,075	2,565,235
Trade receivables - third parties	2d,2e,4	43,338	34,711	20,305
Held to maturities investments	2d,2s,2x,5, 9,26,35,44	1,553,980	382,318	1,383,975
Other current financial assets	2d,2e,2s,2x, 6,9,35,44	280,259	225,209	184,550
Inventories	2f,7,29	1,670,574	1,266,120	969,713
Prepaid taxes	19	35,783	95,639	102,164
Prepaid expenses	2g,2h,2l, 2x,8,9	108,432	137,823	116,233
Other current assets		30,638	66,868	65,220
Total Current Assets		5,084,740	3,611,763	5,407,395
NON-CURRENT ASSETS				
Due from related parties non-trade	2d,2e,2x,9	7,884	9,502	12,513
Other long-term receivable	2d,2e,10	-	1,171,243	1,088,359
Other non-current financial assets	2d,2e,11,44	29,524	28,956	18,859
Investments in associates	2i,2x,9,12	-	32,794	29,667
Other long-term investments	2d,2i,12	2	883,853	1,069,278
Investment properties	2j,13,44	-	89,651	74,333
Fixed assets	2k,2l,2x, 9,14	775,125	1,643,505	1,503,459
Rental advances and deposits	2h,2l,2x, 9,15,37	1,689,179	1,665,588	1,394,535
Prepaid long-term rents	2g,2h,2l, 2x,9,16	398,147	695,336	484,272
Intangible assets	2m,2x,9, 17,44	1,188	251	559
Other non-current assets		126,162	198,844	32,641
Deferred tax assets	2t,19,26	113,255	276,883	304,730
Total Non-current Assets		3,140,466	6,696,406	6,013,205
TOTAL ASSETS		**8,225,206**	**10,308,169**	**11,420,600**

The accompanying notes form an integral part of these consolidated financial statements.

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2012, 2011 and January 1, 2011/December 31, 2010
(Expressed in millions of Indonesian rupiah, except for share data)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Payables	2d			
Trade	18	1,422,313	1,290,377	987,993
Dividend	44	-	-	968,033
Accruals	2d,2x,9, 20,44	323,466	412,559	341,217
Taxes payable	2d,19	76,151	43,424	83,199
Short-term employee benefit liabilities	2d,2u,34,44	196,837	180,232	124,247
Current maturities of non-current liabilities:	2d			
Bank loans	22,43	535,000	440,000	370,000
Bonds payable	2n,23,44	-	249,581	-
Sukuk payable	2o,23,44	-	89,850	-
Deferred gain on assets sale and lease transaction	2h	2,098	2,098	44,745
Other current financial liabilities	2d,2s,2x,9, 21,35,44	92,405	151,754	72,671
Other current liabilities	2r,44	67,656	100,558	71,877
Total Current Liabilities		2,715,926	2,960,433	3,063,982
NON-CURRENT LIABILITIES				
Long-term bank loans	2d,2s,22, 35,37,43	1,280,100	1,307,040	269,730
Due to related parties non-trade	2d,2x,9	-	3,416	6,284
Bonds payable	2d,2n,23,44	51,747	51,586	299,723
Sukuk payable	2d,2o,23,44	135,493	134,919	223,943
Long-term employee benefit liabilities	2u,34,44	126,636	111,067	85,402
Deferred gain on assets sale and lease transaction		8,149	10,247	263,251
Other non-current liabilities	2d,44	61,401	43,705	13,183
Deferred tax liabilities	2t,19	-	2,308	1,070
Total Non-current Liabilities		1,663,526	1,664,288	1,162,586
Total Liabilities		4,379,452	4,624,721	4,226,568

The accompanying notes form an integral part of these consolidated financial statements.

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2012, 2011 and January 1, 2011/December 31, 2010
(Expressed in millions of Indonesian rupiah, except for share data)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010
EQUITY				
Equity Attributable to Owners of the Parent				
Share capital - par value of Rp50 per share in 2012 and par value of Rp500 per share in 2011 and 2010 Authorized - 10,800,000,000 shares Issued and fully paid - 5,576,546,800 shares	1b,24	278,827	2,788,273	2,788,273
Additional paid-in capital - net	2p,25	324,652	324,652	324,652
Difference in value from restructuring transactions among entities under common control	2q,2t,19,26	444,848	-	-
Treasury shares	2p,24	(33,873)	(123,236)	(123,236)
Retained earnings				
Appropriated	36	26,000	24,000	22,000
Unappropriated		2,805,270	2,618,389	4,128,741
Other comprehensive income		-	1,030	1,028
Total Equity Attributable to Owners of the Parent		3,845,724	5,633,108	7,141,458
Non-controlling Interests	2b,27	30	50,340	52,574
Total Equity		3,845,754	5,683,448	7,194,032
TOTAL LIABILITIES AND EQUITY		**8,225,206**	**10,308,169**	**11,420,600**

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2012 and 2011
(Expressed in millions of Indonesian rupiah, except for earnings per share)

	Notes	2012	2011
NET SALES	2r,28	10,868,164	8,908,611
COST OF SALES	2r,29	(8,970,603)	(7,351,010)
GROSS PROFIT		1,897,561	1,557,601
Selling expenses	2r,2x,9,30	(354,127)	(285,102)
General and administrative expenses	2r,2x,9, 14,31,34	(1,453,220)	(1,197,463)
Other expenses	2r,32	(217,323)	(290,126)
Other income	2r,33	439,976	316,191
OPERATING PROFIT		312,867	101,101
Finance income	2r,2x,9	176,544	305,466
Finance costs	2r	(222,383)	(245,322)
Share of net profit of Associates	2x,12	1,421	3,127
INCOME BEFORE INCOME TAX		**268,449**	**164,372**
Income tax expense	2t,19	(28,971)	(44,073)
INCOME FOR THE YEAR		**239,478**	**120,299**
Other comprehensive income:			
Exchange differences on translation of financial statements		(1,030)	2
Total Comprehensive Income For The Year		**238,448**	**120,301**
Income attributable to:			
Owners of the Parent		220,547	105,037
Non-controlling Interests		18,931	15,262
		239,478	**120,299**
Comprehensive income attributable to:			
Owners of the Parent		219,517	105,039
Non-controlling Interests		18,931	15,262
		238,448	**120,301**
EARNINGS PER SHARE	2w	**41**	**20**

The accompanying notes form an integral part of these consolidated financial statements.

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2012 and 2011
(Expressed in millions of Indonesian rupiah)

		Equity attributable to owners of the Parent									
	Notes	Share Capital	Additional Paid-in Capital - net	Difference In Value From Restructuring Transactions Among Entities Under Common Control	Treasury Shares	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Other Comprehensive Income-Exchange Differences from Financial Statements Translation	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
Balance, January 1, 2011		**2,788,273**	**324,652**	**-**	**(123,236)**	**22,000**	**4,128,741**	**1,028**	**7,141,458**	**52,574**	**7,194,032**
Resolution of the Annual General Meeting of the Shareholders on February 14, 2011:	36										
Declaration of cash dividend - net of treasury shares		-	-	-	-	-	(1,613,389)	-	(1,613,389)	-	(1,613,389)
Appropriation of general reserve		-	-	-	-	2,000	(2,000)	-	-	-	-
Distribution of dividend to Non-controlling Interests		-	-	-	-	-	-	-	-	(17,496)	(17,496)
Total comprehensive income for the year		-	-	-	-	-	105,037	2	105,039	15,262	120,301
Balance, December 31, 2011		**2,788,273**	**324,652**	**-**	**(123,236)**	**24,000**	**2,618,389**	**1,030**	**5,633,108**	**50,340**	**5,683,448**
Resolution of the Annual General Meeting of the Shareholders on April 5, 2012:	36										
Declaration of cash dividend - net of treasury shares		-	-	-	-	-	(32,268)	-	(32,268)	-	(32,268)
Appropriation of general reserve		-	-	-	-	2,000	(2,000)	-	-	-	-
Resolution of the Extraordinary General Meeting of the Shareholders on September 19, 2012:	1b										
Declaration of capital reduction		(2,509,446)	-	-	89,363	-	-	-	(2,420,083)	-	(2,420,083)
Distribution of dividend to Non-controlling Interests		-	-	-	-	-	-	-	-	(7,499)	(7,499)
Difference in value from restructuring transactions among entities under common control	26	-	-	444,848	-	-	-	-	444,848	-	444,848
Changes in Non-controlling Interests		-	-	-	-	-	602	-	602	(61,742)	(61,140)
Total comprehensive income for the year		-	-	-	-	-	220,547	(1,030)	219,517	18,931	238,448
Balance, December 31, 2012		**278,827**	**324,652**	**444,848**	**(33,873)**	**26,000**	**2,805,270**	**-**	**3,845,724**	**30**	**3,845,754**

The accompanying notes form an integral part of these consolidated financial statements.

PT MATAHARI PUTRA PRIMA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011
(Expressed in millions of Indonesian rupiah)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		10,868,826	9,253,744
Cash paid to suppliers		(9,253,861)	(7,704,032)
Payments for operating expenses		(631,682)	(428,412)
Payments to employees		(608,109)	(470,469)
Payments of income tax		(13,726)	(12,010)
Cash receipts from rental income		272,758	213,368
Payments for rental expenses		(559,196)	(521,788)
Other income		1,121,131	452,621
Other expenses		(800,928)	(585,335)
Net Cash Flows from Operating Activities		**395,213**	**197,687**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments and receivables in subsidiaries		1,939,274	-
Fixed assets			
Sale	14	90,339	14,500
Acquisition	14	(381,527)	(340,856)
Investment properties			
Sale		45,000	5,000
Acquisition		(470)	(31,266)
Held to maturities investments			
Sale		204,489	1,342,752
Acquisition		(84,000)	(338,468)
Addition of other financial assets		(7,178)	(8,605)
Proceeds from refund of rental advances and deposits		304,637	-
Increase in rental advances and deposits		(280,866)	(546,974)
Cash dividend receipts from Associates		5,000	-
Proceeds from sale of other long-term investment - net		-	196,465
Increase in other current assets - net		(11,141)	(1,645)
Decrease (Increase) in other non-current assets		995,862	(119,951)
Net Cash Flows from (used in) Investing Activities		**2,819,419**	**170,952**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of reduction of the par value of shares		(2,420,083)	-
Long-term loans			
Receipts		1,140,000	2,745,000
Payments		(1,090,000)	(1,640,000)
Payment of dividend to:			
Owners of the Parent		(32,268)	(2,581,422)
Non-controlling Interests		(15,117)	(9,998)
Finance income		167,170	174,496
Finance costs		(233,380)	(214,481)
Increase (Decrease) in due to related parties		37,331	(2,868)
Repayments of bonds and sukuk		(340,000)	-
Net Cash Flows used in Financing Activities		**(2,786,347)**	**(1,529,273)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**428,285**	**(1,160,634)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	**1,403,075**	**2,565,235**
DECONSOLIDATED SUBSIDIARIES (Note 1c)		**(475,626)**	**-**
Effects in Foreign Exchange Changes in Cash and Cash Equivalents		**6,002**	**(1,526)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**1,361,736**	**1,403,075**

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

a. The Company's Establishment

PT Matahari Putra Prima Tbk ("the Company") was established in the Republic of Indonesia on March 11, 1986 based on notarial deed No. 30 dated March 11, 1986 of Budiarti Karnadi, S.H. and was approved by the Minister of Justice of the Republic of Indonesia in its Decision Letter No. C2-5238.HT.01-01.Th.86 dated July 26, 1986, and was published in Supplement No. 73 of State Gazette No. 2954 dated September 10, 1991. The Company's articles of association have been amended several times, and have been amended to comply with Corporate Law no. 40 year 2007 as notarized under notarial deed of meeting resolution No. 39 dated August 8, 2008 of Ny. Poerbaningsih Adi Warsito, S.H., which has been approved by the Minister of Justice and Human Rights of the Republic of Indonesia in its decision letter No. AHU-887903.AH.01.02 year 2008 dated November 21, 2008 and published in Supplement No. 13 of State Gazette No. 4395 dated February 13, 2009. The latest amendment of the Company's Articles of Association regarding to the change in capital was notarized with the Company's meeting resolution under deed No. 01 dated October 1, 2012 by Ir. Nanette Cahyanie Handari Adi Warsito, S.H. The latest amendment has been approved by the Minister of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-58827.AH.01.02 year 2012 dated November 26, 2012.

The Company operates a chain of stores which sell such items as daily needs.

The Company's head office is located in Menara Matahari 20th Floor, No. 7 Boulevard Palem Raya, Lippo Karawaci - Tangerang, West Java. The Company started commercial operations in 1986.

As at December 31, 2012, the Company operates stores in 111 locations in Jakarta and other cities in Indonesia.

The Immediate Parent Company is PT Multipolar Tbk, which is the Company's major shareholder. The Ultimate Parent of the Company is Lanius Limited.

b. Company's Public Offerings

<u>Shares</u>

On November 29, 1992, the Company's Registration Statement to offer its Initial Public Offering of shares was declared effective. In December 1992, the Company listed all of its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange, which are now merged as the Indonesia Stock Exchange ("IDX").

On June 9, 1995, September 11, 1996 and October 13, 1997, the Company's Registration Statements to offer its First, Second and Third Limited Public Offerings, respectively, with pre-emptive rights to shareholders, totaling 75,166,500 shares (at Rp1,400 per share), 225,499,500 shares (at Rp1,000 per share) and 1,803,996,000 shares (at Rp500 per share), respectively, were declared effective. The Company listed all such new shares on the IDX.

In the Company's Extraordinary General Meeting of the Shareholders which was held on June 23, 1997, the minutes of which were notarized under deed No. 142 dated June 23, 1997 by Ny. Poerbaningsih Adi Warsito, S.H., the shareholders resolved to change the par value of share from Rp1,000 per share to Rp500 per share. This change was approved by the Minister of Justice in its Decision Letter No. C2-6666 HT.01.04.Th.97 dated July 15, 1997. The process of stock split has completed on September 15, 1997 and all new shares issued from the stock split were traded in the stock exchange on the same date.

1. GENERAL (continued)

b. Company's Public Offerings (continued)

Shares (continued)

On December 27, 2006, the Company's Registration Statement to offer its Fourth Limited Public Offering with pre-emptive rights to shareholders totaling 2,005,928,000 shares (at Rp500 per share) and a maximum of 877,593,500 Series I warrants, was declared effective. As of the end of the exercise date, July 12, 2010, there were 864,624,800 Series I warrants exercised into stock. Based on the Company's meeting resolution as notarized under deed No. 10 dated November 4, 2010 of Ny. Poerbaningsih Adi Warsito S.H., shares of converted warrants had been issued and fully paid, thus the total number of issued and fully paid shares are 5,576,546,800 shares. The Company listed all such new shares on the IDX.

In the Company's Extraordinary General Meeting of the Shareholders held on September 19, 2012, the minutes of which were notarized under deed No. 30 dated September 19, 2012 by Ir. Nanette Cahyanie Handari Adi Warsito, S.H., the shareholders resolved to, among others, reduce the par value of shares from Rp500 per share to Rp50 per share. All of the new par value shares were traded on the IDX starting on November 27, 2012. The Company had made payment of the reduction of the par value of shares to the shareholders on December 4, 2012.

Bonds and Sukuk

Based on the letter No. S-2469/BL/2009 dated March 31, 2009 of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK"), the Company's Registration Statement to offer its Third Matahari Bonds in Year 2009 with fixed rate and Second Matahari Sukuk Ijarah in Year 2009 with a total maximum amount of Rp350,000 and Rp250,000, respectively, to the public on the IDX (Note 23) was declared effective.

c. Structure of the Company and Subsidiaries

In April 2012, PT Prima Mentari Persada ("PT PMP") and PT Matahari Pacific ("PT MP") sold the whole ownership of 99% and 1%, respectively, in PT Surya Persada Lestari and PT Surya Megah Lestari.

In May 2012, PT Matahari Pacific and PT Mentari Sinar Persada made an investment of 99% and 1%, respectively, in PT Serang Gemilang.

In May 2012, PT PMP and PT MP made investments of 99% and 1%, respectively, in PT Cahaya Pesona Nusantara and PT Cahaya Kirana Nusantara.

