THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS UNDER RULE 144A; OR (2) PERSONS WITH ADDRESSES OUTSIDE OF THE UNITED STATES PURCHASING PURSUANT TO REGULATION S.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Canadian Offering Memorandum dated December 2, 2011 (the "**Canadian Offering Memorandum**") issued in connection with the offering of common shares of par value Rp. 500 per share (the "**Shares**") in PT Erajaya Swasembada Tbk (the "**Company**") and attached to this e-mail. You are advised to read these disclaimer pages carefully before reading, accessing or making any other use of the attached Canadian Offering Memorandum. In accessing the attached Canadian Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

IF YOU DO NOT AGREE TO THE TERMS CONTAINED IN THIS NOTICE, YOU SHOULD NOT OPEN THE ATTACHED CANADIAN OFFERING MEMORANDUM AND SHOULD DELETE THIS E-MAIL. THIS E-MAIL AND ITS ATTACHMENT ARE PERSONAL TO YOU, ARE CONFIDENTIAL AND MAY ONLY BE READ BY THE ADDRESSEE AND MAY NOT BE REPRODUCED OR REDISTRIBUTED ELECTRONICALLY OR OTHERWISE TO ANY OTHER PERSON.

THIS E-MAIL AND THE ATTACHED CANADIAN OFFERING MEMORANDUM MAY NOT BE FORWARDED, TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, TRANSMISSION, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: The attached Canadian Offering Memorandum is being sent to you by Credit Suisse (Singapore) Limited ("**Credit Suisse**") or J.P. Morgan Securities Limited ("**JP Morgan**") at your request, and by accepting the e-mail and accessing the attached Canadian Offering Memorandum, you have confirmed that (1) (i) you and any customer you represent are not resident in the United States and, to the extent you purchase Shares described in the attached Canadian Offering Memorandum you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") **OR** (ii) you are acting on behalf of, or you are, a qualified institutional buyer ("**QIB**"), as defined in Rule 144A under the Securities Act, **AND** (2) that you consent to delivery of the attached Canadian Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Canadian Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission, and consequently none of the Company, Credit Suisse or JP Morgan, nor any person who controls any of them or any director, officer, employee or agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Canadian Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from Credit Suisse or JP Morgan.

YOU ARE REMINDED THAT THE ATTACHED CANADIAN OFFERING MEMORANDUM HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE CANADIAN OFFERING MEMORANDUM MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. If this is not the case, you must delete this e-mail and destroy any printed copies of the Canadian Offering Memorandum. You may not, nor are you authorized to, deliver the attached Canadian Offering Memorandum or any amendments or supplements thereto to any other person.

Restrictions: The attached Canadian Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Shares described in the Canadian Offering Memorandum.

None of this e-mail, the attached Canadian Offering Memorandum or anything contained in it or them shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. None of the Company, Credit Suisse or JP Morgan, nor any person who controls any of them or any director, officer, employee or agent of any of them, or affiliate of any such person accepts any liability whatsoever for any loss howsoever arising from any use of this e-mail or the attached Canadian Offering Memorandum or their respective contents or otherwise arising in connection therewith.

Nothing on this electronic transmission constitutes an offer of securities for sale or invitation, or solicitation of an offer, to subscribe for or purchase any securities in any jurisdiction where it is unlawful to do so. Access to this transmission has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. The Shares have not been and will not be registered under the Securities Act and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws.

Actions that You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the 'Reply' function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CONFIDENTIAL
CANADIAN OFFERING MEMORANDUM

Private Placement in Canada

920,000,000 Offer Shares
Offer Price: Rp 1,000 per Offer Share

This Canadian Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. This Canadian Offering Memorandum is not, and under no circumstances is it to be construed as, an advertisement or a public offering in Canada of the securities referred to in this document. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Canadian Offering Memorandum or the merits of the securities described herein and any representation to the contrary is an offense.

This Canadian Offering Memorandum is not, and under no circumstances is it to be construed as, an offer to sell the securities described herein or a solicitation of an offer to buy the securities described herein in any jurisdiction where the offer or sale of these securities is prohibited.

The official daily noon rate of exchange between the Indonesian Rupiah (the "Rp.") and the Canadian dollar (the "C$"), as reported by the Bank of Canada on December 2, 2011, the latest practicable date, was approximately Rp. 8,850 = C$1.00.

Global Coordinators and International Selling Agents

CREDIT SUISSE

J.P.Morgan

Lead Managing Underwriter

PT. BUANA CAPITAL
Member of Indonesia Stock Exchange

Canadian Offering Memorandum dated December 2, 2011

CANADIAN OFFERING MEMORANDUM
(British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec,
New Brunswick, Prince Edward Island and Nova Scotia)

PT Erajaya Swasembada Tbk (the "**Company**") is offering 920,000,000 of its common shares (the "**Offer Shares**") of par value Rp. 500 per Share. The Offer Shares will be offered (i) in the Republic of Indonesia in connection with an initial public offering (the "**Indonesian Offering**") and (ii) through the International Selling Agents to eligible investors outside of the Republic of Indonesia (the "**International Offering**"), including to residents of Canada that are "accredited investors" as defined in National Instrument 45-106 "*Prospectus and Registration Exemptions"* ("**NI 45-106**") or, as the case may be, "Canadian permitted clients", as defined in National Instrument 31-103 "*Registration Requirements, Exemptions and On-going Registrant Obligations*". The Indonesian Offering and the International Offering are collectively referred to in this Canadian Offering Memorandum as the "**Offering**". The closing of the International Offering is conditional on the closing of the Indonesian Offering.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered outside the United States by the International Selling Agents on behalf of the Lead Managing Underwriter in accordance with Regulation S under the Securities Act ("**Regulation S**") and in the United States only to "qualified institutional buyers" in reliance on Rule 144A.

Attached hereto and forming part of this Canadian Offering Memorandum is an offering memorandum dated December 2, 2011 (the "**Offering Memorandum**") prepared in connection with the Offering. Except as otherwise provided herein, capitalized and other terms used within this Canadian Offering Memorandum without definition have the meanings assigned to them within the Offering Memorandum. The offering of the Offer Shares in Canada is being made solely by this Canadian Offering Memorandum and any decision to purchase the Offer Shares should be based solely on information contained within this document. No person has been authorized to give any information or to make any representations concerning this offering other than as contained herein. Statements made within this Canadian Offering Memorandum are as of the date of this Canadian Offering Memorandum unless expressly stated otherwise. Neither the delivery of this Canadian Offering Memorandum at any time, nor any other action with respect hereto, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date.

Canadian investors are advised that the information contained within the Offering Memorandum has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the Offering Memorandum and as to the suitability of an investment in the Offer Shares in their particular circumstances. Canadian investors are referred to "The Offering" and "Plan of Distribution" in the Offering Memorandum for further details relating to the Offer Shares and the Offering generally.

This Canadian Offering Memorandum constitutes an offering of the Offer Shares described herein in the Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island and Nova Scotia only and is for the confidential use of only those persons to whom it is delivered by the International Selling Agents in connection with the offering of Offer Shares therein. The International Selling Agents reserve the right to reject all or part of any offer to purchase the Offer Shares for any reason and to allocate to any purchaser less than all of the Offer Shares for which it has subscribed.

Investing in the Offer Shares involves risks. Canadian investors should refer to the section entitled "Risk Factors" contained within the Offering Memorandum for additional information. Canadian investors should also refer to the section entitled "Transfer Restrictions" contained within the Offering Memorandum for information concerning their eligibility to transfer the Offer Shares.

DISTRIBUTION RESTRICTIONS

This Canadian Offering Memorandum is being delivered solely to enable Canadian investors invited by the Company to evaluate the Company and an investment in the Offer Shares. The information contained within this Canadian Offering Memorandum does not constitute an offer in Canada to any other person, whether or not shareholders of the Company, or a general offer to the public, or a general solicitation from the public, to subscribe for or purchase the Offer Shares. The distribution of this Canadian Offering Memorandum and the offer of the Offer Shares in certain of the Canadian provinces and territories may be restricted by law. Persons into whose possession this Canadian Offering Memorandum comes must inform themselves about and observe any such restrictions.

The distribution of this Canadian Offering Memorandum or any information contained herein to any person other than a Canadian investor invited by the Company, or those persons, if any, retained to advise such Canadian investor in connection with the transactions contemplated herein, is unauthorized. Any disclosure of the information contained within this Canadian Offering Memorandum without the prior written consent of the Company or the International Selling Agents is prohibited. Each Canadian investor, by accepting delivery of this Canadian Offering Memorandum, agrees to the foregoing.

RESPONSIBILITY

Except as otherwise expressly required by applicable law or as agreed to in the Selling Agency Agreement, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by the International Selling Agents, their respective broker-dealer affiliates or any dealer as to the accuracy or completeness of the information contained within this Canadian Offering Memorandum or any other information provided by the Company in connection with the offering of the Offer Shares.

RESALE RESTRICTIONS

The distribution of the Offer Shares in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus with the relevant securities regulatory authorities in Canada. Accordingly, any resale of the Offer Shares must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements. These resale restrictions may under certain circumstances apply to resales of the Offer Shares outside of Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the Offer Shares and are referred to the section entitled “Transfer Restrictions” in the Offering Memorandum which sets forth certain representations and agreements Canadian investors will be deemed to have made.

The Company is not, and does not presently intend on becoming, a “reporting issuer”, as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Canadian investors are advised that the Company is not required to file, and currently does not intend to file, a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Offer Shares to the public in any province or territory of Canada.

EXCHANGE RATE AND OTHER FINANCIAL INFORMATION

Financial Statements

The Offering Memorandum contains financial information that is presented in Rupiah (“**Rp.**”), the official currency of exchange in the Republic of Indonesia. The Company’s consolidated financial information set out in the Offering Memorandum is presented in accordance with generally accepted accounting principles in Indonesia ("**Indonesian GAAP**"). Indonesian GAAP differs in certain material respects from generally accepted accounting principles in Canada ("**Canadian GAAP**") which remains applicable to certain entities in Canada. The Company will not provide Canadian investors with any reconciliation to Canadian GAAP of the financial information contained within the Offering Memorandum. Canadian investors should consult with their own legal, financial and tax advisers for additional information regarding the Company's financial information and the material differences between Indonesian GAAP and Canadian GAAP prior to investing in the Offer Shares.

Foreign Exchange Regulations

Indonesia has limited exchange controls and foreign currency is generally freely transferrable within or from Indonesia subject to certain regulations enacted to maintain the stability of the Rupiah and to prevent the utilization of the Rupiah for speculative purposes by non-residents. However, the Company's operations and financial condition and the foreign currency equivalent of the value of the Offer Shares may be affected by movements in the value of the Indonesian Rupiah. Canadian investors are referred to "Risk Factors—Risks Relating to an Investment in Erajaya's Shares" and "Exchange Rates and Exchange Controls" in the Offering Memorandum and should consult with their own legal, financial and tax advisers for additional information pertaining to such matters prior to investing in the Offer Shares.

Historical Exchange Rate Information

The following tables set forth, for the periods indicated, certain information pertaining to the official average daily noon rate of exchange between the Rupiah and the Canadian dollar as reported by the Bank of Canada. Such exchange rates were not used by the Company in the preparation of the financial information included within the Offering Memorandum and the following tables should not be construed as a representation that the Rupiah has been or could be converted into the Canadian dollar at the rate indicated for the periods indicated.

Rp. = C$1.00

Year	Year-end Rate	Average Rate(1)
2006	7,692	8,078
2007	9,524	8,505
2008	8,929	9,049
2009	9,009	9,083
2010	9,091	8,850

Note:

(1) The average of the official daily noon rate on the working days of the relevant year.

The official daily noon rate of exchange between the Rupiah and the Canadian dollar, as reported by the Bank of Canada on December 2, 2011, the latest practicable date, was Rp. 8,850= C$1.00.

The Offering Memorandum contains financial information of the Company as of and for June 30, 2010 and June 30, 2011. The official daily noon rate of exchange between the Rupiah and the Canadian dollar, as reported by the Bank of Canada on June 30, 2010 and June 30, 2011 was Rp. 8,547 = C$1.00 and Rp. 8,929 = C$1.00, respectively.

The official average daily noon rate of exchange between the Rupiah and the Canadian dollar, as reported by the Bank of Canada, for the six months ended June 30, 2010 and June 30, 2011 was Rp. 8,880 = C$1.00 and Rp. 8,951 = C$1.00, respectively.

REPRESENTATIONS OF PURCHASERS

Each Canadian investor who purchases the Offer Shares will be deemed to have represented to the Company, each of the International Selling Agents , their respective broker-dealer affiliates and each dealer participating in the offer and sale of the Offer Shares that:

(a) the investor is basing its investment decision on this Canadian Offering Memorandum and not on any other information concerning the Company or the offer or sale of the Offer Shares, or other information from the International Selling Agents;

(b) to the knowledge of the investor, the offer and sale of the Offer Shares in Canada was made exclusively through the Canadian Offering Memorandum and was not made through an advertisement of the Offer Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;

(c) the investor has reviewed and acknowledges the terms referred to above under the section entitled "Resale Restrictions" and agrees not to resell the Offer Shares except in compliance with applicable Canadian and foreign resale restrictions and in accordance with the terms of applicable restrictions;

(d) the investor has reviewed and acknowledges the representations required to be made by each purchaser of the Offer Shares as set forth under the section entitled "Transfer Restrictions" contained within the Offering Memorandum and hereby makes such representations;

(e) where required by law, the investor is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable securities laws of the province in which the investor is resident, for its own account and not as agent for the benefit of another person;

(f) the investor, or any ultimate purchaser for which the investor is acting as agent, is entitled under applicable Canadian securities laws to purchase the Offer Shares without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing, is an "accredited investor" as defined in section 1.1 of NI 45-106, and:

  (i) is purchasing the Offer Shares from a dealer registered as an "investment dealer" or "exempt market dealer" as defined under applicable securities laws; or

  (ii) is a "Canadian permitted client" as defined in section 1.1 of NI 31-103 and is purchasing the Offer Shares from a dealer permitted to rely on the "international dealer exemption" contained in section 8.18 of NI 31-103; or

  (iii) is resident in British Columbia, Alberta, Saskatchewan or Manitoba and is purchasing the Offer Shares from a dealer entitled to rely on a dealer registration exemption for trades with "accredited investors" made available under a blanket order issued by the applicable securities regulatory authority;

(g) the investor is not a person created or used solely to purchase or hold the Offer Shares as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106; and

(h) the investor certifies that none of the funds being used to purchase Offer Shares are, to its knowledge, proceeds obtained or derived, directly or indirectly, as a result of illegal activities and that:

  (i) the funds being used to purchase Offer Shares and advanced by or on behalf of the investor to the International Selling Agents do not represent proceeds of crime for the purpose of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "**PCMLTFA**");

  (ii) the investor is not a person or entity identified on a list established under section 83.05 of the *Criminal Code* (Canada) in the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (the "**RIUNRST**"), the *United Nations Al-Qaida and Taliban Regulations* (the "**UNAQTR**"), the *Regulations Implementing the United Nations Resolution on the Democratic*

People's Republic of Korea (the "**UNRDPRK**"), the *Regulations Implementing the United Nations Resolution on Iran* (the "**RIUNRI**"), the *United Nations Côte d'Ivoire Regulations* (the "**Côte d'Ivoire Regulations**"), the *United Nations Democratic Republic of the Congo Regulations* (the "**Congo Regulations**"), the *United Nations Liberia Regulations* (the "**Liberia Regulations**"), the *United Nations Sudan Regulations* (the "**Sudan Regulations**"), the *Regulations Implementing the United Nations Resolutions on Somalia* (the "**RIUMRS**"), the *Special Economic Measures (Burma) Regulations* (the "**Burma Regulations**"), the *Special Economic Measures (Zimbabwe) Regulations* (the "**Zimbabwe Regulations**"), the *Special Economic Measures (Iran) Regulations* (the "**Iran Regulations**"), the *Regulations Implementing the United Nations Resolution on Eritrea* (the "**RIUNRE**") or other similar applicable laws, regulations or rules (the "**Similar Laws**");

(iii) the Company, the International Selling Agents and their authorized dealer affiliates, as applicable, may in the future be required by law to disclose the investor's name and other information relating to the investor and any purchase of the Offer Shares, on a confidential basis, pursuant to the PCMLTFA, *Criminal Code* (Canada), RIUNRST, UNAQTR, UNRDPRK, RIUNRI, the Côte d'Ivoire Regulations, the Congo Regulations, the Liberia Regulations, the Sudan Regulations, RIUNRS, the Burma Regulations, the Zimbabwe Regulations, the Iran Regulations, RIUNRSE or the other Similar Laws and by accepting delivery of this Canadian Offering Memorandum, the investor will be deemed to have agreed to the foregoing;

(iv) to the best of the investor's knowledge, none of the funds to be provided by or on behalf of the investor to the International Selling Agents are being tendered on behalf of a person or entity who has not been identified to the investor; and

(v) the investor shall promptly notify the International Selling Agents if the investor discovers that any of the representations contained in this subparagraph (h) cease to be true, and shall provide the International Selling Agents with appropriate information in connection therewith; and

(i) where required by applicable securities laws, regulations or rules, the investor will execute, deliver and file such reports, undertakings and other documents relating to the purchase of the Offer Shares by the investor as may be required by such laws, regulations and rules, or assist the Company and the International Selling Agents, as applicable, in obtaining and filing such reports undertakings and other documents.

In addition, each resident of Ontario who purchases the Offer Shares will be deemed to have represented to the Company, each of the International Selling Agents, their respective broker-dealer affiliates and each dealer from whom a purchase confirmation is received, that such purchaser:

(a) has been notified by the Company or the International Selling Agents:

(i) that the Company may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Offer Shares purchased) ("**personal information**"), which Form 45-106F1 may be required to be filed by the Company under NI 45-106;

(ii) that such personal information may be delivered to the Ontario Securities Commission (the "**OSC**") in accordance with NI 45-106;

(iii) that such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario;

(iv) that such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and

(v) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684; and

(b) has authorized the indirect collection of the personal information by the OSC.

Furthermore, each Canadian purchaser acknowledges that its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the Offer Shares, each Canadian purchaser consents to the disclosure of such information.

TAXATION

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this Canadian Offering Memorandum does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Offer Shares and, in particular, does not address Canadian tax considerations. Canadian investors should consult with their own legal, financial and tax advisers with respect to the tax consequences of an investment in the Offer Shares in their particular circumstances and with respect to the eligibility of the Offer Shares for investment by the investor under applicable Canadian federal and provincial legislation and regulations.

Canadian investors should consult with their own legal and tax advisers with respect to the tax consequences under the laws of Indonesia of an investment in the Offer Shares in their particular circumstances and should review the section entitled "Taxation—Indonesian Taxation" in the Offering Memorandum for a discussion of taxes in respect of dividends declared and paid in respect of Offer Shares and Indonesian taxation issues generally. Currently, under the Canada-Indonesia Income Tax Convention, dividends paid by a resident of Indonesia to a resident of Canada may, as a general principle for Canadian resident shareholders owning less than 25% of the paying entity, be subject to a withholding tax not exceeding 15% of the gross amount of the dividend.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum (such as this Canadian Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined in the applicable securities legislation to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in certain of the provinces of Canada.

Saskatchewan

The right of action for damages or rescission described herein is conferred by section 138 of *The Securities Act, 1988* (Saskatchewan) (the "**Saskatchewan Act**"). The Saskatchewan Act provides, in the relevant part, that where an offering memorandum (such as this Canadian Offering Memorandum), or any amendment thereto, is sent or delivered to a purchaser and it contains a misrepresentation, as defined in the Saskatchewan Act, a purchaser who purchases a security covered by the offering memorandum or any amendment thereto is deemed to have relied upon the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the issuer or the selling security holder on whose behalf the distribution is made;

(b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment thereto was sent or delivered;

(c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

(d) every person or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or any amendment thereto; and

(e) every person or company that sells securities on behalf of the issuer or the selling security holder under the offering memorandum or any amendment thereto.

Such rights of action for damages or rescission are subject to certain limitations including the following:

(a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;

(b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(e) no person or company is liable in an action for damages or rescission if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment thereto was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or

(b) with respect to any part of the offering memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defenses upon which an issuer, selling security holder or other person may rely are described herein. Canadian investors should refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for damages or rescission to a purchaser of securities to whom an offering memorandum or any amendment thereto was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any other action, other than an action for rescission, the earlier of:

  (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or

  (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Manitoba

The right of action for damages or rescission described herein is conferred by section 141.1 of the *Securities Act* (Manitoba) (the "**Manitoba Act**"). The Manitoba Act provides, in the relevant part, that in the event that an offering memorandum (such as this Canadian Offering Memorandum) contains a misrepresentation, as defined in the Manitoba Act, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase. Such purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person or company who signed the offering memorandum or, alternatively, while still an owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or the directors. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action, in any other case.

The Manitoba Act provides a number of limitations and defences, including the following:

(a) no person or company is liable if the person or company proves that the purchaser had knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

(a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;

(b) after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or

(d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

Ontario

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Ontario), as amended (the "**Ontario Act**"). The Ontario Act provides, in the relevant part, that every purchaser of securities pursuant to an offering memorandum (such as this Canadian Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation, as defined in the Ontario Act. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

(a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;

(b) the issuer and the selling security holders, if any, will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

(c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;

(d) the issuer and the selling security holders, if any, will not be liable for a misrepresentation in forward looking information ("**FLI**") if it proves that:

   (i) the offering memorandum contains, proximate to the FLI, reasonable cautionary language identifying the FLI as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the FLI, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI; and

   (ii) the issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the FLI; and

(e) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

   (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or

   (ii) three years after the date of the transaction that gave rise to the cause of action.

This Canadian Offering Memorandum is being delivered in reliance on the "accredited investor exemption" from the prospectus requirements contained under section 2.3 of NI 45-106. The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an offering memorandum (such as this Canadian Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

(a) a Canadian financial institution or a Schedule III bank (each as defined in section 1.1 of NI 45-106);

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

New Brunswick

The right of action for damages or rescission described herein is conferred by section 150 of the *Securities Act* (New Brunswick) (the "**New Brunswick Act**"). The New Brunswick Act provides, in the relevant part, that where an offering memorandum (such as this Canadian Offering Memorandum) contains a misrepresentation, as defined in the New Brunswick Act, a purchaser who purchases securities offered by the offering memorandum shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and:

(a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made; or

(b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchasers relied on the misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

(a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or

(b) six years after the date of the transaction that gave rise to the cause of action.

Prince Edward Island

The right of action for damages or rescission described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the "**PEI Act**"). The PEI Act provides, in the relevant part, that if an offering memorandum (such as this Canadian Offering Memorandum) contains a misrepresentation, as defined in the PEI Act, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages. Such purchaser has a statutory right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction giving rise to the cause of action, in any other case.

The PEI Act provides a number of limitations and defences, including the following:

(a) no person is liable if the person proves that the purchaser purchased securities with knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and

(c) the amount recoverable by a plaintiff in respect of such action must not exceed the price at which the securities purchased by the plaintiff were offered.

In addition, a person, other than the issuer and selling security holder, is not liable if the person proves that:

(a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

(b) the person, upon becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person is not liable with respect to a misrepresentation in FLI if:

(a) the offering memorandum containing the FLI also contains, proximate to the FLI (i) reasonable cautionary language identifying the FLI as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the FLI, and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI; and

(b) the person had a reasonable basis for drawing the conclusions or making the forecast or projections set out in the FLI.

The above paragraph does not relieve a person of liability respecting FLI in a financial statement required to be filed under Prince Edward Island securities laws.

Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**Nova Scotia Act**"). The Nova Scotia Act provides, in the relevant part, that in the event that an offering memorandum (such as this Canadian Offering Memorandum), together with any amendment thereto, or any advertising or sales literature, as defined in the Nova Scotia Act, contains a misrepresentation, as defined in the Nova Scotia Act, the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer or other seller and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or other seller, directors of the issuer or any other person who has signed the offering memorandum, provided that, among other limitations:

(a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;

(b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

(c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and

(d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

(a) the offering memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or any amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment thereto the person or company withdrew the person's or company's consent to the offering memorandum or any amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or any amendment thereto purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or any amendment thereto not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or any amendment thereto, the misrepresentation is deemed to be contained in the offering memorandum or any amendment thereto.

The foregoing summary is subject to the express provisions of the securities legislation of the applicable provinces and the rules, regulations and other instruments thereunder, and reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Company and the International Selling Agents may rely. The enforceability of these rights may be limited as described herein below under the section entitled "Enforcement of Legal Rights".

The rights of action discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law.

ENFORCEMENT OF LEGAL RIGHTS

The Company is incorporated as a limited liability company under the laws of the Republic of Indonesia. All or substantially all of the directors and officers of the Company as well as the International Selling Agents and experts named herein, may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or such persons. All or a substantial portion of the assets of the Company and such other persons are located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside of Canada.

Canadian investors should consult with their own legal advisers concerning the enforceability of judgments and judicial process in the Republic of Indonesia and should review the section entitled "Enforceability" contained within the Offering Memorandum for additional general information prior to investing in the Offer Shares.

LANGUAGE OF DOCUMENTS

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

NOT FOR DISTRIBUTION IN INDONESIA
December 2, 2011

920,000,000 Offer Shares
Offer Price: Rp1,000 per Offer Share

PT Erajaya Swasembada Tbk ("Erajaya") is offering 920,000,000 of its common shares (the "Offer Shares") of par value Rp500 per share. The Offer Shares will be offered (i) in the Republic of Indonesia in connection with an initial public offering (the "Indonesian Offering") and (ii) to eligible investors outside of the Republic of Indonesia (the "International Offering"), as described in this offering memorandum. The Indonesian Offering and the International Offering are collectively referred to in this offering memorandum as the "Offering". The closing of the International Offering is conditional upon the closing of the Indonesian Offering.

This offering memorandum is being made available to potential investors with respect to the International Offering only. In connection with the International Offering, Credit Suisse (Singapore) Limited and J.P. Morgan Securities Limited (the "International Selling Agents"), are soliciting applications from eligible investors resident outside Indonesia. The Indonesian Offering will be conducted by PT Buana Capital (the "Lead Managing Underwriter"), PT Credit Suisse Indonesia and PT J.P. Morgan Securities Indonesia (both, the "Initial Underwriters") and certain other underwriters (collectively, the "Underwriters").

Prior to the Offering described above, there has been no trading market for Erajaya's common shares within or outside the Republic of Indonesia. Erajaya has received in-principle approval from the Indonesia Stock Exchange (the "IDX") for the admission of the shares for trading on the Main Board of the IDX. See "Summary".

This offering memorandum may only be distributed outside Indonesia to persons who are neither citizens of Indonesia (wherever located) nor residents of Indonesia.

Investing in the Offer Shares involves a high degree of risk. Before buying any of Erajaya's shares, prospective purchasers should carefully read "Risk Factors" beginning on page 21 of this offering memorandum.

Delivery of the Offer Shares is expected to be made on or about December 13, 2011.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered outside the United States by the International Selling Agent on behalf of the Lead Managing Underwriter in accordance with Regulation S under the Securities Act ("Regulation S") and in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on Rule 144A. Prospective investors are hereby notified that the seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Offer Shares are not transferable except in accordance with certain restrictions on transfer of such shares described under "Transfer Restrictions". For a description of these and certain further restrictions on offers, sales and transfers of the Offer Shares and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions".

Global Coordinators, Joint Bookrunners and International Selling Agents

CREDIT SUISSE

J.P.Morgan

Lead Managing Underwriter and Joint Bookrunner

PT. BUANA CAPITAL
Member of Indonesia Stock Exchange

NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum. The Group has not authorized anyone to provide you with different information. The Group is not, and the Global Coordinators, International Selling Agents and the Lead Managing Underwriter are not, making an offer of these securities in any jurisdiction where the offer is not permitted. Unless otherwise indicated, you should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

No U.S. federal, state or foreign securities commission or regulating authority has approved, disapproved of or recommended the Offer Shares, nor have any of the foregoing authorities, reviewed, passed upon, determined or endorsed the merits of the offering of the Offer Shares or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States and may be a criminal offence in other jurisdictions. In addition, the Indonesian Capital Markets and Financial Institutions Supervisory Agency (*Badan Pengawas Pasar Modal dan Lembaga Keuangan*) ("BAPEPAM-LK") does not declare its approval or disapproval of the Offer Shares, nor does it declare the accuracy or adequacy of this offering memorandum. Any statement to the contrary is a violation of Indonesian law. For the purposes of the Indonesian Offering, the formal offering document is the Indonesian prospectus.

This offering memorandum is strictly confidential and has been prepared by the Group solely for use in connection with the proposed offer of the Offer Shares to eligible investors outside of the Republic of Indonesia by way of the International Offering. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase, or otherwise acquire, the Offer Shares. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents, without the Group's prior written consent, is prohibited. Each prospective purchaser, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum and, if the offeree does not purchase Offer Shares or the International Offering is terminated, to return this offering memorandum to the International Selling Agents.

The Group has prepared this offering memorandum and is solely responsible for its contents. You are responsible for making your own examination of the Group and your own assessment of the merits and risks of investing in the Offer Shares. By purchasing the Offer Shares, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" below.

No representation or warranty, expressed or implied, is made by the Global Coordinators, International Selling Agents and the Lead Managing Underwriter as to the accuracy or completeness of the information contained in this offering memorandum. Neither the delivery of this offering memorandum nor the offer of the Offer Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in the Group's affairs since the date of this offering memorandum or that any information contained herein is correct as of any date subsequent to the date hereof.

Neither the Group nor the Global Coordinators, International Selling Agents or the Lead Managing Underwriter, nor any affiliate or representative of the Group, Global Coordinators, International Selling Agents or the Lead Managing Underwriter, is making any representation to any purchaser of shares regarding the legality of an investment by such purchaser under applicable laws. In addition, you should not construe the contents of this offering memorandum as legal, business or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Offer Shares for an indefinite period of time. You should consult with your own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

In making an investment decision, each prospective purchaser must rely on its own examination of the Group and the terms of the International Offering, including the merits and risks involved. By receiving this offering memorandum, each prospective purchaser acknowledges that (i) it has been afforded an opportunity to request from the Group and has received all information considered necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum, (ii) it has not relied on any of the Global Coordinators, International Selling Agents or the Lead Managing Underwriter or any person affiliated with the Global Coordinators, International Selling Agents or the Lead Managing Underwriter in connection with its investigation of the accuracy of any information in this offering memorandum or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Group or the Offer Shares other than as contained in this offering memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Group, Global Coordinators, International Selling Agents or the Lead Managing Underwriter.

This offering memorandum does not constitute an offer to sell, or an invitation by or on behalf of the Group, or Global Coordinators, International Selling Agents or the Lead Managing Underwriter or any affiliate or representative of any of the Group, or Global Coordinators, International Selling Agents or the Lead Managing Underwriter to purchase any of the Offer Shares, and may not be used for the purpose of an offer to, or a solicitation by, anyone, in each case, in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. There are restrictions on the distribution of this offering memorandum and the making of solicitations pursuant thereto in certain jurisdictions, further details of which are set out under "Plan of Distribution" and "Transfer Restrictions". Recipients of this offering memorandum are required to inform themselves about and observe any applicable restrictions.

The Offer Shares have not been, and will not be, registered under the Securities Act or any U.S. state securities laws and, unless so registered, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The International Offering are being made in transactions outside the United States in accordance with Regulation S under the Securities Act and in the United States only to "qualified institutional buyers" as defined in Rule 144A under the Securities Act. Each purchaser of the Offer Shares in making its purchase will be required to make or will be deemed to have made certain acknowledgements, representations and agreements. For a description of these and certain further restrictions on offers, sales and transfers of the shares and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions".

Each purchaser of the Offer Shares must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such shares or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such shares under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and none of the Group, nor Global Coordinators, International Selling Agents or the Lead Managing Underwriter shall have any responsibility therefor.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE

SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain Defined Terms and Conventions that Apply to this Offering Memorandum

In this offering memorandum, unless otherwise specified the "Group" refers to PT Erajaya Swasembada Tbk and its consolidated subsidiaries, including TAM Group. "Company" refers to PT Erajaya Swasembada Tbk and its consolidated subsidiaries as at June 30, 2011, which excludes TAM Group. "Erajaya" refers to PT Erajaya Swasembada Tbk only. Unless otherwise specified or the context otherwise requires, all references to Erajaya's "shares" or "common shares" refer to the common shares, par value Rp500 per share, in the share capital of PT Erajaya Swasembada Tbk. References to "TAM Group" are to West Swan Overseas Limited and its consolidated subsidiaries. References to "NGA" are to PT Nusa Gemilang Abadi and its consolidated subsidiaries.