In May 2012, for the further implementation of restructuring of Subsidiaries which had been approved by the shareholders in the Extraordinary General Meeting of the Shareholders, there had been transfers of ownership of certain subsidiaries in the Company's Group. These shares transfers were internal transaction and did not result in change of control of the Company over its Subsidiaries.

In June 2012, PT Times Prima Indonesia changed its name into PT Gratia Prima Indonesia.

In November and December 2012, The Company sold its receivables and ownerships in PT MP and PT Nadya Putra Investama to PT Multipolar Tbk (Note 26). Therefore, as at December 31, 2012, the Company has a Subsidiary, PT Matahari Super Ekonomi ("PT MSE") which started its commercial operation in 1994 and engaged in retail, with ownership of 99,2%. PT MSE has total assets amounted to Rp3,736 and Rp3,707 for the years ended December 31, 2012 and 2011, respectively.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

1. GENERAL (continued)

c. Structure of the Company and Subsidiaries (continued)

As at December 31, 2011, the Company has consolidated all its subsidiaries in line with the Consolidation Principles as described in Note 2b. For presentation purposes, only subsidiaries (owned either directly or indirectly) that have assets of more than Rp10,000 are presented in the table below:

Subsidiaries	Location	Nature of Business	Start of Commercial Operation	Percentage of Ownership	Total Assets
PT Matahari Pacific ("PT MP")	Tangerang, West Java	Trading and services	2010	100.00	2,083,724
PT Nadya Putra Investama ("PT NPI")*	Tangerang, West Java	General trading	1998	100.00	1,185,213
PT Mentari Sinar Persada ("PT MSP")*	Tangerang, West Java	General trading	2010	100.00	376,394
PT Prima Gerbang Persada ("PT PGP")	Tangerang, West Java	General trading	2009	100.00	277,111
PT Mulia Persada Pertiwi ("PT Mulia")	Tangerang, West Java	General trading	2011	100.00	87,273
Tristar Capital Limited ("Tristar")	Labuan, Malaysia	Investment	2007	100.00	342,419
PT Nadya Prima Indonesia ("PT NPrI")	Tangerang, West Java	General trading	2010	100.00	216,814
PT Matahari Graha Fantasi ("PT MGF")	Jakarta	Family Entertainment Center	1995	50.01	185,431
PT Mitra Prima Kreasi ("PT MPK")*	Tangerang, West Java	General trading	2010	100.00	122,458
PT Prima Cipta Lestari ("PT Prima")	Tangerang, West Java	Restaurant	2009	100.00	60,984
PT Gratia Prima Indonesia ("PT GPI", formerly PT Times Prima Indonesia)	Tangerang, West Java	General trading	2008	100.00	51,876
PT Prima Mentari Persada ("PT PMP")*	Tangerang, West Java	General trading	2010	100.00	44,120
PT Surya Persada Lestari ("PT SPL")	Tangerang, West Java	General trading	-	100.00	28,872
PT Surya Asri Lestari ("PT SAL")	Tangerang, West Java	General trading	-	100.00	10,121
Matahari International B.V. ("MIBV")	Amsterdam, Netherlands	Financing	2009	100.00	34,355
Matahari Finance B.V. ("MAFI")	Amsterdam, Netherlands	Financing	2006	100.00	26,989
PT Mitra Mega Lestari ("PT MML")	Tangerang, West Java	General trading	2010	100.00	22,356
PT Taraprima Reksabuana ("PT TPRB")	Jakarta	Sale and marketing of mineral water	1998	100.00	22,299

* Including subsidiaries that have not started commercial operations yet

d. Employees, the Board of Commissioners and Directors and Audit Committee

As at December 31, 2012, the composition of the Boards of Commissioners and Directors based on resolution of the Annual General Meeting of the Shareholders held on April 5, 2012, that are notarized under notarial deed No. 9 dated April 5, 2012 of Ny. Poerbaningsih Adi Warsito, S.H., is as follows:

President Commissioner	Theo L. Sambuaga
Independent Commissioners	Jonathan Limbong Parapak
	Prof. DR. Adrianus Mooy
	John Bellis
	Ganesh Chander Grover
Commissioner	Jeffrey Koes Wonsono
President Director	Bunjamin Jonatan Mailool
Unaffiliated Director	Carmelito J. Regalado
Directors	Richard H. Setiadi
	R. Soeparmadi
	Lina Haryanti Latif

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

1. GENERAL (continued)

d. Employees, the Board of Commissioners and Directors and Audit Committee (continued)

As at December 31, 2011, the composition of the Boards of Commissioners and Directors based on resolution of the Annual General Meeting of the Shareholders held on February 14, 2011, that are notarized under notarial deed No. 13 dated February 14, 2011 of Ny. Poerbaningsih Adi Warsito, S.H., is as follows:

President Commissioner	DR. Cheng Cheng Wen
Independent Commissioners	Jonathan L. Parapak
	John Bellis
	DR. Adrianus Mooy
	Ganesh Chander Grover
Commissioner	Jeffrey Koes Wonsono
President Director	Bunjamin Jonatan Mailool
Unaffiliated Director	Carmelito J. Regalado
Directors	Lina Haryanti Latif
	Hendra Sidin
	R. Soeparmadi

As at December 31, 2012 and 2011, the composition of the Audit Committee are as follows:

	December 31, 2012	December 31, 2011
Chairman	Ganesh Chander Grover	Prof. DR. Adrianus Mooy
Members	DR. Isnandar Rachmat Ali, S.E., M.M.	Ridwan Masui
	Lie Kwang Tak	Jeffrey Turangan

As at December 31, 2012 and 2011, the Company's corporate secretary is Lina Haryanti Latif.

The Company has approximately 11,700 and 12,000 employees (unaudited) as at December 31, 2012 and 2011, respectively.

The Company's Management is responsible for the preparation and presentation of consolidated financial statements. The consolidated financial statements of PT Matahari Putra Prima Tbk and Subsidiaries were authorised for issuance by the Directors on March 6, 2013.

2. SUMMARY OF ACCOUNTING POLICIES

a. Basis of Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Indonesian Financial Accounting Standards that comprise of the Statements and Interpretations issued by Board of Financial Accounting Standards - Indonesian Institute of Accountant ("DSAK - IAI") and regulation of capital market regulator that is *Otoritas Jasa Keuangan* ("OJK") (or formerly BAPEPAM and LK), for entities under its control.

The consolidated financial statements are prepared under the historical cost concept, except for inventories which are stated at the lower of cost or net realizable value and certain investments which are stated at fair value or at net assets value, or accounted for under the equity method for associates representing equity interest of at least 20% but not more than 50%, and the consolidated financial statements are based on the accrual basis, except for the consolidated statements of cash flows.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

a. Basis of Presentation of Consolidated Financial Statements (continued)

The consolidated statements of cash flows present the cash receipts and payments information which are classified into operating, investing and financing activities. The cash flows from operating activities are presented using direct method.

The reporting currency used in the consolidated financial statements is the Indonesian rupiah.

The Adoption of Current Accounting Standards

The Statements ("PSAK"), Interpretations ("ISAK") and Withdrawal of Statements ("PPSAK") which are mandatory for the first time on or after January 1, 2012 in the consolidated financial statements are as follows:

- PSAK 10 (revised 2009): The Effects of Changes in Foreign Exchange Rates
- PSAK 13 (revised 2011): Investment Property
- PSAK 16 (revised 2011): Fixed Assets
- PSAK 18 (revised 2010): Accounting and Reporting by Retirement Benefit Plans
- PSAK 24 (revised 2010): Employee Benefits
- PSAK 26 (revised 2011): Borrowing Costs
- PSAK 28 (revised 2010): Accounting for Loss Insurance
- PSAK 30 (revised 2011): Leases
- PSAK 33 (revised 2011): Stripping Activities and Environmental Management in General Mining
- PSAK 34 (revised 2010): Construction Contracts
- PSAK 36 (revised 2011): Accounting for Life Insurance
- PSAK 45 (revised 2011): Financial Reporting for Non-Profit Organizations
- PSAK 46 (revised 2010): Income Taxes
- PSAK 50 (revised 2010): Financial Instrument: Presentation
- PSAK 53 (revised 2010): Share-Based Payment
- PSAK 55 (revised 2011): Financial Instrument: Recognition and Measurement
- PSAK 56 (revised 2011): Earnings per Share
- PSAK 60: Financial Instrument: Disclosure
- PSAK 61: Accounting for Government Grants and Disclosures of Government Assistance
- PSAK 62: Insurance Contracts
- PSAK 63: Financial Reporting in Hyperinflationary Economies
- PSAK 64: Exploration and Evaluation of Mineral Resources
- PSAK Sharia 110: Accounting for Sukuk
- ISAK 13: Hedges of a Net Investment in a Foreign Operation
- ISAK 15: PSAK 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK 16: Service Concession Arrangements
- ISAK 18: Government Assistance - No Specific Relation to Operating Activities
- ISAK 19: Applying the Restatement Approach under PSAK 63: Financial Reporting in Hyperinflationary Economies
- ISAK 20: Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
- ISAK 22: Service Concession Arrangements: Disclosure
- ISAK 23: Operating Leases - Incentives
- ISAK 24: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- ISAK 25: Land Use Rights

2. SUMMARY OF ACCOUNTING POLICIES (continued)

a. Basis of Presentation of Consolidated Financial Statements (continued)

The Adoption of Current Accounting Standards (continued)

The Statements (“PSAK”), Interpretations (“ISAK”) and Withdrawal of Statements (“PPSAK”) which are mandatory for the first time on or after January 1, 2012 in the consolidated financial statements are as follows (continued):

- ISAK 26: Reassessment of Embedded Derivatives
- PPSAK 7: Withdrawal PSAK 44: Accounting for Real Estate Development Actvities Paragraph 47-48 and 56-61
- PPSAK 8: Withdrawal PSAK 27: Accounting for Cooperative
- PPSAK 9: Withdrawal ISAK 5: Interpretation of Paragraph 14 PSAK 50 (1998) regarding Reporting for Changes on Fair Value of Investment in Shares under Available-For-Sale Criteria
- PPSAK 11: Withdrawal PSAK 39: Accounting for Joint Operation

The adoptions of new standards that affects the consolidated financial statements of the Company are as follows:

- PSAK 24 (revised 2010): Employee Benefits
  PSAK 24 (revised 2010) introduces a new alternative method to recognize the full actuarial gains or losses through other comprehensive income. The Company has opted to keep using the corridor approach.

  The revised standard also introduces several disclosure requirements as follows:
  - The amounts of present value of the defined benefit obligation for current year and four previous years; and
  - The amounts of experience adjustments arising on the plan liabilities and plan assets for current year and four previous years.

  The adoption of this PSAK resulted in some additional disclosures in the consolidated financial statements of the Company.

- PSAK 60: Financial Instrument: Disclosure
  This PSAK requires the Company to disclose information to enable users of financial statements to evaluate the significance of financial instruments in the financial position and performance. The adoption of this PSAK results in some additional disclosures in the consolidated financial statements of the Company.

- PSAK Sharia 110: Akuntansi Sukuk
  In regard to the sukuk ijarah issued by the Company, the Company has adopted the straight-line method for sukuk issuance cost recognition since January 1, 2012.

BAPEPAM and LK has issued revision of regulation No.VIII.G.7 regarding to the Presentation and Disclosures of Financial Statements of publicly-listed entities in accordance with Decision Letter No. KEP-347/BL/2012 dated June 25, 2012, which applies in financial statements ended on or after December 31, 2012. The Company has adopted this revision of BAPEPAM and LK regulation in the consolidated financial statements for the year ended December 31, 2012. This revision of BAPEPAM and LK regulation results in some additional disclosures in the Company’s financial statements, the changes in the consolidated statement of comprehensive income into one report, the changes in name of accounts in the financial statements and results in some accounts previously were grouped into other account, but now are presented separately in the consolidated financial statements of the Company (Note 44).

2. SUMMARY OF ACCOUNTING POLICIES (continued)

b. Principles of Consolidation

The consolidated financial statements included the accounts of the Company and its Subsidiaries. The Subsidiaries are all entities whereby the Company has the power to control the financial and operating policies, generally through an ownership of more than half of the voting rights. All significant intercompany accounts and transactions are eliminated.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date on which that the Company's control ceases.

Non-controlling interests represent the proportion of the results and net assets of subsidiaries which are not attributable to the Company.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between the fair value of payments and the acquired portion on the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Financial statements of the Company and Subsidiaries are presented in the currency of the primary economic environment in which the entities operate ("the functional currency"). For the consolidated financial statements purpose, financial results and position from each subsidiaries are presented in Rupiah, which represent functional currency of the Company and presentation currency in the consolidated financial statements.

The assets and liabilities of subsidiaries that meet the definition of foreign operation activities are presented in Rupiah currency using the prevailing exchange rates at the end of reporting year. The income and expenses are translated using the average exchange rate for the related year. The exchange rate differences are presented as "Exchange Differences from Financial Statements Translation", presented as a separate item in the equity as "Other Comprehensive Income".

c. Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less since the placement date, which are not pledged for loan.

Restricted cash is recorded as part of other non-current financial assets.

d. Financial Assets and Financial Liabilities

The Company classified the financial instruments in the form of financial assets and financial liabilities.

Financial assets are classified as follows:

1. Financial assets at fair value through statement of income

   Financial assets at fair value through statement of income are financial assets held for trading. Under this category are financial assets acquired for the purpose of selling within a short-term period or where there is evidence of a recent actual pattern of short-term profit-taking. Derivative instruments are also classified herein unless they are designated as effective hedging instruments. The investments which meet this classification are recorded at fair value. Unrealized gains or losses on reporting date are credited or debited to the operations of the year.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

d. Financial Assets and Financial Liabilities (continued)

Financial assets are classified as follows (continued):

1. Financial assets at fair value through statement of income (continued)

   As at December 31, 2012, there are no financial assets that are measured at fair value through statement of income. As at December 31, 2011, financial assets that are measured at fair value through statement of income comprise of certain other current financial assets.

2. Held to maturities investments

   Held to maturities investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, and the Management has the positive intention and ability to hold them to maturity, except for:

   a. investments that upon initial recognition are designated as at fair value through statement of income;
   b. investments are designated as available-for-sale; and
   c. investments that have a definition of loans and receivables.

   At initial measurement, held to maturities investments are measured at fair value plus their transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

   Held to maturities investments comprise of held to maturities investments.

3. Loans and Receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial measurement, loans and receivables are measured at fair value plus their transaction costs and are subsequently measured at their acquisition costs plus the amortized cost using the effective interest rate method, except for short-term loans and receivables whereby the interest computation is immaterial.

   Loans and receivables comprise of cash and cash equivalents, trade receivables, certain other current financial assets, due from related parties non-trade, other long-term receivable, other long-term investments and certain other non-current financial assets in the consolidated statements of financial position.

4. Available-for-sale financial assets

   Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. These financial assets are recorded at fair value. The difference between the acquisition costs and the fair value is the unrealized gain (loss) at the reporting date and is presented as part of the equity.

   There are no financial assets that are classified as available-for-sale financial assets.

The Company uses the accounting for trade date of regular contract when recording the financial instrument transactions.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

d. Financial Assets and Financial Liabilities (continued)

Financial liabilities are classified as follows:

1. Financial liabilities at fair value through statement of income

   Financial liabilities at fair value through statement of income are the financial liabilities that are transferable within a short-term period. Derivative instruments are classified as financial liabilities at fair value through statement of income, unless they are designated as effective hedging instruments.

   There are no financial liabilities classified as financial liabilities at fair value through statement of income.

2. Financial liabilities measured at amortized cost

   Financial liabilities that are not classified as financial liabilities at fair value through statement of income are categorized and measured at amortized acquisition cost.

   Financial liabilities measured at amortized cost comprise of trade payables, accruals, certain employee benefit liabilities, taxes payable, other current financial liabilities, due to related parties non-trade, loans, bonds and sukuk; and certain other non-current liabilities.

Financial assets and liabilities are offset against each other and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The recognition of financial asset is only terminated if the contractual right on the cash flows from the assets is ended, or the Company transfers its financial assets and substantially transfers all risks and benefits of asset ownership to other entities. The recognition of financial liabilities is only terminated if the Company's liabilities are disposed, cancelled or expired.

e. Receivables

On each reporting date, the Company evaluates whether there is an objective evidence that impairment of receivables exists.

f. Inventories

Merchandise inventories are stated at the lower of cost, determined by the conventional retail method, or net realizable value.

Inventories do not include consignment goods.

g. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

h. Lease

The classification of a lease is determined by whether it is the lessor or the lessee that controls substantially all risks and rewards to the ownership. Leases that do not transfer all risks and rewards substantially to ownership are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease income from operating leases is amortized on a straight-line basis over the lease term. Contingent lease is recognized when incurred.

The gain or loss on sale-and-leaseback transaction that results in an operating lease, where the selling price equal to the fair value, shall be recognized immediately. If the sale price is below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

Prepaid long-term rents, generally on store space, which are amortized on the straight-line method starting from the opening of the leased store/renewal of the lease over the lease period. The portion of the rent chargable to operations within one year is reclassified and presented under the current assets as part of “Prepaid expenses”.

i. Investments

Investments consist of:

1. Investment in associates

   The Company's investment in associates is accounted for under the equity method. A company is considered as an associate if the Company has significant influence in that company. Significant influence is presumed to exist through the inclusion of at least 20%, but not more than 50% of ownership, unless it can be clearly demonstrated that the Company has no significant influence.

   Under the equity method, the investments are carried at cost, and subsequently adjusted by the Company’s part in the profits or losses of associates, proportional to the percentage of ownership in that company, less any dividend income. Goodwill related to associates at the time of acquisition is included in the carrying value of investments. Amortization of goodwill is not permitted.

   If the Company’s share in the loss of an associate equals or exceeds the Company's ownership in associate, the Company stops the recognition of its share to avoid further losses. The obligation to recognize additional losses exceeding the Company's ownership is only recognized to the extent that the Company has incurred legal or constructive obligations to make payments on behalf of the associate.

2. Long-term investments in shares of stock without available fair value

   Investment in shares of stock without available fair value, wherein the Company has an ownership interest of less than 20%, and other long-term investments are stated at the acquisition cost.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

j. Investment Properties

Investment properties are stated at acquisition cost and depreciated using straight-line method over 20 years, except for land which is not depreciated.

The Company's investment properties consist of land, buildings and improvements which are held by the Company to earn rentals or for capital appreciation, or both, rather than for use in the production, supply of goods or services, administrative purposes or sale in the ordinary conduct of business.

Investment property is derecognized when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses arising are recognized in the statement of income for the year.

k. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of maintenance and repairs is charged to profit or loss as incurred; significant renewals and betterments are capitalized. When fixed assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the year.

Depreciation is computed as follows:

	Methods	Years	Rates
Buildings	Straight-line	20	-
Buildings renovation	Straight-line	2 - 5	-
Equipment and installations	Double-declining balance	-	15% and 25%
Motor vehicles	Double-declining balance	-	50%
Machines	Straight-line	3 - 5	-

The residual values, useful lives and methods of depreciation are reviewed at the end of each financial year.

Land rights are stated at cost and are not amortized, unless there is a management prediction, or probability, that extension or renewal of the title is highly likely or will definitely will not be obtained.

l. Impairment of Asset Value

<u>Impairment of non-financial assets</u>

Non-financial assets are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable. Losses due to impairment are recognized if the carrying amount exceeds the recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and use value.

In assessing impairment purposes, the assets are grouped at the smallest group of cash-generating units. Non-financial assets due to impairment are reviewed for possible reversal of the impairment at each reporting date.

<u>Impairment of financial assets</u>

At each reporting date, the Company will assess if there is an objective evidence that any of the Company's financial assets are impaired.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

l. Impairment of Asset Value (continued)

Impairment of financial assets (continued)

For other financial assets beside financial assets that are classified as available-for-sale, the objective evidences of impairment value are as follows:
- significant financial difficulties experienced by issuer or debtor; or
- breach of contract, such as default or unpaid principal or interests payment; or
- there is possibility that the debtor will be declared bankrupt or financial reorganization

For other certain group of financial assets, such as receivables, impairment value is evaluated individually. The objective evidence of impairment in portfolio value of receivables can include past experiences of the Company regarding collection of receivables, increment in late receipts of receivables payment from the average of credit period, and also observation on the change in national or local economic condition correlated with the default of receivables.

For financial assets that are stated at amortized acquisition cost, the loss of impairment value is the difference between the carrying value of the financial assets and the present value of discounted future estimated cash flows value using an effective interest rate as applicable to financial assets.

The carrying value of the financial asset is deducted directly by losses in impairment value on the financial assets, except for receivables with its carrying value deducted through the use of allowance for doubtful account. If the receivables are uncollectible, these receivables should be written off through the allowance for doubtful account. The recovery of the previously written-off amount is credited to allowance account. The changes in carrying value of allowance for doubtful accounts are recorded in the consolidated statement of comprehensive income.

m. Intangible Assets - Computer Softwares

Cost of computer software purchased and the cost of subsequent updating thereof are deferred and amortized on the straight-line method over 4 years.

n. Bonds Issuance Cost

The issuance costs of bonds are deducted from the proceeds in the consolidated statement of financial position and are amortized using the effective interest rate method over the term of bonds.

o. Sukuk Payables

In accordance to PSAK Sharia 110, Accounting for Sukuk, the sukuk ijarah is recognized when the Company becomes a binding party to the regulation of sukuk ijarah issuance. Sukuk ijarah is recognized at its nominal amount and transaction cost. After the initial recognition, if the carrying amount is different with the nominal amount, the difference is amortized on a straight-line basis over the period of the sukuk ijarah.

p. Treasury Shares

Treasury shares, which is shown under the Equity section of the consolidated statements of financial position, is stated at acquisition cost. The cost of the treasury shares resold is determined by the average method.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

p. Treasury Shares (continued)

The difference between the acquisition cost and the selling price of treasury shares is charged or credited to “Additional Paid-in Capital”. When the difference creates a negative balance in the “Additional Paid-in Capital” account as a result of reacquisition transactions, such negative balance is charged to retained earnings.

When the treasury shares are cancelled, the transaction is recorded by debeting “Capital Shares” and crediting “Treasury Shares”, the difference between the acquisition cost of treasury shares and par value is recognized under “Additional Paid-in Capital”.

q. Difference in Value from Restructuring Transactions among Entities under Common Control

Restructuring transactions of entities under common control are transactions to transfer assets, liabilities, shares and other ownership instruments between parties under common control which do not result in profit or loss for the whole group or for an individual entitiy of the group.

The difference between the transfer price of transfer assets, liabilities, shares or other ownership instruments and the book value arising from restructuring transactions of entities under common control is recorded as “Difference in value from restructuring transactions among entities under common control” and presented as part of equity of the Company.

The balance of the account “Difference in value from restructuring transactions among entities under common control” can change when:

a. there are reciprocal transactions between entities under common control;
b. there is quasi-reorganization;
c. loss of under common control substance between transacting entities; or
d. transfer of assets, liabilities, equity or other ownership instruments that cause the difference from restructuring under common entities transactions to another party which is not under common control.

r. Revenue and Expense Recognition

Revenue from sales of inventories (except those from sold on “Cash-on-Delivery” basis which are recognized when goods are delivered to customers) is recognized when the goods are paid for at the sales counter. Revenue from consignment sales is recorded at the amount of sales of consigned goods to customers and deducted with the amount due to consignor.

For the customer loyalty program held by the Company, if it meets the criteria as set forth in ISAK 10, the Company records the points reward in the program as a separately identified component of sales transaction which at the time of initial sale is as deferred revenue which is recorded under other current liabilities and recognized as revenue over the period of the program.

Revenue from sales of prepaid cards (known as “power cards”) by family entertainment centers is recorded as unearned income initially and then recognized as revenue based on actual use of the cards by customers proportionately. Revenue from sales of tokens is recognized at the time when customers purchase the tokens.

Expenses are recognized when earned/incurred.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

s. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are translated into Indonesian rupiah using the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Indonesian rupiah using the exchange rate prevailing on the date of statement of financial position.

As at December 31, 2012 and 2011, the exchange rate used (in full amounts) as computed by taking the average of the last buying and selling rates of exchange rates transactions for the year then ended authorized by Bank Indonesia, are as follow:

	2012	2011
USD1	Rp9,670	Rp9,068
SGD1	Rp7,907	Rp6,974

The gains or losses from exchange rate differences, either realized or unrealized, that come from transactions in foreign currencies are charged to the consolidated comprehensive income.

t. Income Tax

Current and deferred tax should be recognized as income or expense and included in the profit or loss for current year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity. The current tax expenses are computed using the enacted tax rate on reporting date.

Deferred income tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amount for each entity.

Deferred tax assets and liabilities are measured based on a rate that is expected to apply to the period when the asset is realized or when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rate are charged or credited to current year operations, except to the extent that they relate to items previously charged or credited directly to equity.

Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that such benefits are more likely to be realized.

For each of the consolidated subsidiaries, the tax effects of temporary differences and tax loss carryover, which individually are either assets or liabilities, are shown at the applicable net amounts.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority, and where there is an intention to settle the balances on a net basis.

Amendment to the tax obligation is recorded when an assessment is received or, if appealed against by the Company, when the result of the appeal is determined.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

u. Employee Benefits

Short-term employee benefits

Short-term employee benefits are recognized when they accrue to the employee less than 12 months since the financial reporting date based on an accrual basis.

Post-employement benefits

The Company recognizes provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13").

Under the PSAK 24 (Revised 2004), the cost of providing employee benefits under the Labor Law No. 13 is determined using the Projected-Unit-Credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses of each individual plan, at the end of the previous reporting period exceeds 10% of the present value of the defined benefit obligation on that date. These gains or losses are recognized based on a straight-line basis over the expected average remaining working lives of the employees. Furthermore, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable from an existing plan are required to be amortized over the period until the benefits become vested.

The Company recognizes gains or losses on curtailment or settlement of defined benefit plan when the curtailment or settlement incurs. The gains or losses on curtailment or settlement consist of changes in present value of the defined benefit obligation and previous unrecognized past service cost.

v. Operating Segment Reporting

Operating segments are identified in a manner consistent with internal management reporting, which is reviewed by the operating decision maker. The financial information which is used by the management to evaluate the performance operating segment is presented in Note 38.

w. Earnings per Share

Basic earnings per share is computed by dividing income attributable to owners of the Parent by the weighted average number of issued and fully paid shares during the year after deducting treasury shares acquired.

In calculating diluted earnings per share, the number of weighted average of outstanding common shares has to be adjusted by considering the impact of all potentially dilutive common shares effect. There are no dilutive effect as at December 31, 2012 and 2011 because there are no outstanding potentially dilutive common shares effect.

The income attributable to owners of the Parent for the years ended December 31, 2012 and 2011 amounted to Rp220,547 and Rp105,037, respectively. The number of weighted average issued and fully paid shares are 5,377,962,800 shares for the years ended December 31, 2012 and 2011, respectively.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

x. Transaction with Related Parties

A related party is a person or entity related to the entity that is preparing its financial statements ("the reporting entity"):

(a) A person or a close member of that person's family is related to a reporting entity if that person:
   (i) has control or joint control over the reporting entity;
   (ii) has significant influence over the reporting entity; or
   (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity (by taking into account item (c) below) if any of the following conditions applies:
   (i) The entity and the reporting entity are members of the same group (which means that parent company, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is the one that has a plan, the sponsoring employers are also related to the reporting entity.
   (vi) The entity is controlled or jointly controlled by a person identified in (a).
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(c) In this context, the following are not related parties:
   (i) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
   (ii) two venturers simply because they share joint control over a joint venture.
   (iii) (1) providers of finance,
      (2) trade unions,
      (3) public utilities, and
      (4) departments and agencies of a government that do not control, jointly control or significantly influence on the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
   (iv) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

y. Important Accounting Estimates and Judgements

The calculation of employee benefits depends on the actuarial assumptions used such as: discount rate, employee resignation rate and other key assumptions which are based partly on the current market condition.

The recognition of deferred tax assets depends on the expectation and estimation of the availability of future taxable income.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

2. SUMMARY OF ACCOUNTING POLICIES (continued)

y. Important Accounting Estimates and Judgements (continued)

The useful lives and depreciation expense of the fixed assets are determined based on estimates, wherein the depreciation expense will be adjusted if the useful lives are different from the estimation or if the assets will be written off or impaired due to obsolencence or retirement.

Assessment on asset impairment requires the Company to review whether there is an indication of impairment.

Any changes in the assumptions, estimation and judgments as stated above, may have risks which affect an adjustment to the carrying amounts of assets and liabilites in the following reporting period.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2012	2011
Cash on hand:		
Rupiah	21,843	18,808
Foreign currencies	-	74
Current accounts:		
Third parties		
Rupiah		
PT Bank Mega Tbk	543,021	77,339
PT Bank CIMB Niaga Tbk ("CIMB")	391,160	268,865
PT Bank DBS Indonesia	100,615	-
Bank of China Limited	100,359	-
PT Bank Mandiri (Persero) Tbk	64,411	21,940
PT Bank Danamon Indonesia Tbk ("Danamon")	3,230	457,178
Other banks, below Rp50,000 each	102,784	40,154
Foreign currencies:		
CIMB	2,060	50,409
Danamon	484	90,734
Bank Julius Baer & Co. Ltd., Singapore	-	308,233
Other banks	6,570	48,900
Related party (Note 9)		
Rupiah		
PT Bank Nationalnobu	25,199	308
Time deposits:		
Third parties		
Rupiah:		
PT Bank Mayapada Internasional Tbk	-	10,000
Other banks, below Rp10,000 each	-	10,133
Total	**1,361,736**	**1,403,075**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

3. CASH AND CASH EQUIVALENTS (continued)

The time deposits earned interest at annual rates ranging from 5% to 7.5% for the year ended December 31, 2012; and from 5% to 8.25% for the year ended 31 December 2011.

Details of balances in foreign currencies are disclosed in Note 35.

4. TRADE RECEIVABLES

Trade receivables consist of third-party receivables from customers sales through credit cards and joint promotion.

Trade receivables are collectible in next quarter, therefore, no allowance for impairment of receivables has been provided. Due to their short-term nature, their carrying amount approximates their fair value, therefore the receivables are not amortized using effective interest rate.

As at December 31, 2012, no receivables are used as collateral.

5. HELD TO MATURITIES INVESTMENTS

Held to maturities investments consist of the following:

	2012	2011
Promissory Note		
Related party (Note 9)	1,291,000	-
Investments in managed fund		
Third party	262,980	262,980
Related party (Note 9)	-	80,000
Commercial papers		
Third parties - USD4,338	-	39,338
Total	**1,553,980**	**382,318**

As at December 31, 2012, promissory note represents the amount received by the Company in connection with the sale of shares of PT NPI to PT Multipolar Tbk (Notes 1c and 26). Promissory note bears interest of 10% per annum and will be due on May 30, 2013. Based on term sheet among parties, PT Multipolar Tbk has right to make early settlement.

As at December 31, 2012, investment in managed funds by third party is an investment management contract which will be due on September 3, 2013 and extendable, with PT GAP Capital, appointed by PT MPP as the investment manager. PT GAP Capital replaced PT Buana Megah Abadi that acted as the investment manager for the managed fund as at December 31, 2011.

The Company entered into several managed fund agreements with PT Ciptadana Securities ("PT CS", an affiliate). Based on these agreements, which can be extended, the Company placed funds in PT CS for the purchase of investments, such as bonds and other debentures which are not issued by the Company's related parties. On December 27, 2012, the Company has settled all investments managed by PT CS.

In April 2009, the Company invested in commercial papers issued by Prime Venture Pte. Ltd. and One Earth Holdings Pte. Ltd. with nominal prices amounted to USD8,000 and USD5,000, respectively, at the acquisition price of 99.651%. On April 16, 2012, all these commercial papers were already due.