The Group has various arrangements with its mobile communication product brand principals, referred to herein as "principals" or "brand principals". The Group is an authorized carrier affiliate for one brand principal a distributor for *BrightPoint*, an authorized distributor for other brand principals including *Acer*, *Dell* and *Nokia*, a national distributor for *LG,* a fulfillment distributor and authorized retailer for *Samsung* and a buyer for *Sony Ericsson*. In this offering memorandum, these arrangements are generally referred to as "distribution arrangements". The Group also maintains a private label handset brand, *Venera*, which is manufactured for the Group by third-party manufacturers in China. Unless the context otherwise requires, these manufacturers are referred to as "manufacturers" or "suppliers".

In its distribution business, the Group sells its products to both third-party retailers and resellers. Unless otherwise specified in this offering memorandum, these customers are referred to as "third-party resellers".

In this offering memorandum, unless otherwise specified or the context otherwise requires, all references to "Indonesia" are references to the Republic of Indonesia. All references to the "Government" herein are references to the central Government of Indonesia. All references to "United States" or "U.S." herein are to the United States of America. All references to "Rupiah" and "Rp" herein are to the lawful currency of Indonesia and all references to "U.S. dollars" or "US$" herein are to the lawful currency of the United States of America.

Presentation of Financial Information

In this offering memorandum, references to "2008", "2009" and "2010" refer to the fiscal years ended December 31, 2008, 2009 and 2010, respectively. In December 2010, Erajaya acquired 70% interest ownership in PT Erafone Artha Retailindo ("Erafone"), an entity under common control, and Erajaya recorded such transaction using the pooling of interest method in accordance with the prevailing Indonesian Statements of Financial Accounting Standard ("PSAK"), and restated the financial statements of Erajaya as if Erajaya had acquired Erafone as of January 1, 2008. The financial statements of Erajaya as of and for the year ended December 31, 2008, prior to the restatement adjustments related to (i) the retrospective implementation of certain PSAKs which became effective as of January 1, 2011 and (ii) the retrospective application of the restructuring transaction of entities under common control in December 2010 related to the acquisition of 70% interest ownership in Erafone (collectively, the "2008 Restatement"), have been audited by KAP Arsyad & Rekan. The consolidated financial statements of Erafone as of and for the year ended 2008, have been audited by KAP Richard Risambessy & Rekan. Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), have audited the 2008 Restatement adjustments applied to the unaudited restated consolidated financial statements of the Company as of and for the year ended December 31, 2008. The consolidated financial statements of the Company as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited). The consolidated financial statements of the Company as of and for the six months ended June 30, 2010, have been reviewed by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited). The consolidated financial statements of PT Nusa Gemilang Abadi ("NGA") as of and for the year ended December 31, 2010 and as of and for the six months ended June 30, 2011, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited). The financial statements of West Swan Overseas Limited (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 to June 30, 2011 have been audited by Ernst & Young LLP, Singapore. Any discrepancies in the tables included in this offering memorandum between the listed amounts and their totals are due to rounding. Unless otherwise indicated, all amounts in relation to the Group presented and discussed in this offering memorandum are presented on a consolidated basis.

By receiving this offering memorandum, prospective purchasers acknowledge that the consolidated financial statements included in this offering memorandum have been prepared in accordance with Indonesian generally accepted accounting principles ("Indonesian GAAP"), which differ in certain material respects from United States generally accepted accounting principles ("U.S. GAAP") or International Financial Reporting Standards ("IFRS"), and are subject to Indonesian auditing standards, and are not comparable to the financial statements of a company prepared under U.S. GAAP or IFRS. See "Summary of Certain Significant Differences Between Indonesian GAAP and U.S. GAAP".

For convenience, certain Rupiah amounts have been translated into U.S. dollar amounts. Unless otherwise indicated, translations have been made based on the exchange rate on June 30, 2011 of Rp8,597 = US$1.00, being the middle exchange rate announced by Bank Indonesia on that date. Such translations should not be construed as representations that the Indonesian Rupiah or U.S. dollar amounts referred to could have been, or could be, converted into Rupiah or U.S. dollars, as the case may be, at that or any other rate or at all. See "Exchange Rates and Exchange Controls" for further information regarding rates of exchange between Rupiah and U.S. dollars.

Industry and Market Data

This offering memorandum includes market share, industry data and forecasts that the Group has obtained from a report prepared by Frost & Sullivan, as well as industry publications and surveys and reports of governmental agencies. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While the Group has taken reasonable actions to ensure that the information is extracted accurately and in its proper context, none of the Group, Global Coordinators, International Selling Agents or the Lead Managing Underwriter have independently verified any of the data from third-party sources or ascertained the underlying economic assumptions they relied upon. As a result you are cautioned against undue reliance on such information.

Available Information

To permit compliance with Rule 144A in connection with resales of the Offer Shares, the Group will furnish, upon request of a holder of its shares and a prospective purchaser designated by a holder, the information required to be delivered under Rule 144A(d)(4) if at the time of such request the Group is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Group will furnish annual and interim reports in English and Bahasa Indonesia to its shareholders, BAPEPAM-LK and the Indonesia Stock Exchange (the "IDX"). These reports will include a review of its business and operations and, in its annual reports, audited financial statements which will be prepared in accordance with Indonesian GAAP. The Group will also furnish to BAPEPAM-LK and the IDX all notices of shareholders' meetings in English and Bahasa Indonesia that it makes available to its shareholders.

Non-GAAP Financial Measures

The Group defines EBITDA as income before tax, finance costs and depreciation and amortization of pre-paid rent. EBITDA as well as the related ratios presented in this offering memorandum are supplemental measures of the Group's performance that are not required by, or presented in accordance with, Indonesian GAAP, U.S. GAAP or IFRS. EBITDA is not a measurement of financial performance or liquidity under Indonesian GAAP, U.S. GAAP or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian GAAP, U.S. GAAP or IFRS or as an alternative to cash flow from operating activities as a measure of liquidity. In addition, EBITDA is not a standardized term; hence, a direct comparison between companies using such a term may not be possible.

The Group believes that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expense) and non-operating income and expenses, extraordinary gains and equity in net income of associates and minority interest. EBITDA has been presented because the Group believes that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-GAAP financial measures when reporting their results. Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of the Group's financial condition or results of operations, as reported under Indonesian GAAP. Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its businesses.

See "Summary of Consolidated Financial Information and Other Data" and "Selected Company Financial Information and Other Data" for a reconciliation of Income before tax under Indonesian GAAP to the Group's definition of EBITDA and "Selected NGA Financial Information and Other Data" for a reconciliation of income before tax under Indonesian GAAP to NGA's definition of EBITDA.

Forward-Looking Statements

Certain statements in this offering memorandum constitute "forward-looking statements", including statements regarding the Group's expectations and projections for future operating performance and business prospects. The words "believe", "expect", "anticipate", "estimate", "may", "project", "predict", "will", "aim", "will likely result", "will continue", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "should", "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum, including without limitation, those regarding the Group's financial position and results, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to its services), are forward-looking statements. Such forward-looking statements involve, among other things:

- the Group's expectations regarding the expansion of its retail operations and the recent acquisition of TAM Group;
- the Group's expectations regarding the opening of its first large-scale retail Megastores in late 2011;
- the Group's expectations of increased demand for its mobile communication products;
- the Group's expectations that it will continue to have adequate liquidity from cash flow from operations;
- the Group's expectations regarding development of its information systems; and
- a variety of additional market, operational, technological, licensing, labor and consumer trend-related factors.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Group's expectations regarding the continued renewal of contracts with brand principals;
- the Group's ability to procure competitive products on a timely basis;
- the Group's ability to manage the risk of theft of the products that it distributes;
- the condition of and changes in the Indonesian, regional or global economies;
- changes in the growth rate or dynamics of the mobile communication industry;
- the effects of seasonal fluctuations in purchasing patterns;
- the Group's management of its recent acquisition of TAM Group and the successful implementation of the Group's strategies;
- the effects of any possible disturbances in the cargo handling capabilities or facilities at the point of import or any disruptions at the central distribution facilities in Jakarta;
- the ability of third parties, including the Group's suppliers, brand principals and technology providers, to perform in accordance with contractual terms and specifications;
- the Group's ability to attract qualified personnel, particularly in the less populous areas of Indonesia in which it operates;
- the Group's ability to adapt to technological changes and changes in consumer preference in the global mobile communication industry;
- the functionality and reliability of the information technology systems on which the Group depends to deliver certain products and services to its customers;
- the effects of international and domestic political events on the Group's business;
- accidents, natural disasters or outbreaks of infectious diseases, such as avian influenza, in the Group's key markets; and
- the Group's success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. Additional factors that could cause the Group's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". When relying on forward-looking statements, prospective purchasers should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Group does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, prospective purchasers should not place undue reliance on any forward-looking statements.

Enforceability

Erajaya is a limited liability company incorporated in Indonesia. All of its commissioners, directors and executive officers reside in Indonesia. Substantially all of Erajaya's assets and the assets of the Indonesian-citizen/resident commissioners, directors and executive officers of Erajaya are located in Indonesia. As a result, it may be difficult for purchasers to effect service of process upon such persons, or to enforce against Erajaya or any such persons any court judgments obtained in courts outside of Indonesia.

Erajaya has been advised by its Indonesian counsel, DNC—Advocates at Work, that judgments of courts outside Indonesia are not recognized nor are they enforceable in Indonesia, although such a judgment could be admissible as evidence in a proceeding on the underlying claim in an Indonesian court if the Indonesian court, in its sole discretion, deems it appropriate under the circumstances. There is doubt as to whether Indonesian courts will enter judgments on original actions brought in Indonesian courts based solely upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States. See "Risk Factors—Risks Relating to an Investment in Erajaya's Shares—Judgments of a foreign court will not be enforceable against Erajaya in Indonesia". A claimant may be required to pursue claims in Indonesian courts on the basis of Indonesian law. Re-examination of the underlying claim *de novo* would be required before the Indonesian court. The Indonesian court would require a *de novo* re-examination of the underlying claim.

TABLE OF CONTENTS

	Page
SUMMARY	1
CORPORATE STRUCTURE	7
THE OFFERING	8
SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA	11
RISK FACTORS	21
USE OF PROCEEDS	42
DIVIDENDS	43
EXCHANGE RATES AND EXCHANGE CONTROLS	44
CAPITALIZATION	46
DILUTION	47
SELECTED COMPANY FINANCIAL INFORMATION	48
SELECTED NGA FINANCIAL INFORMATION	57
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	61
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	69
THE TAM GROUP ACQUISITION	93
RECENT DEVELOPMENTS	95
INDUSTRY	96
BUSINESS	111
CORPORATE HISTORY AND STRUCTURE	131
MANAGEMENT	141
PRINCIPAL SHAREHOLDER	145
RELATED PARTY TRANSACTIONS	146
DESCRIPTION OF ERAJAYA'S COMMON SHARES	148
INDONESIAN CAPITAL MARKETS	152
TAXATION	162
PLAN OF DISTRIBUTION	171
TRANSFER RESTRICTIONS	182
LEGAL MATTERS	184
INDEPENDENT PUBLIC ACCOUNTANTS	185
INDUSTRY CONSULTANT	187
SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP	188
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS	F-1

SUMMARY

This summary does not contain all the information that may be important to prospective purchasers in deciding to invest in the Offer Shares. Purchasers should read the entire offering memorandum, including the section entitled "Risk Factors" and the financial statements and related notes included in this offering memorandum before making an investment decision.

The Group

The Group is one of the leading distributors and retailers of mobile communication products and services in Indonesia, acting as an authorized distributor or retailer for various brands including *Acer*, *BlackBerry*, *Dell, Huawei, LG, Nokia*, *Samsung* and *Sony Ericsson*, as well as an authorized distributor of reload vouchers, SIM starter packs and other products for all major Indonesian mobile network operators. The Group is also the owner of the *Venera* brand for handsets. According to industry data from Frost & Sullivan, the Group had an estimated Indonesian market share for mobile handset distribution and retail of 24% in 2010.

With an extensive distribution network, the Group offers an established national platform for brand principals and mobile network operators to distribute their mobile communication products and operator products in Indonesia. As of June 30, 2011, the Group operated 70 distribution centers across Indonesia, providing it with efficient points of access and delivery to its large third-party reseller base of over 16,000 outlets and service points.

The Group is also one of Indonesia's largest retailers of mobile communication products, with 236 retail stores in 27 cities throughout Indonesia as of June 30, 2011. Through its network of retail stores, it sells a wide range of mobile phones and accessories from major brand principals, as well as pre-paid SIM card starter packs and reload vouchers from all the major Indonesian mobile network operators.

The Group has received awards from its brand principals for its performance as a distributor on both regional and national levels, including awards for its sales volumes, revenue growth, service center performance and customer relationships from brand principals such as *Nokia*, *Samsung* and *Sony Ericsson*. The Group has significantly increased its footprint in recent years, growing from approximately 5,000 third-party resellers and 161 retail stores in 2008 to more than 16,000 third-party resellers (both of mobile communication products and operator products) and 236 retail stores as of June 30, 2011.

In August 2011, the Group acquired TAM Group, a distributor of *BlackBerry, Samsung* and *Sony Ericsson*, and the owner of the *Venera* brand. The financial information provided in this section is presented on a pro forma basis, to reflect the effects of the recent acquisition of TAM Group. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein. See "The TAM Group Acquisition" for more information on the recent acquisition of TAM Group. On a pro forma basis, the Group's net sales and EBITDA for the year ended December 31, 2010 was Rp6,138.1 billion and Rp413.9 billion, respectively, and the Group's net sales and EBITDA for the six months ended June 30, 2011 was Rp3,155.2 billion and Rp170.7 billion, respectively. On a pro forma basis, the Group's distribution business accounted for 78.7% and 72.9% of the Group's net sales for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively, and the Group's retail business accounted for 21.3% and 27.1% of the Group's net sales for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively.

Competitive Strengths

The Group holds a leading market position in an attractive high-growth distributor-dependent Indonesian mobile communication market

Having commenced its operations in 1996, the Group was one of the first participants in the mobile communication products distribution market and has built an expansive distribution and retail portfolio of mobile communication products brands. The Group is one of the leading distributors and retailers of mobile communication products in Indonesia with an estimated market share for mobile handset distribution and retail of 24% in 2010 according to data from Frost & Sullivan.

According to Frost & Sullivan, Indonesia is the third largest wireless market in Asia in terms of number of mobile subscribers. The Indonesian mobile communication products market is one of the fastest growing markets in the world, supported by the world's fourth largest population, over 50% of which is under 35 years old, as well as a growing middle class that is driving demand for smartphones, tablets and other feature-rich products. With over 95% of Indonesian mobile communication customers subscribing on a pre-paid basis according to data from Frost & Sullivan, the mobile communication products market relies heavily on distributors and retailers such as the Group to effectively meet consumer demand for such products. This, combined with the expansive geography of the Indonesian archipelago, drives demand for access to the Group's distribution network, which solidifies the Group's market position.

The Group's nationwide distribution network makes it the channel partner of choice for brand principals and mobile operators in Indonesia

The Group's distribution network of over 16,000 third-party resellers and 236 owned retail stores allows it to offer brand principals and mobile network operators access to a substantial portion of the Indonesian market. The Group has received awards from its brand principals for its performance as a distributor on both regional and national levels, including awards for its sales volumes, revenue growth, service center performance and relationship success from brand principals such as *Nokia*, *Samsung* and *Sony Ericsson*.

The Group's network covers all major Indonesian markets, including the more established markets of the islands of Java, Sumatra and Bali and the emerging markets in East Indonesia, including, among others, Sulawesi, Kalimantan, and Papua, which the Group believes will be a significant source of new demand in the coming years as mobile network coverage continues to expand and consumer spending increases. The Group's distribution network is in place to meet growing demand in different markets, serving customers across different income groups with the Group's wide range of products, allowing the Group to supply its customers with increasingly sophisticated technology as markets mature.

The Group's early entry into the mobile communication products market in Indonesia has allowed it to develop an extensive network of 70 distribution centers to respond to evolving market demand. These distribution centers are supplied from the Group's central distribution facilities in Jakarta, which have a capacity of over 900,000 units and the capability to ship between 50,000 and 60,000 units a day to fulfill customer orders. The efficient functioning of its network has allowed the Group to meet demand through the placement of weekly orders with its suppliers, which helps to minimize its average inventory turnover days.

The Group has established strong relationships with the premier brand principals and major mobile operators in Indonesia to provide a comprehensive mobile communication product portfolio

Over its history, the Group has consistently demonstrated its value as the channel partner of choice to brand principals, allowing it to establish strong relationships with them and expand its brand portfolio through the development of new relationships with additional brand principals. The Group's relationship with *Nokia* began in 1996, and the Group has significantly increased its brand portfolio in the last 12 months. According to Frost & Sullivan, the brands that the Group distributes and retails had a combined market share in Indonesia for mobile phones of over 71% for the six months ended June 30, 2011, with the brands in the Group's smartphone range having a combined market share of over 91% in the Indonesian smartphone market for the six months ended June 30, 2011. The mobile operators the Group partners with had a combined subscriber market share in Indonesia of 85% in 2010 in the Indonesian GSM mobile network market, according to data provided by Frost & Sullivan. This broad portfolio also insulates the Group from some of the effects of shifts in product demand or mobile operator choice, allowing it to maintain its customer base as consumer preferences shift from one brand to another.

The Group also uses its established relationships with both brand principals and mobile network operators to offer bundled products such as packages that include both a mobile communication product and a SIM starter pack, which is an attractive offering for its customers and provides the Group with a competitive advantage. In addition, the Group is exploring partnerships and programs to capitalize on its relationships with both mobile communication products principals and mobile network operators to enhance revenue streams. For example, the Group has recently begun a pilot program with a major mobile network operator that enables the Group to share reload revenues for an agreed period from the sales and activation of USB modems.

The Group's established presence in Indonesia offers an attractive source of demand for its brand principals and mobile network operators and an attractive source of supply for its third-party resellers and retail customers that is difficult for competitors to replicate, deterring new entrants and helping to ensure the scale needed for rapid inventory turnover

The Group's relationships with major brand principals provide access to a full range of products, which builds loyalty amongst retailers and contributes to the size and depth of the Group's distribution network. At the same time, a larger distribution network enhances the Group's attractiveness to its suppliers, strengthening and expanding such relationships. Unlike most of its competitors, the Group principally distributes directly to resellers rather than through master dealers. This allows quicker access to end users and better protection of margins. Such advantages have helped the Group establish and maintain its significant market share and has provided the Group with sustained supply and demand thereby allowing it to efficiently manage its inventory levels and providing the Group with the resources to invest in its infrastructure and its supply chain management systems. This sustained market share and efficient inventory management has, in turn, provided the Group with what it believes to be a solid financial position and access to credit. Further, the Group believes that its ability to offer efficient, low-cost access to such a wide network of outlets makes it one of the preferred distributors for new brands and brand principals of other information technology products that are looking to expand their presence in Indonesia, as evidenced by the Group's recent arrangements with *SanDisk* to distribute solid state memory cards, and *Huawei* to distribute USB Modems. The Group is also conducting discussions with various IT product principals to include IT products such as notebooks, netbooks, e-book readers and related accessories in its product portfolio.

The Group is led by a highly experienced management team with significant industry experience

The Group's management team has significant industry and financial experience, with many members of management having experience with other international telecommunications firms before joining the Group. The Group's key management team members have an average of over 10 years' experience in relevant industries, providing the Group with a deep network of relationships in these industries, allowing the Group to develop new businesses and maintain strong customer relationships. The efficacy of the Group's management is demonstrated by growth in the Group's net sales (excluding TAM Group) from Rp3,415.2 billion in 2008 to Rp4,638.5 billion in 2010.

Business Strategies

Enhance the Group's distribution and fulfillment network to further penetrate markets for the products it distributes

The Group has developed a multi-pronged approach to further develop its distribution and fulfillment network, including expanding its distribution infrastructure through the roll-out of new distribution centers, upgrading its information technology platform to improve the technical proficiency of its logistics network, and improving the quality of the Group's sales force and support personnel to extend and deepen the Group's penetration into markets throughout Indonesia.

The Group intends to enhance its distribution and retail network through the establishment of partnerships with new third-party resellers and community groups, similar to the successful and established relationship that the Group has developed with an Indonesian national Islamic organization with over 40 million members nationwide. These partnerships will enable the Group to deepen its penetration in markets that have historically been more difficult to infiltrate, expanding the Group's revenue base and increasing the attractiveness of its distribution network to its brand principals.

The Group is also enhancing its distribution and fulfillment network through the creation of new channels by expanding its e-commerce platform and developing an m-commerce platform. The Group expects these expanded platforms will allow the Group to offer products to its customers without incurring expenses related to retail stores, which is expected to improve margins, as well as to serve as an attractive channel for its brand principals and mobile network operators to meet consumer demand, enhance customer loyalty through extending the relationship with customers beyond the initial point of sale and provide the Group with a new source of revenue.

Development of the Group's new Megastore format and the expansion of the Group's "hub-and-spoke" network through the further buildout of Erafone multi-brand retail stores

The Group is expanding its distribution and retail network through a number of strategies, the most prominent of which is the roll-out of the Group's new Megastore format. These Megastores will be up to 20 times larger than some of the Group's current retail stores and will offer a wide-range of mobile communication products and other complementary IT products. The Group expects these new format stores to benefit from increased economies of scale, through an increase in revenue per employee and through lower rental rates per sqm. The Group also plans to generate additional revenue in its Megastores through the sale of strategic shelf space to its brand principals, and through creating leasing and consignment opportunities, for new partners to offer products that complement the Group's product portfolio. The Megastores will serve as regional hubs in the Group's distribution network, with attached warehouse capacity.

The Group intends to substantially expand the number of *Erafone* multi-brand retail stores in tier 1 cities (provincial capitals) and tier 2 cities (cities other than provincial capitals) throughout Indonesia. These outlets will serve as the "spokes" in the "hub and spoke" structure as part of the extension of the Megastore retail network to reach out to a greater area and consumer base. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures" for further detail on the capital expenditure related to this expansion.

Further enhance the Group's comprehensive product portfolio to further leverage the Group's distribution network and ensure that the Group is able to cater to changing consumer preferences

The Group plans to leverage its extensive and well-established distribution network to expand the range of products it offers through the addition of complementary brands and products to its portfolio, such as tablets, notebooks, netbooks, networking devices, data storage devices and mobile content. The Group strives to maintain a diverse brand portfolio for its mobile communication products and its mobile network operator products, which allows it to be well-positioned to cater to changing consumer preferences and capture customer revenue as customers switch brands. The Group intends to further expand its portfolio to strengthen this revenue retention capability as well as to enable it to provide products for its customers' needs beyond mobile communication products and mobile network operator products, as it has already done through its arrangement with *SanDisk* to distribute and retail solid state memory cards. The Group is also conducting discussions with several IT product principals to distribute or retail complementary products such as notebooks, netbooks, e-book readers and related accessories in this portfolio. The creation of a synergistic product portfolio is expected to enable the Group to further create up-selling and cross-selling opportunities, such as pre-loading mobile content onto the products that it distributes and retails, and the bundling of complementary products. These up-selling and cross-selling opportunities are expected to further enhance the attractiveness of the Group's distribution network to brand principals, as it allows the brand principals to offer a more comprehensive product package to consumers.

Develop a Transaction Platform for Content and Services

The Group intends to capitalize on its extensive third party reseller network to provide a payment and delivery platform for content and service providers. The Group already has an existing online transaction system for reload vouchers with a significant portion of its third party reseller and own retail network, and intends to expand the capacities of this transactional system to accommodate other products in the future. For example, the Group recently started to distribute and retail vouchers for popular games, such as those developed by *Zynga*, over this network. The Group intends to secure more content based products and services, further leveraging its distribution and retail network and expanding its revenue base by providing content and service providers with an effective distribution channel that includes a critical physical presence for payment collection in major cities. This network is valuable to content and service providers in a market such as Indonesia, where many customers do not have credit cards or bank accounts to facilitate online payments.

Develop a fully integrated and technology-driven supply chain and sales force management system to more efficiently manage inventory and lower operating costs

The Group is currently in the process of integrating ISO 9001:2008 compliant quality management processes for its retail stores and has recently upgraded its information technology platform to an Oracle-based system that provides integrated sales and warehouse management, procurement and financial reporting capabilities. The Group is also developing a sales force management system that will enable GPS tracking of its sales team, as well as mobile stock checking and real-time sales tracking. These new systems will allow the Group to monitor the performance of its business more closely and efficiently and are expected to enable the Group to lower its operating costs, through the identification and elimination of potential inefficiencies and unnecessary expenses, and improve return on investment through a more rapid and efficient turnover of inventory.

Develop and foster increased customer loyalty through the development of the Group's brand image

The Group plans to increase the profile and recognition of its brands, including the *Erajaya, Erafone,* and *TAM* brands, which it believes will enhance the recognition of its expansive distribution and retail network and enable its potential suppliers and customers to appreciate the scale and capabilities of the Group's business. The Group's individual businesses currently have limited brand recognition and the Group believes that the establishment of a well-known national brand will enhance its attractiveness to consumers through the association of the brand with extensive and impartial product advice and quality, which is expected to increase net sales and, consequently, assist the Group in expanding its brand portfolio. The Group believes that an expansion of its brand profile will lead to an improvement of the Group's value proposition to brand principals.

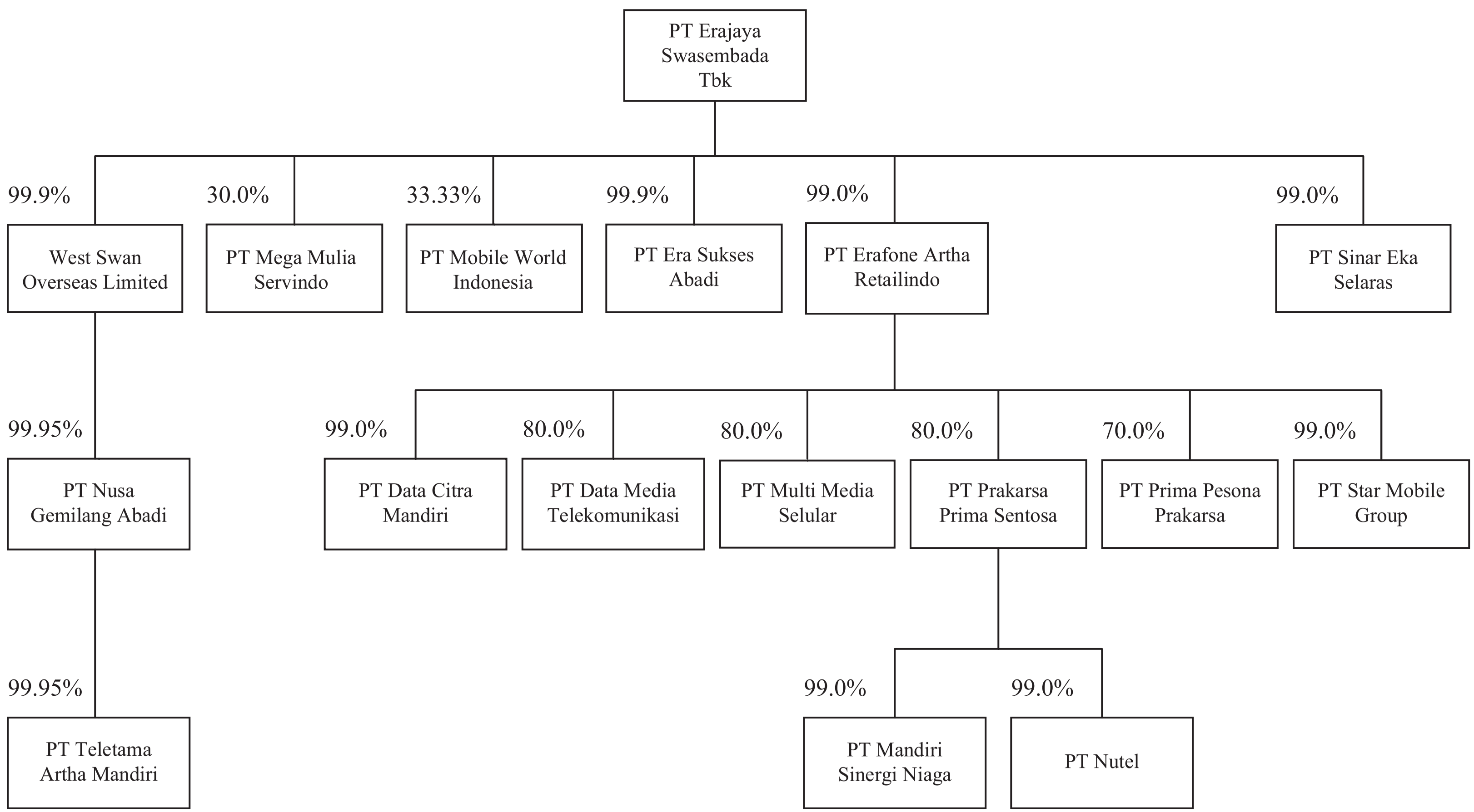
Pursue strategic acquisitions, investments and partnerships in areas that are complementary to the Group's businesses

The Group intends to undertake selective strategic alliances, investments and acquisitions to allow it to gain access to new customers and customer segments, acquire complementary brands and products for its portfolio and expand its geographic presence across Indonesia. For example, the Group's recent acquisition of TAM Group provided the Group with both additional distribution infrastructure and complementary brands for its portfolio, such as *BlackBerry, Samsung and Sony Ericsson*. Potential acquisition and/or strategic alliance plans include partnering with content providers and aggregators to create revenue opportunities through bundling the Group's products with content, acquiring existing distributors of mobile communication products and retailers to expand the geographic footprint of the Group and expand its brand portfolio, and partnering with well known consumer electronics retail chains in Indonesia to add to the Group's current product offering. The Group believes that these types of strategic alliances, investments and acquisitions will provide the Group with a complementary means of expanding its business in addition to expected organic growth.

General Information

The Group's registered office and its principal executive office is located at Jl. Gedong Panjang No. 29—31, Pekojan, Tambora, Jakarta Barat 11450, Republic of Indonesia, and its telephone number is +62 21 6905050. The Group's corporate website is www.erajaya.com. The information on its website is not incorporated by reference into, and does not constitute part of, this offering memorandum.

CORPORATE STRUCTURE



For information on the ownership of PT Erajaya Swasembada Tbk, refer to the section entitled "Principal Shareholder" in this offering memorandum.

THE OFFERING

The following summary contains basic information about the Offer Shares and is not intended to be complete. It does not contain all the information that is important to prospective purchasers. For a more complete understanding of the Offer Shares, please refer to the section entitled "Description of Erajaya's Common Shares" and "Indonesian Capital Markets" in this offering memorandum.

The Issuer	PT Erajaya Swasembada Tbk
Offer Shares	920,000,000 common shares
Offer price	Rp1,000 per share
Offering	The Offering consists of the concurrent Indonesian Offering and the International Offering.
Indonesian Offering	The Shares are being offered in Indonesia through the Underwriters by way of a public offering in Indonesia.
International Offering	The Shares are being offered through the Lead Managing Underwriter's arrangements with the International Selling Agents (i) to "qualified institutional buyers" ("QIBs") in the United States in reliance on Rule 144A under the Securities Act, and (ii) outside Indonesia and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.
Use of proceeds	The net proceeds Erajaya will receive from the Offering of the Shares, after deducting underwriting fees and commissions and other expenses related to the Offering, are expected to be approximately Rp873.3 billion (US$101.6 million). Erajaya intends to use the proceeds as set forth in "Use of Proceeds".
Payment for Shares	Payment to Erajaya for the Shares is expected to take place on or about December 13, 2011 in immediately available funds.
Listing and trading	Prior to the Offering, there has been no public market for Erajaya's shares. Application has been made for the listing and quotation of the Offer Shares on the IDX. If listing approval is granted, trading in the Offer Shares on the IDX would be expected to commence on or about December 14, 2011 under the symbol "ERAA".
Outstanding shares	1,980,000,000 common shares outstanding prior to the Offering and 2,900,000,000 common shares outstanding immediately following the Offering (assuming the sale of all the Offer Shares).
Share ownership	Immediately following completion of the Offering, Erajaya's controlling shareholders will, collectively, beneficially own at least 68.28% of Erajaya's total outstanding common shares.