Finance income from held to maturities investments amounted to Rp54,098 and Rp128,772 for the years ended December 31, 2012 and 2011, respectively.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

6. OTHER CURRENT FINANCIAL ASSETS

This account consists of the following:

	2012	2011
Loans and receivables		
Other receivables		
Third parties	270,825	219,242
Related parties (Note 9)	9,434	3,643
Time deposit		
Third party - SGD93	-	652
Sub - total	280,259	223,537
Trading investments		
Bonds and shares of stock		
Third parties	-	1,672
Total	**280,259**	**225,209**

Other receivables - related parties are not classified as due from related parties non-trade due to the settlement date of those receivables less than 12 months from the reporting date.

Due to their short-term nature, their carrying amount approximates their fair value, therefore the receivables are not amortized using effective interest rate.

The Management believes that all account receivables are collectible; therefore, no allowance for impairment of receivables has been provided for the years ended December 31, 2012 and 2011.

As at December 31, 2012, no receivables are used as collateral.

The Company recognized net loss amounted to Rp50 and Rp126 from the sale of its trading investments for the years ended December 31, 2012 and 2011, respectively.

The trading investments bear interest at annual rates ranging from 8.37% to 13.13% for the year ended December 31, 2011.

7. INVENTORIES

The details of inventories based on the type of goods are as follows:

	2012	2011
Daily needs, food and beverages	1,670,574	1,237,851
Books, stationeries and toys	-	28,269
Total	**1,670,574**	**1,266,120**

The Management believes that the value of inventories represents the net realizable value.

The cost of inventories recognized as cost of sales amounted to Rp8,970,277 and Rp7,350,469 for the years ended December 2012 and 2011, respectively.

As at December 31, 2012, no inventories are used as collateral.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

7. INVENTORIES (continued)

The Company carries insurance on their respective inventories from fire and other risks for Rp1,574,824 as at December 31, 2012. The management believes that the insurance coverage is adequate to cover the possible losses from fire and other risks. The insurance coverage is covered by PT Lippo General Insurance Tbk (related party), PT Asuransi Central Asia and PT Asuransi Bintang Tbk.

8. PREPAID EXPENSES

This account consists of the following:

	2012	2011
Third parties		
Rent	77,828	95,244
Insurance	1,619	1,680
Others	12,226	16,737
Sub - total	91,673	113,661
Related parties (Note 9)		
Rent	16,012	23,551
Insurance	747	611
Sub - total	16,759	24,162
Total	**108,432**	**137,823**

9. RELATED PARTIES TRANSACTIONS AND BALANCES

Parent Company

As at December 31, 2012 and 2011, PT Multipolar Tbk is the Parent Company which owned 50.2308% of the total Company's share capital (Note 24).

Direct and Indirect Subsidiaries

Details of direct and indirect Subsidiaries of the Company are disclosed in Note 1c.

Investments in Associates

Details of investments in Associates are disclosed in Note 12.

Compensation of Key Management Personnel

The Company's key management personnel are the Board of Commissioners and Directors as disclosed in Note 1d. Salaries and short-term employee benefits which are paid or payable to key management personnel are as follows:

	2012	2011
Board of Directors	24,397	22,171
Board of Commissioners	2,640	4,980
Total	**27,037**	**27,151**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

9. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related Parties Transactions

The details of the accounts with related parties (mainly affiliated) are as follows:

	2012	2011
Cash and cash equivalents (Note 3)		
Current account - rupiah		
PT Bank Nationalnobu	**25,199**	**308**
Percentage of total assets	**0.31**	**0.00**
Held to maturities investments (Note 5)		
Promissory Note		
PT Multipolar Tbk	1,291,000	-
Investments in managed fund		
PT Ciptadana Securities	-	80,000
Total	**1,291,000**	**80,000**
Percentage of total assets	**15.70**	**0.78**
Other current financial assets (Note 6)		
Loans and receivables		
Other receivables		
PT Multipolar Tbk	7,781	558
PT Lippo Karawaci Tbk	-	1,843
PT Ciptadana Securities	-	1,127
Others (below Rp1,000 each)	1,653	115
Total	**9,434**	**3,643**
Percentage of total assets	**0.11**	**0.04**
Prepaid expenses (Note 8)		
Rent		
PT Mandiri Cipta Gemilang	8,800	9,791
PT Menara Bhumimegah	3,686	7,928
PT Direct Power	3,526	3,532
PT Villa Permata Cibodas	-	2,300
Sub - total	16,012	23,551
Insurance		
Other	747	611
Total	**16,759**	**24,162**
Percentage of total assets	**0.20**	**0.23**
Due from related parties non-trade		
PT Nadya Putra Investama	7,884	-
PT Bintang Sidoraya	-	7,702
PT Karya Dinamika Investama	-	1,600
Others	-	200
Total	**7,884**	**9,502**
Percentage of total assets	**0.10**	**0.09**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

9. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related Parties Transactions (continued)

The details of the accounts with related parties (mainly affiliated) are as follows (continued):

	2012	2011
Purchase of fixed assets		
PT Multipolar Technology	19,333	5,989
PT Visionet Internasional	7,897	2,253
Other	-	745
Total	**27,230**	**8,987**
Percentage of total assets	**0.33**	**0.09**
Rental advances and deposits (Note 15)		
Rental advances		
PT Mandiri Cipta Gemilang (Note 37)	324,260	324,260
Rental deposits		
PT Balaraja Sentosa	2,442	-
PT Mulia Persada Pertiwi	1,876	-
PT Citra Cito Perkasa	1,289	-
PT Tanjung Bunga Gemilang	1,165	-
Others (below Rp1,000 each)	3,575	-
Sub - total	10,347	-
Total	**334,607**	**324,260**
Percentage of total assets	**4.07**	**3.15**
Prepaid long-term rents (Note 16)		
PT Menara Bhumimegah	76,623	172,426
PT Direct Power	68,762	72,413
PT Mandiri Cipta Gemilang	37,000	50,588
PT Villa Permata Cibodas	-	41,592
Total	**182,385**	**337,019**
Percentage of total assets	**2.22**	**3.27**
Purchase of intangible assets (Note 17)		
PT Visionet Internasional	189	1,231
Other	266	-
Total	**455**	**1,231**
Percentage of total assets	**0.01**	**0.01**
Proceeds from sale of investments in Subsidiaries (Note 26)		
PT Multipolar Tbk	**1,361,000**	**-**
Percentage of total assets	**16.55**	**-**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

9. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Related Parties Transactions (continued)

The details of the accounts with related parties (mainly affiliated) are as follows (continued):

	2012	2011
Accruals		
PT Visionet Internasional	3,053	-
PT Prima Gerbang Persada	1,711	-
PT Mulia Persada Pertiwi	1,067	-
Others (below Rp1,000 each)	3,158	-
Total	**8,989**	**-**
Percentage of total liabilities	**0.21**	**-**
Other current financial liabilities		
PT Serang Gemilang	7,016	-
PT Surya Asri Lestari	5,305	-
PT Surya Menara Lestari	1,896	-
Others	282	-
Total	**14,499**	**-**
Percentage of total liabilities	**0.33**	**-**
Due to related parties non-trade		
Avel Pty. Limited, Australia	-	2,531
Other	-	885
Total	**-**	**3,416**
Percentage of total liabilities	**-**	**0.07**

The following is a summary of significant transactions (affecting revenues/income and expenses) with related parties (mainly affiliates):

	2012	2011
Selling expenses		
Rental expenses (including rental amortization)		
PT Mandiri Cipta Gemilang	(9,791)	(10,026)
PT Prima Gerbang Persada	(7,539)	-
PT Mulia Persada Pertiwi	(6,548)	-
PT Menara Bhumimegah	(3,754)	(661)
PT Direct Power	(3,505)	(3,532)
PT Villa Permata Cibodas	(2,108)	(2,108)
Others (below Rp1,000 each)	(4,398)	(316)
Total	**(37,643)**	**(16,643)**
Percentage of rental expenses	**5.95**	**2.90**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

9. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

The following is a summary of significant transactions (affecting revenues/income and expenses) with related parties (mainly affiliates) (continued):

	2012	2011
Selling expenses (continued)		
Rental income		
PT Matahari Graha Fantasi	11,984	-
PT Lippo Karawaci Tbk	2,913	2,964
PT Multipolar Tbk	269	1,262
Other	918	-
Total	**16,084**	**4,226**
Percentage of rental income	**5.24**	**1.47**
Other expenses		
PT Visionet Internasional	(19,184)	(12,841)
PT Air Pasifik Utama	(9,818)	(1,825)
Avel Pty. Limited, Australia	(7,092)	(8,644)
PT Multipolar Technology	-	(1,167)
Other	(10)	-
Total	**(36,104)**	**(24,477)**
Percentage of other expenses	**4.90**	**3.89**
General and administrative expenses		
Consultant fees		
PT Multipolar Technology	(15,000)	-
PT Visionet Internasional	(11,300)	-
Other	(399)	(397)
Total	**(26,699)**	**(397)**
Percentage of consultant fees	**29.29**	**0.90**
Insurance expenses		
PT Lippo General Insurance Tbk	(4,033)	(1,999)
Percentage of insurance expenses	**11.65**	**7.46**
Communication expenses		
Others	(460)	-
Percentage of communication expenses	**2.41**	**-**
Other expenses		
Others	(353)	(628)
Percentage of other expenses	**0.69**	**1.45**
Finance income		
PT Ciptadana Securities	21,484	120,509
PT Multipolar Tbk	7,781	-
Other	4	-
Total	**29,269**	**120,509**
Percentage of finance income	**16.58**	**39.45**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

9. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Transactions with the related parties are made under normal terms comparable to those that would be obtained in similar transactions with the third parties, except for other receivables and certain due from related parties non-trade which are non-interest bearing.

The relationship and nature of account balances/transactions with the related parties are as follows:

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
1.	PT Bank Nationalnobu	Affiliate, common controlled entity	Cash and cash equivalents
2.	PT Multipolar Tbk	Company's major shareholder	Promissory note, other current financial assets, proceeds from sale of investment in subsidiaries, rental income and finance income
3.	PT Ciptadana Securities	Affiliate, common controlled entity	Investments in managed fund, other current financial assets and finance income
4.	PT Lippo Karawaci Tbk ("PT LK")	Affiliate, common controlled entity	Other current financial assets and rental income
5.	PT Mandiri Cipta Gemilang	Affiliate, subsidiary of PT LK	Prepaid rental expenses, rental advances and deposits, prepaid long-term rent and rental expenses
6.	PT Menara Bhumimegah PT Direct Power PT Villa Permata Cibodas	Affiliate, subsidiary of PT LK	Prepaid rental expenses, prepaid long-term rent and rental expenses
7.	PT Nadya Putra Investama	Affiliate, subsidiary of PT Multipolar Tbk	Due from related parties non-trade
8.	PT Bintang Sidoraya	An associate of PT TPRB	Due from related parties non-trade
9.	PT Karya Dinamika Investama	An associate of PT NPI	Due from related parties non-trade
10.	PT Multipolar Technology	Affiliate, subsidiary of PT Multipolar Tbk	Purchase of fixed assets, other expenses and consultant fees
11.	PT Visionet Internasional	Affiliate, subsidiary of PT Multipolar Tbk	Purchase of fixed assets, purchase of intangible assets, accruals, other expenses and consultant fees
12.	PT Balaraja Sentosa PT Citra Cito Perkasa PT Tanjung Bunga Gemilang	Affiliate, subsidiary of PT Multipolar Tbk	Rental advances and deposits
13.	PT Mulia Persada Pertiwi	Affiliate, subsidiary of PT Multipolar Tbk	Rental advances and deposits, accruals and rental expenses
14.	PT Prima Gerbang Persada	Affiliate, subsidiary of PT Multipolar Tbk	Accruals and rental expenses
15.	PT Serang Gemilang PT Surya Asri Lestari PT Surya Menara Lestari	Affiliate, subsidiary of PT Multipolar Tbk	Other current financial liabilities
16.	Avel Pty. Limited, Australia	Affiliate	Due to related parties non-trade and other expenses
17.	PT Matahari Graha Fantasi	Affiliate, subsidiary of PT Multipolar Tbk	Rental income
18.	PT Air Pasifik Utama	Affiliate, subsidiary of PT Multipolar Tbk	Other expenses
19.	PT Lippo General Insurance	Affiliate, common controlled entity	Insurance expenses

The account balances/transactions with other related parties (below Rp1,000 each) primarily consist of other current financial assets, prepaid expenses, due from/to related parties non-trade, purchase of fixed assets, rental advances and deposits, purchase of intangible assets, accruals, other current financial liabilities, rental income/expenses, consultant fees, communication expenses, other expenses and finance income.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

10. OTHER LONG-TERM RECEIVABLE

Other long-term receivable represents receivable from PT Meadow Indonesia ("PT MI") in connection with the sale of shares of PT Matahari Department Store Tbk ("PT MDS") in 2010. Based on the receivable agreement, the receivable bears interest ranging from 13% to 15% per annum during the term of the receivable, i.e. 7 years starting from April 2010. The principal and interest will be settled by the end of the receivable period, unless PT MI makes an early settlement. On September 30, 2011, PT MI was effectively merged with PT MDS, hence the receivable was transferred to PT MDS. On August 7, 2012, the Company has received early settlement of the long-term receivable from PT MDS.

11. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets consist of employee receivables, restricted cash regarding to the Company's sinking fund of bonds and sukuk payable and deposits.

Other non-current financial assets earned annual interests ranging from 1% to 7.23%; and from 0.93% to 6.6% for the years ended December 31, 2012 and 2011, respectively.

12. INVESTMENTS

Investments in Associates

Regarding to restructuring transaction among entities under common control (Note 1c), as at December 31, 2012, the Company no longer has associate, while as at December 31, 2011, the Company's investments in associates consist of the following:

	Percentage of Ownership	Carrying Values	Accumulated Equity in Undistributed Net Earnings (Losses) of Investee
PT Matahari Leisure ("PT ML")	50.00	27,932	26,495
PT Bintang Sidoraya ("PT BSR")	24.00	2,380	(18,581)
PT Tason Mitra Prima ("PT TMP")	50.00	2,082	(918)
PT Karya Dinamika Investama ("PT KDI")	36.36	400	-
Total		**32,794**	**6,996**

<u>*PT ML*</u>

The Company has ownership of 50% in PT ML. PT ML is engaged in the manufacture of amusement machines. The equity in net earnings of this investee amounted to Rp1,421 and Rp3,127 for the years ended December 31, 2012 and 2011, respectively. The Company received a cash dividend of Rp5,000 in 2012.

<u>*PT BSR and PT TMP*</u>

The investments in PT BSR and PT TMP were acquired through PT TPRB. PT BSR is engaged in the sale and marketing of beer while PT TMP has not started its commercial operations yet.

<u>*PT KDI*</u>

PT NPI has ownership of 36.36% in PT KDI. PT KDI has not started commercial operations yet.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

12. INVESTMENTS (continued)

Other Long-term Investments

Other long-term investments owned by the Company are investments in stocks which are accounted for under the cost method.

Regarding to restructuring transaction among entities under common control (Note 1c), as at December 31, 2012, the Company only acquires investment of 0.1% in PT NPI through PT MSE, while as at December 31, 2011, the Company's other long-term investments consist of the following:

Meadow Asia Company Limited ("MAC")	
Preferred stock	711,252
Common stock	171,596
Sub - total	882,848
PT Langgeng Mandiri Lestari ("PT LML")	1,000
Other long-term investment - net	5
Total	**883,853**

MAC

PT MP owns investments in MAC's preferred stocks and common stocks in connection with the transfer of all shares ownership of PT MDS amounted to Rp711,252 and Rp171,596, respectively. These preferred stocks have no voting rights, except for the change in the rights of preferred stocks or on the liquidation of the company. The preferred stocks provide the shareholders a cumulative dividend of 13% per annum. The decision to distribute the dividend of preferred stocks is solely based on the authority of MAC, and MAC can redeem the preferred stocks at any time.

MAC does not have any other business besides its investment in Asia Color Company Limited ("ACC"). ACC has an investment solely in PT MDS. The indirect ownership of PT MP in PT MDS is 19.63%. With an indirect ownership of less than 20%, the Company is considered not to have a significant influence in MAC, hence the investment is accounted for under the cost method. Under the cost method, an investor records its investment in the investee at acquisition cost (Note 2i).

PT LML

PT SAL has ownership of 7.14% in PT LML. PT LML is engaged in the leasing office space.

13. INVESTMENT PROPERTIES

The details of this account are as follows:

	Beginning Balance	Transaction During The Year			Ending Balance
		Addition	Reclassification	Disposal*	
2012					
Acquisition Cost					
Landrights	73,272	4,000	-	77,272	-
Buildings	37,112	470	-	37,582	-
Total	110,384	4,470	-	114,854	-

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

13. INVESTMENT PROPERTIES (continued)

	Beginning Balance	Transaction During The Year: Addition	Reclassification	Disposal*	Ending Balance
2012 (continued)					
Accumulated Depreciation					
Buildings	20,733	1,708	-	22,441	-
Net	**89,651**				**-**

* including net book value of deconsolidated Subsidiaries' investment properties (Note 1c) amounted to Rp62,267

	Beginning Balance	Transaction During The Year: Addition	Reclassification*	Disposal	Ending Balance
2011					
Acquisition Cost					
Landrights	51,513	30,652	(8,893)	-	73,272
Buildings	42,198	614	-	5,700	37,112
Total	93,711	31,266	(8,893)	5,700	110,384
Accumulated Depreciation					
Buildings	19,378	2,041	-	686	20,733
Net	**74,333**				**89,651**

* reclassification to fixed assets

Gain (Loss) from sale of investment properties amounted to Rp14,854 and (Rp14) for the years ended December 31, 2012 and 2011, respectively, have been charged as part of "Other Income" and "Other Expenses" in profit or loss for current year

The depreciation expenses of Rp1,708 and Rp2,041 for the years ended December 31, 2012 and 2011, respectively, have been charged as part of "Other expenses" in the consolidated statements of comprehensive income.

14. FIXED ASSETS

The details of fixed assets are as follows:

	Beginning Balance	Transaction During The Year: Addition	Reclassification*	Disposal**	Ending Balance
2012					
Carrying Value					
Landrights	168,848	9,187	385	178,420	-
Buildings	1,123,281	59,168	55,639	1,237,963	125
Buildings renovation	197,398	27,332	21,090	130,887	114,933
Equipment and installations	1,390,423	261,550	94,118	284,892	1,461,199
Motor vehicles	23,370	6,072	6,599	8,398	27,643
Machines	356,929	18,218	30,788	405,935	-
Total	3,260,249	381,527	208,619	2,246,495	1,603,900
Accumulated Depreciation					
Buildings	369,079	52,328	-	421,315	92
Buildings renovation	111,190	35,756	-	95,584	51,362
Equipment and installations	729,623	159,126	3,512	138,093	754,168
Motor vehicles	18,927	3,416	6,250	5,440	23,153
Machines	309,642	24,456	-	334,098	-
Total	1,538,461	275,082	9,762	994,530	828,775

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

14. FIXED ASSETS (continued)

	Beginning Balance	Transaction During The Year			Ending Balance
		Addition	Reclassification*	Disposal**	
2012 (continued)					
Impairment Value of Fixed Assets					
Landrights	7,161	-	-	7,161	-
Buildings	68,496	-	-	68,496	-
Equipment and installations	2,626	-	-	2,626	-
Total	78,283	-	-	78,283	-
Net	**1,643,505**				**775,125**

* reclassification from other non-current assets
** including net book value of deconsolidated Subsidiaries' fixed assets (Note 1c) amounted to Rp1,073,058 and reclassification to other current financial assets amounted to Rp99

	Beginning Balance	Transaction During The Year			Ending Balance
		Addition	Reclassification*	Disposal	
2011					
Carrying Value					
Landrights	146,045	20,699	10,393	8,289	168,848
Buildings	1,012,400	123,371	-	12,490	1,123,281
Buildings renovation	196,894	21,908	7,022	28,426	197,398
Equipment and installations	1,226,060	159,648	13,431	8,716	1,390,423
Motor vehicles	22,060	2,112	-	802	23,370
Machines	329,774	13,118	14,902	865	356,929
Total	2,933,233	340,856	45,748	59,588	3,260,249
Accumulated Depreciation					
Landrights	1,254	265	-	1,519	-
Buildings	332,508	45,486	-	8,915	369,079
Buildings renovation	103,158	36,007	-	27,975	111,190
Equipment and installations	608,337	127,796	-	6,510	729,623
Motor vehicles	17,538	2,191	-	802	18,927
Machines	288,696	21,811	-	865	309,642
Total	1,351,491	233,556	-	46,586	1,538,461
Impairment Value of Fixed Assets					
Landrights	7,161	-	-	-	7,161
Buildings	68,496	-	-	-	68,496
Equipment and installations	2,626	-	-	-	2,626
Total	78,283	-	-	-	78,283
Net	**1,503,459**				**1,643,505**

* reclassification from investment properties and other non-current assets

For the years ended December 31, 2012 and 2011, the Company sold certain fixed assets as follows:

	2012	2011
Proceeds	90,339	14,500
Net book value	(100,525)	(13,002)
Gain (Loss)	**(10,186)**	**1,498**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

14. FIXED ASSETS (continued)

The depreciation expenses for the years ended December 31, 2011 and 2010 were charged to the following:

	2012	2011
General and administrative expenses (Note 31)	274,756	233,015
Cost of sales - bakery overhead	326	541
Total	**275,082**	**233,556**

As at December 31, 2012, the carrying value of fixed assets which have been fully depreciated and still in used amounted to Rp43,268.

There is no significant difference between the fair value and carrying value of fixed assets. The Management believes that there is no impairment value of fixed asset at the end of reporting date.

The Company carries insurance for USD223,184 as at December 31, 2012, on their respective fixed assets, except land, from fire and other risks. The Management believes that the insurance coverage is adequate to cover possible losses from fire and other risks. The insurance coverage is covered by PT Lippo General Insurance (related party), PT Asuransi Central Asia and PT Asuransi Bintang Tbk.

15. RENTAL ADVANCES AND DEPOSITS

This account represents rental advances and deposits made to building owners for new stores (Note 37). The rental advances are used for rental payment at the start of the rental period.

In 2012, the Company has signed cancellation of rental agreements with the developers of stores whose rental value have been impaired. Based on these agreements, the Company will receive the refund of rental advances which have been paid to the developers. Therefore, the Company reversed loss on impairment value of rental advances amounted to Rp56,672 and recorded it as part of “Other income” in the consolidated statements of comprehensive income for the year.

As at December 31, 2012 and 2011, the rental advances and deposits to related parties amounted to Rp334,607 and Rp324,260, respectively (Note 9).

16. PREPAID LONG-TERM RENTS

This account mainly represents the long-term rent prepayment for the Company’s stores located at Pejaten Village, Kemang Village, Bellanova Country Mall, Puri Paragon City, Mega Mall Pluit and other locations as at December 31, 2012 and 2011.

The Company’s prepaid long-term rents have lease terms which varies up to 20 years.

In 2012, as described in Note 15, the Company has signed cancellation of rental agreements with the developers of stores whose rental value have been impaired. Therefore, the Company reversed loss on impairment value of prepaid rents amounted to Rp118,517 and recorded it as part of “Other income” in the consolidated statements of comprehensive income for the year.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

16. PREPAID LONG-TERM RENTS (lanjutan)

In 2012, the Company also made assessment on prepaid rent of several stores by appointing an independent appraiser to conduct an appraisal in order to determine the fair value of prepaid rent of the respective stores. Based on the independent appraisal report, the Company recognized loss on impairment value amounted to Rp21,468 and recorded it as part of "Other expenses" in the consolidated statements of comprehensive income for the year.

During 2012, in line with the Company's plan to streamline its non-core assets, the Company has signed novation of rental agreements for stores whose rental values have been impaired.

As at December 31, 2012 and 2011, the prepaid long-term rents - net to related parties amounted to Rp182,385 and Rp337,019, respectively (Note 9).

17. INTANGIBLE ASSETS

Intangible assets represent computer software which is used by the Company with details are as follows:

		Transactions During The Year		
	Beginning Balance	Addition	Disposal*	Ending Balance
2012				
Acquisition cost	6,315	1,320	415	7,220
Accumulated amortization	6,064	245	277	6,032
Net	**251**			**1,188**
2011				
Acquisition cost	6,555	-	240	6,315
Accumulated amortization	5,996	218	150	6,064
Net	**559**			**251**

* in 2012, constitutes of net book value of deconsolidated Subsidiaries' intangible assets (Note 1c)

The amortization for the years ended December 31, 2012 and 2011 amounted to Rp245 and Rp218, respectively, charged to "General and administrative expenses" in the Company's consolidated statements of comprehensive income.

18. TRADE PAYABLES

This account represents liabilities to suppliers (third parties) for inventories:

	2012	2011
Direct purchase	1,378,297	1,251,433
Consignment	44,016	38,944
Total	**1,422,313**	**1,290,377**

The amounts due to suppliers as at December 31, 2012 and 2011 are all payable in next quarter. Due to their short-term nature, their carrying amount approximates their fair value, therefore the payables are not amortized using effective interest rate.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

19. TAXATION

Prepaid taxes consist of the following:

	2012	2011
Value Added Tax	-	14,025
Claim for income tax	35,783	81,614
Total	**35,783**	**95,639**

Taxes payable consist of the following:

	2012	2011
Corporate income tax payable	-	5,224
Other taxes payable		
Income tax		
Article 21	9,447	22,563
Article 23	5,464	7,487
Article 25	-	536
Article 26	81	1,103
Value Added Tax	60,681	4,707
Others	478	1,804
Total	**76,151**	**43,424**

The reconciliation between consolidated income before income tax and estimated fiscal gain (loss) of the Company is as follows:

	2012	2011
Consolidated income before income tax	268,449	164,372
Subsidiaries' income before income tax - net	(46,637)	(320,041)
Share of net profit of Associates	(1,421)	(3,127)
Income (Loss) before Income Tax of the Company	220,391	(158,796)
Temporary differences:		
Impairment value of assets - net	(232,004)	-
Gain on asset sale and lease transactions	(2,098)	(2,098)
Depreciation and amortization	(775)	(37,049)
Others	11,438	2,691
Permanent differences:		
Expenses (Income) already subjected to final tax/ non-tax objects		
- Tax expenses	84,436	154,746
- Rental - net	(296,067)	(51,814)
- Interest	(20,145)	(28,037)
- Gain on disposal of land and buildings	(16,386)	(29,846)
- Realized/unrealized gain on listed shares of stock	-	154
- Dividend	-	(79)
Estimated fiscal loss of the Company	(251,210)	(150,128)

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

19. TAXATION (continued)

The reconciliation between consolidated income before income tax and estimated fiscal gain (loss) of the Company is as follows (continued):

	2012	2011
Accumulated fiscal losses - net	(380,650)	(312,305)
	(631,860)	**(462,433)**
Gain on disposal of Subsidiaries	483,598	-
Cumulative fiscal loss at end of year	**(148,262)**	**(462,433)**

In this consolidated financial statements, the estimated fiscal gain (loss) of the Company for the years ended December 31, 2012 and 2011 are the bases to fill in the Annual Tax Return ("Surat Pemberitahuan Pajak Tahunan or SPT"). As at the financial statements completion date, the Company has not submitted 2012 SPT yet.

The computation of Income Tax benefit (expense) is as follows:

	2012	2011
Taxable income		
Subsidiaries	-	59,940
Deconsolidated Subsidiaries	60,572	-
Income Tax expense - current		
Subsidiaries	-	(14,985)
Deconsolidated Subsidiaries	(15,143)	-
Income Tax benefit (expense) - deferred at enacted maximum tax rate of 25%		
Company		
Effects on temporary differences:		
Impairment value of assets - net	(58,001)	-
Gain on asset sale and lease transactions	(524)	(525)
Depreciation and amortization	(194)	(9,262)
Effect on compensation of accumulated fiscal loss to estimated fiscal gain/effect from estimated fiscal loss current year and fiscal loss correction	(78,543)	(26,420)
Others	2,859	673
Net	(134,403)	(35,534)
Subsidiaries	-	6,446
Deconsolidated Subsidiaries	(325)	-
Income tax expense before tax effect from gain on disposal of Subsidiaries	(149,871)	(44,073)
Tax expense from gain on disposal of Subsidiaries charged to equity	(120,900)	-
Consolidated income tax expense charged to comprehensive profit or loss	(28,971)	(44,073)

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

19. TAXATION (continued)

The reconciliation between the consolidated Income Tax expense - net computed by applying the enacted tax rate to the consolidated income (loss) before Income Tax for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Consolidated Income (loss) before Income Tax	268,449	164,372
Income Tax benefit (expense) at the enacted tax rate of 25%	(67,112)	(41,093)
Tax effect on permanent differences:		
Income already subjected to final tax/non-tax objects - net	63,041	(11,601)
Others - net	(4,454)	72,573
Fiscal loss correction	(20,446)	(63,952)
Consolidated Income Tax Expense - net	**(28,971)**	**(44,073)**

In April 2012, the Company received tax assessment letter for tax underpayment ("Surat Ketetapan Pajak Kurang Bayar or SKPKB"), tax overpayment ("Surat Ketetapan Pajak Lebih Bayar or SKPLB") and Tax Collection ("Surat Tagihan Pajak or STP") for fiscal year 2011. Based on the SKPKB and STP, the Company was billed with additional income tax (Article 4 (2), 21, 23 and 26) and Value Added Tax ("VAT") along with the tax penalties of Rp2,572. Based on the SKPLB for fiscal year 2011, the Company's fiscal loss was adjusted to Rp68,344 and the claim for tax refund of Rp54,496 was approved by the Directorate General of Taxation. The Company has made adjustment for correction of fiscal losses and additional tax payable along with the tax penalties in consolidated financial statement for the year ended December 31, 2012.

In March 2012, PT MP received SKPLB and STP for fiscal year 2010. Based on SKPLB, PT MP's claim for tax refund amounted to Rp11,981 was approved by the Directorate General of Taxation. Based on STP, PT MP was billed with interest and tax penalties on Income Tax payable (Article 21 and 23) and Corporate Income Tax amounted to Rp266. The adjustment for claim for tax refund, interest and tax penalties were charged to current year operations.

In April 2011, the Company received SKPKB, SKPLB and STP for fiscal years 2007, 2008 and 2009. Based on the SKPKB and STP, the Company was billed with additional income tax (Article 4 (2), 21, 23 and 26), Corporate Income Tax and VAT along with the tax penalties of Rp138,050, after considering claim for tax refund/prepaid tax. Based on SKPLB for fiscal year 2009, the Company's fiscal loss was adjusted to Rp42,508. In August 2011, the Company also received SKPKB, SKPLB and STP for fiscal year 2010. Based on the SKPKB and STP, the Company was billed with additional income tax (Article 4 (2), 21, 23 and 26) and VAT along with the tax penalties of Rp11,078. Based on SKPLB for fiscal year 2010, the Company's fiscal loss was adjusted to Rp269,798 and Company's claim for tax refund of Rp52,957 was approved by the Directorate General of Taxation. The adjustment for claim for tax refund, correction of fiscal losses and additional tax payable and tax penalties were charged to operations in 2011.

In July 2011, PT MGF received SKPKB, SKPLB and STP for fiscal year 2009. Based on SKPLB, PT MGF's claim for tax refund of Rp1,185 was approved by the Directorate General of Taxation, which it would be offset by additional tax due. Based on SKPKB and STP, PT MGF was billed with addition Income Tax payable (Article 4 (2), 21, 23 and 26) and VAT along with tax penalties of Rp213. In November 2011, PT MGF received STP for fiscal year 2010. Based on the STP, PT MGF was billed with interest on Corporate Income Tax amounted to Rp24. The adjustment for claim for tax refund, income tax payable along with tax penalties and interest were charged to operations in 2011.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

19. TAXATION (continued)

In December 2007, the Government issued a regulation relating to a further tax reduction of 5% from the applicable tax rates for publicly-listed companies effective January 1, 2008, if they comply with the certain requirements relating to shareholding composition. The Company was in the fiscal losses position for the years ended December 31, 2012 and 2011, therefore, no allowance for corporate income tax (current year) was provided for the years.