Lock-up	Erajaya has agreed that, for a period of eight months from the date the registration statement relating to the Offering is declared effective by BAPEPAM-LK, that it will not, directly or indirectly, take any of the following actions with respect to any Shares of Erajaya or any securities convertible into or exchangeable for or exercisable for any Shares ("Lock-Up Securities"): (i) issue, offer, sell, contract to sell, grant security over, encumber or otherwise dispose of Lock-Up Securities, (ii) issue, offer, sell, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities or otherwise transfer or dispose of, directly or indirectly, any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act, (v) file with the Commission a registration statement under the Securities Act relating to Lock-Up Securities or publicly disclose the intention to take any such action, or (vi) file with BAPEPAM-LK a registration statement relating to the Shares, or (in each case) publicly disclose the intention to take any such action, without (in each case) the prior written consent of the International Selling Agents. PT Eralink International, the trustee of the discretionary trust that ultimately owns PT Eralink International (see "Principal Shareholder"), the settlors of the trust and the relevant intermediate companies have agreed that, for a period of eight months from the date the registration statement relating to the Offering is declared effective by BAPEPAM-LK, that they will not perform any of the actions as mentioned above for Erajaya with regards the Lock-up Securities without (in each case) the prior written consent of the International Selling Agents.
Voting rights	Owners of shares purchased in the Offering will be entitled to the same voting rights as other holders of Erajaya's common shares. See "Description of Erajaya's Common Shares—Shareholders' Meetings and Voting Rights".
Dividends	The declaration, amount and payment of future dividends on the shares, if any, is discretionary and will be subject to the recommendation of the Board of Directors and approval at a general meeting of shareholders. See "Dividends" and "Description of Erajaya's Common Shares—Dividends".
Distribution and trading	Distribution of the Offer Shares to successful applicants will be made in electronic (scripless) form for their administration in Collective Depository of the Indonesian Central Securities Depository, PT Kustodian Sentral Efek Indonesia ("KSEI"). Successful applicants who wish to undertake on-exchange transactions over the Offer

	Shares must appoint a securities company or custodian bank that is an account holder in KSEI to administer those shares. The Offer Shares will be credited to the securities account of the account holder that is the custodian of the relevant applicant. KSEI or the relevant securities company or custodian bank (being the custodian of the relevant applicant) will issue written confirmation confirming the ownership of the Offer Shares of the relevant applicant. See "Indonesian Capital Markets" and "Plan of Distribution—Registration of the Offer Shares in KSEI". It is expected that the Offer Shares will be distributed on or about December 13, 2011.
Distribution and Solicitation Restrictions	The Offer Shares will be subject to certain distribution and solicitation restrictions as described in "Plan of Distribution—Selling Restrictions" of this offering memorandum.
Transfer restrictions	The Offer Shares will be subject to certain transfer restrictions as described in the "Transfer Restrictions" of this offering memorandum.
Risk factors	Investment in the Offer Shares involves risks. See "Risk Factors".
Timetable	An indicative timetable in respect of the Offering is set forth in the "Plan of Distribution" section of this offering memorandum.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

Prospective purchasers should read the summary consolidated financial information presented below in conjunction with the Company's consolidated financial statements and the notes to these consolidated financial statements included in this offering memorandum. Prospective purchasers should also read the section of this offering memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The following tables present the Company's summary consolidated financial information and operating data as of the dates or for each of the periods indicated. The summary consolidated statements of comprehensive income/(loss) and cash flows for the years ended December 31, 2009 and 2010 and for the six months ended June 30, 2011, and the summary consolidated statements of financial position data as of December 31, 2009 and 2010 and as of June 30, 2011 in the tables below have been derived from the audited consolidated financial statements of the Company included elsewhere in this offering memorandum. The summary consolidated statements of comprehensive income/(loss) and cash flows for the year ended December 31, 2008 and for the six months ended June 30, 2010 and the summary consolidated statements of financial position data as of December 31, 2008 and as of June 30, 2010 in the tables below have been derived from the unaudited consolidated financial statements of the Company included elsewhere in this offering memorandum. Results for the interim periods are not necessarily indicative of the results for the full year.

In December 2010, Erajaya acquired a 70% interest ownership in Erafone, an entity under common control, and Erajaya recorded such transaction using the pooling of interest method in accordance with the prevailing PSAK, and restated the financial statements of Erajaya as if Erajaya has acquired Erafone as of January 1, 2008. The financial statement of Erajaya as of and for the year ended December 31, 2008, prior to the 2008 Restatement adjustments, which are not included in this offering memorandum, have been audited by KAP Arsyad & Rekan, independent public accountants, in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants ("IICPA"), as stated in their audit report appearing in this offering memorandum. The consolidated financial statements of Erafone as of and for the year ended 2008, which are not included in this offering memorandum, have been audited by KAP Richard Risambessy & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, have audited the 2008 Restatement adjustments applied to the unaudited restated consolidated financial statements of the Company as of and for the year ended December 31, 2008.

The audited consolidated financial statements of the Company as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

The unaudited consolidated financial statements of the Company as of and for the six months ended June 30, 2010, included elsewhere in this offering memorandum, have been reviewed by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with Section 722 of Auditing Standards established by the IICPA, "Interim Financial Information" ("SA 722"), as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SA 722 established by the IICPA is substantially less in scope than an audit conducted in accordance with auditing standards established by the IICPA and, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above), Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited consolidated financial statements included in this offering memorandum.

The Company's consolidated financial statements are reported in Indonesian Rupiah. The Company has prepared and presented its consolidated financial statements in accordance with Indonesian Financial Accounting Standards ("Indonesian GAAP"), which differs in certain material respects from U.S. GAAP. For a description of certain significant differences between Indonesian GAAP and U.S. GAAP, see "Summary of Certain Significant Differences Between Indonesian GAAP and U.S. GAAP".

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp in billions except per share data in full amount)			(US$ millions except per share data in full amount)[(1)]	(Rp in billions except per share data in full amount)	(Rp in billions except per share data in full amount)	(US$ millions except per share data in full amount)[(1)]
Net sales	3,415.2	5,028.7	4,638.5	539.5	2,273.4	2,035.7	236.8
Cost of goods sold	3,056.3	4,725.2	4,118.2	479.0	2,078.5	1,810.4	210.6
Gross profit	358.9	303.5	520.3	60.5	194.8	225.4	26.2
Selling and distribution expenses	(22.3)	(55.5)	(103.2)	(12.0)	(38.9)	(40.6)	(4.7)
General and administrative expenses	(16.1)	(70.1)	(115.0)	(13.4)	(46.9)	(73.6)	(8.6)
Other operating income	2.8	120.9	5.7	0.7	2.9	0.9	0.1
Other operating expenses	(181.5)	0.0	(14.2)	(1.7)	(11.1)	(3.6)	(0.4)
Income from operations	141.8	298.8	293.6	34.2	100.7	108.5	12.6
Finance income	0.4	2.4	2.7	0.3	1.3	0.9	0.1
Finance costs	(22.2)	(8.8)	(2.8)	(0.3)	(1.4)	(9.3)	(1.1)
Share in net income (loss) from associated companies (net)	—	—	3.2	0.4	0.3	(4.1)	(0.5)
Income before income tax	119.9	292.4	296.7	34.5	100.9	96.0	11.2
Income tax benefit (expenses)							
Current	(35.9)	(84.0)	(79.7)	(9.3)	(30.2)	(30.0)	(3.5)
Deferred	0.01	0.9	3.7	0.4	3.9	1.8	0.2
Income tax benefit (net)	(35.9)	(83.1)	(76.0)	(8.8)	(26.3)	(28.2)	(3.3)
Net income after effect of pro forma adjustments	84.1	209.3	220.7	(25.7)	74.7	67.8	7.9
Effect of pro forma adjustments	(3.1)	(4.2)	(2.1)	(0.2)	4.8	—	—
Net income	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Net income (loss) attributable to Equity holders of the parent company	79.0	203.2	217.7	25.3	81.6	67.0	7.8
Non-controlling interest	2.0	1.9	0.9	0.1	(2.1)	0.8	0.1
Total	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Basic earnings per share	9,969	375	110	0.0128	41	34	0.0040

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
ASSETS							
Current Assets							
Cash and cash equivalents	20.4	37.6	59.3	6.9	103.9	44.8	5.2
Short-term investments	1.6	39.3	37.6	4.4	38.1	96.7	11.2
Accounts receivable							
Trade							
Third parties – net of allowance for impairment of Rp6.0 billion as of June 30, 2011 and Rp5.8 billion as of December 31, 2010	989.6	593.3	361.3	42.0	518.3	125.0	14.5
Related parties	—	5.6	141.1	16.4	13.9	79.8	9.3
Others							
Third parties	6.6	1.8	5.4	0.6	0.7	15.6	1.8
Related parties	7.0	0.8	7.5	0.9	6.0	196.1	22.8
Inventories – net of allowance for obsolescence and decline in value of inventories of Rp9.0 billion as of June 30, 2011, Rp4.0 billion as of June 30, 2010 Rp5.4 billion as of December 31, 2010 and Rp1.6 billion as of December 31, 2009	383.9	298.0	401.0	46.6	240.1	459.7	53.5
Advances and prepaid expenses	32.2	173.7	121.2	14.1	18.0	66.6	7.7
Current portion of prepaid rent	3.4	7.3	7.9	0.9	6.8	8.4	1.0
Prepaid value added tax	4.3	1.6	17.1	2.0	5.0	15.0	1.7
Total current assets	1,449.0	1,159.0	1,159.5	134.9	950.8	1,107.6	128.8
Non-current Assets							
Deferred tax assets – net	0.4	1.3	5.0	0.6	5.2	6.8	0.8
Loans to employees	—	0.9	0.7	0.1	1.0	0.6	0.1
Investments in associated companies	—	—	4.8	0.6	0.9	0.7	0.1
Fixed assets – net of accumulated depreciation of Rp11.0 billion as of June 30, 2011, Rp4.3 billion as of June 30, 2010, Rp7.2 billion as of December 31, 2010, Rp4.5 billion as of December 31, 2009 and Rp2.5 billion as of December 31, 2008	6.9	12.7	61.9	7.2	23.9	81.2	9.4
Advances for purchase of fixed assets	—	20.0	0.0	0.0	25.5	30.8	3.6
Prepaid rent – net of current portion	4.9	4.2	3.5	0.4	4.0	4.8	0.6
Estimated claims for tax refund	31.7	53.0	46.9	5.5	48.4	46.8	5.4
Goodwill – net	0.5	0.4	0.3	0.0	0.3	—	—
Security deposits	1.3	1.7	2.2	0.3	1.9	2.2	0.3
Deferred charges – net	0.2	0.2	0.2	0.0	0.2	36.2	4.2
Total non-current assets	45.9	94.5	125.5	14.6	111.4	210.1	24.4
Total Assets	1,495.0	1,253.5	1,285.0	149.5	1,062.2	1,317.7	153.3

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
LIABILITIES AND EQUITY							
Current Liabilities							
Short-term bank loans	32.0	102.8	180.3	21.0	—	98.7	11.5
Accounts payable							
Trade							
Third parties	1,261.0	199.4	51.7	6.0	4.3	61.0	7.1
Related parties	—	21.2	1.1	0.1	36.6	—	—
Others							
Third parties	21.1	11.3	4.8	0.6	7.0	6.8	0.8
Related parties	—	6.1	0.3	0.0	5.1	—	—
Taxes payable	1.6	3.7	2.8	0.3	3.1	2.5	0.3
Accrued expenses	8.4	7.5	6.2	0.7	6.1	39.2	4.6
Advances from customers	2.1	22.8	7.7	0.9	45.0	5.5	0.6
Current maturities of long-term debt	0.9	1.8	1.0	0.1	1.8	0.6	0.1
Total current liabilities	1,327.2	376.5	255.9	29.8	109.0	214.2	24.9
Non-current Liabilities							
Long-term debt – net of current maturities	0.7	0.7	0.1	0.0	0.1	0.1	0.0
Liabilities for employee benefits	1.6	3.6	8.5	1.0	5.6	11.7	1.4
Negative goodwill – net	3.9	3.7	3.5	0.4	3.6	—	—
Total non-current liabilities	6.2	8.1	12.1	1.4	9.4	11.8	1.4
Total liabilities	1,333.4	384.6	268.1	31.2	118.4	226.0	26.3

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
EQUITY							
Equity attributable to the equity holders of the parent company							
Share capital – Rp1,000,000 par value as of June 30, 2011 and 2010, and December 31, 2010, Rp1,000 par value as of December 31, 2009 and 2008							
Authorized – 1,000,000 shares as of June 30, 2011 and 2010 and December 31, 2010, 3,800,000 shares as of December 31, 2009 and 2008							
Issued and fully paid – 990,000 shares as of June 30, 2011, 500,000 shares as of June 30, 2010, and December 31, 2010, and 2,000,000 shares as of December 31, 2009 and 2008	2.0	2.0	500.0	58.2	500.0	990.0	115.2
Deposits for future stock subscription	—	498.0	—	—	—	—	—
Difference in value of restructuring transaction of entities under common control	—	—	5.8	0.7	—	5.8	0.7
Pro forma capital arising from restructuring transaction of entities under common control	23.2	27.4	—	—	22.6	—	—
Retained earnings							
Appropriated	—	—	—	—	—	1.0	0.1
Unappropriated	126.4	329.6	497.3	57.8	411.2	75.8	8.8
Sub-total	151.5	857.0	1,003.1	116.7	933.8	1,072.5	124.8
Non-controlling interest	10.0	11.9	13.8	1.6	10.0	19.2	2.2
Total equity	161.6	868.9	1,016.9	118.3	943.8	1,091.7	127.0
Total Liabilities and Equity	1,495.0	1,253.5	1,285.0	149.5	1,062.2	1,317.7	153.3

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)[1]	(Rp billions)	(Rp billions)	(US$ millions)[1]
CASH FLOWS							
Cash flows from operating activities							
Cash receipts from customers	2,544.7	5,440.2	4,719.8	549.0	2,361.5	2,134.2	248.2
Cash payments to suppliers	(2,324.3)	(5,703.3)	(4,340.8)	(504.9)	(2,047.9)	(1,810.4)	(210.6)
Cash payments to employees	(11.5)	(43.9)	(68.8)	(8.0)	(28.7)	(44.0)	(5.1)
Payments for operating expenses	(33.7)	(68.0)	(161.4)	(18.8)	(54.8)	(59.9)	(7.0)
Net cash provided by (used in) operating	175.2	(375.0)	148.9	17.3	230.1	219.9	25.6
Cash receipts from (payments for):							
Interest income	0.4	2.4	2.0	0.2	1.3	0.9	0.1
Income taxes	(65.1)	(104.4)	(74.3)	(8.6)	(26.2)	(34.6)	(4.0)
Interest expenses	(15.6)	(14.9)	(11.4)	(1.3)	(9.3)	(8.9)	(1.0)
Other operating activities	10.2	7.2	(6.4)	(0.7)	(6.8)	6.7	(0.8)
Net cash provided by (used in) operating activities	105.1	(484.6)	58.7	6.8	189.2	184.0	21.4
Cash flows from investing activities							
Proceeds from sale of fixed assets	0.0	0.5	1.8	0.2	0.7	0.2	0.0
Proceeds from sale of short-term investment	—	—	0.0	0.0	—	0.2	0.0
Acquisitions of fixed assets and advances for purchase of fixed assets	(2.8)	(25.6)	(35.5)	(4.1)	(19.7)	(54.3)	(6.3)
Additional investment in Subsidiary	—	—	(23.8)	(2.8)	—	—	—
Additional investment in associated companies	—	—	(1.6)	(0.2)	(0.6)	—	—
Additional in security deposits	(0.5)	(0.5)	(0.5)	(0.1)	—	(0.2)	0.0
Placement of short-term investments	(1.6)	(37.7)	—	—	—	(62.3)	(7.2)
Net cash used in investing activities	(4.8)	(63.3)	(59.5)	(6.9)	(19.6)	(116.4)	(13.5)

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
Cash flows from financing activities							
Proceeds from							
Short-term bank loans	—	772.5	150.0	17.4	—	310.0	36.1
Deposits for future stock subscription	—	498.0	—	—	—	—	—
Loans to third parties	9.0	—	—	—	—	—	—
Issuance of share capital – Subsidiary	22.0	7.0	—	—	—	—	—
Payments of							
Short-term bank loans	(118.0)	(784.5)	(70.0)	(8.1)	(20.0)	(380.0)	(44.2)
Cash dividends	—	—	(50.0)	(5.8)	—	—	—
Long-term debt	(0.5)	(1.7)	(2.0)	(0.2)	(0.5)	(0.4)	0.0
Loan to third parties	—	(9.0)	—	—	—	—	—
Increase in loan from a related party	—	—	(2.9)	(0.3)	—	—	—
Net cash provided by (used in) financing activities	(87.5)	482.3	25.0	2.9	(20.5)	(70.4)	(8.2)
Net increase (decrease) in cash and cash equivalents	12.8	(65.6)	24.1	2.8	149.1	(2.8)	(0.3)
Cash and cash equivalents at beginning of period	7.6	20.4	(45.2)	(5.3)	(45.2)	(21.1)	(2.5)
Cash and cash equivalents at end of the period	20.4	(45.2)	(21.1)	(2.5)	103.9	(23.9)	(2.8)
Cash and cash equivalents at end of period consists of							
Cash and cash equivalents	20.4	37.6	59.3	6.9	103.8	44.8	5.2
Overdrafts	—	(82.8)	(80.3)	(9.3)	—	(68.6)	(8.0)
Cash and cash equivalents at the end of period	20.4	(45.2)	(21.1)	(2.5)	103.9	(23.9)	(2.8)

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Other Financial Information of the Company (Unaudited)

	As of and for the year ended December 31,				As of and for the six months ended June 30,		
	2008	2009	2010	2010	2010	2011	
	(Rp billions)			(US$ millions)[1]	(Rp billions)	(Rp billions)	(US$ millions)[1]
Non-GAAP Financial Measures:							
EBITDA[2]	151.1	315.6	316.2	36.8	110.2	115.5	13.4
EBITDA Margin (%)[3]	4.4	6.3	6.8	—	4.8	5.7	—
Net Debt[4]	13.3	67.7	122.3	14.2	(101.9)	54.6	6.4
Net Debt to Equity (%)	8.2	7.8	12.0	—	(10.8)	5.0	—
Return on Capital Employed (%)[5]	71.9	51.1	27.0	—	9.4	9.8	—
Net Working Capital[6]	121.8	782.5	903.5	105.1	841.8	893.3	103.9
Net Working Capital to Net Sales (%)[7]	3.6	15.6	19.5	—	37.0	43.9	—

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) The Company defines EBITDA as income before income tax, finance cost, depreciation and amortization of pre-paid rent. EBITDA is a supplemental measure of Company's performance that is not required by, or presented in accordance with, Indonesian GAAP, U.S. GAAP or IFRS. EBITDA is not a measurement of financial performance or liquidity under Indonesian GAAP, U.S. GAAP or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian GAAP, U.S. GAAP or IFRS or an alternative to cash flows from operating activities as a measure of liquidity.

The Company's presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. You should not compare the Company's EBITDA with EBITDA presented by other companies because not all companies use the same definition. The Company has included EBITDA because it believes that EBITDA is an indicative measure of the Company's operating performance and is used by investors and analysts to evaluate companies in the Company's industry.

The following table reconciles the Company's income before income tax under Indonesian GAAP to the Company's definition of EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)[1]	(Rp billions)	(Rp billions)	(US$ millions)[1]
Income before income tax	119.9	292.4	296.7	34.5	100.9	96.0	11.2
Add							
Depreciation Expense	0.8	2.0	4.4	0.5	1.5	3.9	0.5
Amortization of Pre-paid Rent	8.3	12.3	12.2	1.4	6.4	6.3	0.7
Finance Cost	22.2	8.8	2.8	0.3	1.4	9.3	1.1
EBITDA (unaudited)	151.1	315.6	316.2	36.8	110.2	115.5	13.4

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(3) EBITDA margin is defined as EBITDA divided by net sales for the respective period.
(4) Net debt is defined as short-term bank loans and long-term debt (including current maturities) less cash and cash equivalents at the end of the respective period.
(5) Return on capital employed is defined as income from operations from the preceding 12 months period divided by the sum of average debt and average equity. Average debt is defined as the average of the sum of short term bank loans, long term debt (including current maturities) at the beginning and end of the respective period. Average equity is defined as the average of total equity at the beginning and end of the respective period.
(6) Net working capital is defined as total current assets less total current liabilities at the end of the respective period.
(7) Net working capital to net sales is defined as net working capital, as defined in (6) above, divided by net sales from the preceding 12 month period.

Selected Company Operating Data

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
Sales Volumes (mobile handsets) (in thousands)	3,373	5,335	5,456	2,724	2,083
Sales Volumes (mobile handsets – own retail stores only) (in thousands)	197.8	521.7	503.8	241.1	273.6
Average Selling Price (mobile handsets) (in Rupiah)	812,159	826,508	723,593	708,605	786,848
Average Trade Receivable Days(1)	59.1	57.6	43.3	44.8	31.3
Average Inventory Turnover Days(2)	26.1	26.3	31.0	23.3	42.8
Average Trade Payable Days(3)	79.6	57.2	12.1	11.3	5.7
Retail Stores					
Branded	26	31	31	—	22
Multi-branded	61	70	69	—	62
Modern Channel Joint Businesses	74	112	138	—	152
Total Retail Stores	161	213	238	—	236

(1) Average trade receivable days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of net sales for the period to average accounts receivable: trade (based on average of accounts receivable trade balances, net of allowance for impairment, at the beginning and end of the respective period). The Group's accounts receivable as at June 30, 2011 reflect the entry by the Group into an agreement with PT Eralink International, the parent company of Erajaya, under which PT Eralink International assumed certain accounts receivable that were over 90 days overdue from the Group with an obligation to pay the Group the amounts due under these receivables by June 2012.
(2) Average inventory turnover days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of cost of goods sold for the period to average inventories (based on average of inventories balances, net of allowance of obsolescence and decline in value, at the beginning and end of the respective period). Inventory balances increased as at June 30, 2011, as compared to December 31, 2010, primarily as a result of the Company increasing inventory levels in advance of Ramadhan, consistent with the Company's strategy of increasing inventories prior to the peak shopping seasons. The increase also reflects the addition of SES as a subsidiary. The Company's total inventory also increased as at December 31, 2010 as compared to December 31, 2009, primarily as a result of the Company purchasing products from its brand principals to meet agreed purchase targets. Total inventory balances decreased as at December 31, 2009 as compared to December 31, 2008, as the Company reduced inventory in response to declining customer demand.
(3) Average trade payable days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of cost of goods sold for the period to average accounts payable trade (based on average of accounts payable trade balances at the beginning and end of the respective period). The decreases in average trade payable days on the dates above, reflect the Company having opted for cash over credit payment terms. See "Business—Purchasing and Merchandising".

Selected NGA Operating Data

	For the year ended December 31, 2010	For the six months ended June 30, 2011
Sales Volumes (mobile handsets) (in thousands) . . .	1,944	1,141
Average Selling Price (in Rupiah)	891,487	1,032,323

Other Financial Information of NGA (Unaudited)

	As of and for the year ended December 31, 2010		As of and for the six months ended June 30, 2011	
	(Rp billions)	(US$ millions)(1)	(Rp billions)	(US$ millions)(1)
Non-GAAP Financial Measures:				
NGA's EBITDA(2)	98.8	11.5	55.7	6.5
NGA's EBITDA Margin (%)(3)	5.7	—	4.5	—

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) The Company defines NGA's EBITDA as income before income tax, finance cost, depreciation and amortization of pre-paid rent. EBITDA is a supplemental measure of NGA's performance that is not required by, or presented in accordance with, Indonesian GAAP, U.S. GAAP or IFRS. EBITDA is not a measurement of financial performance or liquidity under Indonesian GAAP, U.S. GAAP or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian GAAP, U.S. GAAP or IFRS or an alternative to cash flows from operating activities as a measure of liquidity.

NGA's presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. You should not compare NGA's EBITDA with EBITDA presented by other companies because not all companies use the same definition. The Company has included NGA's EBITDA because it believes that EBITDA is an indicative measure of NGA's operating performance and is used by investors and analysts to evaluate companies in NGA's industry.

The following table reconciles NGA's income before income tax under Indonesian GAAP to the Company's definition of NGA's EBITDA for the periods indicated:

	As of and for the year ended December 31, 2010		As of and for the six months ended June 30, 2011	
	(Rp billions)	(US$ millions)(1)	(Rp billions)	(US$ millions)(1)
NGA's Income before income tax	80.4	9.4	40.1	4.7
Add:				
Depreciation Expense	1.6	0.2	1.2	0.1
Amortization of Pre-paid Rent	2.3	0.3	0.5	0.1
Finance Cost	14.6	1.7	13.9	1.6
NGA's EBITDA (unaudited)	98.8	11.5	55.7	6.5

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(3) NGA's EBITDA margin is defined as NGA's EBITDA divided by NGA's net sales for the respective period.

RISK FACTORS

You should carefully consider the following risk factors, as well as other information set out in this Offering Memorandum, prior to making an investment in Erajaya's shares. The risks described below are not the only ones that may affect the Group or the price of Erajaya's shares. Additional risks not presently known to the Group or that the Group currently believes are immaterial may also impair its business, results of operations, financial condition or prospects. In general, investing in securities of issuers in emerging market countries such as Indonesia involves risks not typically associated with investing in the securities of companies in countries with more developed economies.

Risks Relating to the Group's Business and Industry

The Group relies on its brand principals for a substantial portion of the mobile communication products that it distributes and retails. Any decision by one or more of these brand principals to terminate or materially alter their distribution arrangements with the Group or change their sales strategies could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's revenue and gross profit is primarily derived from sales of mobile communication products and network operator products. Such sales are made through the Group's distribution business to third-party resellers and through the Group's retail shops. On a pro forma basis, in the year ended December 31, 2010 and the six months ended June 30, 2011, 88.6% and 85.4%, respectively, was derived from sales of mobile communication products in the Group's cellular phone segment.

The majority of the Group's sales prior to the acquisition of TAM Group were of *Nokia* products. While the Group has been expanding its brand portfolio, through new arrangements with brand principals and through the acquisition of TAM Group, there can be no assurance that such reliance on a single brand principal will not arise again in the future. The Group has entered into arrangements with its mobile communication product brands principals, most of which are non-exclusive. The Group's distribution agreements with its most significant brand principals are for fixed terms and are subject to renewal at the option of both parties. There can be no assurance that any brand principal will renew its arrangements with the Group or that any renewals of the Group's distributorship agreements will be on the same terms as the Group's existing distributorship agreements, and any failure to renew or any modifications to the terms of the agreements may have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, there can be no assurance that these brand principals will not appoint additional distributors to distribute the same products in the same markets as the Group in the future, which may reduce the Group's sales and market share in these markets.

The Group has also entered into an exclusive arrangement with *Nokia* for a specified geographical area, which includes areas with well-developed network operator coverage and areas where network operator coverage is expanding. On a pro forma basis, revenue from this exclusive arrangement accounted for 59.1% and 39.0% of the Group's net sales in and the year ended December 31, 2010 and the six months ended June 30, 2011, respectively. Should *Nokia* decide to end, not renew or materially change the Group's exclusive arrangement, the Group may suffer a loss which could have an adverse effect on the Group's financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Group's Performance—The impact of *Nokia's* implementation of zoning and the change of their smartphone operating system" for information on the Group's current exclusive distribution arrangements with *Nokia*.

Any of the foregoing changes in the Group's relationships with the Group's brand principals, as well as changes in the strategies of the Group's brand principals or the reputation of their brands, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group's reliance on the products and support systems developed by its mobile communication product brand principals exposes it to risk if one or more of these brand principals ceases to develop products that appeal to the Indonesian mobile communication products market or fails to provide reliable support service for its products. A brand principal's failure to adapt to changing market demand and to provide competitive products could have an adverse effect on the Group's financial position and results of operations, as demand for the products that the Group distributes and retails would fall.

Any decision by mobile communication products brand principals and network operators in Indonesia to cease outsourcing or reduce the extent to which they outsource their businesses could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Mobile communication brand products principals and network operators in Indonesia have historically outsourced certain aspects of their businesses, such as distribution, repair services and activation services to third parties such as to the Group and the Group's competitors. Decisions by any of these mobile communication brand principals and network operators to undertake these services themselves or any changes in industry concentration, competition, regulation, technology, or the Group's customer service levels could reduce the degree to which members of the Indonesian mobile industry rely on the services the Group provides and have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not be able to secure competitive products on a timely basis.

The Group generally purchases its products pursuant to purchase orders typically placed on a weekly basis. The Group has experienced instances where its requested allotment of products are only partially supplied from its brand principals especially, but not limited to, during periods of increased demand and periods of constrained international supply. Historically, these periods of increased demand have been during Ramadhan and the Christmas holiday season. In addition, when new products are introduced to the market, particularly certain smartphones and tablets, the Group has not always been able to obtain the amounts requested in its purchase orders. The Group's inability to obtain sufficient product allocations of high demand products can negatively affect its gross margins, particularly in the case of smartphones and tablets since these products generally generate higher profit margins.

The Group's business is dependent upon the continued development of competitive products by its mobile communication product brand principals and upon receiving an adequate supply of the products it sells from these brand principals.

A weakening of economic conditions or consumer demand could negatively affect the Group's financial results.

A weakening of economic conditions or consumer demand could have a significant negative effect on consumer spending, particularly discretionary spending for products such as mobile communication products, which, in turn, would directly affect the Group's overall sales. Consumer confidence, recessionary trends and inflationary trends, consumer credit availability (including financing and payment plans for the purchase of mobile communication products), interest rates, consumers' disposable income and unemployment rates may impact customer demand and sales levels. Deterioration of any of these economic conditions could adversely affect the Group's financial results, including the Group's net sales and profitability. See "Risks Relating to Indonesia—Regional or global economic changes may materially and adversely affect the Indonesian economy and the Group's businesses".

Fluctuations in the value of the Rupiah may materially and adversely affect the Group's financial condition and results of operations.

The Group's functional currency is the Rupiah. Substantially all of the Group's net sales and some of its operating costs are denominated in Rupiah, however, purchases of mobile devices and accessories from its key suppliers and brand principals are, with the exception of *Samsung*, denominated in U.S. dollars. Though the Rupiah prices that the Group charges for its products are referenced to U.S. dollar prices, the Group may not be able to immediately and fully pass on the economic effects of an appreciation in the U.S. dollar to its customers, which could materially and adversely affect the Group's business, operations and prospects. Changes in exchange rates have affected and may continue to affect the Group's results of operations and cash flows. In particular, a sustained and significant appreciation in the value of the U.S. dollar could have an adverse effect on the Group.

On a pro forma basis, for the six months ended June 30, 2011, the majority of the Group's purchases were in U.S. dollars. In the same period substantially all of the Group's sales were in Rupiah. Although the Rupiah has appreciated considerably in the previous three years, from a low of approximately Rp12,400 per U.S. dollar in 2008 to 8,597 as at June 30, 2011, the Rupiah continues to experience significant volatility. See "Exchange Rates and Exchange Controls" regarding changes in the value of the Rupiah as measured against the U.S. dollar. There is no assurance that the Rupiah will not be subject to depreciation and continued volatility, that the current exchange rate policy will remain the same or that the Government will be able to act when necessary to stabilize, maintain or increase the value of the Rupiah and will not act to devalue the Rupiah or that any such action if taken, will be successful.

Any reductions or changes in the growth rate of the mobile communication industry or changes in the dynamics of the mobile communication industry and specifically in consumer mobile phone replacement patterns could have a material adverse effect on the Group's financial results.

Changes in the mobile communication industry could have a material adverse effect on the Group's results of operations and financial condition. For example, growth in the overall mobile communication industry led by network upgrades, network coverage expansion and introduction of new mobile phone technology have historically had a corresponding effect on the Group's sales. This is especially the case with smartphones and USB modems, where demand for these products grows as mobile networks improve their data capacity. Any slowdown in network upgrades or growth of network coverage, absence of new technologies, or the lack of consumer interest in adopting these new technologies, could lead to slower growth or a decline in mobile communication industry overall profitability, as well as in the Group's overall profitability.

A significant portion of the Group's business is derived from mobile phone owners periodically replacing their existing mobile phones. According to Frost & Sullivan, in Indonesia mobile phones are replaced by their owners, on average, every eight months. See "Industry—Overview of the Indonesia Mobile Device Industry" for further details on mobile phone replacement patterns in Indonesia. Any changes to these patterns that results in a reduction in the frequency of mobile phone replacement trends in Indonesia would affect the Group's sales volumes and could lead to a material adverse effect on the Group's results of operations or financial position.