The tax effects of the significant temporary differences between commercial and tax reporting as at December 31, 2012 and 2011 are as follows:

	2012	**2011**
Company		
Deferred tax assets		
Impairment value of assets	154,164	212,165
Accumulated fiscal losses	37,065	115,608
Deferred rental expenses	4,867	3,565
Gain on asset sale and lease transactions	2,562	3,086
Deferred income	258	-
Total	198,916	334,424
Deferred tax liabilities		
Depreciation and amortization	83,249	83,055
Insurance claim	2,412	3,515
Interest income	-	196
Total	85,661	86,766
Deferred tax assets - net		
Company	113,255	247,658
Subsidiaries	-	29,225
Total	**113,255**	**276,883**
Deferred tax liabilities - net		
Subsidiaries	**-**	**2,308**

20. ACCRUALS

This account consists of:

	2012	**2011**
Marketing and supplies	89,468	117,413
Consultant fees	49,446	14,716
Rental	39,769	32,174
Electricity and energy	36,580	35,496
Interest	22,716	27,462
Others	85,487	185,298
Total	**323,466**	**412,559**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

21. OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities constitute of other payables which represents among others, liabilities to contractors for building renovation work, including store decoration, and to other parties for marketing and rental expenses.

Due to their short-term nature, their carrying amount approximates their fair value, therefore the payables are not amortized using effective interest rate.

22. BANK LOANS

This account consists of the following third-party loans:

	2012	2011
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	500,000	-
PT Bank Danamon Indonesia Tbk ("Danamon")	400,000	400,000
Bank of China Limited ("BoC") - USD30,000	290,100	272,040
PT Bank Internasional Indonesia Tbk ("BII")	250,000	200,000
PT Bank CIMB Niaga Tbk ("CIMB")	240,000	240,000
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	135,000	135,000
PT Bank Mandiri (Persero) Tbk ("Mandiri")	-	500,000
Sub - total	1,815,100	1,747,040
Less current maturities	535,000	440,000
Long-term portion	**1,280,100**	**1,307,040**

<u>*BNI*</u>

On September 21, 2006, the Company obtained from BNI a credit line facility with a maximum amount of Rp500,000 and on December 23, 2011, the facility has turned to revolving working capital facility which is available up to December 22, 2014.

As at December 31, 2012, the full amount of the facility has been drawn down.

<u>*Danamon*</u>

On September 8, 2006, September 19, 2006 and September 29, 2011, the Company obtained from Danamon revolving working capital loan facilities amounted to Rp125,000, Rp110,000 and Rp165,000, respectively. The facilities are available up to July 31, 2013. Therefore, as at December 31, 2012, all of the used loan facilities are represented as "Current Maturities of Non-current Liabilities - Bank Loans".

As at December 31, 2012, the full amounts of the facilities have been drawn down (Note 43).

<u>*BoC*</u>

On January 14, 2010, the Company obtained from BoC a revolving loan facility amounted to USD30,000. The facility is available up to January 14, 2014.

As at December 31, 2012, the full amount of the facility has been drawn down.

<u>*BII*</u>

On December 13, 2007 and December 23, 2010, the Company obtained from BII revolving promissory loan facilities amounted to Rp200,000 and Rp200,000, respectively. These loan facilities are available up to May 21, 2014.

As at December 31, 2012, the unutilized loan facilities amounted to Rp150,000 (Notes 37 and 43).

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

22. BANK LOANS (continued)

CIMB

On December 13, 2007, the Company obtained from CIMB a Fixed Loan on Demand 3 facility amounted to Rp240,000. The loan facility is available up to December 13, 2014.

As at December 31, 2012, the full amount of the facility has been drawn down (Note 43).

HSBC

The Company obtained a working capital loan facility from HSBC with a principal amounted to Rp135,000 (or its U.S. dollar equivalent up to a maximum of USD15,000). This facility is available up to December 19, 2013. Therefore, as at December 31, 2012, all of the used loan facilities are represented as "Current Maturities of Non-current Liabilities - Bank Loans".

In September 2006, the Company obtained a cross currency swap facility amounted to USD29,000 from HSBC which is to be used to hedge the Company's currency fluctuation exposure. On July 26, 2007, the cross currency swap facility was reduced to USD10,000 and is available up to May 31, 2013.

As at December 31, 2012, the working capital loan facility has been drawn down (Note 43).

Mandiri

On October 28, 2011, the Company obtained from Mandiri a revolving credit facility amounted to Rp1,000,000 and additional facility of Rp1,000,000 when the Company's sales achieve a certain amount. The facilities are available up to October 27, 2013.

On September 19, 2012, the loan has been fully paid off.

For all the above facilities denominated in rupiah, the Company's loans bear interest at annual rates ranging from 7.61% to 10.30% and from 9.5% to 12% for the years ended December 31, 2012 and 2011, respectively, while those in U.S. Dollar, the Company's loan bears interest at annual rates ranging from 4.47% to 4.8% and from 4.19% to 4.8% for the years ended December 31, 2012 and 2011, respectively. The Company is required to comply with certain conditions, which all of the conditions have been met as of December 31, 2012 and 2011. The loans obtained by the Company from the facilities are unsecured.

The payments that have been made amounted to Rp1,090,000 for loan facilities from CIMB, DBS, BII and Mandiri; and Rp1,640,000 for loan facilities from BII, BNI and Danamon for the years ended December 31, 2012 and 2011, respectively.

23. BONDS AND SUKUK PAYABLE

Bonds and sukuk payable are calculated as follows:

	2012	2011
Third Matahari Bonds in Year 2009 with Fixed Rates ("Third Matahari Bonds")		
Nominal value	52,000	302,000
Unamortized bonds issuance cost	(253)	(833)
Net	51,747	301,167
Less current maturities	-	249,581
Long-term portion - net	**51,747**	**51,586**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

23. BONDS AND SUKUK PAYABLE (continued)

Bonds and sukuk payable are calculated as follows (continued):

	2012	2011
Second Matahari Sukuk Ijarah in Year 2009 ("Second Matahari Sukuk Ijarah")		
Nominal value	136,000	226,000
Unamortized sukuk issuance cost	(507)	(1,231)
Net	135,493	224,769
Less current maturities	-	89,850
Long-term portion - net	**135,493**	**134,919**

On April 14, 2009, the Company issued Third Matahari Bonds and Second Matahari Sukuk Ijarah, with details as follows:

- Third Matahari Bonds Series A, with total face value of Rp250,000 in Rp5 denomination. The bonds bear interest at the fixed rate of 16% per annum for 3 years and mature on April 14, 2012;
- Third Matahari Bonds Series B, with total face value of Rp52,000 in Rp5 denomination. The bonds bear interest at fixed rate of 17% per annum for 5 years and will mature on April 14, 2014;
- Second Matahari Sukuk Ijarah Series A, with total face value of Rp90,000 in Rp5 denomination. Each bondholder is entitled to "Ijarah fee" amounted to Rp160 per annum for each Rp1,000. The fee shall be paid for 3 years. The bonds mature on April 14, 2012; and
- Second Matahari Sukuk Ijarah Series B, with total face value of Rp136,000 in Rp5 denomination. Each bondholder is entitled to "Ijarah fee" amounted to Rp170 per annum for each Rp1,000. The fee shall be paid for 5 years. The bonds will mature on April 14, 2014.

Third Matahari Bonds and Second Matahari Sukuk Ijarah are listed on the Indonesia Stock Exchange. PT Kustodian Sentral Efek Indonesia, acts as the payment agent, pays quarterly interest for Third Matahari Bonds and "Ijarah fee" for Second Matahari Sukuk Ijarah.

Based on ratings issued by PT Pemeringkat Efek Indonesia, on December 31, 2012, ratings for Third Matahari Bonds and Second Matahari Sukuk Ijarah are $_{id}$A+ and $_{id}$A+$_{(sy)}$, respectively.

PT Bank Mega Tbk acts as trustee for the Third Matahari Bonds and Second Matahari Sukuk Ijarah.

The Third Matahari Bonds and Second Matahari Sukuk Ijarah will not be secured with a specific collateral.

The proceeds of the Third Matahari Bonds had been earmarked to be used for refinancing the Second Matahari Bonds which had matured on May 11, 2009 and the proceeds of the Second Matahari Sukuk Ijarah had been earmarked to be used for the lease of store spaces which had been determined in "Akad Wakalah".

Based on the Bonds Indenture, the Company is required to comply with certain conditions, which all of the conditions have been met as of December 31, 2012.

The amortization of bonds issuance cost charged to operations for the years ended December 31, 2012 and 2011 amounted to Rp580 and Rp1,444, respectively. While the amortization of sukuk issuance cost charged to operations for the years ended December 31, 2012 and 2011 amounted to Rp724 and Rp826, respectively.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

23. BONDS AND SUKUK PAYABLE (continued)

If the bonds' annual rating downgraded below idA- for the Third Matahari Bonds and idA-(sy) for the Second Matahari Sukuk Ijarah, the Company should provide a sinking fund in the occurrence year and in the following years for as long as the rating remains at below idA- and idA-(sy) respectively, in amounts determined as follows:

- First year, 10% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Second year, cumulative 15% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Third year, cumulative 20% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Fourth year, cumulative 25% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah; or
- Fifth year, cumulative 30% of the face value of the Third Matahari Bonds or Second Matahari Sukuk Ijarah.

Based on General Bondholders' Meeting of Third Matahari Bonds and General Sukukholders' Meeting of Second Matahari Sukuk Ijarah held on March 29, 2010, the Company paid extra one-time coupon of 0.4% from the principal amount of Third Matahari Bonds and Second Matahari Sukuk Ijarah to the Bondholders and Sukukholders. In addition, the Company shall provide a sinking fund, that will be used as a reserve against payment as follows:

- 2% from the principal amount of Third Matahari Bonds and Second Matahari Sukuk Ijarah, which was executed on April 14, 2011;
- 2% from the principal amount of Third Matahari Bonds and Second Matahari Sukuk Ijarah, which was executed on April 14, 2012;
- 2% from the principal amount of Third Matahari Bonds and Second Matahari Sukuk Ijarah, which will be executed on April 14, 2013.

On April 14, 2012, the Company has fully repaid Third Matahari Bonds Series A and Second Matahari Sukuk Ijarah Series A.

Based on General Bondholders' Meeting and General Sukukholders' Meeting held on September 11, 2012, the Company has provided consent fee of 0.5% from the outstanding principal of Third Matahari Bonds and Second Matahari Sukuk Ijarah to Bondholders and Sukukholders in connection with the approval from Bondholders and Sukukholders on the Company's capital reduction (Note 1b). Furthermore, the Company is also obliged to provide additional sinking fund which is used as payment reserve of 4% from outstanding principal of Third Matahari Bonds and Second Matahari Sukuk Ijarah which will be executed on April 14, 2013.

24. SHARE CAPITAL

The Company's shareholders is as follows:

	Number of shares Issued and Fully Paid	Percentage of Ownership	Amount
2012			
PT Multipolar Tbk	2,701,391,108	50.2308	135,069
PT Star Pacific Tbk	338,419,625	6.2927	16,921
Others - public (below 5% each)	2,338,152,067	43.4765	116,908
Sub - total	5,377,962,800	100.0000	268,898
Treasury shares	198,584,000		9,929
Total	**5,576,546,800**		**278,827**

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

24. SHARE CAPITAL (continued)

	Number of shares Issued and Fully Paid	Percentage of Ownership	Amount
2011			
PT Multipolar Tbk	2,701,391,108	50.2308	1,350,695
PT Star Pacific Tbk	338,419,625	6.2927	169,210
Others - public (below 5% each)	2,338,152,067	43.4765	1,169,076
Sub - total	5,377,962,800	100.0000	2,688,981
Treasury shares	198,584,000		99,292
Total	**5,576,546,800**		**2,788,273**

As at December 31, 2012 and 2011, no Company's shareholders are part of the Company's management.

In November 2012, the Company has reduced the par value of shares from Rp500 per share to Rp50 per share (Note 1b).

In the Company's Stockholders' Extraordinary Meeting held on January 8, 2002 the minutes of which are notarized under deed No. 19 dated January 8, 2002 of Ny. Poerbaningsih Adi Warsito, S.H., the stockholders resolved to, among others, approved the buy-back of the Company's shares held by the public with the maximum total number of the buy-back shares was 270,599,400 shares or 10% of the Company's issued and fully paid capital stock. The Company's shares buy-back program ended on July 9, 2003. As of this date, the Company had bought 198,584,000 (73.39% of maximum total buy-back shares allowed) of its shares from the market for Rp123,236. The Company's capital reduction in November 2012 has reduced the Company's treasury shares amounted to Rp89,363, so that as at December 31, 2012, the carrying value of treasury shares become Rp33,873.

25. ADDITIONAL PAID-IN CAPITAL - NET

The details of this account as at December 31, 2012 and 2011 are as follows:

Premium on capital shares from:	
- First Limited Public Offering with Pre-emptive Rights to the shareholders	30,067
- Conversion of bonds into shares of stock	144
- Exercise of warrants into shares of stock	345,850
Stock issuance costs	(51,409)
Net	**324,652**

Stock issuance costs arising from the Company's First, Second, Third and Fourth Limited Public Offerings with Pre-emptive Rights to the shareholders amounted to Rp1,312, Rp2,475, Rp32,780 and Rp14,842, respectively.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

26. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS AMONG ENTITIES UNDER COMMON CONTROL

For the purposes of business restructuring in current year, the Company exercised transactions as follows:

- Selling certain assets owned by the Company to Subsidiaries of PT NPI and PT MP (Notes 13 and 14).
- Afterward, the Company sold its receivables and ownerships in PT MP and PT NPI to Parent company, PT Multipolar Tbk (Note 1c). The selling prices of those assets was determined based on appraisal reports conducted by independent appraiser, are as follows:
  - 99.97% of shares in PT MP and its receivable were transferred with transaction value of Rp1,889,947 which was fully paid by PT Multipolar Tbk on November 30, 2012.
  - 99.90% of shares in PT NPI and receivables of PT NPI and its Subsidiaries were transferred with transaction value of Rp1,338,327. PT Multipolar Tbk has paid amounted to Rp47,327 in cash on December 10 and 12, 2012, while the remaining amount of Rp1,291,000 was paid by promissory note.

As at December 31, 2012, the details of this account are as follows:

Payment received:	
Cash and cash equivalents	1,937,275
Promissory Note (Note 5)	1,291,000
Transaction values	**3,228,275**
Net book value	(2,669,203)
Income tax effect on transactions (Note 19)	(120,900)
Uneliminated effect on difference in value from restructuring transactions among entities under common control of transfers of assets and investments	6,676
Difference in Value from Restructuring Transactions among Entities Under Common Control	**444,848**

Details of Subsidiaries' net book value and receivables sold are as follows:

Cash and cash equivalents	505,976
Trade receivables	16,398
Due from related parties non-trade	25,316
Fixed assets	1,039,933
Other assets	1,313,300
Due to related parties non-trade	(1,885,973)
Other liabilities	(157,668)
Non-controlling Interests	(55,354)
	801,928
Subsidiaries' receivables sold	1,867,275
Net book value	**2,669,203**

27. NON-CONTROLLING INTERESTS

As at December 31, 2012, non-controlling interests constitute of share of equity and net result of PT MSE, the Company's consolidated subsidiary, while as at December 31, 2011, non-controlling interests constitute of share of equity and net result of PT MSE and PT MGF.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

28. NET SALES

The details of net sales are as follows:

	2012	2011
Supermarket/hypermarket	10,305,963	8,365,310
Family entertainment centers	337,351	330,229
Others	148,781	143,989
	10,792,095	8,839,528
Consignment sales	513,962	428,623
Cost of consignment	(436,861)	(359,540)
Commission from consignment sales	77,101	69,083
Customer royalty program (Note 2r)	(1,032)	-
Net sales	**10,868,164**	**8,908,611**

There were no individual sales which exceeded 10% of net sales for the years ended December 31, 2012 and 2011, respectively.

29. COST OF SALES

The details of cost of sales are as follows:

	2012	2011
Inventories at beginning of year	1,266,120	969,713
Net purchases	9,372,910	7,624,256
Inventories available for sale	10,639,030	8,593,969
Deconsolidated Subsidiaries	23,427	-
Inventories at end of year	1,670,574	1,266,120
Cost of sales before bakery overhead	8,945,029	7,327,849
Bakery overhead	25,574	23,161
Cost of Sales	**8,970,603**	**7,351,010**

There were no purchases of inventory from any supplier which exceeded 10% of net sales for the years ended December 31, 2012 and 2011.