The Group faces risks and uncertainties related to its recent acquisition of TAM Group and any future acquisitions that it intends to make as part of its growth strategy.

In August 2011, the Group completed the acquisition of TAM Group, which expanded the Group's brand portfolio and revenue base. See "The TAM Group Acquisition" for more details on the acquisition of TAM Group. Due to the manner in which the transaction was structured, should issues arise relating to the performance of TAM Group after the acquisition, the Group's recourse against TAM Group's previous owners may be limited. Additionally, the Group plans to expand through acquisitions in the future. The Group faces significant risks related to the TAM Group and other acquisitions, including the risk that the Group may not be successful in integrating these businesses into its existing business. Such integration will require the commitment of management and financial resources that would otherwise be available for the ongoing development or expansion of the Group's existing operations. In addition, the anticipated benefits of any acquisitions may not be achieved within the anticipated timeframe or at all. Any of these factors could have a material adverse effect on the Group's business, financial condition or results of operations.

Rapid technological advances and changes in consumer preference in the global mobile communication industry could have a material adverse effect on the Group's business if the Group fails to quickly adapt to such changes.

The technology relating to mobile communication products advances rapidly, resulting in product obsolescence and typically short product life cycles. The Group is required to anticipate future technological advances and to continually identify, obtain and market new products in order to satisfy evolving industry and customer requirements. Competitors or manufacturers of mobile equipment may market products or services that have perceived or actual advantages over the Group's offerings or render those products or services obsolete or less marketable.

The Group's inability to effectively manage its inventory levels, particularly excess or inadequate amounts of inventory, could have a material adverse effect on its results of operations and financial condition.

The Group sources substantially all of its mobile communication products internationally, and its inventory levels are subject to a number of factors, some of which are beyond its control. These factors, including technology advancements, reduced consumer spending and consumer disinterest in the Group's product offerings, could lead to excess inventory levels of certain products. Additionally, the Group may not accurately assess product life cycles, leaving the Group with excess inventory. To reduce this excess inventory, the Group may be required to lower its prices, which could have a material adverse effect on its results of operations and financial condition.

The Group has made and continues to make significant working capital investments in accordance with evolving industry and customer requirements, including maintaining levels of inventories of currently popular products that the Group believes are necessary based on current market conditions. Investments in certain products also occupy part of the Group's limited warehouse space, which limits the Group's ability to maintain adequate inventories of other products that it retails and distributes. There can be no assurance that these levels of inventories will be appropriate to meet market demand, which can have an adverse effect on the Group's results of operations and financial position.

Alternatively, the Group may have inadequate inventory levels of particular items due to factors such as unanticipated high demand for certain products, unavailability of products from vendors, import delays, labor unrest, untimely deliveries, or the disruption of international, national or regional transportation systems. The effect of the occurrence of any of these factors on the Group's inventory supply could have a material adverse effect on its results of operations and financial condition.

The Group faces competition from black market retailers and retailers of counterfeit goods.

Black market retailers procure their goods illegally through different methods which allows them to offer the same products that the Group distributes, often at a lower price than the Group has paid to its brand principal for the relevant product. Such black market retailers typically have not entered into arrangements with mobile brand principals in connection with their retail operations and generally have not sourced their products directly from the brand principals. In certain circumstances, such retailers may sell products that have been stolen or are counterfeit. This not only provides unauthorized retailers with a competitive advantage over the Group, but also potentially damages the value of the brands that the Group distributes and retails, which could have a material adverse effect on the Group's sales and reputation.

The Group's operating results vary significantly from period to period and respond to seasonal fluctuations in purchasing patterns.

The Group's operating results may be influenced by a number of seasonal factors. These factors may cause the Group's revenue and operating results to fluctuate on a quarterly basis. These fluctuations are a result of several factors, including, but not limited to:

- the timing of holidays, particularly during Ramadhan and the Christmas holiday season;

- the timing of the introduction of new products by the Group's brand principals and competitors;
- purchasing patterns of customers;
- general economic conditions; and
- product availability and pricing.

Generally, the Group expects its sales volumes to be lower in the first half of the year and higher in the second half of the year in line with Ramadan and Christmas occurring in the second half of the year. Ramadhan falls earlier each year, and therefore the quarter that is impacted by the increase in the Group's sales volumes related to Ramadhan changes with time. The Group has also experienced increased demand for certain products at the time of the introduction to the market of these products by the Group's brand principals, particularly with regards to smartphones. The Group's operating results may continue to fluctuate significantly in the future. Additionally, the concentration of demand during these seasons constrains supply chain capacity and heightens the impact of any supply chain failure or other disruptions on the Group's business, which could adversely affect the Group's financial condition and results of operations.

The Group's distribution chain relies heavily on limited infrastructure at certain points in its supply chain, which may lead to disruptions.

The Group routes all of its inventory through its central distribution facilities in Jakarta and its distribution centers as required throughout its distribution network. The products that the Group imports, which account for substantially all of the mobile communication products that the Group sells, are primarily routed through Jakarta's Soekarno–Hatta International Airport or through the Port of Tanjung Priok in Jakarta. Any disruption to cargo handling capabilities or facilities at the point of import or any disruptions at the central distribution facilities in Jakarta, including but not limited to fire, flood, labor disputes, civil unrest and access infrastructure issues, could lead to disruptions in the supply chain that the Group relies on to meet its customers' demands, which may have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's reliance on imports to supply its business exposes it to risks related to customs clearance and import-related duties and taxes.

Imports accounted for substantially all of the mobile communication products that the Group sold in the six months ended June 30, 2011. Generally, the Group is responsible for ensuring that the products that it orders from its key brand principals overseas clear customs in Indonesia. The Group outsources this process to a third-party clearance agent. Because the Group depends on a reliable supply of products to meet its customers' demand and maintain adequate stock in its stores, any delays in customs clearance could potentially disrupt the Group's supply chain and, consequently, its sales. Additionally, while there are currently no significant import duties or other similar taxes on the products that the Group imports, there can be no assurance that such duties or taxes will not be imposed in the future, which would increase the costs of the Group's supplies. Such an increase would either lead to lower sales margins for the Group or higher sales prices for the Group's products, which could potentially reduce demand. This could adversely affect the Group's business, financial condition or results of operations.

The Group's operations are labor intensive and the Group relies on outsourced workers in certain of its retail operations.

The Group's operations are highly labor intensive and the retention of qualified and knowledgeable personnel is key to the success of the Group's retail model. As of June 30, 2011, the Group had 2,783 employees excluding the members of management, consisting of 1,563 permanent employees, 356 contract-based employees and 864 outsourced workers provided by a single employment agency, with these outsourced workers primarily employed as sales personnel in the Group's retail stores. The Group faces particular difficulty in finding, hiring and retaining qualified personnel outside of the large urban centers and in the less populous areas of Indonesia in which it operates. Failure to attract, train and retain personnel for the Group's retail stores may have an adverse effect on the Group's business, as part of the Group's business model for its retail stores is to provide customers with sales staff who are knowledgeable about the products offered in the store and able to assist with the initial configuration of any devices sold. Additionally, the Group's outsourced workers may not have the same level of commitment or vested interest as the Group's direct employees in the management of its brand and its overall success. The Group's outsourced workers perform sales functions and therefore have "front line" access to customers, exposing the Group's brands and reputation to damage should the outsourced workers fail to meet customer expectations, which could adversely affect the Group's business, financial condition and prospects. Additionally, in the future the Group could be involved in labor disputes that could lead to strikes, work stoppages or other labor disruptions, and the resulting operational delays could have a material adverse effect on the Group's businesses, financial condition or results of operations. Although the Group has not had any significant labor disputes for the past several years, labor disputes are common in Indonesia and the Group cannot guarantee that such disputes will not arise in the future.

If the Group loses certain of its key personnel or is unable to attract, train, retain and motivate qualified personnel, its operations and business may suffer.

The Group's business depends on its ability to attract and retain highly qualified personnel for its senior management and information technology functions. Due to the relatively new nature of the dynamic retail industry in Indonesia, the number of experienced, qualified management personnel in the retail industry is limited. The Group competes for such personnel with other companies, and cannot assure investors that it will be successful in hiring or retaining such qualified personnel. The Group is heavily dependent upon its senior management in relation to their expertise in the industry for the operation of its business, to plan the future of its business and to execute its business strategies. The departure of any of its senior management or key information technology personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks related to the theft of the products that it distributes and unauthorized sales by its outsourced retail sales staff.

The high value of the products that the Group distributes make them targets for theft. The relatively small size of the individual units facilitates the removal of products from warehouses and trucks and the popularity of the products makes it easier for thieves to on-sell the stolen goods. The Group also faces theft in the form of the removal of components from individual product packages, such as batteries and chargers, which may be replaced with cheaper, inferior products. There can be no assurance that all theft of the Group's products will be covered by its insurance. Additionally, the Group faces increased costs associated with the attempted prevention of theft, primarily in the form of the employment of security personnel and insurance premiums, which may rise. While the Group actively attempts to prevent and deter theft, it cannot be assured that the Group will be successful in doing so and this, combined with the high costs of such prevention and deterrence, may have an adverse effect on the Group's business, financial condition or results of operations.

The Group has, from time to time, experienced opportunity losses arising from the unauthorized sale of products by its retail sales employees. These losses arise when employees purchase products from a third-party retailer at a lower price and sell this stock to the Group's customers in place of the store's inventory of that product, leading to lost sales revenue from these customers. If counterfeit goods are sold in this manner, the Group's reputation could suffer. While the Group has implemented measures to deter this behavior, the activity is difficult to prevent and such activity may have an adverse effect on the Group's business, financial condition or results of operations.

The Group's insurance coverage may not cover all situations.

The Group has insurance coverage against claims arising from accidental bodily injury or loss, fire, theft or damage to property, terrorism, riot and calamity that may occur in connection with its business and operations. The Group is also in the process of obtaining insurance coverage against loss of key personnel, directors' liability and business interruption. However, the Group's insurance policies are subject to certain limits and deductibles as well as policy exclusions. In the event that the amounts of such claims exceed the insurance coverage of the Group's insurance policies, it may be liable to cover the shortfall of the amounts claimed. If such events were to occur, the Group's business, financial performance and financial position may be materially and adversely affected.

The Group depends on third parties to manufacture products that it distributes and, accordingly, relies on third-party quality control procedures.

Product manufacturers typically provide limited warranties directly to the end consumer or to the Group, which the Group passes through to its customers. The Group's customers are attracted to its stores by, amongst other things, such warranties and the related quality assurances that such warranties provide. If a product that the Group distributes for a manufacturer has quality or performance problems, the Group's customer retention rate and brand reputation could be adversely affected. If a product is recalled by a manufacturer, the Group's ability to provide products to its customers could be disrupted, which could adversely affect its operations. The Group's agreements with its brand principals typically appoint third-party service centers for the repair or exchange of defective products, the costs of which are not borne by the Group, and the Group generally excludes consequential damages in its standard sales terms and conditions. However, the Group may face claims for such damages resulting from a defect or failure in a product. The Group's business could be adversely affected if it is required to pay for damages that result from significant quality or performance issues in products it has sold.

The Group's private label *Venera* brand is manufactured by third-party manufacturers in China. The Group's arrangements with these manufacturers provide that the Group receives up to an additional 2% of all products ordered at no cost to cover defective products. However, there can be no assurance that these additional products will be sufficient to cover the Group's replacement requirements for defective products, which could have a material adverse effect on the Group's results of operations or financial position.

The Group may not be able to successfully implement its business strategy.

The Group's business strategy primarily involves and is contingent upon the continued expansion of its distribution network and its product range, the ability to secure favorable contract terms with content providers for mobile content and the rollout of its new Megastore format. The implementation of these strategies, some of which are listed below, involves a substantial amount of uncertainty and, if one or more of these strategies is unsuccessful, the Group could experience material adverse effects on its results of operations and financial position.

- The Group continually seeks to expand its range of mobile communication products, including the addition of new brand principals and product categories. The Group incurs substantial expenses in connection with the introduction of new products and services, including advertising and promotional activities, opportunity costs if it has to replace existing products to make room for new products and training costs associated with educating its employees about the new products and services. The introduction of new products and services also requires the use of management and financial resources that would otherwise be available for the rest of the Group's business. Should newly introduced products or services be unsuccessful, the Group may be unable to recoup the costs it has invested in the products and services, which could have a material adverse effect on the Group's business, financial condition or results of operations.
- The Group plans to continue to develop its distribution network to sell directly to third party resellers throughout Indonesia. The Group incurs substantial expenses in connection with the setup of new distribution centers and operations, including the establishment of a warehouse and the recruitment of sales and administrative personnel. The failure of these new distribution centers to perform as expected could have a material adverse effect on the Group's business, financial condition or results of operations.
- The Group's planned Megastores are a retail format that the Group has not used in the past and therefore it cannot be certain that the format will be accepted by customers or that the Megastores will generate the

anticipated sales or return on investment or that existing stores will not be materially adversely affected by new or expanded competition in their market areas. Additionally, the Group intends the new format stores to be a significant part of its retail and distribution platform and the failure of this format may substantially disrupt the Group's expansion plans, which have an adverse effect on its business, financial condition and results of operations.

- The Group currently sources and aggregates content from content providers such as music label companies and other content licensors and licenses copyrighted content or works pursuant to licensing agreements with them for use as part of the services it provide to its customers. The Group intends to expand this aspect of its business in connection with the roll-out of its mobile phone based m-commerce business. Any failure on the Group's part to comply with obligations stated in such agreements could cause it to be in breach of its contracts and could result in a claim against the Group for damages or even termination of the contracts by the content provider. In addition, if the Group is unable to renew such agreements on terms favorable to it when they expire, or develop new applications and content, it may be prevented from providing content sourced from these content providers and will have to source alternative content which have an adverse effect on its business, financial condition and results of operations.

The Group may have difficulty collecting its accounts receivable.

The Group currently offers and intends to continue offering limited trade credit facilities to certain of its customers, which may subject the Group to credit risks. The collection of the Group's accounts receivable is affected by several factors, including, but not limited to:

- the Group's credit granting policies;
- contractual provisions;
- industry and economic conditions;
- the ability of the customer to provide security, collateral or guarantees relative to credit granted by the Group; and
- the customers' recent operating results, financial position and cash flows.

Adverse changes in any of these factors, certain of which may not be wholly in the Group's control, could create delays in collecting or an inability to collect the Group's accounts receivable, which could impair the Group's cash flows and its financial position and cause a reduction in its results of operations. The Group's accounts receivable as at June 30, 2011 reflect the entry by the Group into an agreement with PT Eralink International, the parent company of Erajaya, under which PT Eralink International assumed certain accounts receivable that were over 90 days overdue from the Group, with an obligation to pay the Group the amounts due under these receivables by June 2012. Due to the impact of this one-time transaction on the Group's statement of financial position, the Group's trade accounts receivable balance as at June 30, 2011 may not be indicative of future accounts receivable balances of the Group.

The Group relies on information technology systems, which, if not properly functioning, could have a material adverse effect on its business.

The Group has made investments in information technology and has focused on the application of this technology to provide distribution services to mobile communication product manufacturers and network operators. The Group will also rely on its information technology system to support its continued planned expansion of e-commerce and m-commerce businesses. The Group's ability to ensure efficient ordering and to adequately fulfill its customers' needs is highly dependent upon the effective functioning of its information technology systems. The Group also has an internet-based e-commerce business that it plans to expand in the future and plans to introduce a mobile-phone based m-commerce system as well. The proper functioning of the Group's information technology is key to the successful implementation and growth of these new business lines.

The Group expects to complete the roll-out of a new Oracle-based information technology platform to most of its businesses by the end of 2011, which will provide integrated sales and warehouse management, as well as procurement and financial reporting capabilities. In connection with this roll-out, the Group has incurred and expects to incur significant costs in the near future, which it may not be able to recoup through increased efficiencies or improved business performance.

Business interruptions, some of which may not be either foreseeable or within the Group's control, may cause the Group to fall below acceptable performance levels and could adversely impact important business relationships. The technology platforms on which the Group's information technology systems operate are subject to disruptions due to electrical or telecommunication outages, computer hacking or other general system failures. The Group may also experience additional costs and business interruptions related to its information technology systems as it implements new information technology in its operations and integrates the operations of TAM Group into its information technology systems. The Group anticipates that it will need to continue to invest significant amounts of time and money to enhance its information technology systems in order to maintain the integrity of its systems, its competitiveness and to develop new distribution services. Failure to properly or adequately address these matters could affect the Group's ability to perform necessary business operations, which could have a material adverse effect on its business and financial condition.

The Group relies on the information technology systems of mobile network operators for the delivery of certain products and services to its customers, which, if not properly functioning, could have a material adverse effect on its operations.

The Group's ability to successfully perform an electronic reload with a mobile network operator for a customer is highly dependent on the effective functioning of the information technology system of the mobile network operator. The information technology systems of the mobile network operators are also subject to disruptions due to electrical or telecommunication outages, computer hacking and other general system failures. During such disruptions of the information technology systems of a mobile network operator, the Group is often unable to complete electronic reloads for customers in a timely manner, if at all. In connection with these failed or delayed transactions, the Group's customers typically receive refunds of the price they paid for the electronic reloads. The Group, however, is generally unable to obtain reimbursement from the mobile network operator for such refunded purchases. Increased frequency of disruptions or the failure of mobile network operators to properly or adequately address the issue could impact the Group's ability to perform necessary business operations, which could have a material adverse effect on its business and financial condition.

The Group relies on trademark and copyright laws and agreements with its brand principals and other third parties to protect its reputation and brand recognition.

The Group's marketing and advertising initiatives and the successful promotion of its brand image are substantially dependent upon trademarks and copyrights relating to its brand names and logo art. Currently, the Group has registered or is in the process of registering in Indonesia: (i) the trademarks for the brand names *Erajaya Swasembada*, *Erafone* and *Venera* and (ii) the copyrights for the logos of *Erajaya Swasembada* and *TAM*. These proprietary rights may not prove adequate to prevent misappropriation of these names and images by other parties. The Group's pursuit of claims relating to the infringement by other parties of its proprietary rights, even if meritorious, could result in costly and numerous litigation that diverts management's attention and resources from the operation of the Group's business. Additionally, although the Group believes that its usage of brand names and images in its marketing campaigns and its distribution of mobile content do not infringe upon the rights of others, third parties might assert infringement claims against the Group in the future, which could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to continue to compete successfully in its industry.

The Group competes for sales of mobile communication products, and expects that it will continue to compete, with other well-established distributors, retailers and manufacturers. The Group's competitors may also market brands of mobile phones which the Group may not be authorized to distribute. There is a risk that some mobile operators will, in the future, also enter the distribution business and directly compete with the Group.

In response to competitors' actions, the Group may be required to take action that could negatively affect its revenues and results of operations. The Group may not be successful in anticipating and responding to competitive factors affecting its industry, including new or changing outsourcing requirements, the entry of additional well-capitalized competitors, new products which may be introduced, changes in consumer preferences, demographic trends, international, national, regional and local economic conditions and competitors' discount pricing and promotional strategies. As the Group seeks to enter into new markets and offer new products in the future, the competition that the Group faces may change and grow more intense which could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to apply the net proceeds from the Offering in a timely manner.

A number of the strategic initiatives which the Group intends to fund with the net proceeds from the Offering are long-term in nature and are dependent upon several factors, some of which are beyond the Group's control, for their successful implementation. The Group may not be able to apply the net proceeds as detailed in this Offering Memorandum under "Use of Proceeds" in an expedient manner which may adversely affect the achievement of the Group's strategic objectives and its future performance.

The Group may be unable to access financing on favorable terms and the terms of the Group's indebtedness may prevent it from raising additional funds.

The successful implementation of the Group's strategies will require the Group to obtain additional financing in the future. Such financing may be unavailable to the Group or the Group may not be able to secure financing terms that are consistent with its business requirements, which may adversely affect the implementation of the Group's strategy and may have a material adverse effect on the Group's financial condition and results of operations.

The Group currently has indebtedness which contains covenants that limit its operating and financing activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Description of the Company's Borrowings". In addition, this indebtedness has increased the Group's leverage and could result in higher interest expenses going forward and may lead to higher future costs of borrowing. In the past, the Group has breached certain of the covenants relating to its indebtedness and has, in each instance, obtained a waiver from the relevant counterparty for each breach. However, there can be no assurance that the Group will be able to obtain waivers for any future breaches. Events of default under the Group's indebtedness could give rise to a right by a creditor to accelerate the relevant indebtedness or enforce any security granted in relation to that indebtedness, and may result in a cross default on other indebtedness, which would have a material adverse effect on the Group's financial condition and results of operations.

Allegations of health risks associated with electromagnetic fields and mobile communication products, and the lawsuits and publicity relating to them, regardless of merit, could adversely impact the Group's business, operating cash flows and financial condition.

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields and radio signals from the use of mobile devices. Government agencies, international health organizations and other scientific bodies are currently conducting research into these issues. In addition, other mobile device companies have been named in individual plaintiff and class action lawsuits alleging that radio emissions from mobile phones have caused or contributed to brain tumors and that the use of mobile phones poses a health risk. While there has been significant scientific research by various independent research bodies that has indicated that exposure to electromagnetic fields or to radio signals, at levels within the limits prescribed by public health authority standards and recommendations, present no adverse effect to human health, the Group cannot be sure that other studies will not suggest or identify a link between electromagnetic fields or radio signals and adverse health effects or that the Group will not be the subject of future lawsuits relating to this issue. Adverse factual developments or lawsuits against the Group, or even the perceived risk of adverse health effects from mobile devices, could adversely impact sales, subject the Group to costly litigation or harm the Group's reputation, business, operating cash flows and financial condition.

The Group has not yet obtained all of the licenses it is required to have in place for its operations.

The Group has not yet obtained all of the licenses that it is required to have in order to operate its business. While the Group is in the process of applying for these licenses, some of the Group's distribution agreements with its mobile communications product brand principals require the Group to obtain all material licenses in connection with its operations under these agreements. It is possible that these brand principals could seek to terminate their distribution agreement on these grounds, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to Indonesia

Erajaya and each of its subsidiaries (excluding West Swan Overseas Limited) and associated companies are incorporated in Indonesia and substantially all of their assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt could materially and adversely affect its businesses, financial condition, results of operations and prospects.

Political and social instability in Indonesia may adversely affect the Group.

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. In 1999, Indonesia successfully conducted its first free elections for parliament and president. As a newly democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia's changing political landscape. Indonesia also has many political parties, without any one party winning a clear majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

For example, since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Abdurahman Wahid, former President Megawati, and current President Susilo Bambang Yudhoyono as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some turned violent. In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30% increase in fuel prices. Similar demonstrations occurred in January 2003, when the Government again tried to increase fuel prices, as well as electricity rates and telephone charges. In both instances, the Government was forced to drop or substantially reduce the proposed increases. In March 2005, the Government implemented an approximately 29% increase in fuel prices. In October 2005, the Government terminated fuel subsidies on premium and regular gasoline and decreased fuel subsidies on diesel which resulted in increases in fuel prices of approximately 87.5%, 104.8% and 185.7% for premium gasoline, regular gasoline and diesel fuel, respectively. In response, several non-violent mass protests were organized in opposition to the increases in domestic fuel prices, and political tensions resulted from the decision of the Government. There can be no assurance that this situation or future sources of discontent will not lead to further political and social instability.

Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents. In recent years, the Government has made progress in negotiations with these troubled regions with limited success, except in the province of Aceh in which an agreement between the Government and the Aceh separatists was reached and peaceful local elections were held with some former separatists as candidates.

In 2004, Indonesians directly elected the President, Vice-President and representatives in the Indonesian Parliament for the first time. Indonesians have also begun directly electing heads and representatives of local and regional governments. It is likely that increased electoral activity will be accompanied by increased political activity in Indonesia. In April 2009, elections were held to elect the representatives in the Indonesian Parliament (including national, regional and local representatives). The Indonesian Presidential elections, held in July 2009, resulted in the re-election of President Susilo Bambang Yudhoyono. Although the April 2009 and July 2009 elections were conducted in a peaceful manner, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. Political and related social developments in Indonesia have been unpredictable in the past. Social and civil disturbances could directly or indirectly, materially and adversely affect the Group's businesses, financial condition, results of operations and prospects.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss.

The Indonesian archipelago is one of the most volcanically active regions in the world. Because Indonesia is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. In December 2004, an underwater earthquake off the coast of Sumatra caused a tsunami that devastated coastal communities in Indonesia, Thailand, India and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster which caused billions of U.S. dollars in damages. Aftershocks from the December 2004 tsunami also claimed casualties. In May 2006, a 6.3 magnitude earthquake struck roughly 30 miles southwest of Mount Merapi, killing at least 6,000 and leaving at least 200,000 people homeless in the Yogyakarta region, and prompted the eruption of the volcano. In July 2006, a 7.7 magnitude earthquake that struck approximately 220 miles south of Jakarta and the resulting tsunami killed at least 500 people and left at least 35,000 people homeless. There were also several large earthquakes in the Sulawesi area in 2008 and 2009. In January 2009, a 7.6 magnitude earthquake struck approximately 95 miles north of Manokwari, followed by another large earthquake and a string of aftershocks. These killed at least four people and injured at least 37 people. Electricity was also cut off in the city with a population of approximately 160,000 people. In September 2009, a 6.0 magnitude earthquake struck Tasikmalaya, West Java killing at least 72 people and a 7.6 magnitude earthquake hit Padang, Sumatra killing at least 400 people and trapping thousands of people under rubble. More recently, on October 25, 2010, an earthquake of magnitude 7.7 struck the Mentawai Islands, off the coast of West Sumatra, which then triggered a tsunami, killing over 450 people. Starting on October 26, 2010, a series of eruptions at Mount Merapi, a volcano located on Java, killed over 300 people. Volcanic ash from the eruptions caused flight disruptions in certain cities in Indonesia, including Jakarta, affecting domestic and international flights.

In addition to these geological events, heavy rains in December 2006 resulted in floods that killed more than 100 people and displaced over 400,000 people on the northwestern Sumatra island. More flooding in January and February 2007 around the capital, Jakarta, killed at least 30 people and displaced at least 340,000 from their homes. In July 2007, at least seven people were killed and at least 16,000 people were forced to flee their homes because of floods and landslides caused by torrential rains on the island of Sulawesi. More recently, in January 2009, torrential rain caused a colonial-era dam to burst outside Jakarta, sending a wall of muddy water crashing into a densely packed neighborhood and killing at least 58 people. The flood also left scores missing and submerged hundreds of homes.

While these events did not have a significant economic impact on the Indonesian capital markets, the Government has had to expend significant amounts of resources on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, such aid may not continue to be forthcoming, and may not be delivered to recipients on a timely basis. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts are likely to continue to strain the Government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings including the Group's, thereby materially and adversely affecting its businesses, financial condition, results of operations and prospects.

Future geological occurrences could significantly impact the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting the Group's businesses, financial condition, results of operations and prospects.

Terrorist attacks on the United States and responses of the United States and/or its allies thereto, terrorist activities in Indonesia and certain destabilizing events in Southeast Asia have led to substantial and continuing economic and social volatility, which may materially and adversely affect the Group's businesses.

The terrorist attacks on the United States on September 11, 2001, together with the military response by the United States and its allies in Afghanistan and continuing military activities in Iraq, have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia. Terrorist attacks in Southeast Asia in recent years have exacerbated these conditions. Further developments stemming from these events or other similar events could cause further volatility. Any additional significant military or other response by the United States and/or its allies or any further terrorist activities could also materially and adversely affect international financial markets and the Indonesian economy.

In Indonesia during the last several years, there have been various bombings directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners, including the Jakarta Stock Exchange Building. In 2002, over 200 people were killed in a bombing at a tourist area in Bali. In 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, killing at least 13 people and injuring 149 others. In 2004, a car bomb exploded at the Australian Embassy in Jakarta, killing more than six people. In 2005, bomb blasts in Central Sulawesi killed at least 22 people and injured at least 60 people. Also in 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. Demonstrations have also taken place in Indonesia in response to plans for and subsequent to U.S., British and Australian military action in Iraq. Most recently, on July 17, 2009, bombs exploded at the Ritz Carlton and JW Marriott Hotel in Jakarta, killing seven people and injuring more than 50 others. The Indonesian authorities are still investigating these incidents, but have suggested that they may be linked to the activities of certain Islamic militant groups.

There can be no assurance that further terrorist acts will not occur in the future. Following the military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign, particularly U.S., interests. Such terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn the Group's businesses. In addition, future terrorist acts may target the Group's assets or those of its customers and its insurance policies generally do not cover terrorist attacks. Any terrorist attack, including damage to the Group's infrastructure or that of its customers, could interrupt parts of its businesses and materially and adversely affect its financial condition, results of operations and prospects.

The outbreak of any severe communicable disease in Indonesia or elsewhere may have an adverse effect on the economies of certain Asian countries and may adversely affect the Group's results of operations.

The outbreak of an infectious disease in Asia (including Indonesia) and elsewhere, together with any resulting travel restrictions or quarantines, could have a negative impact on the economy and business activity in Indonesia and thereby adversely affect the Group's revenue. Examples include the outbreak in 2003 of Severe Acute Respiratory Syndrome ("SARS") and the outbreak in 2004 and 2005 of Avian influenza, or "bird flu", in Asia. During the last five years, large parts of Asia experienced unprecedented outbreaks of the avian flu. In addition, the World Health Organization ("WHO") announced in June 2006 that human-to-human transmission of avian flu had been confirmed in Sumatra, Indonesia. According to the United Nations Food and Agricultural Organization, the avian flu virus is entrenched in 31 of Indonesia's 33 provinces and efforts to contain avian flu are failing in Indonesia, increasing the possibility that the virus may mutate into a deadlier form. As of August 9, 2011, the WHO had confirmed a total of 330 fatalities in a total number of 564 cases reported to the WHO, which only reports laboratory confirmed cases of avian flu. Of these, there were 146 fatalities in a total number of 178 cases of avian flu in Indonesia. No fully effective avian flu vaccines have been developed and an effective vaccine may not be discovered in time to protect against the potential avian flu pandemic.

More recently, in April 2009, there was an outbreak of the Influenza A (H1N1) virus which originated in Mexico but has since spread globally including confirmed reports in Indonesia, Hong Kong, Japan, Malaysia, Singapore, and elsewhere in Asia. Indonesia also confirmed deaths linked to Influenza A (HIN1). The Influenza A (H1N1) virus is believed to be highly contagious and may not be easily contained.

An outbreak of avian flu, SARS, the Influenza A (H1N1) virus or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks, could seriously interrupt the Group's operations or the services or operations of its suppliers, brand principals and customers, as consumers tend to avoid public places such as retail stores during such outbreaks, which could have a material adverse effect on its businesses, financial condition, results of operations and prospects. The perception that an outbreak of avian flu, SARS, the Influenza A (H1N1) virus or another contagious disease that may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

Labor activism and unrest may materially and adversely affect the Group.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions in the past, have resulted in labor unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000 on Labor Union (the "Labor Union Law"). The Labor Union Law permits employees to form unions without employer intervention. On February 25, 2003, a committee of the Indonesian parliament, the People's Representative Council (*Dewan Perwakilan Rakyat* or "DPR"), passed Law No. 13 of 2003 on Labor (the "Labor Law") which, among other things, increased the amount of severance, service and compensation payments payable to employees upon termination of employment. The Labor Law took effect on March 25, 2003 and requires further implementation of regulations that may substantively affect labor relations in Indonesia. The Labor Law requires bipartite forums with participation from employers and employees and the participation of more than 50.0% of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Under the Labor Law, employees who voluntarily resign are also entitled to payments for, among other things, (i) unclaimed annual leave, and (ii) relocation expenses. Under the Labor Union Law, employees have the right to refuse to continue their employment if there is a change of status, change of ownership, merger or consolidation of their employer. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare the Labor Law unconstitutional and order the Government to revoke it. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions relating to (i) the right of an employer to terminate its employee who committed a serious mistake, and (ii) the imprisonment of, or imposition of a monetary penalty on, an employee who instigates or participates in an illegal labor strike or persuades other employees to participate in a labor strike.

Labor unrest and activism in Indonesia could disrupt the Group's operations and the operations of its suppliers, brand principals or contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Jakarta or other stock exchanges and the value of the Indonesian Rupiah relative to other currencies. Such events could materially and adversely affect the Group's businesses, financial condition, results of operations and prospects.

Indonesian accounting standards differ from those in other jurisdictions, including the United States.

The Group prepares its consolidated financial statements in accordance with Indonesian GAAP, which differs from U.S. GAAP and IFRS. As a result, its consolidated financial statements and reported earnings could be significantly different from those that would be reported under U.S. GAAP or IFRS. This offering memorandum does not contain a reconciliation of its consolidated financial statements to U.S. GAAP or IFRS, and such reconciliation may reveal material differences. See "Summary of Certain Significant Differences between Indonesian GAAP and U.S. GAAP" for a summary of certain accounting differences that may be applicable.

Regional or global economic changes may materially and adversely affect the Indonesian economy and the Group's businesses.

Indonesia's economy remains significantly affected by the Asian economic crisis, which lasted from mid-1997 to 2002 and was characterized by, among other effects, currency depreciation, a significant decline in real gross domestic product ("GDP"), high interest rates, social unrest and extraordinary political developments, and, more recently, by the global economic crisis that began in 2008, as evidenced by the decrease in its rate of growth to 4.6% in 2009 from 6.3% in 2007. The global financial markets have experienced, and may continue to experience, significant turbulence originating from the liquidity shortfalls in the U.S. credit and sub-prime residential mortgage markets since 2008, which have caused liquidity problems resulting in bankruptcy for many institutions, and resulted in major government bailout packages for banks and other institutions. The global economic crisis has also resulted in a shortage in the availability of credit, a reduction in foreign direct investment, the failure of global financial institutions, a drop in the value of global stock markets, a slowdown in global economic growth and a drop in demand of certain commodities.

As a result of these economic crises, the Government has had to rely on the support of international agencies and governments to prevent sovereign debt defaults. The Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Indonesian Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Government funding requirements to areas affected by the Asian tsunami in December 2004 and other natural disasters, as well as increasing oil prices, may increase the government's fiscal deficits. Inflation (measured by the year on year change in the consumer price index) remains volatile with an annual inflation rate of 7.0% in the year ended December 31, 2010. Interest rates in Indonesia have also been volatile in recent years, which has had a material adverse effect on the ability of many Indonesian companies to service their existing indebtedness. The economic difficulties Indonesia faced during the Asian economic crisis that began in 1997 resulted in, among other things, significant volatility in interest rates, which had a material adverse effect on the ability of many Indonesian companies to service their existing indebtedness. While the interest rate for one-month Bank of Indonesia certificates has declined from a peak of 70.8% in late July 1998 to 6.2% in April 2011, there can be no assurance that the recent improvement in economic condition will continue or the previous adverse economic condition in Indonesia and the rest of the Asia Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the international and Indonesian financial markets and inhibit or reverse the growth of the global economy and the Indonesian economy.

A significant downturn in the global economy, including the Indonesian economy, could have a material adverse effect on the demand for mobile phones and related products and therefore, on the Group's businesses, financial condition, results of operations and prospects. In addition, the general lack of available credit and lack of confidence in the financial markets associated with any market downturn could adversely affect its access to capital as well as its brand principals' and customers' access to capital, which in turn could adversely affect its ability to fund its working capital requirements and capital expenditures.

The current global economic situation could further deteriorate or have a greater effect on Indonesia and the Group's businesses. Any of the foregoing could materially and adversely affect the Group's businesses, financial condition, results of operations and prospects.

Regional autonomy may adversely affect the Group's business through imposition of local restrictions, taxes and levies.

Indonesia is a large and diverse nation covering a multitude of ethnicities, languages, traditions and customs. During the administration of former President Soeharto, the central Government controlled and exercised decision making authorities on almost all aspects of national and regional administration, including the allocation of revenues generated from extraction of national resources in the various regions. This led to a demand for greater regional autonomy, in particular with respect to the management of local economic and financial resources. In response to such demand, the Indonesian Parliament in 1999 passed Law No. 22/1999 regarding Regional Autonomy and Law No. 25/1999 regarding Fiscal Balance Between The Central Government and The Regions, which have since been revoked and replaced by the provisions of regional autonomy Law No. 8/2005 and Law No. 32 /2004 as amended by Law No. 12/2008, respectively. Under these regional autonomy laws, regional autonomy was expected to give the regions greater powers and responsibilities over the use of 'national assets' and to create a balanced and equitable financial relationship between central and local governments. However, under the pretext of regional autonomy, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in place by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by the central government. The Group's business and operations are located throughout Indonesia and may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities.

Downgrades of the credit ratings of Indonesia and Indonesian companies could materially and adversely affect the Group and the market price of the shares.

In 1997, some rating agencies, including Moody's and Standard & Poor's, downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. As of the date of this offering memorandum, Indonesia's sovereign foreign currency long-term debt is rated "Ba1 (stable)" by Moody's, "BB+ (positive)" by Standard & Poor's, and "BB+ (positive)" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

Moody's, Standard & Poor's, Fitch or any other rating agencies may downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse effect on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including the Group, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on the Group.

Risks Relating to an Investment in Erajaya's Shares

Conditions in the Indonesian securities market may affect the price or liquidity of Erajaya's shares and the absence of a prior market in the shares may contribute to a lack of liquidity.

Erajaya has applied to list the Offer Shares on the IDX. There is currently no market for the shares. There can be no assurance that a market will develop for the shares. The Indonesian capital markets are less liquid and may be more volatile, and have different reporting standards, than markets in developed countries.

The ability to sell and settle trades on the IDX may be subject to delays. In light of the foregoing, there can be no assurance that a holder of the shares will be able to dispose the shares at prices or at times at which such holder is able to do so in more liquid markets or at all.

Even if Erajaya's listing application is approved, the shares will not be listed on the IDX for a maximum of three days after the end of the allotment period for the Offering. During that period, purchasers will be exposed to movements in the price of the shares without the ability to dispose of the purchased shares through the IDX.

The price of the shares may fluctuate widely.

The price of the shares after the Offering may fluctuate widely, depending on many factors, including:

- differences between the Group's actual financial and operating results and those expected by purchasers and analysts;
- changes in analysts' recommendations or perceptions of the Group or Indonesia;
- announcement of an acquisition, a strategic cooperation agreement or establishment of a joint venture company by the Group;
- changes in general economic, political or market conditions in Indonesia;
- involvement in litigation;
- additions or dismissal of key personnel;
- announcements by the Group of strategic alliances or joint ventures;
- changes in prices of equity securities of foreign (particularly Asian) and emerging markets companies;
- stock market price fluctuations; and
- entry or exit of key persons in Erajaya.

The interests of Erajaya's controlling shareholder may conflict with the interests of purchasers of the Offer Shares.

After the Offering, Erajaya's controlling shareholder will, collectively, control at least 68.28% of Erajaya's outstanding shares. See "Principal Shareholder". Consequently, Erajaya's controlling shareholder has, and will continue to have, the power to control Erajaya, including the power to:

- approve any merger, consolidation, or dissolution of Erajaya;
- exercise significant influence over its business policies and affairs;
- elect a majority of the directors and commissioners; and
- determine the outcome of any action requiring shareholder approval (other than the approval of conflict of interest transactions from which the controlling shareholder is required to abstain under BAPEPAM-LK rules), including the timing and payment of any future dividends.

Erajaya's controlling shareholders may have other business interests outside of the Group's business, including other businesses in the Group's industry within and outside Indonesia, and may take actions which may or may not involve the Group that prefer or benefit the controlling shareholder or other companies over the Group, which could materially and adversely affect its business, financial condition, results of operations and prospects.

Related party transactions or other actions carried out by the Group at the behest of its controlling shareholders may be subject to BAPEPAM-LK rules (which require that Erajaya obtain prior approval from its independent shareholders) but only in the case of a conflict of interest as defined in those rules. Whether or not a conflict of interest exists (and therefore whether a matter is put to a vote of disinterested shareholders) may be open to interpretation by the Company and its controlling shareholders, which may place independent shareholders at a disadvantage. Moreover, there can be no assurance that any amounts the Group may pay in these transactions would necessarily reflect the prices that would be paid by an independent third-party in comparable transactions.

In addition, PT Eralink International is ultimately owned by a discretionary trust. The settlors of the trust are Mr. Ardy Hady Wijaya, Mr. Budiarto Halim and Mr. Richard Halim Kusuma. The beneficiaries of the trust are ultimately these three individuals and their children. The trust arrangement allows for unanimous agreement of the settlors in respect of decisions related to investments made by the trust. Should there be disagreement among the settlors about how to vote the shares of Erajaya held by PT Eralink International, it is uncertain what would happen and how this could impact both the management and operations of Erajaya.

The trust may also create uncertainty as to who might be considered a controlling shareholder of the company (in addition to PT Eralink International), or a substantial shareholder who is subject to the BAPEPAM-LK rules. See also "—The application of BAPEPAM-LK related party transaction rules may cause Erajaya to forego transactions that are in its best interests and may not provide the same level of shareholder protection as other jurisdictions" which describes certain risks resulting from differing levels of shareholder protection in Indonesia and elsewhere.

Fluctuations in the exchange rate of the Rupiah with respect to the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the shares and any dividends.

Fluctuations in the exchange rates between the Indonesian Rupiah and other currencies will affect the foreign currency equivalent of the Rupiah price of the shares on the IDX. Such fluctuations will also affect the amount that holders of the shares will receive in foreign currency upon conversion of (i) any cash dividends or other distributions paid in Rupiah by Erajaya on its shares, and (ii) any proceeds paid in Rupiah from any sale of the shares in a secondary trading market.

Judgments of a foreign court will not be enforceable against Erajaya in Indonesia.

Erajaya is a limited liability company incorporated under the laws of Indonesia. All of its commissioners, directors and executive officers reside in Indonesia. Substantially all of Erajaya's assets and most of the assets of such persons are located in Indonesia.

It may not be possible for purchasers of Offer Shares to effect service of process outside Indonesia upon Erajaya or for such persons to enforce judgments against Erajaya or such persons outside Indonesia. In addition, judgments obtained in non-Indonesian courts are not enforceable in Indonesian courts. As a result, holders of the shares may be required to pursue claims against Erajaya in Indonesia under Indonesian law. Re-examination of the issue of *de novo* would be required before an Indonesian court in order to enforce a foreign judgment in Indonesia.

The claims and remedies available under Indonesian law may not be as extensive as those available in other jurisdictions. No assurance can be given that the Indonesian courts will protect the interests of purchasers of Offer Shares in the same manner or to the same extent as would courts in more developed countries outside Indonesia.

Indonesia's legal system is a civil law system based on written statutes, in which judicial and administrative decisions do not constitute binding precedent and are not systematically published. The application of Indonesian law depends, in large part, upon subjective criteria such as the parties' good faith and public policy. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. The administration of laws and regulations by courts and Government agencies may be subject to considerable discretion and uncertainty. In addition, because relatively few disputes relating to commercial matters and modern financial transactions and instruments are brought before Indonesia's courts, such courts do not necessarily have the expertise and experience in dealing with such matters, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. There is no certainty as to how long it will take for proceedings in Indonesian courts to be concluded, and the outcome of proceedings in Indonesian courts may be more uncertain than that of similar proceedings in other jurisdictions. Accordingly, it may not be possible for purchasers to obtain swift and equitable enforcement of their legal rights.

The Offer Shares are subject to restrictions on transfer.

The Offer Shares are being offered in reliance upon exemptions from registration under the Securities Act and applicable state security laws of the United States. Therefore, the Offer Shares may be transferred or resold in the United States only in transactions registered under or exempt from registration under the Securities Act or applicable state securities laws. See "Transfer Restrictions".

Purchasers may be subject to limitations on minority shareholders rights.

The obligations under Indonesian law of the majority shareholders, commissioners and directors with respect to minority shareholders may be more limited than those in other countries. Consequently, minority shareholders may not be able to protect their interests under current Indonesian law to the same extent as in other countries. Principles of corporate law relating to such matters as the validity of corporate procedures, the fiduciary duties of Erajaya's management, commissioners, directors and controlling shareholders, and the rights of its minority shareholders are governed by Indonesian company law and its Articles Law No. 40/2007 on Limited Liability Companies and its accompanying regulations, the BAPEPAM-LK Regulations, the Articles of Association and IDX rules. Such principles of law differ from those that would apply if Erajaya were incorporated in a jurisdiction other than Indonesia. In particular, concepts relating to the fiduciary duties of management are untested in Indonesian courts. Derivative actions brought in connection with the activities of directors and commissioners have almost never been brought on behalf of companies or been tested in Indonesian courts, and minority shareholders' rights have only been defined since 1995 and are unproven in practice. Even if the conduct were actionable under Indonesian law, the absence of judicial precedents could make prosecution of such civil proceeding considerably more difficult. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Corporate governance standards in Indonesia may differ from those in certain other countries.

Corporate governance standards in Indonesia differ from those applicable in other jurisdictions in significant ways including the independence of the directors, the commissioners and the audit committee, and internal and external reporting standards. Accordingly, the directors and commissioners of Indonesian companies may be more likely to have interests that conflict with interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

Purchasers' rights to participate in any future rights offerings by Erajaya could be limited, which would cause dilution to a purchaser's shareholding.

Under BAPEPAM-LK Rule No. IX.D.1, a publicly listed company must offer its shareholders as of the applicable record date pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentage prior to the issuance of any new shares.

To the extent that Erajaya offers its shareholders as of the applicable record date rights to purchase or subscribe for shares or otherwise distribute shares to its shareholders, such shareholder may be unable to exercise such rights for the shares unless securities laws in the jurisdiction of that shareholder are complied with. For instance, U.S. holders may be unable to exercise such rights for Erajaya's shares unless a registration statement under the U.S. Securities Act is effective with respect to the new shares or an exemption from registration under the Securities Act is available.

Whenever Erajaya makes a rights or similar offering of the shares, it will evaluate the costs and potential liabilities associated with, and its ability to comply with, non-Indonesian regulations, as well as any other factors it considers appropriate. However, Erajaya may choose not to comply with the securities laws in some jurisdictions and if it does so, and no exemption from registration or filing requirements are available, then holders of the shares in such jurisdictions would be unable to participate in rights or similar offerings and would suffer dilution of their shareholdings. Consequently, Erajaya cannot assure purchasers that they will be able to maintain their proportional equity interests in Erajaya. Because rights issues in Indonesia generally enable participants to purchase shares at a large discount to the recent trading price, the inability to participate could cause holders of the shares material economic harm.

There may be less company information available on Indonesian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indonesian securities markets and the activities of purchasers, brokers and other participants and that of certain developed economies. BAPEPAM-LK and the IDX are responsible for improving disclosure and other regulatory standards for the Indonesian securities markets. BAPEPAM-LK has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indonesian companies than is regularly made available by public companies in developed countries. As a result, as a shareholder you may not receive the same amount of information or receive information with the same frequency as you may for companies listed in the United Kingdom, the United States of America and many other countries.

The application of BAPEPAM-LK related party transaction rules may cause Erajaya to forego transactions that are in its best interests and may not provide the same level of shareholder protection as other jurisdictions.

In order to protect the rights of minority shareholders in conflict of interest transactions, the rules of BAPEPAM-LK afford independent shareholders of Indonesian public companies the right to vote to approve or disapprove transactions, whether or not material, which entail a "conflict of interest" under the BAPEPAM-LK rules unless the transactions fall within certain exceptions set out under BAPEPAM-LK rules. In addition, where there is an "affiliated party transaction" which does not trigger the "conflict of interest" rules, no independent shareholder vote is required. See "Related Party Transactions—Ongoing and Future Related Party Transactions". BAPEPAM-LK has the power to enforce this rule and Erajaya's shareholders may also be entitled to seek enforcement or bring enforcement action based on this BAPEPAM-LK rule. The requirement to obtain independent shareholder approval could be burdensome to Erajaya in terms of time and expense and could cause Erajaya to forego entering into certain transactions which it might otherwise consider to be in its best interests. Moreover, there can be no assurance that approval of disinterested shareholders would be obtained if sought. These rules are dissimilar to the rules of other international jurisdictions and may not provide the same level of disinterested shareholder protection as such other jurisdictions. In addition, the ownership structure of the Company (see "Principle Shareholder") may create uncertainty as to the substantial shareholders who are subject to the BAPEPAM-LK rules.

Future sales of Erajaya's shares could adversely affect the market price of its shares.

Sales in the future of substantial amounts of Erajaya's shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of its shares or its ability to raise capital through a public offering of additional equity or equity-linked securities. Future sales of large blocks of shares, or the perception that such sales could occur, could cause the price of its shares to decrease and make it more difficult for Erajaya to raise capital.

Erajaya may not be able to pay dividends.

Erajaya's ability to declare dividends in relation to the Offer Shares will depend on future financial performance, which, in turn, depends on successfully implementing its growth strategy, on competitive, regulatory, technical, environmental and other factors, general economic conditions, demand and selling prices for its products, and other factors specific to its industry or specific projects it has undertaken, many of which are beyond its control. See "Dividends".

Erajaya cannot assure you that it will be able to pay dividends or that its Board of Directors will recommend or its shareholders approve the payment of dividends.

The net asset value of the Offer Shares issued in the Offering is significantly less than the Offer Price and the purchasers may incur immediate and substantial dilution.

The Offer Price is substantially higher than the net asset value per share of the outstanding shares issued to Erajaya's existing shareholder. Therefore, purchasers of the Offer Shares will experience immediate and substantial dilution and Erajaya's existing shareholders will experience a material increase in the net asset value per share of the shares they own. See "Dilution".

Indonesian law contains provisions that could discourage a takeover of Erajaya.

Under the regulations of BAPEPAM-LK, if there is any change of control of an Indonesian publicly listed company, the new controlling party must carry out a mandatory tender offer of the remaining shares (public shares, not including shares of the majority shareholder and other controlling shareholders, if any).

Under BAPEPAM-LK Rule No. IX.H.1, a takeover of a publicly listed company is defined as an action which directly or indirectly changes the controlling party of that publicly listed company. A controlling party of a publicly listed company is defined as a person who:

- owns more than 50% of the public company's total paid-up capital; or
- can determine by any means possible, directly or indirectly, the management and/or policy of the public company.

Further, in order to ensure that the public continues to hold at least 20% of the equity of the publicly listed company, the regulations require the new controlling party to divest its shareholding in the publicly listed company to the public within two years after completion of the mandatory tender offer if, as the result of the mandatory tender offer, the new controlling party holds more than 80% of the publicly listed company's total paid-up capital. In addition, the publicly listed company must have at least 300 shareholders within two years after completion of the mandatory tender offer.

Although such take-over provisions are intended to protect the interests of shareholders by requiring any acquisitions of the shares that may involve or threaten a change in control of Erajaya to also be extended to all shareholders on the same terms, these provisions may discourage or prevent such transactions from taking place at all. Some of Erajaya's shareholders, which may include you, may therefore be disadvantaged as a transaction of that kind might have allowed the sale of shares at a price above the prevailing market price. See "Description of Erajaya's Common Shares".

Indonesian law may operate differently from the laws of other jurisdictions with regards to the convening of, and the right of shareholders to attend and vote at general meetings of shareholders.

Erajaya is subject to Indonesian law and the continuing listing requirements of the IDX. In particular, the convening and conduct of general meetings of its shareholders will continue to be governed by Indonesian law.

The procedure and notice periods in relation to the convening of general meetings of Erajaya's shareholders, as well as the ability of its shareholders to attend and vote at such general meetings, may be different from those of jurisdictions outside Indonesia. For instance, Erajaya's shareholders who would be entitled to attend and vote at general meetings of shareholders are, by operation of Indonesian law, those shareholders appearing in its register of shareholders on the market day immediately preceding the day, or record date, on which the notice of general meeting is issued, regardless of whether such shareholders may have disposed of their shares following the record date and prior to the general meeting of the shareholders. In addition, investors who may have acquired their shares after the record date (and before the day of the general meeting) would not be entitled to attend and vote at the general meeting. For further details on the procedure for the convening and conduct of general meetings of Erajaya's shareholders under Indonesian law, see "Description of Erajaya's Common Shares". Accordingly, potential investors should note that they may be subject to procedures and rights with regards to general meetings of Erajaya's shareholders that are different from those to which they may be accustomed in other jurisdictions.

USE OF PROCEEDS

Erajaya estimates that the aggregate net proceeds from the Offering will be approximately Rp873.3 billion (US$101.6 million). Erajaya intends to use the net proceeds from the Offering after deduction of underwriting fees and commissions and certain expenses incurred in connection with the Offering, which Erajaya estimates to be Rp46.7 billion (US$5 million), as follows:

- approximately Rp736.3 billion[1] (the Rupiah equivalent of US$84,150,000) or 84% of the net proceeds to fund the payment of a promissory note for the recent acquisition of TAM Group, see "The TAM Group Acquisition" for more information on the acquisition and the terms of the promissory note; and
- of the remaining proceeds,
  - approximately 40% for business expansion related to its distribution and retail network of the Group; and
  - approximately 60% for working capital and general corporate purposes for Erajaya and its subsidiaries.

The foregoing represents Erajaya's current intention and its best estimate of its allocation of the net proceeds of the Offering based upon its current plans and estimates regarding its anticipated expenditures. Erajaya's obligations under the promissory note issued in connection with the TAM Group acquisition are denominated in U.S. dollars, while the proceeds from the Offering to be used to fund the repayment of the promissory note will be in Rupiah. Any adverse change in the value of the Rupiah prior to the repayment of the promissory note will increase the Rupiah cost of the acquisition.

The exact amount of the net proceeds from the Offering which Erajaya will actually apply to each of the items listed above may change. Erajaya may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes subject to approval from a general meeting of Erajaya's shareholders.

Pursuant to BAPEPAM-LK Circular Letter No.SE-05/BL/2006, dated September 29, 2006, regarding Disclosure of Information Regarding Estimated Costs for Public Offerings, the costs of the Offering, as a percentage of the gross proceeds of the Offering are:

- Organization service fees, underwriting fees and selling fees, with total fees amounting to up to 2.5%
- Supporting institutional and professional fees comprised of legal consultant fees of approximately 1.1%, public accountant fees of approximately 0.6%, and appraisal fees, notary fees and securities administration bureau fees totaling approximately 0.1%
- Advertisement and miscellaneous fees, including listing fees and KSEI fees of 1.4%.

Pursuant to BAPEPAM-LK Rule No. X.K.4, which is attached to the Decree of the Chairman of BAPEPAM-LK No. Kep-27/PM/2003 dated July 17, 2003 regarding Report on the Realization of the Use of IPO Proceeds, Erajaya is responsible for reporting the use of the proceeds of the Offering annually at general meetings of shareholders. If any changes to the use of proceeds is proposed, Erajaya will need to explain to BAPEPAM-LK the proposed changes and must obtain its shareholders' approval for such changes at a general meeting of shareholders.

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[1] The promissory note is denominated in U.S. dollars, and translated into Indonesian Rupiah at the exchange rate of Rp8,750 = US$1.00 as of June 30, 2011. Under the terms of the promissory note, the actual Rupiah amount payable will be calculated based on the exchange rate prevailing on the actual payment date or a rate of Rp8,750 = US$1.00, whichever is lower.

DIVIDENDS

Other than a cash dividend of Rp50.0 billion paid to shareholders on October 20, 2010, Erajaya has not paid a dividend. On June 24, 2011, Rp490.0 billion of Erajaya's retained earnings were capitalized into share capital.

Under Indonesian law, the declaration of dividends is made by a resolution of the shareholders at the annual or general meeting of shareholders upon the recommendation of the Board of Directors. Erajaya may declare dividends in any year if it has positive retained earnings. The declaration, amount and payment of future dividends on the Shares, if any, will depend on many factors, including (i) Erajaya's results of operations, cash flows and financial condition; (ii) statutory and other contractual restrictions; and (iii) other factors deemed relevant by Erajaya's shareholders. Prior to the end of a financial year, an interim dividend may be distributed so long as it is permitted under Erajaya's Articles of Association and provided that the interim dividend does not result in its net assets becoming less than the total issued and paid up capital and the compulsory reserves. Such distribution is determined by Erajaya's Board of Directors after first being approved by its Board of Commissioners. If after the end of the relevant financial year, Erajaya suffers losses, the distributed interim dividend must be returned by the shareholders to Erajaya, and its Board of Directors and Board of Commissioners will be jointly and severally responsible if the interim dividend is not returned.

After the Offering, Erajaya intends to pay dividends at a rate up to 40.0% of its consolidated net income starting from 2012, after provisioning all statutory reserves. The rate of dividends will be subject to Erajaya's cash flow and investment plans, as well as regulatory restrictions and other requirements.

See "Description of Erajaya's Common Shares—Dividends" and "Risk Factors—Risks Relating to an Investment in Erajaya's Shares—Erajaya may not be able to pay dividends".

To the extent a decision is made to declare dividends, dividends will be paid in Indonesian Rupiah. Holders of Erajaya's shares on the applicable record dates will be entitled to the full amount of dividends approved, subject to any Indonesian withholding tax imposed. Dividends received by a non-Indonesian holder of shares will be subject to 20% Indonesian withholding tax. For further information relating to Indonesian taxation, see "Taxation".

An investor acquiring shares in the Offering will be entitled to the same and equal rights as the existing shareholders, including the right to receive dividends.

Erajaya's dividend policy is a statement of present intention and not legally binding as it is subject to modification at the Board of Directors' discretion.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

Bank Indonesia is the sole issuer of the Indonesian Rupiah and is responsible for maintaining its stability. Since 1970, Indonesia has implemented three exchange rate systems: (i) a fixed rate from 1970 to 1978, (ii) a managed floating exchange rate system from 1978 to 1997 and (iii) a free-floating exchange rate system since August 14, 1997. Under the second system, Bank Indonesia maintained the stability of the Indonesian Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Indonesian Rupiah, as required, when trading in the Indonesian Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On August 14, 1997, Bank Indonesia terminated the trading band policy and permitted the exchange rate for the Indonesian Rupiah to float without an announced level at which it would intervene, which resulted in a substantial decrease in the value of the Indonesian Rupiah relative to the U.S. dollar. Under the current system, the exchange rate of the Rupiah is determined by the market, reflecting the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table shows the exchange rate of Indonesian Rupiah to U.S. dollars based on the middle exchange rates at the end of each month during the periods indicated. The Indonesian Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates. None of the Group, the International Selling Agents or the Lead Managing Underwriter make any representations that the U.S. dollar amounts referred to in this offering memorandum could have been or could be converted into Indonesian Rupiah at the rate indicated or any other rate or at all.

	Exchange rates(1)(2)			
	Low	**High**	**Average**	**Period End**
	(Rp per US$)			
2008	9,051	12,400	9,680	10,950
2009	9,293	12,065	10,398	9,400
2010	8,888	9,413	9,085	8,991
2011:				
January	8,976	9,088	9,037	9,057
February	8,823	9,042	8,913	8,823
March	8,708	8,824	8,761	8,709
April	8,574	8,699	8,651	8,574
May	8,535	8,584	8,556	8,537
June	8,506	8,623	8,564	8,597
July	8,489	8,563	8,533	8,508
August	8,460	8,578	8,532	8,578
September	8,539	8,988	8,766	8,823
October	8,828	8,968	8,895	8,835
November (through November 9, 2011)	8,893	8,983	8,940	8,895

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia Internet website of Bank Indonesia (http://www.bi.go.id/web/en/Indikator+Moneter+- dan+Perbankan/Kurs+B1/).

(1) For full years, the high and low amounts are determined, and the average shown is calculated, based upon the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated.
(2) For each month, the high and low amounts are determined, and the average shown is calculated, based on the daily middle exchange rate announced by Bank Indonesia during the month indicated.

The middle exchange rate on November 9, 2011 was Rp8,895 = US$1.00.

The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Indonesian Rupiah.

Exchange Controls

Indonesia has limited exchange controls. Foreign currency is generally freely transferable within or from Indonesia. However, to maintain the stability of the Rupiah, and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Rupiah to banks domiciled outside Indonesia or to an offshore branch or office of an Indonesian bank, or any investment in Rupiah denomination with foreign parties and/or Indonesian citizens domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or plan to domicile in Indonesia for at least one year. Bank Indonesia regulations also require resident banks and companies to report to Bank Indonesia all data concerning their foreign currency activities in respect of the companies including foreign currency transactions which are conducted through a domestic bank or offshore bank intercompany accounts and other means. However, if the transaction is conducted via a domestic bank and/or domestic non-bank financial institution, such financial institution is required to report the transaction to Bank Indonesia. The transactions that must be reported include receipt and payment through bank accounts outside of Indonesia. Indonesian law also requires Indonesian companies with offshore payment obligations to provide periodic reports to Bank Indonesia relating to these payments.

Indonesian Law on Currency

On June 28, 2011, the Government issued Law No. 7 of 2011 (the "Currency Law"), which became effective on June 28, 2011, concerning currency. The Currency Law provides, inter alia, for (i) the use of Rupiah and (ii) prohibits the rejection of Rupiah in certain transactions within Indonesia save for the specific reason set forth therein.

Article 21 of the Currency Law requires the use of Rupiah in payment transactions, monetary settlements of obligations and/or other financial transactions within Indonesia. However, there are a number of exceptions to this rule including certain transactions related to the state budget, income and grants from and to foreign countries, international trade transactions, foreign currency savings in a bank and international financing transactions.

Article 23 of the Currency Law prohibits the rejection of Rupiah offered as a means of payment or to settle obligations in Rupiah and/or for other financial transactions within Indonesia unless there is uncertainty regarding the authenticity of the Rupiah bills offered for the payment or settlement of obligations in a foreign currency has been agreed in writing.

The implementing regulations for the Currency Law, which are required to be issued within one year of its enactment, have not been issued, it is unclear how the Currency Law will be implemented. While offshore transactions are exempted from Article 21, it is unclear whether all onshore transactions must be denominated in Rupiah because Article 23 contains an exception for agreements in which the parties agree in writing to use a foreign currency. Noncompliance with Article 21 paragraph (i) of the Currency Law is a violation/misdemeanor and is punishable by up to one year of imprisonment or a fine of up to Rp200 million.

CAPITALIZATION

The following table shows the Group's consolidated total capitalization (which is defined as the sum of long-term debt, net of current maturities and total equity) as of August 31, 2011 and as adjusted to give effect to the Offering.

Prospective purchasers of the Offer Shares should read this table in conjunction with the Group's consolidated financial statements contained elsewhere in this offering memorandum and the sections in this offering memorandum entitled "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds".

	As of August 31, 2011			
	Historical		As Adjusted(2)	
	(Rp billions)	(US$ millions)(1)	(Rp billions)	(US$ millions)(1)
Cash and cash equivalents	108.3	12.6	245.3	28.5
Long-term debt (net of current maturities)	0.5	0.1	0.5	0.1
Equity:				
Issued and fully paid share capital	990.0	115.2	1,450.0	168.7
Additional paid in capital	—	—	413.3	48.1
Difference in value of restructuring transaction of entities under common control	9.1	1.1	9.1	1.1
Retained earnings				
Appropriated	1.0	0.1	1.0	0.1
Unappropriated	91.5	10.6	91.5	10.6
Non-controlling interest	5.4	0.6	5.4	0.6
Total equity	1,097.0	127.6	1,970.3	229.2
Total capitalization	1,097.5	127.7	1,970.8	229.2

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) Adjusted to give effect to the Offering and the repayment of the promissory note related to the TAM Group acquisition. See "Use of Proceeds" and "The TAM Group Acquisition".

Except as disclosed in this offering memorandum, there have been no material adverse changes in Erajaya's capitalization since August 31, 2011.

DILUTION

If you purchase Erajaya's common shares in the Offering, your interest will be diluted to the extent of the difference between the Offer Price per share and the pro forma net assets book value per share of the common shares after the Offering. Net assets book value per share is calculated by dividing the net assets book value (consolidated total assets less consolidated total liabilities) by the number of outstanding ordinary shares as of August 31, 2011.

The Group's net assets book value as of August 31, 2011 was Rp1,097.0 billion, or Rp554 per share, based on 1,980,000,000 common shares outstanding on that date with par value of Rp500 per share. After giving effect to the sale of 920,000,000 common shares at an offer price of Rp1,000 per share, less the estimated underwriting fees and commissions and other offering-related expenses, resulting in estimated net proceeds of Rp873.3 billion but without taking into account any other changes in net assets book value after August 31, 2011, the net assets book value per share would increase to Rp679 per share based on 2,900,000,000 common shares assumed to be outstanding on that date. This represents an immediate increase in the Group's net assets book value or Rp125 per share to existing shareholders and an immediate dilution of Rp321 per share to investors in the Offering.