30. SELLING EXPENSES

The details of selling expenses are as follows:

	2012	2011
Rental - net	325,919	286,387
Others - net	28,208	(1,285)
Total	**354,127**	**285,102**

Rental - net represents rental expenses net of rental income of Rp306,685 and Rp288,277 for the years ended December 31, 2012 and 2011, respectively.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

31. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	2012	2011
Salaries and employee benefits (Note 34)	648,495	542,085
Depreciations (Note 14)	274,756	233,015
Electricity and energy	235,936	205,844
Consultant fees	91,136	44,162
Taxes and licenses	55,824	52,769
Business traveling	42,140	33,423
Insurance	34,610	26,810
Communication	19,054	16,012
Others	51,269	43,343
Total	**1,453,220**	**1,197,463**

32. OTHER EXPENSES

This account consists of the following:

	2012	2011
Taxes	107,676	221,954
Impairment value of rent	21,468	-
Sale of fixed assets	10,186	-
Foreign currencies exchange	-	45,727
Others	77,993	22,445
Total	**217,323**	**290,126**

33. OTHER INCOME

This account consists of the following:

	2012	2011
Lease refunds and transfers	406,609	-
Foreign currencies exchange	16,307	-
Recognition of deferred gain on sale and lease back transactions	2,098	295,651
Sale of fixed assets	-	1,498
Others	14,962	19,042
Total	**439,976**	**316,191**

34. EMPLOYEE BENEFITS

Based on Labor Law No. 13/2003 dated March 25, 2003, the Company and Subsidiaries recognized provision for termination, gratuity and compensation benefits of employees. Such benefits are included as part of general and administrative expenses (salaries and employee benefits) in the current years comprehensive statements of income.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

34. EMPLOYEE BENEFITS (continued)

The details of post-employement benefits recognized in the profit or loss are as follows:

	2012	**2011**
Current service cost	27,234	18,023
Interest cost	12,898	13,985
Amortization of actuarial loss	1,962	2,157
Liability relating to past service of new employees	5,246	-
Immediate recognition of past-service cost vested benefit	(33)	634
Amortization of unrecognized past-service cost non-vested benefits	-	5
Net	47,307	34,804
Compensation	7,087	3,549
Curtailment gain	-	(712)
Settlement gain	-	(366)
Total	**54,394**	**37,275**

The above provisions were determined based on independent actuarial computation as at December 31, 2012 and 2011 by adopting the Projected-Unit-Credit method with the following assumptions:

Annual discount rate	: 5.8% - 6.2% in 2012 and 6.5% - 6.95% in 2011
Annual salary increase rate	: 8% in 2012 and 2011
Table of mortality	: Commissioners Standard Ordinary 1980 (CSO'80)
Disability rate	: 10% of mortality rate
Retirement rate	: 100% at normal retirement age
Resignation rate	: 2 - 9% per annum at age 20 up to age 54
Normal retirement age	: 55 years old

Movements in the liability for post-employement benefits are as follows:

	2012	**2011**
Beginning balance	138,834	106,752
Addition	54,394	37,275
Payments	(13,196)	(5,193)
Deconsolidated Subsidiaries	(18,095)	-
Net	161,937	138,834
Less short-term portion	35,301	27,767
Long-term portion	**126,636**	**111,067**

The figure for the current year and for the four previous years are as follows:

	Dec 31, 2012	**Dec 31, 2011**	**Dec 31, 2010**	**Dec 31, 2009**	**Dec 31, 2008**
Present value of plan benefit liabilities/deficit program	220,421	172,532	140,657	107,876	66,699
Experience adjustments on plan benefit liabilities	(6,820)	1,881	(9,394)	8,509	22,087

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

35. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies which are aside from the functional currencies of the Company or the related Subsidiaries as at December 2012 and 2011 are as follows:

		2012		2011	
		Foreign Currencies	Rupiah Equivalent	Foreign Currencies	Rupiah Equivalent
Assets					
Cash and cash equivalents	USD	789	7,630	36,685	332,659
	SGD	171	1,352	23,601	164,593
	JPY	1,182	132	1,189	139
	Euro	-	-	64	751
	RMB	-	-	129	185
	HKD	-	-	20	23
Held to maturities investments	USD	-	-	4,338	39,338
Other current financial assets	SGD	-	-	93	652
Total assets			**9,114**		**538,340**
Liabilities					
Other current financial liabilities	USD	-	-	65	590
	SGD	-	-	93	652
Non-current liabilities - Long-term bank loans	USD	30,000	290,100	30,000	272,040
Total liabilities			**290,100**		**273,282**
Net Assets (Liabilities)			**(280,986)**		**265,058**

As of December 31, 2012 and 2011, gain (loss) on foreign currencies exchange charged to consolidated statements of comprehensive income amounted to Rp16,307 and (Rp45,727), respectively.

36. DISTRIBUTION OF INCOME AND APPROPRIATION OF RETAINED EARNINGS

In the Company's Annual General Meeting of the Shareholders held on April 5, 2012, the minutes of which are notarized under deed No. 9 of Ny. Poerbaningsih Adi Warsito, S.H., the shareholders resolved to, among others, declare cash dividend amounted to Rp32,268 or Rp6 (in full amount) per share, payable to shareholders listed in the shareholders' register on May 3, 2012 and appropriate Rp2,000 from retained earnings as a general reserve. The payment of annual dividend was made on May 15, 2012.

In the Company's Annual General Meeting of Shareholders held on February 14, 2011, the minutes of which are notarized under deed No. 13 of Ny. Poerbaningsih Adi Warsito, S.H., the shareholders resolved to, among others, declare cash dividend amounted to Rp1,613,389 or Rp300 (in full amount) per share, payable to shareholders listed in the shareholders' register on March 10, 2011 and appropriate Rp2,000 from retained earnings as a general reserve. The payment of annual dividend was made on March 22, 2011.

Under Limited Liability Company Law, companies are required to set up a statutory reserve amounted to at least 20% of issued and paid up capital. The balance of appropriated retained earnings reserved by the Company as at December 31, 2012 and 2011 amounted to Rp26,000 and Rp24,000, respectively.

37. COMMITMENTS AND CONTINGENCY

COMMITMENTS

a. The Company entered into a license agreement with IGA, Inc. (“IGA”) in March 2001, whereby IGA authorized and licensed the Company to use the IGA trademarks (1) to identify the Company as an IGA member, (2) in connection with the distribution and promotion of products with the quality standards established by IGA, solely in the Company’s stores, and rendering of services relating to IGA systems in those stores, and (3) in connection with the procurement and labeling of products with the quality standards established by IGA.

   On the same date, the Company entered into a service agreement with IGA to obtain service and support from IGA, including guidance and counsel, international public relations assistance, and attendance at major key events. As of December 31, 2012 and 2011, the Company recognized license fee amounted to Rp191 and Rp220, respectively.

b. The Company entered into a lease agreement with PT Donindo Menara Utama in August 2004, covering lease of store space with a floor area of 4,000 square meters in Banjarmasin. The lease period covers 11 years to start at the opening day of the store and is extendable. As required in the agreement, as at December 31, 2012, the Company made rental deposit amounted to Rp667 which is presented as part of “Rental Advances and Deposits”. As at December 31, 2012, the store has not opened yet.

c. The Company entered into a lease agreement with PT Gerbang Perkasa in February 2007 and has been renewed in May 2010, covering a store with floor area of 20,343 square meters in Yogyakarta. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp129,000. As required in the agreement, as at December 2012, the Company has made the rental payment amounted to Rp129,000 which is presented as part of “Rental Advances and Deposits”.

   Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than July 2013, the Company will receive, as compensation, additional 8 years and 6 months’ lease period and participation fee for opening store promotion amounted to Rp3,800. As at December 31, 2012, the store has not opened yet.

d. The Company entered into a lease agreement with PT Perisai Emas in March 2007 and has been renewed in December 2010, covering a store with floor area of 15,267 square meters in Bali. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp214,827. As required in the agreement, as at December 31, 2012, the Company has made the rental payment amounted to Rp214,827 which is presented as part of “Rental Advances and Deposits”. The hand-over of the store space has already done in September 2012.

   Based on the addendum of the lease agreement, the Company will receive, as compensation, additional 7 years and 4 months’ lease period and participation fee for opening store promotion amounted to Rp6,400. As at December 31, 2012, the store has not opened yet.

e. The Company entered into a lease term-sheet with PT Gaya Kreasindo Permai in July and November 2007, covering a store with floor area of 14,715 square meters in Jakarta. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

f. The Company entered into a lease agreement with PT Trimitra Exelindo Utama Karya in March 2008 and has been renewed in January 2011, covering a store with floor area of 20,000 square meters in Semarang. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp113,353. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp113,353 which is presented as part of “Rental Advances and Deposits”.

37. COMMITMENTS AND CONTINGENCY (continued)

COMMITMENTS (continued)

Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than June 2013, the Company will receive, as compensation, additional 4 years and 7 months' lease period and participation fee amounted to Rp3,400. As at December 31, 2012, the store has not opened yet.

g. The Company entered into a lease agreement with PT Bima Mitra Utama Energi in March 2008, covering land and building with floor area of 40,500 square meters and 9,968 square meters, respectively, in Jakarta. The lease period covers 10 years to start on the opening day of the store with total rental charge of Rp117,682. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp117,682 which is presented as part of "Rental Advances and Deposits".

   Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than April 2013, the Company will receive, as compensation, additional 3 years and 10 months' lease period and participation fee amounted to Rp3,530. As at December 31, 2012, the store has not opened yet.

h. The Company entered into a lease agreement with PT Khatulistiwa Multipromo in September 2008, covering a store with floor area of 19,660 square meters in Jakarta. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp196,600. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp196,600 which is presented as part of "Rental Advances and Deposits".

   Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than October 2013, the Company will receive, as compensation, additional 4 years and 3 months' lease period and participation fee for opening store promotion amounted to Rp5,900. As at December 31, 2012, the store has not opened yet.

i. The Company entered into a lease agreement with PT Inovasi Ragam Abadi in September 2008, covering a store with floor area of 10,789 square meters in Bali. The lease period covers 15 years to start on the opening day of the store with total rental charge of Rp140,956. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp140,956 which is presented as part of "Rental Advances and Deposits".

   Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than October 2013, the Company will receive, as compensation, additional 4 years and 3 months' lease period and participation fee for opening store promotion amounted to Rp4,230. As at December 31, 2012, the store has not opened yet.

j. The Company entered into a lease agreement with PT Sitryco Riwani Jaya in September 2008, covering a store with floor area of 22,739 square meters in Surabaya. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp197,716. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp197,716 which is presented as part of "Rental Advances and Deposits".

   Based on the addendum of the lease agreement, the hand-over of the store space will be made not later than August 2013, the Company will receive, as compensation, additional 5 years and 6 months' lease period and participation fee for opening store promotion amounted to Rp5,930. As at December 31, 2012, the store has not opened yet.

k. The Company entered into a lease agreement with PT Mandiri Cipta Gemilang on November 12, 2008, covering a store with floor area of 24,858.91 square meters in Jakarta. The lease period covers 20 years to start on the opening day of the store with total rental charge of Rp324,260. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp324,260 which is presented as part of "Rental Advances and Deposits".

37. COMMITMENTS AND CONTINGENCY (continued)

COMMITMENTS (continued)

Based on the addendum of the lease agreement that was signed in December 2010, the hand-over of the store space will be made not later than June 2013, the Company will receive, as compensation, additional 5 years' lease period and participation fee for opening store promotion amounted to Rp9,700. As at December 31, 2012, the store has not opened yet.

l. The Company entered into a lease agreement with PT Papetra Perkasa Utama on August 26, 2009, covering a store with floor area of 7,300 square meters in Manado. The lease period covers 11 years to start on the opening day of the store with total rental charge of Rp14,016. As required in the agreement, as at December 31, 2012, the Company has made rental payment amounted to Rp10,512 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

m. The Company entered into a Service Agreement for Information Technology System with PT Visionet Internasional on July 1, 2010, whereby PT Visionet Internasional will supply the information technology system and supporting services to support all the Company's business operations.

n. The Company entered into a lease term-sheet with PT Mega Pasanggrahan Indah in January 2011, covering a non-residential unit with floor area of 5,779 square meters in Depok. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp3,225 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

o. The Company entered into a lease term-sheet with PT Borneo Inti Graha in February 2011, covering a store with floor area of 7,000 square meters in Samarinda. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp8,400 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

p. The Company entered into a lease term-sheet with PT Abadi Mas Cemerlang in July 2011, covering a store with floor area of 5,000 square meters in Jakarta. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

q. The Company entered into a lease term-sheet with PT Harun Plaza in November 2011, covering a store with floor area of 5,000 square meters in Aceh. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

r. The Company entered into a lease agreement with PT Garsa Gemilang in December 2011, covering a store with floor area of 6,000 square meters in North Sulawesi. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp54,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

s. The Company entered into a lease agreement with PT Nusa Bahana Niaga in December 2011, covering a store with floor area of 6,000 square meters in Kupang. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp72,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012 the store has not opened yet.

37. COMMITMENTS AND CONTINGENCY (continued)

COMMITMENTS (continued)

t. The Company entered into a lease agreement with PT Sinergi Utama Mitra Propertindo in December 2011, covering a store with floor area of 6,000 square meters in Jakarta. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp90,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

u. On January 26, 2012, the Company obtained from PT Bank DBS Indonesia a revolving working capital loan facility amounted to Rp300,000. The facility is available up to January 24, 2014 (Note 43).

v. The Company entered into a lease term-sheet with PT Duta Bhakti in February 2012, covering a store with floor area of 5,000 square meters in Ambon. The lease period covers 15 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp2,550 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

w. The Company entered into a lease term-sheet with PT Nusa Kirana R.E. in February 2012, covering a store with floor area of 7,018 square meters in Jakarta. The lease period covers 20 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp1,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

x. The Company entered into a lease agreement with PT Graha Pinaringan in March 2012, covering building with floor area of 4,500 square meters in Palembang. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp40,500 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

y. The Company entered into a lease agreement with PT Surya Persada Lestari in April 2012, covering a store with floor area of 6,000 square meters in Padang. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp72,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

z. The Company entered into a lease agreement with PT Bimasakti Jaya Abadi in May 2012, covering a store with floor area of 5,000 square meters in Jakarta. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp60,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

aa. The Company entered into a lease term-sheet with CV Tugu Daya Perkasa in May 2012, covering a store with floor area of 7,000 square meters in Pematang Siantar. The lease period covers 16 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

bb. The Company entered into a lease term-sheet with PT Wulandari Bangun Laksana in June 2012, covering a store with floor area of 4,945 square meters in Balikpapan. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp1,978 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

37. COMMITMENTS AND CONTINGENCY (continued)

COMMITMENTS (continued)

cc. The Company entered into a lease term-sheet with CV Kanio Retailindo in July 2012, covering a store with floor area of 5,000 square meters in Baturaja, South Sumatera. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

dd. The Company entered into a lease term-sheet with PT Pusat Bisnis Ponorogo in July 2012, covering a store with floor area of 5,000 square meters in Ponorogo. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp625 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

ee. The Company entered into a lease agreement with PT Cahaya Zamrud Indah in August 2012, covering a store with floor area of 6,000 square meters in Belitung. The lease period covers 20 years to start on the opening day of the store. As required in the agreement, as at December 31, 2012, the Company has made rental deposit amounted to Rp54,000 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

ff. The Company entered into a lease term-sheet with PT Palu Graha Sejahtera in August 2012, covering a store with floor area of 5,000 square meters in Palu. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental deposit amounted to Rp2,700 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

gg. The Company entered into a lease term-sheet with PT Gapura Intiutama in October 2012, covering a store with floor area of 6,000 square meters in Bekasi. The lease period covers 11 years to start on the opening day of the store. As required in the term-sheet, as at December 31, 2012, the Company has made rental payment amounted to Rp1,620 which is presented as part of "Rental Advances and Deposits". As at December 31, 2012, the store has not opened yet.

hh. The Company entered into a lease term-sheet with PT Umna Rijoli in October 2012, covering a store with floor area of 5,000 square meters in Sulawesi. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

ii. The Company entered into a lease term-sheet with PT Visi Mitra Perkasa in October 2012, covering a store with floor area of 5,000 square meters in Depok. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

jj. The Company entered into a lease term-sheet with PT Danadipa Aluwung in December 2012, covering a store with floor area of 5,000 square meters in Kalimantan. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

kk. The Company entered into a lease term-sheet with PT Sentramas Propertindo in December 2012, covering a store with floor area of 5,000 square meters in Prabu Mulih. The lease period covers 11 years to start on the opening day of the store. As at December 31, 2012, the store has not opened yet.

ll. Aside from those lease agreements above, the Company entered into operating lease agreement as well, with various parties for store lease in various cities in Indonesia. Rental expenses under operating lease are charged to selling expenses (Note 30) in the Company's consolidated financial statements.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

37. COMMITMENTS AND CONTINGENCY (continued)

COMMITMENTS (continued)

As at December 31, 2012, the Company's future aggregate lease payment under the operating lease are as follows:

Payable for the first year	327,737
Payable between the second to fifth year	1,465,434
Payable after the fifth year	991,758
	2,784,929

mm. As at December 31, 2012, total of the Company's unutilized loans facilities are Rp450,000 (Note 22)

CONTINGENCY

On December 9, 2010, the Company signed an offering letter from PT Griyapesona Mentari ("GPM") which stated among others: the Company has been offered to buy a strata title unit with floor area of 10,258 square meters in Supermall Cilegon with price of Rp50,000, wherein Rp40,000 paid by the Company on December 10, 2010, and the remaining amount of Rp10,000, will be paid on April 9, 2011. The Company has the option to cancel the purchase plan by sending written notification not later than January 31, 2011 to GPM, and if this occurs then GPM will refund Rp40,000 plus interest payments of 12% per annum or the entire amount could be treated as lease payments at the Supermall Cilegon, Supermall Karawang, Supermall Cianjur and Supermall Sukabumi.