The following table illustrates the per share dilution described above:

Offer price per share	Rp1,000
Net assets book value per share as of August 31, 2011	Rp554
Increase in net assets book value per share after the Offering(1)	Rp125
Pro forma net assets book value per share after the Offering (based on 2,900,000,000 shares outstanding after the Offering)	Rp679
Dilution per share to new investors(2)	Rp321

(1) Calculated as the pro forma net assets book value per share after the Offering less the net assets book value per share as of August 31, 2011.

(2) Calculated as the Offer Price per share in the Offering less the pro forma net assets book value per share after the Offering.

SELECTED COMPANY FINANCIAL INFORMATION

Prospective purchasers should read the selected consolidated financial information presented below in conjunction with the Company's consolidated financial statements and the notes to these consolidated financial statements included in this offering memorandum. Prospective purchasers should also read the section of this offering memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The following tables present the Company's selected consolidated financial information and operating data as of the dates or for each of the periods indicated. The selected consolidated statements of comprehensive income/(loss) and cash flows for the years ended December 31, 2009 and 2010 and for the six months ended June 30, 2011, and the selected consolidated statements of financial position data as of December 31, 2009 and 2010 and as of June 30, 2011 in the tables below have been derived from the audited consolidated financial statements of the Company included elsewhere in this offering memorandum. The selected consolidated statements of comprehensive income/(loss) and cash flows for the year ended December 31, 2008 and for the six months ended June 30, 2010 and the selected consolidated statements of financial position data as of December 31, 2008 and as of June 30, 2010 in the tables below have been derived from the unaudited consolidated financial statements of the Company included elsewhere in this offering memorandum. Results for the interim periods are not necessarily indicative of the results for the full year.

In December 2010, Erajaya acquired a 70% interest ownership in Erafone, an entity under common control, and Erajaya recorded such transaction using the pooling of interest method in accordance with the prevailing PSAK, and restated the financial statements of Erajaya as if Erajaya has acquired Erafone as of January 1, 2008. The financial statement of Erajaya as of and for the year ended December 31, 2008, prior to the 2008 Restatement adjustments, which are not included in this offering memorandum, have been audited by KAP Arsyad & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. The consolidated financial statements of Erafone as of and for the year ended 2008, which are not included in this offering memorandum, have been audited by KAP Richard Risambessy & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, have audited the 2008 Restatement adjustments applied to the unaudited restated consolidated financial statements of the Company as of and for the year ended December 31, 2008.

The audited consolidated financial statements of the Company as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

The unaudited consolidated financial statements of the Company as of and for the six months ended June 30, 2010, included elsewhere in this offering memorandum, have been reviewed by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SA 722 established by the IICPA, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SA 722 established by the IICPA is substantially less in scope than an audit conducted in accordance with auditing standards established by the IICPA and, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above), Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited consolidated financial statements included in this offering memorandum.

The Company's consolidated financial statements are reported in Indonesian Rupiah. The Company has prepared and presented its consolidated financial statements in accordance with Indonesian Financial Accounting Standards ("Indonesian GAAP"), which differs in certain material respects from U.S. GAAP. For a description of certain significant differences between Indonesian GAAP and U.S. GAAP, see "Summary of Certain Significant Differences Between Indonesian GAAP and U.S. GAAP".

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp in billions except per share data in full amount)			(US$ millions except per share data in full amount)[1]	(Rp in billions except per share data in full amount)	(Rp in billions except per share data in full amount)	(US$ millions except per share data in full amount)[1]
Net sales	3,415.2	5,028.7	4,638.5	539.5	2,273.4	2,035.7	236.8
Cost of goods sold	3,056.3	4,725.2	4,118.2	479.0	2,078.5	1,810.4	210.6
Gross profit	358.9	303.5	520.3	60.5	194.8	225.4	26.2
Selling and distribution expenses	(22.3)	(55.5)	(103.2)	(12.0)	(38.9)	(40.6)	(4.7)
General and administrative expenses	(16.1)	(70.1)	(115.0)	(13.4)	(46.9)	(73.6)	(8.6)
Other operating income	2.8	120.9	5.7	0.7	2.9	0.9	0.1
Other operating expenses	(181.5)	0.0	(14.2)	(1.7)	(11.1)	(3.6)	(0.4)
Income from operations	141.8	298.8	293.6	34.2	100.7	108.5	12.6
Finance income	0.4	2.4	2.7	0.3	1.3	0.9	0.1
Finance costs	(22.2)	(8.8)	(2.8)	(0.3)	(1.4)	(9.3)	(1.1)
Share in net income (loss) from associated companies (net)	—	—	3.2	0.4	0.3	(4.1)	(0.5)
Income before income tax	119.9	292.4	296.7	34.5	100.9	96.0	11.2
Income tax benefit (expenses)							
Current	(35.9)	(84.0)	(79.7)	(9.3)	(30.2)	(30.0)	(3.5)
Deferred	0.01	0.9	3.7	0.4	3.9	1.8	0.2
Income tax benefit (net)	(35.9)	(83.1)	(76.0)	(8.8)	(26.3)	(28.2)	(3.3)
Net income after effect of pro forma adjustments	84.1	209.3	220.7	25.7	74.7	67.8	7.9
Effect of pro forma adjustments	(3.1)	(4.2)	(2.1)	(0.2)	4.8	—	—
Net income	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Net income (loss) attributable to Equity holders of the parent company	79.0	203.2	217.7	25.3	81.6	67.0	7.8
Non-controlling interest	2.0	1.9	0.9	0.1	(2.1)	0.8	0.1
Total	81.0	205.1	218.6	25.4	79.5	67.8	7.9
Basic earnings per share	9,969	375	110	0.0128	41	34	0.0040

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)[1]	(Rp billions)	(Rp billions)	(US$ millions)[1]
ASSETS							
Current Assets							
Cash and cash equivalents	20.4	37.6	59.3	6.9	103.9	44.8	5.2
Short-term investments	1.6	39.3	37.6	4.4	38.1	96.7	11.2
Accounts receivable							
Trade							
Third parties – net of allowance for impairment of Rp6.0 billion as of June 30, 2011 and Rp5.8 billion as of December 31, 2010	989.6	593.3	361.3	42.0	518.3	125.0	14.5
Related parties	—	5.6	141.1	16.4	13.9	79.8	9.3
Others							
Third parties	6.6	1.8	5.4	0.6	0.7	15.6	1.8
Related parties	7.0	0.8	7.5	0.9	6.0	196.1	22.8
Inventories – net of allowance for obsolescence and decline in value of inventories of Rp9.0 billion as of June 30, 2011, Rp4.0 billion as of June 30, 2010 Rp5.4 billion as of December 31, 2010 and Rp1.6 billion as of December 31, 2009	383.9	298.0	401.0	46.6	240.1	459.7	53.5
Advances and prepaid expenses	32.2	173.7	121.2	14.1	18.0	66.6	7.7
Current portion of prepaid rent	3.4	7.3	7.9	0.9	6.8	8.4	1.0
Prepaid value added tax	4.3	1.6	17.1	2.0	5.0	15.0	1.7
Total current assets	1,449.0	1,159.0	1,159.5	134.9	950.8	1,107.6	128.8
Non-current Assets							
Deferred tax assets – net	0.4	1.3	5.0	0.6	5.2	6.8	0.8
Loans to employees	—	0.9	0.7	0.1	1.0	0.6	0.1
Investments in associated companies	—	—	4.8	0.6	0.9	0.7	0.1
Fixed assets – net of accumulated depreciation of Rp11.0 billion as of June 30, 2011, Rp4.3 billion as of June 30, 2010, Rp7.2 billion as of December 31, 2010, Rp4.5 billion as of December 31, 2009 and Rp2.5 billion as of December 31, 2008	6.9	12.7	61.9	7.2	23.9	81.2	9.4
Advances for purchase of fixed assets	—	20.0	0.0	0.0	25.5	30.8	3.6
Prepaid rent – net of current portion	4.9	4.2	3.5	0.4	4.0	4.8	0.6
Estimated claims for tax refund	31.7	53.0	46.9	5.5	48.4	46.8	5.4
Goodwill – net	0.5	0.4	0.3	0.0	0.3	—	—
Security deposits	1.3	1.7	2.2	0.3	1.9	2.2	0.3
Deferred charges – net	0.2	0.2	0.2	0.0	0.2	36.2	4.2
Total non-current assets	45.9	94.5	125.5	14.6	111.4	210.1	24.4
Total Assets	1,495.0	1,253.5	1,285.0	149.5	1,062.2	1,317.7	153.3

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
LIABILITIES AND EQUITY							
Current Liabilities							
Short-term bank loans	32.0	102.8	180.3	21.0	—	98.7	11.5
Accounts payable							
Trade							
Third parties	1,261.0	199.4	51.7	6.0	4.3	61.0	7.1
Related parties	—	21.2	1.1	0.1	36.6	—	—
Others							
Third parties	21.1	11.3	4.8	0.6	7.0	6.8	0.8
Related parties	—	6.1	0.3	0.0	5.1	—	—
Taxes payable	1.6	3.7	2.8	0.3	3.1	2.5	0.3
Accrued expenses	8.4	7.5	6.2	0.7	6.1	39.2	4.6
Advances from customers	2.1	22.8	7.7	0.9	45.0	5.5	0.6
Current maturities of long-term debt	0.9	1.8	1.0	0.1	1.8	0.6	0.1
Total current liabilities	1,327.2	376.5	255.9	29.8	109.0	214.2	24.9
Non-current Liabilities							
Long-term debt – net of current maturities	0.7	0.7	0.1	0.0	0.1	0.1	0.0
Liabilities for employee benefits	1.6	3.6	8.5	1.0	5.6	11.7	1.4
Negative goodwill – net	3.9	3.7	3.5	0.4	3.6	—	—
Total non-current liabilities	6.2	8.1	12.1	1.4	9.4	11.8	1.4
Total liabilities	1,333.4	384.6	268.1	31.2	118.4	226.0	26.3

	As of December 31,				As of June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
EQUITY							
Equity attributable to the equity holders of the parent company							
Share capital – Rp1,000,000 par value as of June 30, 2011 and 2010, and December 31, 2010, Rp1,000 par value as of December 31, 2009 and 2008							
Authorized – 1,000,000 shares as of June 30, 2011 and 2010 and December 31, 2010, 3,800,000 shares as of December 31, 2009 and 2008							
Issued and fully paid – 990,000 shares as of June 30, 2011, 500,000 shares as of June 30, 2010, and December 31, 2010, and 2,000,000 shares as of December 31, 2009 and 2008	2.0	2.0	500.0	58.2	500.0	990.0	115.2
Deposits for future stock subscription	—	498.0	—	—	—	—	—
Difference in value of restructuring transaction of entities under common control	—	—	5.8	0.7	—	5.8	0.7
Pro forma capital arising from restructuring transaction of entities under common control	23.2	27.4	—	—	22.6	—	—
Retained earnings							
Appropriated	—	—	—	—	—	1.0	0.1
Unappropriated	126.4	329.6	497.3	57.8	411.2	75.8	8.8
Sub-total	151.5	857.0	1,003.1	116.7	933.8	1,072.5	124.8
Non-controlling interest	10.0	11.9	13.8	1.6	10.0	19.2	2.2
Total equity	161.6	868.9	1,016.9	118.3	943.8	1,091.7	127.0
Total Liabilities and Equity	1,495.0	1,253.5	1,285.0	149.5	1,062.2	1,317.7	153.3

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
CASH FLOWS:							
Cash flows from operating activities							
Cash receipts from customers	2,544.7	5,440.2	4,719.8	549.0	2,361.5	2,134.2	248.2
Cash payments to suppliers	(2,324.3)	(5,703.3)	(4,340.8)	(504.9)	(2,047.9)	(1,810.4)	(210.6)
Cash payments to employees	(11.5)	(43.9)	(68.8)	(8.0)	(28.7)	(44.0)	(5.1)
Payments for operating expenses	(33.7)	(68.0)	(161.4)	(18.8)	(54.8)	(59.9)	(7.0)
Net cash provided by (used in) operating	175.2	(375.0)	148.9	17.3	230.1	219.9	25.6
Cash receipts from (payments for):							
Interest income	0.4	2.4	2.0	0.2	1.3	0.9	0.1
Income taxes	(65.1)	(104.4)	(74.3)	(8.6)	(26.2)	(34.6)	(4.0)
Interest expenses	(15.6)	(14.9)	(11.4)	(1.3)	(9.3)	(8.9)	(1.0)
Other operating activities	10.2	7.2	(6.4)	(0.7)	(6.8)	6.7	(0.8)
Net cash provided by (used in) operating activities	105.1	(484.6)	58.7	6.8	189.2	184.0	21.4
Cash flows from investing activities							
Proceeds from sale of fixed assets	0.0	0.5	1.8	0.2	0.7	0.2	0.0
Proceeds from sale of short-term investment	—	—	0.0	0.0	—	0.2	0.0
Acquisitions of fixed assets and advances for purchase of fixed assets	(2.8)	(25.6)	(35.5)	(4.1)	(19.7)	(54.3)	(6.3)
Additional investment in Subsidiary	—	—	(23.8)	(2.8)	—	—	—
Additional investment in associated companies	—	—	(1.6)	(0.2)	(0.6)	—	—
Additional in security deposits	(0.5)	(0.5)	(0.5)	(0.1)	—	(0.2)	0.0
Placement of short-term investments	(1.6)	(37.7)	—	—	—	(62.3)	(7.2)
Net cash used in investing activities	(4.8)	(63.3)	(59.5)	(6.9)	(19.6)	(116.4)	(13.5)

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
Cash flows from financing activities							
Proceeds from							
Short-term bank loans	—	772.5	150.0	17.4	—	310.0	36.1
Deposits for future stock subscription	—	498.0	—	—	—	—	—
Loans to third parties	9.0	—	—	—	—	—	—
Issuance of share capital – Subsidiary	22.0	7.0	—	—	—	—	—
Payments of							
Short-term bank loans	(118.0)	(784.5)	(70.0)	(8.1)	(20.0)	(380.0)	(44.2)
Cash dividends	—	—	(50.0)	(5.8)	—	—	—
Long-term debt	(0.5)	(1.7)	(2.0)	(0.2)	(0.5)	(0.4)	0.0
Loan to third parties	—	(9.0)	—	—	—	—	—
Increase in loan from a related party	—	—	(2.9)	(0.3)	—	—	—
Net cash provided by (used in) financing activities	(87.5)	482.3	25.0	2.9	(20.5)	(70.4)	(8.2)
Net increase (decrease) in cash and cash equivalents	12.8	(65.6)	24.1	2.8	149.1	(2.8)	(0.3)
Cash and cash equivalents at beginning of period	7.6	20.4	(45.2)	(5.3)	(45.2)	(21.1)	(2.5)
Cash and cash equivalents at end of the period	20.4	(45.2)	(21.1)	(2.5)	103.9	(23.9)	(2.8)
Cash and cash equivalents at end of period consists of							
Cash and cash equivalents	20.4	37.6	59.3	6.9	103.8	44.8	5.2
Overdrafts	—	(82.8)	(80.3)	(9.3)	—	(68.6)	(8.0)
Cash and cash equivalents at the end of period	20.4	(45.2)	(21.1)	(2.5)	103.9	(23.9)	(2.8)

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Other Financial Information of the Company (Unaudited)

	As of and for the year ended December 31,				As of and for the six months ended June 30,		
	2008	2009	2010	2010	2010	2011	
		(Rp billions)		(US$ millions)(1)	(Rp billions)	(Rp billions)	(US$ millions)(1)
Non-GAAP Financial Measures:							
EBITDA(2)	151.1	315.6	316.2	36.8	110.2	115.5	13.4
EBITDA Margin (%)(3)	4.4	6.3	6.8	—	4.8	5.7	—
Net Debt(4)	13.3	67.7	122.3	14.2	(101.9)	54.6	6.4
Net Debt to Equity (%)	8.2	7.8	12.0	—	(10.8)	5.0	—
Return on Capital Employed (%)(5)	71.9	51.1	27.0	—	9.4	9.8	—
Net Working Capital(6)	121.8	782.5	903.5	105.1	841.8	893.3	103.9
Net Working Capital to Net Sales (%)(7)	3.6	15.6	19.5	—	37.0	43.9	—

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) The Company defines EBITDA as income before income tax, finance cost, depreciation and amortization of pre-paid rent. EBITDA is a supplemental measure of Company's performance that is not required by, or presented in accordance with, Indonesian GAAP, U.S. GAAP or IFRS. EBITDA is not a measurement of financial performance or liquidity under Indonesian GAAP, U.S. GAAP or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian GAAP, U.S. GAAP or IFRS or an alternative to cash flows from operating activities as a measure of liquidity.

The Company's presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. You should not compare the Company's EBITDA with EBITDA presented by other companies because not all companies use the same definition. The Company has included EBITDA because it believes that EBITDA is an indicative measure of the Company's operating performance and is used by investors and analysts to evaluate companies in the Company's industry.

The following table reconciles the Company's income before income tax under Indonesian GAAP to the Company's definition of EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	2010	2010 (unaudited and as restated)	2011	
	(Rp billions)			(US$ millions)[1]	(Rp billions)	(Rp billions)	(US$ millions)[1]
Income before income tax	119.9	292.4	296.7	34.5	100.9	96.0	11.2
Add							
Depreciation Expense	0.8	2.0	4.4	0.5	1.5	3.9	0.5
Amortization of Pre-paid Rent	8.3	12.3	12.2	1.4	6.4	6.3	0.7
Finance Cost	22.2	8.8	2.8	0.3	1.4	9.3	1.1
EBITDA (unaudited)	151.1	315.6	316.2	36.8	110.2	115.5	13.4

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(3) EBITDA margin is defined as EBITDA divided by net sales for the respective period.
(4) Net debt is defined as short-term bank loans and long-term debt (including current maturities) less cash and cash equivalents at the end of the respective period.
(5) Return on capital employed is defined as income from operations from the preceding 12 months period divided by the sum of average debt and average equity. Average debt is defined as the average of the sum of short term bank loans, long term debt (including current maturities) at the beginning and end of the respective period. Average equity is defined as the average of total equity at the beginning and end of the respective period.
(6) Net working capital is defined as total current assets less total current liabilities at the end of the respective period.
(7) Net working capital to net sales is defined as net working capital, as defined in (6) above, divided by net sales from the preceding 12 month period.

Selected Company Operating Data

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
Sales Volumes (mobile handsets) (in thousands)	3,373	5,335	5,456	2,724	2,083
Sales Volumes (mobile handsets – own retail stores only) (in thousands)	197.8	521.7	503.8	241.1	273.6
Average Selling Price (mobile handsets) (in Rupiah)	812,159	826,508	723,593	708,605	786,848
Average Trade Receivable Days(1)	59.1	57.6	43.3	44.8	31.3
Average Inventory Turnover Days(2)	26.1	26.3	31.0	23.3	42.8
Average Trade Payable Days(3)	79.6	57.2	12.1	11.3	5.7
Retail Stores					
Branded	26	31	31	—	22
Multi-branded	61	70	69	—	62
Modern Channel Joint Businesses	74	112	138	—	152
Total Retail Stores	161	213	238	—	236

(1) Average trade receivable days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of net sales for the period to average accounts receivable trade (based on average of accounts receivable trade balances, net of allowance for impairment, at the beginning and end of the respective period). The Group's accounts receivable as at June 30, 2011 reflect the entry by the Group into an agreement with PT Eralink International, the parent company of Erajaya, under which PT Eralink International assumed certain accounts receivable that were over 90 days overdue from the Group with an obligation to pay the Group the amounts due under these receivables by June 2012.

(2) Average inventory turnover days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of cost of goods sold for the period to average inventories (based on average of inventories balances, net of allowance of obsolescence and decline in value, at the beginning and end of the respective period). Inventory balances increased as at June 30, 2011, as compared to December 31, 2010, primarily as a result of the Company increasing inventory levels in advance of Ramadhan, consistent with the Company's strategy of increasing inventories prior to the peak shopping seasons. The increase also reflects the addition of SES as a subsidiary. The Company's total inventory also increased as at December 31, 2010 as compared to December 31, 2009, primarily as a result of the Company purchasing products from its brand principals to meet agreed purchase targets. Total inventory balances decreased as at December 31, 2009 as compared to December 31, 2008, as the Company reduced inventory in response to declining customer demand.

(3) Average trade payable days are calculated by dividing 365 days (for the years ended December 31, 2008, 2009 and 2010) and 180 days (for the six months ended June 30, 2010 and 2011) by the ratio of cost of goods sold for the period to average accounts payable trade (based on average of accounts payable trade balances at the beginning and end of the respective period). The decreases in average trade payable days on the dates above, reflect the Company having opted for cash over credit payment terms. See "Business—Purchasing and Merchandising".

Selected NGA Operating Data

	For the year ended December 31, 2010	For the six months ended June 30, 2011
Sales Volumes (mobile handsets) (in thousands)	1,944	1,142
Average Selling Price (in Rupiah)	891,487	1,032,323

SELECTED NGA FINANCIAL INFORMATION

The Company acquired its controlling interest in TAM Group through ownership of 99.9% of the outstanding share capital of West Swan Overseas Limited ("West Swan"), the parent company of NGA. Because West Swan is a holding company with minimal assets and liabilities that was created for the purpose of the acquisition, financial information relating to the acquired business has been presented for NGA. The following tables present NGA's selected consolidated financial information as of the dates or for each of the periods indicated. The selected consolidated statements of comprehensive income/(loss) and cash flows for the year ended December 31, 2010 and for the six months ended June 30, 2011, and the selected consolidated statements of financial position data as of December 31, 2010 and as of June 30, 2011 in the tables below have been derived from the audited consolidated financial statements of NGA included elsewhere in this offering memorandum. The audited consolidated financial statements of NGA as of and for the years ended December 31, 2010 and as of and for the six months ended June 30, 2011, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

NGA's consolidated financial statements are reported in Indonesian Rupiah. NGA has prepared and presented its consolidated financial statements in accordance with "Indonesian GAAP", which differs in certain material respects from U.S. GAAP. For a description of certain significant differences between Indonesian GAAP and U.S. GAAP, see "Summary of Certain Significant Differences Between Indonesian GAAP and U.S. GAAP".

	For the year ended December 31, 2010	For the six months ended June 30, 2011	
	(Rp billions)	(Rp billions)	(US$ millions)(1)
Net sales	1,745.1	1,239.2	144.1
Cost of goods sold	1,586.1	1,130.2	131.5
Gross profit	159.0	109.1	12.7
Selling expenses	(36.9)	(36.0)	(4.2)
General and administrative expenses	(50.4)	(22.4)	(2.6)
Other operating income	22.4	6.5	0.8
Other operating expenses	(0.2)	(3.5)	(0.4)
Income from operations	94.0	53.6	6.2
Finance income	0.9	0.4	0.0
Finance costs	(14.6)	(13.9)	(1.6)
Income before income tax	80.4	40.1	4.7
Income tax benefit (expenses)			
Current	(24.4)	(11.7)	(1.4)
Deferred	2.1	0.6	0.1
Income tax expense (net)	(22.3)	(11.1)	(1.3)
Net income	58.1	29.0	3.4
Other comprehensive income	—	—	—
Total comprehensive income	58.1	29.0	3.4
Net income (loss) attributable to Equity holders of the parent company	58.1	29.0	3.4
Non-controlling interest	0.0	0.0	0.0
Total	58.1	29.0	3.4

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	As of December 31, 2010	As of June 30, 2011	
	(Rp billions)	(Rp billions)	(US$ millions)[(1)]
ASSETS			
Current Assets			
Cash and cash equivalents	6.6	16.3	1.9
Time deposit	18.0	17.6	2.0
Accounts receivable			
Trade			
Third parties – net	36.3	186.8	21.7
Related parties	232.8	7.4	0.9
Other			
Third parties – net	80.1	50.2	5.8
Related parties	3.4	—	—
Inventories – net	158.3	175.8	20.4
Advances	57.0	23.3	2.7
Current portion of prepaid expenses	2.3	3.0	0.3
Prepaid Value Added Tax	—	1.4	0.2
Total Current Assets	594.8	481.7	56.0
Non-Current Assets			
Deferred tax assets – net	2.4	3.0	0.3
Advances for purchase of fixed assets	3.5	0.0	0.0
Prepaid expenses – net of current portion	0.8	2.5	0.3
Fixed assets – net	8.2	12.1	1.4
Estimated claims for tax refund	—	10.4	1.2
Security deposits	0.7	0.3	0.0
Total Non-Current Assets	15.6	28.3	3.3
Total Assets	610.3	510.0	59.3
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans	184.9	187.8	21.8
Accounts payable			
Trade			
Third parties	207.5	103.2	12.0
Related parties	23.1	—	—
Other			
Third parties	2.1	5.1	0.6
Related parties	7.1	—	—
Taxes payable	4.4	1.1	0.1
Accrued expenses	3.5	9.6	1.1
Advances from customers	6.1	6.6	0.8
Current maturities of long term debts	0.5	0.3	0.0
Due to related parties	5.5	2.3	0.3
Total Current Liabilities	444.8	315.8	36.7
Non-Current Liabilities			
Long term debts – net of current maturities	0.0	0.0	0.0
Estimated liabilities for employee benefit	1.3	1.0	0.1
Negative goodwill – net	18.7	—	—
Total Non-Current Liabilities	20.1	1.0	0.1

	As of December 31, 2010	As of June 30, 2011	
	(Rp billions)	(Rp billions)	(US$ millions)(1)
EQUITY			
Equity attributable to the Equity Holders of the Parent Company			
Share capital – Rp1,000,000 par value			
Authorized – 5,000 shares			
Issued and fully paid – 2,500 shares	2.5	2.5	0.3
Retained earnings	142.9	190.6	22.2
Non-controlling interest	0.1	0.1	0.0
Total Equity	145.5	193.2	22.5
Total Liabilities and Equity	610.3	510.0	59.3

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

	For the year ended December 31, 2010	For the six months ended June 30, 2011	
	(Rp billions)	(Rp billions)	(US$ millions)(1)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	1,949.6	1,312.2	152.6
Cash payments to suppliers	(2,045.4)	(1,257.2)	(146.2)
Cash payments to employees	(25.1)	(10.3)	(1.2)
Cash payments for operating activities	(24.1)	(32.4)	(3.8)
Receipts from (payments for):			
Interest income	0.2	0.0	0.0
Interest expense	(15.9)	(14.0)	(1.6)
Income taxes	(5.8)	(22.4)	(2.6)
Other operating activities	1.9	5.0	0.6
Net Cash Used in Provided by Operating Activities	(164.6)	(19.0)	(2.2)
Cash flows from investing activities			
Withdrawal of time deposits	20.4	1.2	0.1
Acquisitions of fixed assets and advances for purchases of fixed assets	(8.0)	(2.1)	(0.2)
Proceeds from sale of fixed assets	—	0.0	0.0
Proceeds from sale of shares of subsidiary net with its cash and cash equivalents at end of the period	—	(0.3)	(0.0)
Net Cash Provided by (Used in) Investing Activities	12.5	(1.2)	(0.1)
Cash Flows from Financing Activities			
Proceeds from bank loans	724.9	400.1	46.5
Proceeds from loan to a third party	6.9	29.0	3.4
Increase in due to related party	3.2	—	—
Decrease in due to a third party	—	(1.3)	(0.1)
Payments of:			
Bank loans	(598.3)	(397.3)	(46.2)
Long term debts	(0.7)	(0.4)	(0.0)
Increase in loans from employees	(0.0)	(0.3)	(0.0)
Net Cash Provided by Financing Activities	136.1	29.9	3.5

	For the year ended December 31, 2010	For the six months ended June 30, 2011	
	(Rp billions)	(Rp billions)	(US$ millions)[(1)]
Net Increase (Decrease) in Cash and Cash Equivalents	(16.1)	9.7	1.1
Cash and Cash Equivalents at Beginning of Period	22.7	6.6	0.8
Cash and Cash Equivalents at End of Period	6.6	16.3	1.9
Supplemental cash flows information:			
Acquisitions of fixed assets through the incurrence of long-term debts	0.1	0.1	0.0
Reclassification of advances for purchases of fixed assets to fixed assets	—	3.5	0.4

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Other Financial Information (Unaudited)

	As of and for the year ended December 31,		As of and for the six months ended June 30,	
	2010		2011	
	(Rp billions)	(US$ millions)[(1)]	(Rp billions)	(US$ millions)[(1)]
Non-GAAP Financial Measures:				
NGA's EBITDA[(2)]	98.8	11.5	55.7	6.5
NGA's EBITDA Margin (%)[(3)]	5.7	—	4.5	—

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) The Company defines NGA's EBITDA in the same manner it defines EBITDA for the Company, as previously disclosed in note (2) of Other Financial Information of NGA (Unaudited).

The following table reconciles the NGA's income before income tax under Indonesian GAAP to the Company's definition of NGA's EBITDA for the periods indicated:

	As of and for the year ended December 31,		As of and for the six months ended June 30,	
	2010		2011	
	(Rp billions)	(US$ millions)[(1)]	(Rp billions)	(US$ millions)[(1)]
NGA's Income before income tax	80.4	9.4	40.1	4.7
Add:				
Depreciation Expense	1.6	0.2	1.2	0.1
Amortization of Pre-paid Rent	2.3	0.3	0.5	0.1
Finance Cost	14.6	1.7	13.9	1.6
NGA's EBITDA (unaudited)	98.8	11.5	55.7	6.5

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(3) NGA's EBITDA margin is defined as NGA's EBITDA divided by NGA's net sales for the respective period.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables present the unaudited pro forma consolidated statement of financial position of the Group as of June 30, 2011 and the related unaudited pro forma consolidated statements of comprehensive income for the six-month period ended June 30, 2011 and the year ended December 31, 2010 (collectively referred to as the "Unaudited Pro Forma Consolidated Financial Information").

The Unaudited Pro Forma Consolidated Financial Information included in this section has been prepared to provide readers with an indication of the consolidated financial position of the Group as of June 30, 2011 and the consolidated results of its operations for the six-month period ended June 30, 2011 and the year ended December 31, 2010 under the assumption that the following events occurred on January 1, 2010:

- The Company acquired its 99.99% ownership in West Swan, by purchasing and converting the Convertible Bond into shares in West Swan. See "The TAM Group Acquisition" for further information on this transaction.
- The Company issued a non-interest bearing promissory note to Dexter. See "The TAM Group Acquisition" for further information on this transaction.
- The Company acquired its 70% ownership in Erafone, increased its ownership in Erafone to 91% using the pooling-of-interest method and acquired an additional 8% ownership in Erafone from non-controlling interests using the purchase method, all on January 1, 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Increase in Erafone Shareholding" for further information on this transaction.

The historical consolidated statement of financial position of West Swan and its subsidiaries as of June 30, 2011 and the related historical consolidated statements of comprehensive income for the six-month period ended June 30, 2011 and the year ended December 31, 2010 used in the preparation of the Unaudited Pro Forma Consolidated Financial Information have been prepared assuming that West Swan had existed and acquired NGA and its subsidiaries since January 1, 2010 using the pooling-of-interest method of accounting in accordance with Indonesian GAAP. Such historical consolidated statement of financial position of West Swan and its subsidiaries as of June 30, 2011 and the related historical consolidated statements of comprehensive income for the six-month period ended June 30, 2011 and the year ended December 31, 2010 have been prepared based on:

(i) the unaudited historical financial statements of West Swan (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 (the date of West Swan's incorporation) to June 30, 2011, prepared under Indonesian GAAP, which are not included in this Offering Memorandum; and

(ii) the audited historical consolidated financial statements of NGA and its subsidiaries as of and for the six-month period ended June 30, 2011 and as of and for the year ended December 31, 2010, prepared under Indonesian GAAP, which are included in this Offering Memorandum.

The unaudited historical financial statements of West Swan (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 (the date of West Swan's incorporation) to June 30, 2011 prepared based on Indonesian GAAP and expressed in Rupiah, which are not included in this offering memorandum, were prepared based on, and converted from, the audited historical financial statements of West Swan (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 (the date of West Swan's incorporation) to June 30, 2011 prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and expressed in U.S. dollars, which are included in this offering memorandum.

Certain accounts in the unaudited historical consolidated statement of financial position of West Swan and its subsidiaries as of June 30, 2011 and the related unaudited historical consolidated statements of comprehensive income for the six-month period ended June 30, 2011 and the year ended December 31, 2010 prepared under Indonesian GAAP have been reclassified to conform to the presentation of the audited historical consolidated statement of financial position of the Group as of June 30, 2011 and the related audited historical consolidated statements of comprehensive income for the six-month period ended June 30, 2011 and the year ended December 31, 2010.

The historical consolidated financial statements of the Group as of June 30, 2011 and for the six-month period then ended and as of December 31, 2010 and for the year then ended prepared under Indonesian GAAP, which are included in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, whose report is included in this offering memorandum. The historical financial statements of West Swan (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 (the date of West Swan's incorporation) to June 30, 2011 prepared under IFRS, which are included in this offering memorandum, have been audited by Ernst & Young LLP, Singapore, independent public accountants, in accordance with International Standards on Auditing, whose report is included in this offering memorandum. The historical consolidated financial statements of NGA and its subsidiaries as of June 30, 2011 and for the six-month period then ended and as of December 31, 2010 and for the year then ended prepared under Indonesian GAAP, which are included in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, whose report is included in this offering memorandum. Those three financial statements are the historical financial statements that were used as the basis to prepare the Unaudited Pro Forma Consolidated Financial Information.

	As at June 30, 2011				
	Historical consolidated balance of PT Erajaya Swasembada Tbk and its subsidiaries	**Historical consolidated balance of West Swan Overseas Limited and its subsidiaries**	**Pro forma adjustments and elimination**	**Pro forma consolidated balance**	**Pro forma consolidated balance**
	(Rp billions)				(US$ millions)[1]
ASSETS					
Current Assets					
Cash and cash equivalents	44.8	22.3[2]	(7.3)[5]	59.8	7.0
Short-term investments	96.7	17.6	—	114.3	13.3
Accounts receivables:					
Trade					
Third parties – net	125.0	186.8	(47.3)[6]	264.4	30.8
Related parties	79.8	7.4	—	87.2	10.1
Others					
Third parties – net	15.6	50.2	(2.6)[6]	63.1	7.4
Related parties	196.1	—	—	196.1	22.8
Inventories – net	459.7	175.8	—	635.5	73.9
Advances and prepaid expenses	66.6	23.3	—	89.9	10.5
Current portion of prepaid rent	8.4	3.0	—	11.4	1.3
Prepaid value added tax	15.0	1.4	—	16.4	1.9
Total Current Assets	1,107.6	487.7	(57.3)	1,538.0	178.9
Non-current Assets					
Deferred tax assets – net	6.8	3.0	—	9.8	1.1
Loans to employees	0.6	—	—	0.6	0.1
Investments in associated companies	0.7	—	—	0.7	0.1
Fixed assets – net	81.2	12.1	3.3[5]	96.6	11.2
Advances for purchase of fixed assets	30.8	0.0	—	30.8	3.6
Prepaid rent – net of current portion	4.8	2.5	—	7.4	0.9
Estimated claims for tax refund	46.8	10.4	—	57.2	6.6
Goodwill	—	—	587.3[5]	587.3	68.3
Security deposits	2.2	0.3	—	2.6	0.3
Deferred charges – net	36.2	—	—	36.2	4.2
Total Non-Current Assets	210.1	28.3	590.6	829.0	96.4
Total Assets	1,317.7	516.0	533.3	2,367.0	275.3

	As at June 30, 2011				
	Historical consolidated balance of PT Erajaya Swasembada Tbk and its subsidiaries	Historical consolidated balance of West Swan Overseas Limited and its subsidiaries	Pro forma adjustments and elimination	Pro forma consolidated balance	Pro forma consolidated balance
	(Rp billions)				(US$ millions)[1]
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term bank loans	98.7	187.8	—	286.4	33.3
Accounts payable					
Trade					
Third parties	61.0	103.2	(47.3)[6]	116.8	13.6
Others					
Third parties	6.8	5.1	709.2[5] 8.0[7] (2.2)[6]	726.8	84.5
Related parties	—	2.3	—	2.3	0.3
Taxes payable	2.5	1.1	—	3.6	0.4
Accrued expenses	39.2	9.6	(0.4)[6]	48.3	5.6
Advances from customers	5.5	6.6	—	12.1	1.4
Current maturities of long-term debt	0.6	0.3	—	0.9	0.1
Total Current Liabilities	214.2	315.8	667.1	1,197.2	139.3
Non-Current Liabilities					
Long-term debt – net of current maturities	0.1	0.0	—	0.1	0.0
Liabilities for employee benefits	11.7	1.0	—	12.7	1.5
Total Non-Current Liabilities	11.8	1.0	—	12.8	1.5
Total Liabilities	226.0	316.9	667.1	1,210.0	140.7
EQUITY					
Equity attributable to the Equity Holders of the Parent Company					
Share capital	990.0	6.0	(6.0)[6]	990.0	115.2
Difference in value of restructuring transaction of entities under common control	5.8	106.0[4]	(0.2)[7] (106.0)[6]	5.6	0.7
Retained earnings					
Appropriated	1.0	—	—	1.0	0.1
Unappropriated	75.8	87.0[3]	4.7[7] (13.8)[5]	153.6	17.9
Sub-total	1,072.5	199.0	(121.3)	1,150.2	133.8
Non-controlling Interests	19.2	0.2	(12.6)[7] 0.0003[6]	6.8	0.8
Total Equity	1,091.7	199.1	(133.8)	1,157.0	134.6
Total Liabilities and Equity	1,317.7	516.0	533.3	2,367.0	275.3

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Footnotes relating to the column "Historical consolidated balance of West Swan Overseas Limited and its subsidiaries" (to reconcile the significant amounts included in such column with the related amounts included in the audited historical consolidated financial statements of NGA and its subsidiaries: (i) as of June 30, 2011 and for the six-month period then ended and (ii) as of December 31, 2010 and for the year then ended, all prepared under Indonesian GAAP and included in this offering memorandum):

(2) The historical consolidated balance of cash and cash equivalents of NGA and its subsidiary as of June 30, 2011 is Rp16.3 billion. The difference between such balance and the historical consolidated balance of cash and cash equivalents of West Swan and its subsidiaries as of June 30, 2011 as reported in the Unaudited Pro Forma Consolidated Financial Information is Rp6.0 billion, which represents the cash received by West Swan from the issuance of its Convertible Bond amounted to US$700,000.

(3) The historical consolidated balance of issued and fully paid share capital of NGA and its subsidiary as of June 30, 2011 is Rp2.5 billion. The difference between such balance and the historical consolidated balance of issued and fully paid share capital of West Swan and its subsidiaries as of June 30, 2011 as reported in the Unaudited Pro Forma Consolidated Financial Information is Rp3.5 billion, which represents the difference between: (i) the issued and paid-up share capital of West Swan amounting to US$1 at the date of its establishment, plus the issued and paid-up share capital of US$700,000 from the conversion of its Convertible Bond to share capital, and (ii) the reversal of the issued and paid-up share capital of NGA amounting to Rp2.5 billion, which was eliminated for consolidation of West Swan. The historical consolidated total retained earnings (appropriated and unappropriated) of NGA and its subsidiary as of June 30, 2011 represents the accumulated consolidated results of operations of NGA from the date of its incorporation to June 30, 2011. The historical consolidated total retained earnings (appropriated and unappropriated) of West Swan and its subsidiary as of June 30, 2011 represents the accumulated the consolidated results of operations of West Swan from January 1, 2010 (being the pro forma date of acquisition of NGA by West Swan) to June 30, 2011.

(4) As of June 30, 2011, there was no balance of difference in value of restructuring transaction of entities under common control of NGA and its subsidiary. The historical consolidated balance of difference in value of restructuring transaction of entities under common control of West Swan and its subsidiaries as of June 30, 2011 as reported in the Unaudited Pro Forma Consolidated Financial Information is Rp106.0 billion, which represents the difference between consideration paid by West Swan and the acquired book value of net assets of NGA as of January 1, 2010, which was accounted for using the pooling-of-interest method of accounting.

Footnotes relating to the column "Pro forma adjustments and elimination"

(5) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Acquisition of West Swan Overseas Limited and the Issuance of the Promissory Note".

(6) These items eliminate material outstanding balances and transactions, including unrealized gains or losses, if any, between PT Erajaya Swasembada Tbk and its subsidiaries and West Swan Overseas Limited and its subsidiaries to reflect the financial position and the results of operations of the Group and West Swan as a single entity.

(7) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Increase in Erafone Shareholding".

	For the six month period ended June 30, 2011				
	Historical consolidated balance of PT Erajaya Swasembada Tbk and its subsidiaries	Historical consolidated balance of West Swan Overseas Limited and its subsidiaries	Pro forma adjustments and elimination	Pro forma consolidated balance	Pro forma consolidated balance
	(Rp billions except per-share data in full amount)				(US$ millions except per-share data in full amount)[1]
Net Sales	2,035.7	1,239.2	(119.7)[3]	3,155.2	367.0
Cost of goods sold	1,810.4	1,130.2	(119.7)[3]	2,820.8	328.1
Gross profit	225.4	109.1	(0.09)	334.4	38.9
Selling and distribution expenses	(40.6)	(36.0)	3.0[3]	(73.5)	(8.6)
General and administrative expenses	(73.6)	(22.5)	(0.7)[2]	(96.7)	(11.2)
Other operating income	0.9	6.5	(3.0)[3]	4.4	0.5
Other operating expenses	(3.6)	(3.5)	—	(7.1)	(0.8)
Income from operations	108.5	53.6	(0.7)	161.4	18.8
Finance income	0.9	0.4	—	1.3	0.2
Finance costs	(9.3)	(13.9)	(4.2)[2]	(27.4)	(3.2)
Share in net loss from associated companies	(4.1)	—	—	(4.1)	(0.5)
Income before income tax	96.0	40.1	(4.9)	131.2	15.3
Income tax benefit (expenses)					
Current	(30.0)	(11.7)	—	(41.8)	(4.9)
Deferred	1.8	0.6	—	2.4	0.3
Income tax expense (net)	(28.2)	(11.1)	—	(39.4)	(4.6)
Net income after effect of pro forma adjustments	67.8	29.0	(4.9)	91.9	10.7
Effect of pro forma adjustments	—	—	—	—	—
Net income	67.8	29.0	(4.9)	91.9	10.7
Other comprehensive income	—	—	—	—	—
Total comprehensive income	67.8	29.0	(4.9)	91.9	10.7
Net income (loss) attributable to Equity holders of the parent company	67.0	28.9	(4.9)[3]	91.0	10.6
Non-controlling interest	0.8	0.03	(0.02)[4]	0.8	0.1
Total	67.8	29.0	(4.9)	91.9	10.7
Basic earnings per share	34	—	—	46	0.0054

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Footnotes relating to the column "Pro forma adjustments and elimination"

(2) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Acquisition of West Swan Overseas Limited and the Issuance of the Promissory Note".

(3) These items eliminate material outstanding balances and transactions, including unrealized gains or losses, if any, between PT Erajaya Swasembada Tbk and its subsidiaries and West Swan Overseas Limited and its subsidiaries to reflect the financial position and the results of operations of the Group and West Swan as a single entity.

(4) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Increase in Erafone Shareholding".

	For the year ended December 31, 2010				
	Historical consolidated balance of PT Erajaya Swasembada Tbk and its subsidiaries	Historical consolidated balance of West Swan Overseas Limited and its subsidiaries	Pro forma adjustments and elimination	Pro forma consolidated balance	Pro forma consolidated balance
	(Rp billions except per-share data in full amount)				(US$ millions except per-share data in full amount)[1]
Net sales	4,638.5	1,745.1	(245.5)[3]	6,138.1	714.0
Cost of goods sold	4,118.2	1,586.1	(245.5)[3]	5,458.7	635.0
Gross profit	520.3	159.0	—	679.4	79.0
Selling and distribution expenses	(103.2)	(36.9)	6.2[3]	(133.9)	(15.6)
General and administrative expenses	(115.0)	(50.4)	0.3[3] (1.3)[2]	(166.4)	(19.4)
Other operating income	5.7	22.4	(6.9)[3]	21.3	2.5
Other operating expenses	(14.2)	(0.2)	—	(14.4)	(1.7)
Income from operations	293.6	94.0	(1.7)	386.0	44.9
Finance income	2.7	0.9	0.4[3]	4.0	0.5
Finance costs	(2.8)	(14.6)	(7.7)[2]	(25.0)	(2.9)
Share in net income from associated companies	3.2	—	—	3.2	0.4
Income before income tax	296.7	80.4	(9.0)	368.1	42.8
Income tax benefit (expenses)					
Current	(79.7)	(24.4)	—	(104.1)	(12.1)
Deferred	3.7	2.1	—	5.8	0.7
Income tax expense (net)	(76.0)	(22.3)	—	(98.3)	(11.4)
Net income after effect of pro forma adjustments	220.7	58.1	(9.0)	269.8	31.4
Effect of pro forma adjustments	(2.1)	—	2.1[4]	—	—
Net income	218.6	58.1	(6.9)	269.8	31.4
Other comprehensive income	—	—	—	—	—
Total comprehensive income	218.6	58.1	(6.9)	269.8	31.4
Net income (loss) attributable to					
Equity holders of the parent company	217.7	58.0	6.0[3]	269.7	31.4
Non-controlling interest	0.9	0.04	(0.9)[4] 0.0001[3]	0.1	0.01
Total	218.6	58.1	(6.9)	269.8	31.4
Basic earnings per share	110	—	—	136	0.0159

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

Footnotes relating to the column "Pro forma adjustments and elimination"

(2) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Acquisition of West Swan Overseas Limited and the Issuance of the Promissory Note".

(3) These items eliminate material outstanding balances and transactions, including unrealized gains or losses, if any, between PT Erajaya Swasembada Tbk and its subsidiaries and West Swan Overseas Limited and its subsidiaries to reflect the financial position and the results of operations of the Group and West Swan as a single entity.

(4) For further detail on this pro forma adjustment, see "—Pro Forma Adjustments—Increase in Erafone Shareholding".

Pro Forma Adjustments

The summary pro forma consolidated statement of financial condition as at June 30, 2011 reflects the adjustments described below.

Acquisition of West Swan Overseas Limited and the Issuance of the Promissory Note

The adjustments below were made to reflect the acquisition of West Swan via the purchase of the Convertible Bond for Rp726.3 billion, of which Rp7.3 billion was paid in cash and Rp719.1 billion was paid through the issuance of a promissory note. The investment in West Swan has been reflected in the pro forma accounts as an increase of investment in West Swan and accounts payable—others—third parties and a decrease in cash and cash equivalent.

The promissory note has been reflected at its fair value, which is calculated using an interest rate of 1.2%, and will be due on August 11, 2012. On January 1, 2010, the fair value of the promissory note was US$81,596,425, equivalent to Rp697.2 billion, which resulted in a fair value adjustment of Rp21.8 billion. The fair value adjustment was deducted from the goodwill account. For the six months ended June 30, 2011 and for the year ended December 31, 2010, the Company has recognized interest expense amounting to Rp4.2 billion and Rp7.6 billion, respectively.

	Rp billions
Investment in West Swan	726.3
Cash and cash equivalent	(7.3)
Accounts payable – Others – Third parties	719.1

During the consolidation process, the investment in West Swan was eliminated against net shareholders' equity of NGA and recognized goodwill in the amount of Rp587.3 billion, an increase in fixed assets in an amount of Rp5.2 billion and decrease in payable—others of Rp21.8 billion.

	Rp billions
Goodwill	587.3
Net shareholders' equity of West Swan	(113)
Fixed assets	5.2
Other payable—others	(21.8)
Investment in West Swan	(726.3)

The increase in fixed asset represents difference between West Swan's fixed asset net book value and its fair value, which mainly represents the fixed assets owned by West Swan's subsidiary as of June 30, 2011 and have been appraised by Martokoesoemo, Prasetyo & Rekan, an independent appraiser, and reflected in its report dated August 9, 2011.

The increase in fixed asset less depreciation expense incurred was calculated as the difference between the net book value and fair value of West Swan's fixed assets in the amount of Rp0.7 billion for the six months ended June 30, 2011 and Rp1.3 billion for the year ended December 31, 2010. The depreciation was based on an assumed asset productive life of four years.

Increase in Erafone Shareholding

The adjustments below were made to reflect the Group's acquisition of 70% ownership in Erafone, an increase in share ownership from 70% to 99% via the acquisition of additional shares in Erafone and an increase in the issued and fully paid share capital of Erafone. The transactions are reflected through the following adjustments: decreases in non-controlling interests in net assets, difference in value of restructuring transaction of entities under common control and non-controlling interests in net income, and increases in retained earnings—beginning and recognition of accounts payable—others—third parties.

	Rp billions
Non-controlling interests in net assets	(12.6)
Difference in value of restructuring transaction of entities under common control	(0.2)
Retained earnings – beginning	4.7
Accounts payable – Others – Third parties	8.0
Non-controlling interests in net income	(0.02)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements together with the accompanying notes included elsewhere in this offering memorandum. The consolidated financial statements were prepared in accordance with Indonesian GAAP, which differs in certain material respects from U.S. GAAP. See "Summary of Certain Significant Differences Between Indonesian GAAP and U.S. GAAP".

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical fact, included in this section that address activities, events or developments which the Group anticipates will or may occur in the future are forward-looking statements. These statements are based upon assumptions and analyses the Group made in light of experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances.

On December 16, 2010, the Company purchased 70% share ownership of PT Erafone Artha Retalindo. This transaction was accounted in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control". Accordingly, the difference between the transfer price and PT Erafone Artha Retalindo's book value of net assets was recognized as "Difference in Value of Restructuring Transaction of Entities Under Common Control" in the equity section of the June 30, 2011 and the December 31, 2010 consolidated statement of financial position. The June 30, 2010 and the 2009 and 2008 consolidated financial statements have been restated to include the financial position and results of operations assuming the restructuring transaction occurred at the beginning of 2008. The net income of the acquired subsidiary is recorded as "Effect of Pro Forma Adjustments" in the 2010, 2009 and 2008 consolidated statements of income. For additional information see Note 4 of the consolidated financial statements of the Company included herein.

The financial statements of Erajaya as of and for the year ended December 31, 2008, prior to the 2008 Restatement adjustments, which are not included in this offering memorandum, have been audited by KAP Arsyad & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. The consolidated financial statements of Erafone as of and for the year ended 2008, which are not included in this offering memorandum, have been audited by KAP Richard Risambessy & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, have audited the 2008 Restatement adjustments applied to the unaudited restated consolidated financial statements of the Company as of and for the year ended December 31, 2008.

The Company's consolidated financial statements as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

The Company's consolidated financial statements as of and for the six months ended June 30, 2010, included elsewhere in this offering memorandum, have been reviewed by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SA 722 established by the IICPA, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SA 722 established by the IICPA is substantially less in scope than an audit conducted in accordance with auditing standards established by the IICPA and, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above), Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited consolidated financial statements included in this offering memorandum.

NGA's consolidated financial statements as of and for the years ended December 31, 2010 and as of and for the six months ended June 30, 2010, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

West Swan's financial statements (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 to June 30, 2011, included elsewhere in this offering memorandum, have been audited by Ernst & Young LLP, Singapore, independent public accountants, in accordance with auditing standards established by the International Auditing Standards as stated in their audit report appearing in this offering memorandum.

In August 2011, the Company acquired TAM Group. See "The TAM Group Acquisition". Therefore, the Group's historical financial information contained in this offering memorandum does not reflect the recent acquisition of TAM Group. This acquisition is expected to result in a significant impact on the Group's results of operations going forward and the Group's future performance may vary significantly from the historical financial information discussed herein. The section entitled "Unaudited Pro Forma Consolidated Financial Information" in this offering memorandum presents the Group's consolidated statements of financial position as at June 30, 2011 and consolidated statements of comprehensive income for the six months ended June 30, 2011 and the year ended December 31, 2010, adjusted as if the TAM Group acquisition had occurred on January 1, 2010.

Unless the context otherwise requires, references to "2008", "2009" and "2010" in this section are to the financial years ended December 31, 2008, 2009 and 2010, respectively.

The historical financial information and the period comparisons included in this section for the Group reflect the financial performance of Erajaya and its consolidated subsidiaries as at June 30, 2011. As the acquisition of the TAM Group occurred after June 30, 2011, unless otherwise noted, the financial information contained in this section excludes the TAM Group.

OVERVIEW

The Group distributes and retails mobile communication products and services in Indonesia, for the brands such as *Acer*, *BlackBerry*, *Dell, Huawei, LG, Nokia*, *Samsung* and *Sony Ericsson*, and also distributes reload vouchers, SIM starter packs and other related products.

The Group's net sales are primarily derived from the sale of mobile communication products and related accessories and mobile network operator products. The Group purchases these products from brand principals and network operators and resells them to third-party resellers and retail customers. The Group also distributes and retails its own brand, *Venera*, which is supplied by third-party manufacturers.

The Group sells its products through its extensive distribution and retail network in Indonesia. As of June 30, 2011, the Group operated 70 distribution centers across Indonesia, serving over 16,000 third-party resellers. The Group also operated 236 retail stores in 27 cities throughout Indonesia as of June 30, 2011.

The Group's net sales and net income (excluding TAM Group) for the year ended December 31, 2010 were Rp4,638.5 billion and Rp218.6 billion, respectively, and the Group's net sales and net income (excluding TAM Group) for the six months ended June 30, 2011 were Rp2,035.7 billion and Rp67.8 billion, respectively.

Historically, a significant portion of the Group's net sales were derived from the sale of *Nokia* products. With the addition of TAM Group's brand portfolio in August 2011, including *BlackBerry, Samsung, Sony Ericsson* and *Venera*, as well as the addition of *Huawei* and other brands to the Group's brand portfolio in 2011 the Group expects that fluctuations in demand for *Nokia* products will have a decreased impact on the Group's future performance.

RECENT DEVELOPMENTS

Acquisition of TAM Group

As part of its strategy to expand its distribution network and its brand portfolio, Erajaya acquired a controlling interest in TAM Group through a Sale and Purchase Agreement, dated August 11, 2011, between Erajaya and Dexter Financial Equities Ltd ("Dexter"), a special purpose vehicle of the vendor, under which Erajaya purchased a convertible bond issued by West Swan Overseas Ltd ("West Swan") (the "Convertible Bond"). TAM Group is a distributor in Indonesia of the brands *BlackBerry*, *Samsung*, *Sony Ericsson* and the owner of *Venera*. Until 2009, TAM's parent company, PT Nusa Gemilang Abadi ("NGA"), and Erajaya had a common indirect shareholder. In 2009, the indirect shareholder sold NGA to a third-party in order to become an exclusive *Nokia* distributor, following the provision of incentive payments from *Nokia* to its distributors that were exclusive to *Nokia*. Under the terms of the Sale and Purchase Agreement, Erajaya paid US$85 million as consideration for the Convertible Bond. US$850,000 of the US$85 million consideration was paid in the form of cash, with the balance paid through the issuance of a promissory note by Erajaya to Dexter. Under the terms of the Sale and Purchase Agreement, the promissory note is payable in full two months after the date that Offering Shares are listed on the IDX, and no later than one year following the date of the Sale and Purchase Agreement, unless the parties agree to an alternate date. Pursuant to a supplemental letter, dated November 28, 2011, between Erajaya and Dexter, the promissory note was amended to provide for payment of the promissory note in Rupiah at the exchange rate prevailing on the date of payment or a rate of Rp8,750 = US$1.00, whichever is lower. Erajaya plans to use a portion of the proceeds from the Offering to satisfy this obligation. See "Use of Proceeds". On August 11, 2011, Erajaya exercised its rights under the Convertible Bond and converted the bond into shares in West Swan equal to 99.9% of the outstanding share capital of West Swan. For more information on TAM Group, see "Corporate History and Structure—Information About Subsidiaries—West Swan Overseas Limited" and "The TAM Group Acquisition".

Capital Restructure

On August 3, 2011, in connection with the Offering, Erajaya's shareholders approved a change in the status of Erajaya from a private company to a public company. This approval also included a change in the par value of Erajaya's shares to Rp500 per Share from Rp1,000,000 per Share, an increase in Erajaya's authorized capital to Rp3,900,000,000,000, consisting of 7,800,000,000 Shares and an increase in the issued and fully-paid capital of Erajaya to Rp990,000,000,000, consisting of 1,980,000,000 Shares.

Increase in Erafone Shareholding

On July 27, 2011, the shareholders of PT Erafone Artha Retailindo ("Erafone") approved an increase in the issued and fully paid share capital of Erafone from Rp30.0 billion, consisting of 30 million shares, to Rp100.0 billion, consisting of 100 million shares. The additional 70 million shares were taken up by Erajaya at an acquisition cost of Rp70 billion, increasing Erajaya's shareholding in Erafone from 70% to 91%.

On August 18, 2011, the shareholders of Erafone, Ardy Hady Wijaya and Budiarto Halim, each of which is a beneficial owner of the Group, agreed to sell 5,500,000 shares and 2,500,000 shares of Erafone, respectively, to Erajaya, increasing Erajaya's shareholding in Erafone to 99% from 91%. Erajaya paid Rp8.0 billion for the additional shares in Erafone.

Increase in SES Shareholding

On August 18, 2011, the shareholders of PT Sinar Eka Selaras ("SES"), Jemmy Hady Wijaya and Frans Gosal, agreed to sell 2,250 shares and 750 shares of SES, respectively, to Erajaya, increasing Erajaya's shareholding in SES to 99% from 93%. Erajaya paid Rp3.0 billion for the additional shares in SES.

KEY FACTORS AFFECTING THE GROUP'S PERFORMANCE

The state of the Indonesian economy

The Group operates a business that relies on consumer spending and is, consequently, highly dependent on the Indonesian economy. Growth in demand for the products that the Group distributes and retails depends upon the growth of Indonesia's consumer spending, which in turn depends primarily upon the growth of the Indonesian economy. As the economy grows, the market for the Group's products grows, as more consumers have sufficient disposable income to be able to afford the Group's products and existing customers are able to spend more on the products, both of which potentially increase the size of the market and demand for the Group's products. Indonesia's GDP growth was 6.0%, 4.6% and 6.1% in 2008, 2009 and 2010, respectively. Conversely, slower economic growth or economic contraction may lead to slower growth in net sales or a decline in net sales, due to a combination of decreased volumes and decreases in average selling price, as consumers shift their purchases to lower priced goods. See "Risk Factors—Risks Relating to Indonesia—Regional or global economic changes may materially and adversely affect the Indonesian economy and the Group's businesses".

Additionally, demand for the products that the Group distributes and retails can be affected by significant inflation, as increased prices for basic consumer goods reduces disposable income. Inflation also affects the Group's results of operations by increasing costs of sales, which the Group generally seeks to address by raising prices. However, in certain competitive markets, its ability to pass on cost increases is partially constrained. According to Bank Indonesia statistics, Indonesia's annual inflation rate, as measured by changes in Indonesia's consumer price index, was 11.06%, 2.78% and 6.96% in 2008, 2009 and 2010, respectively. Bank Indonesia estimates that the inflation rate for 2011 will be between 4% and 6%.

Trends in consumer behavior in Indonesia

The Group's financial performance is also impacted by market trends, demographic profile and consumer behavior in Indonesia, including the increasing popularity of smartphones that the Group distributes and retails, such as those from *BlackBerry* and *Dell* and the replacement cycles for mobile communication products. According to Frost & Sullivan, half of all smartphones sold in Indonesia in 2010 were *BlackBerry* branded and in Indonesia mobile phones are replaced by their owners, on average, every eight months. These replacement cycles drive demand levels for the products that the Group distributes and retails and changes to these replacement cycles could have a substantial impact on the Group's performance. Additionally, according to Frost & Sullivan, only 10% of Indonesians have access to fixed line internet services, which has increased reliance on mobile networks for access to the internet and, in turn, demand for the mobile communication products that the Group distributes and retails, especially smartphones.

Expansion of the Group's brand portfolio, product range, distribution and retail networks

Brand Portfolio

The Group's past and current business strategy includes the expansion of its distribution network by broadening the areas it covers, increasing penetration in these areas and adding more brands and products to its portfolio. Prior to 2011, the Group was primarily a *Nokia* distributor. *BlackBerry, Samsung and Sony Ericsson* were added to the Group's brand portfolio in 2011 upon the acquisition of TAM Group. In 2011, the Group also added other brands, including *Dell* and *Huawei*, and is currently in discussions with several other brands to seek distributorship rights. Prior to 2011, the Group's reliance on a limited brand portfolio subjected its financial performance to concentrated exposure to the changes in strategy of or market demand for a single brand. See "—The impact of *Nokia's* implementation of zoning and the change of their smartphone operating system" below for an example of potential impacts from a change in a brand principal's strategy. The expansion of the Group's brand portfolio has enabled the Group to lower its reliance on any single brand and the Group believes that this wider brand portfolio, which represents most of the major brands in Indonesia, will help to stabilize its financial performance period to period.

Distribution Network

The Group has been expanding its distribution network throughout Indonesia, growing from approximately 5,000 third party resellers in 2008 to over 16,000 third party resellers in the first half of 2011. The Group's expansion of its distribution networks includes expansion in less-developed areas of Indonesia, in which there is less competition and a higher potential for growth, in part through its exclusive distribution rights from *Nokia* in these areas. It is in the process of building distribution networks and brand recognition in these areas. The expansion of the Group's distribution network allows the Group to sell more products directly to third party resellers and reduce its reliance on master dealers. The shift away from master dealers and towards direct retailer supply arrangements improves the Group's margins, through the removal of the need to provide master dealer margins. This improvement has already been seen in the Group's business, as gross margins, calculated as the Group's (excluding TAM Group) gross profit as a percentage of net sales, improved to 11.1% in the six months ended June 30, 2011, compared to 8.6% in the six months ended June 30, 2010. The Group intends to continue this shift away from master dealers where possible, especially with respect to TAM Group's business, which has historically been reliant on master dealers. The Group is also exploring new channels of distribution, including the development of its e-commerce and m-commerce businesses so that customers may make purchases through the Internet or on their mobile phones, as well as the expansion of its online reload voucher network to expand the content and services sold through this network. The Group generally earns higher margins with respect to its distribution business than with respect to its retail business.

Retail Network

The Group's strategy includes the significant roll-out of new retail stores, as well as the opening of its new Megastore large-format retail stores, beginning in the second half of 2011. As the Group believes that there is a trend towards the convergence of IT and mobile communications products, the Megastore large-format retail stores will also carry a significant portion of related IT products such as netbooks, notebooks, tablets, e-book readers and accessories. As the Group opens new stores and increases the total number of stores that it operates, its net sales and cost of goods sold both increase. Although it capitalizes the cost of fitting-out new stores and acquiring the related land, opening new stores increases its operating expenses through the addition of employees and other operating costs associated with the new stores. It generally takes between three months and six months for a new store's revenue to become optimal, if the store is opened in an existing mall and six months to a year if the store is opened in a new mall or as a stand-alone store. As new stores mature, they tend to gradually experience increased sales volume and higher revenue per square meter. The Group also monitors underperforming stores and seeks to identify potentially better locations for its stores and in certain circumstances closes or modifies underperforming stores or opens new stores in different locations to replace them. In 2010 the Group had net store openings of 25, with net store closings of two in the six months ended June 30, 2011.

The impact of Nokia's implementation of zoning and the change of their smartphone operating system

Historically, the majority of the Group's sales (excluding TAM Group) were of *Nokia* products which accounted for 54.5%, 77.9% and 68.5% of net sales in the six months ended June 30, 2011 and the years ended December 31, 2010 and 2009, respectively. Prior to September 2010, the Group was one of the three authorized distributors for *Nokia,* each of which was permitted to distribute *Nokia* products throughout Indonesia. During this period, most of the authorized distributors relied on master dealers to distribute a significant share of its products. Following significant price volatility of its products in Indonesia in 2009, *Nokia* implemented a zoning scheme in September 2010, assigning each of the three authorized distributors exclusive zones to sell *Nokia* products. Following implementation of the scheme, the Group was granted exclusive distribution rights for *Nokia's* products for all of Indonesia, excluding Jakarta and Western Java, Sumatra and Kalimantan. As part of the implementation of zoning, the Group closed certain of its distribution centers and retail stores in the areas in which it no longer has distribution rights and opened new distribution centers and retail stores in its exclusive distribution area. Since the zoning, the Group has been developing new relationships with third party resellers beyond its traditional key markets. However, due to the fact that the establishment of direct relationships with the third-party resellers in these regions took time, the Group experienced a decline in net sales in 2010 and the first half of 2011. Certain of the Group's operating expenses also increased in 2010 and first half of 2011, due primarily to increased advertising and promotion in 2010 to establish the Group's presence in these new regions, as well as the hiring of additional staff in these regions at the end of 2010 and in the first half of 2011. The Group believes that lower levels of competition in the Group's exclusive distribution area will help support its gross margins. The Group's exclusive distribution area covers regions with expanding mobile network coverage and growing demand for mobile communication products.