On January 28, 2011, the Company sent a letter to GPM informing that the Company took the option to cancel the purchase plan of the strata title unit, hence, under the signed offering letter, GPM is obliged to refund the received money not later than April 9, 2011.

On April 28, 2011, GPM sent a letter to the Company requesting for delaying the refund until the end of June 2011.

On June 16, 2011, GPM has been declared bankrupt by the Commercial Court Decision of Central Jakarta District Court No. 10/PKPU/2011/PN.NIAGA.JKT.PST ("Bankruptcy Decision") and appointed Yana Supriyatna, S.H. as the Curator of GPM. Over this bankruptcy decision, GPM has filed an appeal to the Supreme Court and up to now the appeal is still in the process. Although GPM is in bankruptcy status, Supervisory Judge as stipulated in the Decree No. 03/HP/VII/2011/PN.JKT.PST-10/PKPU/2011/PN.NIAGA.JKT.PST dated July 6, 2011 has given permission and or approval to the Curator to continue GPM's business so that the building/mall owned by GPM (under bankruptcy supervision) can still operate. Related to the Bankruptcy Decision, the Company has registered itself as concurrent creditor by filing charge to Curator of GPM amounted to Rp42,507 which represented principal payments plus interest (calculated up to June 16, 2011). At the meeting of debt verification, Curator only verified Rp42,101 of all charge filed by the Company. Therefore, by letter No. 173/LIT-Ext/X/2011 dated October 31, 2011, the Company filed objection or Renvoi Procedure. Through letter No.178/KURATOR/GRPM/V/2012 dated May 11, 2012, the Curator informed that Appeal Decision No.734 K/PDT.SUS/2011 dated February 3, 2012 has been issued by the Supreme Court RI to cancel the decision of PKPU and bankruptcy of GPM, so that the bankruptcy of GPM was withdrawn and the assignment of Curator was terminated. On May 14, 2012, the Company received letter from GPM stated that GPM would settle all outstanding liabilities including its interest to the Company on September 19, 2012 at the latest. On September 6, 2012, GPM sent letter to the Company stated that GPM proposed postponement for the payment of all outstanding liabilities to the Company up to December 28, 2012 at the latest. As at December 31, 2012, GPM has settled the outstanding liabilities partially amounted to Rp5,000 to the Company.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

38. OPERATING SEGMENTS INFORMATION

In identifying operating segments, management considers business types that represent the main activities of the Company that are Retail Business and Family Entertainment Center.

In addition, information about business activities beside two main activities are grouped and presented under category “Others”. The content of others segment represents revenue and expense generated by the Subsidiaries’ activities that engaged in investment, general trading, restaurant and other services.

On December 31, 2012, regarding to sale of Subsidiaries in current year (Notes 1c and 26), the Company did not classify assets and liabilities into segments since the Company only has one operating segment, that is retail business. Based on operating segments, operation results for the year ended December 31, 2012, with the inter-segment transactions have been eliminated, are as follows:

	Retail Business	Family Entertainment Center	Others	Total
Net sales	10,380,005	337,351	150,808	10,868,164
Finance income	81,828	429	94,287	176,544
Finance costs	(218,496)	-	(3,887)	(222,383)
Depreciation and amortization	(229,404)	(36,433)	(28,502)	(294,339)
Share of net profit of Associates	-	-	1,421	1,421
Income tax expense	(13,503)	(14,384)	(1,084)	(28,971)
Income (Loss) for the year	**206,994**	**45,055**	**(12,571)**	**239,478**

Consolidated informations based on operating segments for the year ended December 31, 2011 are as follows:

	Retail Business	Family Entertainment Center	Others	Total
Operating Results				
Net Sales	8,430,714	330,229	147,668	8,908,611
Finance income	154,631	1,136	149,699	305,466
Finance costs	(245,322)	-	-	(245,322)
Depreciation and amortization	(198,433)	(28,147)	(32,485)	(259,065)
Share of net profit of Associates	-	-	3,127	3,127
Income tax benefit (expense)	(35,534)	(9,510)	971	(44,073)
Income (Loss) for the year	**(331,030)**	**34,438**	**416,891**	**120,299**
Segment Information				
Investments in associates	-	-	32,794	32,794
Capital expenditures	337,571	44,027	133,282	514,880
Reported assets segment	7,040,245	185,431	3,082,493	10,308,169
Reported liabilities segment	4,473,102	75,538	76,081	4,624,721

39. ADDITIONAL INFORMATION FOR CASH FLOWS

Significant activities that do not affect to the cash flows:

	2012	2011
Reclassification of other non-current assets to fixed assets	198,857	36,855
Reclassification of rental advances and deposits to prepaid rents	26,711	275,921
Reclassification of investment properties to fixed assets	-	8,893
Reclassification of other current assets to other long-term investment	-	1,000

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Risk Management

The main financial risks faced by the Company are credit risk, liquidity risk, currency risk and interest rate risk. Through the risk management approach, the Company tried to minimize the potential negative impact of the above risks.

(i) Credit Risk

The credit risk is a risk whereby one party with a financial instrument will cause the other party to incur a financial loss due to the failure to fullfil an obligation.

The Company's financial instruments that have the potential credit risk consist of cash and cash equivalents in banks, receivables, certain investments and certain other non-current assets. Total maximum exposure of the credit risk is equal to the carrying values of these accounts. The maximum exposure of credit risk on reporting date are as follows:

	2012	**2011**
Cash and cash equivalents	1,361,736	1,403,075
Receivables	51,222	1,215,456
Held to maturities investments	1,553,980	382,318
Other long-term investments	2	883,853
Other financial assets	309,783	254,165
Total	**3,276,723**	**4,138,867**

For the credit risk associated with banks, only banks with good predicate are selected. As for the financial institutions, management has made certain criteria, among others, to engage experienced and trusted investment managers. In addition, the Company has a policy not to limit the exposure to only one particular institution, hence the Company has cash and cash equivalents in banks, receivables and investments in various financial institutions.

(ii) Liquidity Risk

Liquidity risk is a risk whereby an entity will encounter difficulty to settle its financial obligations through the settlement in cash and other financial assets.

Below is the summary of maturity dates of the Company's financial liabilities:

	Carrying Value	**Actual Cash Flow**	**< = 1 year**	**> 1 year**
2012				
Trade payables	1,422,313	1,422,313	1,422,313	-
Taxes payable and accruals	399,617	399,617	399,617	-
Employee benefit liabilities	161,536	161,536	161,536	-
Other financial liabilities	92,405	92,405	92,405	-
Banks loans	1,815,100	1,815,100	535,000	1,280,100
Bonds and sukuk payable	187,240	188,000	-	188,000
Other non-current liabilities	41,677	41,677	-	41,677
2011				
Trade payables	1,290,377	1,290,377	1,290,377	-
Taxes payable and accruals	455,983	455,983	455,983	-
Employee benefit liabilities	152,465	152,465	152,465	-
Other financial liabilities	151,754	151,754	151,754	-
Banks loans	1,747,040	1,747,040	440,000	1,307,040
Bonds and sukuk payable	525,936	528,000	340,000	188,000
Other non-current liabilities	29,190	29,190	-	29,190

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial Risk Management (continued)

(ii) Liquidity Risk (continued)

The Company manages the liquidity risk by maintaining sufficient cash and securities to ensure that the Company is able to meet its commitments in its normal operations. In addition, the Company also monitors the projections and actual cash flows on a continuous basis and monitors the maturity date of financial assets and liabilities.

(iii) Currency Risk

Currency risk is a risk of fluctuated value in financial instruments due to the change in foreign currency exchange rates.

The Company conducts certain transactions using foreign currencies, among others, capital expenditures and the Company's loans. Thus, the Company must convert Rupiah into foreign currencies, primarily US Dollar to meet its liabilities in foreign currencies at their maturity dates. The fluctuation of Rupiah against US Dollar may have an effect on the Company's financial condition.

As at December 31, 2012 and 2011, if US Dollar and SG Dollar strengthened against Rupiah by 5% on the reporting date, and other variables were assumed to be constant, hence there is no effect to other comprehensive income, whereas the effects to in the Company's consolidated profit or loss would increase (decrease) as follows:

	2012	2011
USD	(10,610)	3,726
SGD	51	6,173

The increment (decrement) of net profit due to strengthening of US Dollar by 5% against Rupiah mainly due to loss on translation of loan in US Dollar compensated for gain on translation of cash and cash equivalents in US Dollar. Whereas the increment of net profit due to strengthening of SG Dollar by 5% against Rupiah mainly due to gain on translation of cash and cash equivalents in that currency.

The Company manages currency risk by monitoring continuously the fluctuation in foreign currency exchange rates so that it can initiate and manage appropriate actions such as the use of hedging transactions, if necessary, to reduce the foreign currency risk.

(iv) Interest Rate Risk

Interest rate risk is a risk of fluctuated value in financial instruments due to the changes in market interest rate.

The Company has interest rate risk mainly because its the loans bear floating interest rates. The Company monitors the impact of interest rate movements to minimize the negative impact to the Company.

For the years ended December 31, 2012 and 2011, if the market interest rate increased/decreased by 50 basis point and the interest rate in US Dollar and SG Dollar increased/decreased by 10 basis point and the other variables were assumed to be constant, the net income for the year would decrease/increase by Rp411 and Rp1,314, respectively, as the impact of an increment/decrement in finance income from cash and cash equivalents with floating interest rate compensate for increment/decrement in finance costs from loans with floating interest rate.

Information regarding to the interest rate on time deposits and loans of the Company are described in Notes 3 and 22.

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments

The Company applies the following hierarchy to record the fair value of financial instruments of the Company:

- Level 1 : quotation price in the active market for identical assets or liabilities;
- Level 2 : input other than quotation price that is included in level 1 and can be observed directly or indirectly for assets or liabilities; and
- Level 3: input for assets or liabilities that cannot be observed.

As at December 31, 2011, all financial assets of the Company that are recorded using fair value represent trading investments and apply the hierarchy level 1.

All the carrying values of financial assets and liabilities of the Company approximate to their fair values due to short-term period or with floating interest rate, except for for bonds and sukuk payable that have fair value amounted to Rp213,487 and Rp561,823 as at December 31, 2012 and 2011, respectively. The fair value of bonds and sukuk payable is based on the latest transaction of bonds and sukuk on the reporting date.

41. CAPITAL MANAGEMENT

The Company's primary objective in the capital management is to optimize the balances of debts and equity of the Company in order to maintain its going concern and business development in the future and maximize the shareholder value. The Company manages its capital structure and makes necessary adjustments with consideration of the change in economic conditions and the Company's strategic objectives.

To maintain and adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares, obtain new loan or repay the loan.

The Company reviews its capital structure on regular basis. As part of the review, the Company monitors the return on capital through return on equity ratio.

The Company's return on equity ratio as at December 31, 2012 and 2011 are as follows:

	2012	**2011**
Income attributable to owners of the Parent	220,547	105,037
Total equity - net	3,845,754	5,683,448
Return on equity ratio	**5.73%**	**1.85%**

42. NEW ACCOUNTING STANDARDS

DSAK - IAI issued revision of PSAK 38: Accounting for Restructuring Entities Under Common Control that is effective for the financial statements that period begins on or after January 1, 2013. The Company does not perform an early adoption of the revised PSAK and has not yet defined its impact to the consolidated financial statements.

43. EVENTS AFTER THE REPORTING PERIOD

a. Up to the completion of financial statements date, the Company has made payment amounted to Rp925,000 on loan facilities obtained from CIMB, Danamon, HSBC and BII (Note 22).

b. On February 11, 2013, the Company has drawn the full amount of the facility obtained from DBS (Note 37).

(Expressed in millions of Indonesian rupiah and thousands of foreign currencies, except for share data/unit)

44. ACCOUNTS RECLASSIFICATION

As described in Note 2a, in connection with the adoption of regulation VIII.G.7 and for the consistency with the presentation of the consolidated financial statements, the Company reclassified the accounts of the consolidated statement of financial position for the years ended December 31, 2011 and 2010.

The reclassified accounts are as follows:

	Previously reported	Reclassification addition (deduction)	After reclassification
December 31, 2011			
Short-term investments	391,442	(391,442)	-
Others receivables	222,885	(222,885)	-
Held to maturities investments	-	382,318	382,318
Other current financial assets	-	225,209	225,209
Other non-current financial assets	-	28,956	28,956
Investment properties	-	89,651	89,651
Intangible assets	-	251	251
Other non-current assets	310,902	(112,058)	198,844
Others payables	249,710	(249,710)	-
Accruals	595,393	(182,834)	412,559
Short-term employee benefit liabilities	-	180,232	180,232
Current maturities of non-current liabilities:			
Bonds payable	339,431	(89,850)	249,581
Sukuk payable	-	89,850	89,850
Other current financial liabilities	-	151,754	151,754
Other current liabilities	-	100,558	100,558
Bonds payable	186,505	(134,919)	51,586
Sukuk payable	-	134,919	134,919
Long-term employee benefit liabilities	-	111,067	111,067
Other non-current liabilities	154,772	(111,067)	43,705
December 31, 2010			
Short-term investments	1,389,545	(1,389,545)	-
Others receivables	178,980	(178,980)	-
Held to maturities investments	-	1,383,975	1,383,975
Other current financial assets	-	184,550	184,550
Other non-current financial assets	-	18,859	18,859
Investment properties	-	74,333	74,333
Intangible assets	-	559	559
Other non-current assets	126,392	(93,751)	32,641
Others payables	1,110,258	(1,110,258)	-
Dividend payable	-	968,033	968,033
Accruals	467,787	(126,570)	341,217
Short-term employee benefit liabilities	-	124,247	124,247
Other current financial liabilities	-	72,671	72,671
Other current liabilities	-	71,877	71,877
Bonds payable	523,666	(223,943)	299,723
Sukuk payable	-	223,943	223,943
Long-term employee benefit liabilities	-	85,402	85,402
Other non-current liabilities	98,585	(85,402)	13,183

PT MATAHARI PUTRA PRIMA Tbk.

Menara Matahari 17th & 20th Floor
Jl. Boulevard Palem Raya No. 7
Lippo Village 1200
Tangerang 15811 - Indonesia

Phone : (62-21) 546 9333
Fax : (62-21) 547 5673
www.mataharigroup.co.id
www.hypermart.co.id