In February 2011, *Nokia* announced their planned change from their Symbian operating system to the Windows Mobile operating system, which is expected to occur in late 2011 or early 2012. This announced change in platform reduced demand for *Nokia* smartphones that are still based on the Symbian platform because consumers deferred purchases of existing *Nokia* smartphones until the new version with the Windows Mobile operating system was available. This had an adverse impact on the Group's net sales and the Group's average selling price of mobile communication products in the six months ended June 30, 2011. The Group expects *Nokia* sales volumes to improve once the Windows Mobile smartphone is launched and as a result of *Nokia's* recent introduction of a dual SIM basic phone.

Developments in the telecommunications industry in Indonesia

Changes in the Indonesian telecommunications industry, such as the expansion of network coverage and changes in mobile communication technology have and will continue to impact the Group's business. As mobile network coverage in Indonesia continues to expand, the Group expects increased demand for the mobile communication products that it distributes and retails. In the past, the shift in mobile network coverage away from CDMA technology towards GSM coverage had a positive impact on the Group's financial performance, as the Group's product range was primarily focused on GSM products. Going forward, the Group expects the expansion of 3G network coverage in Indonesia to increase demand for the smartphones that the Group distributes and retails, as these products require access to these enhanced data networks to reach full functionality. The Group expects increased demand for smartphones to increase the Group's net sales, as the Group carries a significant range of popular smartphones, as well as due to the fact that smartphones have a higher average selling price.

Pricing strategy

For mobile communication products, the prices the Group sets for the products that it distributes and retails are either set by the brand principal, following discussions and negotiations with the Group to allow the Group to realize an agreed margin on those products, or set at a suggested retail price, following the advice of the Group. When negotiating with and advising brand principals on pricing, the Group takes a number of factors into account in order to allow it to realize its expected margin, including overall supply and demand for retail consumer products in Indonesia, competition, inflation (or deflation), seasonality, inventory volume, inventory age, fashion and consumer trends, promotions and manufacturer recommendations. Promotional activities, such as discounts or rebates designed to increase market share or sell down inventories of unpopular products, may also materially affect net sales in a given period. For SIM cards and reload vouchers, the Group periodically reviews market conditions and sets the prices with a minimum target margin.

Competition

The Group faces competition from existing general and specialist distributors and retailers and from new entrants, including international retailers, to the markets in which it operates. Actions taken by its competitors, as well as actions taken by the Group to maintain its competitiveness and reputation for value, affect its strategy, pricing and margins. Certain retailers do not source their products directly from authorized distributors, in certain circumstances selling black market goods, and this allows them to offer the same products that the Group offers for a lower price. See "Risk Factors—Risks Relating to the Group's Business and Industry—The Group faces competition from black market retailers and retailers of counterfeit goods".

Foreign currency fluctuations

The Rupiah has appreciated considerably in the previous three years, from a low of approximately Rp12,400 per U.S. dollar in 2008 to 8,597 as at June 30, 2011. The Rupiah continues to experience significant volatility. See "Exchange Rates and Exchange Controls" regarding changes in the value of the Rupiah as measured against the U.S. dollar.

As substantially all of the Group's cost of goods sold are currently denominated in U.S. dollars, whereas its net sales and its reporting currency is in Rupiah, its results of operations can be affected by fluctuations in exchange rates. For example, its results in Rupiah terms can be significantly and adversely impacted by a sustained depreciation of the Rupiah against the U.S. dollar. In 2008, the Group (excluding TAM Group) recorded a loss on foreign exchange of Rp180.9 billion, which was a result of the impact of the depreciation of the Rupiah during the year, as the Group's U.S. dollar accounts payable increased in Rupiah terms. Additionally, the Group's obligations under the promissory note issued in connection with the TAM Group acquisition are denominated in U.S. dollars, while the proceeds from the Offering to be used to fund the repayment of the promissory note will be in Rupiah. Any adverse change in the value of the Rupiah prior to the repayment of the promissory note will increase the Rupiah cost of the acquisition.

The Group's net income is also exposed to foreign exchange translation adjustments on each statement of financial position date. In addition to the U.S. dollar accounts payable exposure mentioned in the previous paragraph, the Group also faces risk related to foreign exchange fluctuations on the value of its U.S. dollar denominated assets, namely its U.S. dollar bank accounts and time deposits. The Group recognizes and records foreign exchange gains and losses resulting from the impact of fluctuations in the value of the Rupiah against other currencies on its monetary assets and liabilities under other income (expenses) in its statement of comprehensive income. Accordingly, even if fluctuations in exchange rates do not have a significant impact on the Group's cash flows, they can have a significant impact on the Group's results of operations.

For each purchase that is denominated in U.S. dollars and where cash payment discounts are provided, the Group compares the cash discount to the expected movements of the Rupiah over the 30-day credit period. If the Group expects the Rupiah to strengthen over the period such that it would provide a greater benefit than the cash discount, the Group will generally accept the extension of credit. The Group currently does not hedge foreign exchange exposures in its business or financing operations. However, it may enter into hedging arrangements in the future if appropriate and consistent with prudent business practices.

Seasonality

Generally, the Group expects its stores to experience sales seasonality throughout the year, with peak shopping seasons normally occurring during Christmas and Ramadhan (the lunar month preceding the Muslim holiday of Lebaran) accounting for a substantial portion of the Group's net sales each year. The month in which Ramadhan falls changes from year to year. In 2008, 2009, 2010 and 2011, Ramadhan occurred in the second half of the year. The Group also experiences reduced consumer activity in the first months of each year, due to a downturn after the high demand in the preceding Christmas period. Consequently, the results of a given interim financial period may or may not be comparable to results from the preceding interim period or to the corresponding period in prior years. The notes to the interim results included elsewhere in this offering memorandum may not be a reliable indicator of the Group's full-year results of operations. See "Risk Factors—Risks Relating to the Group's Business and Industry—The Group's operating results vary significantly from period to period and respond to seasonal fluctuations in purchasing patterns".

CRITICAL ACCOUNTING POLICIES

The preparation of the Group's consolidated financial statements under Indonesian GAAP requires management to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and judgments may be required in selecting and applying those methods and policies that affect the reported financial condition and results of operations. Estimates, assumptions and judgments are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The Group believes that of its significant accounting policies which are described in detail in note 2 to its consolidated financial statements included elsewhere in this offering memorandum, the following may involve a higher degree of judgment or complexity.

Restructuring of Entities under Common Control

Restructuring transactions of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control". Under this standard, the restructuring transaction of entities under common control conducted within the framework of reorganization of entities under the same business segment do not constitute a change of ownership within the meaning of economic substance, so that such transaction would not result in a gain or loss to the company group or the individual entity within the same group and should be recorded at book values using the pooling-of-interests method. In implementing the pooling-of-interests method, the financial statements for the period where the restructuring has occurred and for the comparison period will be presented as if the restructuring has occurred at the beginning of the earlier period. The difference between the transfer price and net book value of the acquired subsidiary arising from the restructuring transaction between entities under common control is presented as "Difference in Value of Restructuring Transaction of Entities under Common Control" in the equity section of the Group's financial statements.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. The costs of the Group's inventories are determined with the specific identification method, except for the costs of accessories, which are determined using the first-in, first-out ("FIFO") method. The costs of subsidiaries' inventories are determined using the FIFO method. Allowance for obsolescence and/or a decline in values of inventories is provided for based on periodic reviews of the physical condition and net realizable values of the inventories.

Allowance for obsolescence and decline in value of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. These provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

Impairment of Non Financial Assets

Effective January 1, 2011, the Group has implemented PSAK No. 48 (2009 Revision), "Asset Impairment", including goodwill and assets derived from business combinations prior to January 1, 2011.

PSAK No. 48 (2009 Revision) stipulates the procedures to be implemented by entities so that assets are not recorded exceeding the recoverable amounts. An asset is recorded as exceeding its recoverable amount if the amount exceeds the amount to be recovered though the use or sale of the asset. In such condition, the asset is impaired and the statement requires the entity to recognize loss of impairment. The revised PSAK also determines the time when an entity should reverse a loss of impairment and the necessary disclosure.

At the end of every reporting period, the Group evaluates whether or not there are indications that an asset is impaired. In the event of such an indication, the Group prepares a formal estimate of the recoverable amount of such asset.

The recoverable amount determined for individual assets is the higher amount between the fair value of the asset less the costs to sell and the value in use, unless such asset does not generate cash inflow which is mostly independent from other assets or asset groups. If the carrying value of the asset is greater than the recoverable value, such asset is considered to be impaired and the carrying value is decreased to the recoverable value. A loss of impairment from sustainable operations is recognized in the consolidated comprehensive income statement as "General and Administrative Expenses—Other Operating Expenses". In calculating the value in use, the estimated net future cash flow is discounted to the present value using the discount rate before tax that reflects the present market valuation based on time value of money and specific risks of assets.

In determining the fair value less costs to sell, the last market offering price is used, if available. If such transaction does not exist, the Group uses a valuation model to determine the fair value of assets. Such calculations are supported by multiple valuation or the available fair value indicators.

Valuation is conducted at the end of every reporting period to identify any indication that impairment recognized in the previous period for assets other than goodwill has ceased to exist or has decreased. In the event of such an indication, the Group estimates the recoverable amount of such assets. Impairments recognized in previous periods for assets other than goodwill will only be reversed if there are changes in the assumptions used to determine the recoverable amount of such assets since the recognition of the impairment. In such case, the carrying amount of the assets is increased to the recoverable amount. Such a reversal is limited so that the carrying amount of the assets does not exceed the recoverable amount. The reversal of the loss of impairment is recognized in the consolidated comprehensive income statement. Following such reversal, such asset depreciation is adjusted in the next period to allocate the revised carrying amount of the assets, less the residual value, with a systematic basis for the remaining useful life.

Goodwill is tested for impairment in every reporting period. Goodwill impairment is stipulated by determining the carrying amount of each cash generating unit (or group of cash generating unit) to which the goodwill relates. If the recoverable amount of the cash generating unit is less than the carrying amount, the loss of impairment is recognized. A loss of impairment relating to goodwill cannot be reversed in the following period.

Impairment of Financial Assets

Prior to January 1, 2010, allowance for impairment was provided based on a review on the collectability of individual outstanding amounts at the end of the period.

Effective January 1, 2010, the Group provides an allowance for impairment in accordance with PSAK No. 55 (Revised 2006).

At the end of every reporting period, the Group evaluates whether or not there is objective evidence that financial assets or financial asset groups are impaired. Impairment of financial assets or financial asset groups is considered to have occurred if there is objective evidence of such impairment as a consequence of one or more events following the initial recognition of such assets (adverse events), and such adverse events have impacts to the estimated future cash flow with respect to the financial assets or financial asset groups that can be reliably estimated.

Evidence of impairment may include an indication that a debtor or a group of debtors is facing significant financial problems, default or arrears in the payment of interest or principal, the possibility that a debtor will be declared bankrupt or perform other financial re-organization, and when data indicates a measurable decrease of estimated future cash flow, such as increased arrears or economic conditions that correlate with defaults.

Financial assets recorded at amortized acquisition cost

For loans granted and receivables recorded at amortized acquisition cost, the Group first determines whether there is objective proof of the significant impairment of individual financial assets or collectively on financial assets having insignificant individual value. If the Group finds no objective evidence as to the impairment of financial assets based on individual appraisal, whether or not the financial assets are significant, the assets are categorized as financial assets having the same characteristic of credit risk and are evaluated as a group. Assets subject to impairment are evaluated on an individual basis and any impairment loss, whether or not recognized, is not included in the collective evaluation of impairment.

If there is objective proof that impairment loss has occurred, the total loss is calculated as the difference between the carrying value of the assets and the estimated current cash flow in the future (not including the expected potential credit loss that has not been realized). The estimated current value of cash flow in the future is discounted using the initial effective interest rate of the financial assets. If the loan and receivables are subject to variable rate of interest, the discount rate applied to calculate the impairment loss is the applicable effective interest rate. The carrying value of the assets is deducted by using allocation accounts and the total loss is directly recognized in the consolidated comprehensive profit and loss statement. Fixed income interest is recognized based on the deducted carrying value based on effective interest rate on the financial assets. Loan and receivables, along with relevant allowance will be written off in the absence of realistic possibility of future recovery and all guarantees, if any, have been realized or transferred to the Group.

If in the next period the estimated value of impairment of financial assets increases or decreases due to an event that occurs after the recognition of such impairment, the previous impairment loss will be increased or decreased (recovered) by making adjustment to the allowance account. Such recovery must not cause the carrying value of the financial assets to exceed the amortized acquisition cost had such impairment is not recognized on the date of recovery. In the event of the recovery of a write-off, such recovery is recognized in the consolidated comprehensive profit and loss statement.

Financial assets recorded at the acquisition cost

If objective evidence exists that there has been impairment loss on an equity instrument having no quotation and not registered at fair value due to improper calculation thereof, the total impairment loss will be measured based on the difference between the carrying value of financial assets and estimated current value of cash flow in the future discounted at the rate of return applicable in a market for similar financial assets. Such loss impairment is non-recoverable in the next period.

Impairment of trade receivables

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In such cases, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are reevaluated and adjusted as additional information received affects the amounts of allowance for impairment of trade receivables.

Recognition of Revenues and Expenses

Effective January 1, 2011, the Group adopted PSAK No. 23 (the 2010 Revision), "Income". This revised PSAK identifies the criteria for the recognition of revenue and governs the accounting treatment of revenues generated from specific transactions and events. The application of the revised PSAK has no significant impact on the Group's consolidated financial statements.

Revenues are recognized if the Group is likely to enjoy the economic benefits of such revenue and if the amount of such revenue is properly measurable. Revenues are calculated at the fair value upon the receipt of payment. Revenues generated from sale of physical products are recognized when the significant risks and benefits of ownership have been transferred to the buyer. Expenses are recognized as incurred.

Income Tax

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax base of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realizations of such benefits are probable. The Group recognizes liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the end of reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Amendments to tax obligations are recorded when an assessment letter is received or, if appealed against by the Group, when the result of the appeal is determined.

SEGMENT INFORMATION

The Group classifies its business activities into three segments, which are based on the three types of products that the Group distributes and retails. These segments are Cellular Phones (which includes the distribution and retail of mobile phone communication products), Reload Vouchers (which includes the distribution and retail of SIM starter packs and reload vouchers) and Accessories and Others (which includes the distribution and retail of accessories and related products).

DESCRIPTION OF KEY INCOME STATEMENT LINE ITEMS

Net Sales

Net sales consists of sales revenue net of discounts and rebates. The Group distributes and retails mobile communication and operator products including mobile phones, reload vouchers, SIM starter packs, accessories and other products. The Group recognizes revenue from sales of merchandise when the goods are delivered to its customers, which include sales to third-party resellers through its distribution network as well as to end users through the Group's own shops. The Group's net sales (excluding TAM Group) were Rp3,415.2 billion, Rp5,028.7 billion and Rp4,638.5 billion (US$539.6 million) in 2008, 2009 and 2010, respectively. The Group's net sales (excluding TAM Group) were Rp2,273.4 billion and Rp2,035.7 billion (US$236.8 million) for the six months ended June 30, 2010 and 2011, respectively.

Cost of Goods Sold

Cost of goods sold represents primarily costs of inventory sold during the period, less rebates received from brand principals. The Group recognizes such expenses when incurred on an accrual basis.

The Group's costs of goods sold (excluding TAM Group) totaled Rp3,056.3 billion, Rp4,725.2 billion and Rp4,118.2 billion (US$479.0 million) in 2008, 2009 and 2010, respectively. The Group's costs of goods sold (excluding TAM Group) totaled Rp2,078.5 billion and Rp1,810.4 billion (US$210.6 million) for the six months ended June 30, 2010 and 2011, respectively.

Selling and Distribution Expenses

Selling and distribution expenses include advertising and promotion, rental and service charges for its retail stores and distribution centers, salaries for sales and marketing staff, distribution costs relating to transportation and logistics expenses, credit card expense, which includes merchant fees paid to credit card service providers and expense related to retail customer financing arrangements, sales commissions, which includes incentives to the Group's sales personnel and to dealers in connection with promotions, packaging, management fees, which were paid to TAM Group in 2009 for its services to one of the Group's subsidiaries and other expenses.

General and Administrative Expenses

General and administrative expenses include salary and employee benefits, inspection, donations, provision for impairment of trade receivables, telecommunication, water and electricity, depreciation, provision for obsolescence of inventories, professional fees, employee transportation, office supplies, printing and photocopy, repair and maintenance, tax expenses related to unsuccessful tax refund claims, licenses, rental expenses for the Group's offices, warehouse and office equipment and other expenses.

Other Operating Income

Other operating income includes gain on sale of fixed assets, net gains on foreign exchange—operating activities and rental income. Net Gains on foreign exchange—operating activities reflects the realized and unrealized gain of the conversion of monetary assets and liabilities denominated in foreign currencies from operating activities on each statement of financial position date.

Other Operating Expenses

Other operating expenses include loss on sale of fixed assets and net losses on foreign exchange—operating activities. Net Loss on foreign exchange—operating activities reflects the realized and unrealized loss of the conversion of monetary assets and liabilities denominated in foreign currencies from operating activities on each statement of financial position date.

Finance Income and Finance Costs

Finance income consists of interest income from time deposits. Finance costs consist of interest expense on borrowings and bank administration charges.

Share in Net Income of Associated Companies

Ownership in shares of stock where the Group has an interest of at least 20% but less than 50% where it did not have full control of the investment is accounted for using the equity method. The cost of investment is increased or decreased by the Group's share in the net income or losses of the associated company, since the date of acquisition less cash dividends received.

Income Tax Expense—Net

Income tax expense—net consists of current income tax expense less benefits from deferred income tax expense. Current tax expense is calculated based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realizations of such benefits are probable.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the statement of financial position date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Effect of Pro Forma Adjustments

The June 30, 2010 and the full year 2009 and 2008 consolidated financial statements have been restated to include the financial position and results of operations assuming the restructuring transaction occurred at the beginning of 2008. This line item on the consolidated financial statements for the six months ended June 30, 2010 and the years ended December 31, 2009 and 2008 represents the net income of the acquired subsidiary under common control, Erafone, which was acquired in December 2010.

Net Income

Net income reports the net income of the Group, adjusted to account for the effects of pro forma adjustments.

Basic Earnings Per Share

Basic earnings per share is computed by dividing the net income after and before adjustments related to the restructuring transaction of entities under common control by the weighted average number of shares outstanding during the year after considering the change in par value from Rp1,000 per share to Rp500 per share and the deposits for future stock subscription.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, certain income statement items as a percentage of net sales:

Income Statement Data	For the years ended December 31, 2008 (unaudited and as restated)	2009 (as restated)	2010 (as restated)	For the six months ended June 30, 2010 (unaudited)	2011
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	89.5%	94.0%	88.8%	91.4%	88.9%
Gross Profit	10.5%	6.0%	11.2%	8.6%	11.1%
Selling and distribution expenses	(0.7)%	(1.1)%	(2.2)%	(1.7)%	(2.0)%
General and administrative expenses	(0.5)%	(1.4)%	(2.5)%	(2.1)%	(3.6)%
Other operating income	0.1%	2.4%	0.1%	0.1%	0.0%
Other operating expenses	(5.3)%	0.0%	(0.3)%	(0.5)%	(0.2)%
Income from Operations	4.2%	5.9%	6.3%	4.4%	5.3%
Finance income	0.0%	0.0%	0.1%	0.1%	0.0%
Finance costs	(0.6)%	(0.2)%	(0.1)%	(0.1)%	(0.5)%
Share in net income (loss) from associated companies (net)	0.0%	0.0%	0.1%	0.0%	(0.2)%
Income before income tax	3.5%	5.8%	6.4%	4.4%	4.7%
Income tax expense—net	(1.1)%	(1.7)%	(1.6)%	(1.2)%	(1.4%)
Net income after effect of pro forma adjustment	2.5%	4.2%	4.8%	3.3%	3.3%
Effect of pro forma adjustments	(0.1)%	(0.1)%	0.0%	0.2%	0.0%
Net income	2.4%	4.1%	4.7%	3.5%	3.3%

Segment Results

The table below shows the breakdown of the Company's net sales and gross profit on a segment basis, as well as the inter-company amounts eliminated upon consolidation.

	For the years ended December 31, 2008 (audited and as restated)	2009 (as restated)	2010 (as restated)	For the six months ended June 30, 2010 (unaudited)	2011
			(Rp billions)		
Net Sales					
Cellular Phones	3,213.4	4,903.2	4,237.2	2,062.6	1,802.1
Reload Vouchers	666.0	583.9	683.6	337.1	393.0
Accessories and Other	10.0	35.2	6.7	6.0	3.8
Eliminations	(474.2)	(493.6)	(289.1)	(132.3)	(163.2)
Total	3,415.2	5,028.7	4,638.5	2,273.4	2,035.7
Gross Profit					
Cellular Phones	341.1	294.2	516.6	211.1	258.5
Reload Vouchers	13.1	18.3	7.1	8.6	10.1
Accessories and Other	4.7	6.1	(2.3)	(2.6)	(1.0)
Eliminations	—	(15.1)	(1.0)	(22.2)	(42.2)
Total	358.9	303.5	520.3	194.8	225.4
Gross Margin (before eliminations)					
Cellular Phones	12.5%	6.7%	13.1%	10.9%	15.8%
Reload Vouchers	2.0%	3.1%	1.0%	2.6%	2.6%
Accessories and Other	46.7%	17.3%	(34.6%)	(44.2%)	(27.3%)
Total	10.5%	6.3%	11.2%	9.5%	13.1%

SIX MONTHS ENDED JUNE 30, 2011 COMPARED TO SIX MONTHS ENDED JUNE 30, 2010

Net Sales

Net sales were Rp2,035.7 billion (US$236.8 million) in the six months ended June 30, 2011, a decrease of 10.5% compared to Rp2,273.4 billion in the six months ended June 30, 2010. This decrease was primarily due to a decline in net sales (before eliminations) in the Cellular Phones segment, to Rp1,802.1 billion in the six months ended June 30, 2011 compared to Rp2,062.6 billion in the six months ended June 30, 2010. This decline in the Cellular Phones segment was due to lower sales resulting from a loss in market share for the *Nokia* products that the Company distributes and retails, as these products experienced increased competition from brands such as *BlackBerry* and *Samsung*, and due to *Nokia's* implementation of zoning in the second half of 2010. This decline in net sales (before eliminations) from the Cellular Phones segment was partially offset by an increase in net sales (before eliminations) from the Reload Voucher segment to Rp393.0 billion in the six months ended June 30, 2011 compared to Rp337.1 billion in the six months ended June 30, 2010, primarily due to the addition of Telkomsel products to the Company's operator products range in late 2009, as well as increased sales of XL products. Net sales (before eliminations) in the Company's Accessories and Other segment decreased to Rp3.8 billion in the six months ended June 30, 2011 compared to Rp6.0 billion in the six months ended June 30, 2010, as the Company ceased acting as a conduit for brand principal spare parts for a customer, PT Mega Mulia Servindo ("MMS"), following the grant of direct spare part importation rights by the brand principal to MMS in 2010.

There was also a decrease in average selling price of the Company's *Nokia* products following a drop in demand for *Nokia* smartphones after *Nokia* announced, in February 2011, their planned change from their Symbian operating system to the Windows Mobile operating system, which is expected to occur in the second half of 2011. This led to an overall decrease in the average selling price for the Company's *Nokia* products of 5.5% in the six months ended June 30, 2011 compared to the prior period. The Company's sales volumes of *Nokia* products also declined in the period, due to the impact of decreased demand for *Nokia* products and the impact of the implementation of the *Nokia* zoning scheme, falling 27.0% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The decrease in sales volumes of *Nokia* phones was partially offset by increased sales of the Company's other brands in the period, which were added in April 2011 and June 2011, respectively, resulting in an overall decrease in sales volumes for the Company's mobile handsets to 2.1 million in the six months ended June 30, 2011, from 2.7 million in the prior period. The average selling price for all of the Company's mobile handset brands increased to Rp786,848 in the six months ended June 30, 2011, from Rp708,605 in the prior period.

Cost of Goods Sold

Cost of goods sold were Rp1,810.4 billion (US$210.6 million) for the six months ended June 30, 2011, a decrease of 12.9% compared to Rp2,078.5 billion for the six months ended June 30, 2010. This decrease was primarily due to lower sales volumes in the period, as well as lower average purchase price of goods sold as the Company's sales of *Nokia's* higher-priced smartphones declined in the period.

Gross Profit and Gross Margin

Gross profit was Rp225.4 billion (US$26.2 million) for the six months ended June 30, 2011, an increase of 15.7% compared to gross profit of Rp194.8 billion for the six months ended June 30, 2010. Gross margins were 11.1% in the six months ended June 30, 2011, compared to 8.6% in the six months ended June 30, 2010. These increases in gross profit and gross margin was primarily due to the positive impact from the *Nokia* zoning scheme that was implemented in September 2010, which has allowed the Company to achieve higher margins from sales of *Nokia* products in the regions where it has exclusive distribution rights. This is reflected in results of the Company's Cellular Phones segment, which experienced a 22.5% increase in gross profit (before eliminations), rising to Rp258.5 billion in the six months to June 30, 2011, compared to gross profit of Rp211.1 billion in the six months ended June 30, 2010. Gross profit (before eliminations) in the Company's Reload

Vouchers segment increased to Rp10.1 billion in the six months ended June 30, 2011, compared to Rp8.6 billion in the six months ended June 30, 2010, in line with increased net sales in this segment. The Company experienced a loss (before eliminations) in the Accessories and Other segment of Rp1.0 billion in the six months ended June 30, 2011 compared to a loss (before eliminations) of Rp2.6 billion in the six months ended June 30, 2010. The loss in the six months ended June 30, 2011 was primarily due to clearance sales conducted to reduce the Company's inventory and the loss in the six months ended June 30, 2010 was primarily due to clearance sales of spare parts to MMS.

Selling and Distribution Expenses, General and Administrative Expenses, Other Operating Income and Other Operating Expenses

Selling and distribution expenses were Rp40.6 billion (US$4.7 million) for the six months ended June 30, 2011, an increase of 4.3% compared to Rp38.9 billion for the six months ended June 30, 2010. This increase was primarily due to increased salary expenses for sales personnel, which rose to Rp7.9 billion in the period compared to Rp5.4 billion in the corresponding period in 2010, as a result of the Company's new hiring in its exclusive distribution regions under the *Nokia* zoning scheme that was implemented in September 2010. The overall increase in selling and distribution expenses was partially offset by a decrease in advertising and promotion expense in the period to Rp9.8 billion in the six months ended June 30, 2011 compared to Rp15.4 billion in the six months ended June 30, 2010, primarily due to the fact that the Company did not undertake any *Nokia* promotions during the initial transition period following *Nokia's* implementation of zoning.

General and administrative expenses were Rp73.6 billion (US$8.6 million) for the six months ended June 30, 2011, an increase of 56.8% compared to Rp46.9 billion for the six months ended June 30, 2010, primarily due to an increase in salaries and employee benefits to Rp39.4 billion for the six months ended June 30, 2011, compared to Rp25.2 billion for the six months ended June 30, 2010, as the Company increased its employee base in the period in connection with the expansion of the Company's business. The increase in general and administrative expenses was also driven by an increase in tax expense to Rp4.7 billion in the six months ended June 30, 2011, compared to Rp0.3 billion in the six months ended June 30, 2010, in connection with an unsuccessful tax refund claim from the prior period.

Other operating income was Rp0.9 billion for the six months ended June 30, 2011, compared to other income of Rp2.9 billion in the six months ended June 30, 2010, primarily due to a fall in income from promotions from Rp1.4 billion in the six months ended June 30, 2010 to no income from promotions in the six months ended June 30, 2011. Other operating expenses were Rp3.6 billion in the six months ended June 30, 2011, compared to other operating expenses of Rp11.1 billion in the six months ended June 30, 2010, primarily due to an expense in the six months ended June 30, 2010 of Rp8.2 billion in connection with penalties paid for late payments to suppliers, due to extended payment terms from suppliers at the request of the Company, as the Company sought to minimize the impact of the fluctuation in the U.S. dollar / Rupiah exchange rate.

Income from Operations

Income from operations was Rp108.5 billion (US$12.6 million) for the six months ended June 30, 2011, an increase of 7.7% compared to Rp100.7 billion for the six months ended June 30, 2010. This increase was primarily due to the increase in gross profit, partially offset by an increase in general and administrative expenses in the period.

Income before Income Tax

Income before income tax was Rp96.0 billion (US$11.2 million) for the six months ended June 30, 2011, compared to income before income tax of Rp100.9 billion for the six months ended June 30, 2010. This decrease was primarily due to the reasons discussed above.

Income Tax Expense -Net

Income tax expense—net was Rp28.2 billion (US$3.3 million) for the six months ended June 30, 2011, compared to income tax expense of Rp26.3 billion for the six months ended June 30, 2010. This increase was primarily due to a decrease of deferred income tax to Rp1.8 billion at June 30, 2011 from Rp3.9 billion at June 30, 2010.

Effect of Pro Forma Adjustments

Effect of pro forma adjustments was Rp4.8 billion in the six months ended June 30, 2010 compared to Rp0 for the six months ended June 30, 2011.

Net Income

As a result of the foregoing, net income was Rp67.8 billion (US$7.9 million) for the six months ended June 30, 2011, compared to Rp79.5 billion for the six months ended June 30, 2010.

2010 COMPARED TO 2009

Net Sales

Net sales were Rp4,638.5 billion (US$539.6 million) in 2010, a decrease of 7.8% compared to Rp5,028.7 billion in 2009. This decrease was primarily due lower sales, resulting from a loss in market share for the *Nokia* products that the Company distributes and retails, particularly in smartphones, as these products experienced increased competition from brands such as *BlackBerry*, as well as the impact of the implementation of *Nokia's* zoning scheme, as the establishment of direct relationships with the third-party resellers in the Company's new exclusive distribution regions took time. The average selling price of the Company's *Nokia* products decreased 11.6% in 2010 compared to 2009, while sales volumes of *Nokia* products increased 3.5% in 2010 compared to 2009. Due to the foregoing, the Company's Cellular Phone segment recorded a decrease in net sales (before eliminations) in 2010 to Rp4,237.2 billion from Rp4,903.2 billion in 2009. The Company's Reload Voucher segment recorded an increase in net sales (before eliminations) in 2010 to Rp683.6 billion from Rp583.9 billion in 2009, primarily due to increased market demand. The Company's Accessories and Other segment recorded a decrease in net sales (before eliminations) in 2010 to Rp6.7 billion from Rp35.2 billion in 2009, primarily due to a reduction in the volume of accessories imported by the Company in 2010, as part of the Company's change in strategy in 2010 in an attempt to improve gross margins in the segment. Sales volumes for the Company's mobile handsets increased to 5.5 million in 2010, from 5.3 million in 2009. The average selling price for all of the Company's mobile handset brands declined to Rp723,593 in 2010, from Rp826,508 in 2009.

Cost of Goods Sold

Cost of goods sold were Rp4,118.2 billion (US$497.0 million) in 2010, a decrease of 12.8% compared to Rp4,725.2 billion in 2009. This decrease was primarily due to declining sales volumes, as well as lower average purchase price of goods sold as the Company's sales of *Nokia's* higher-priced smartphones declined in the period.

Gross Profit and Gross Margin

Gross profit was Rp520.3 billion (US$60.5 million) in 2010, an increase of 71.4% compared to Rp303.5 billion in 2009. Gross margins were 11.2% in 2010, compared to 6.0% in 2009. This increase in gross profit and gross margin was primarily due to the lower price competition in the market compared to 2009, a year with a high level of price competition as a result of increased supply of *Nokia* products in the market and increased competition from lower-end private brand phones from China. Due to the foregoing, the Company's Cellular Phone segment recorded an increase in gross profit (before eliminations) in 2010 to Rp516.6 billion from Rp294.2 billion in 2009. The Company's Reload Voucher segment recorded a decrease in gross profit (before eliminations) in 2010 to Rp7.1 billion from Rp18.3 billion in 2009, primarily due to increased competition experienced in 2010, which led to lower margins. The Company's Accessories and Other segment recorded a decrease in gross profit (before eliminations) in 2010 to a loss of Rp2.3 billion from a gain of Rp6.1 billion in 2009, primarily due to lower selling prices to compete with black market accessories.

Selling and Distribution Expenses, General and Administrative Expenses, Other Operating Income and Other Operating Expenses

Selling and distribution expenses were Rp103.2 billion (US$12.0 million) in 2010, an increase of 86.1% compared to Rp55.5 billion in 2009. This increase was primarily due to an increase in advertising and promotion expenses to Rp52.3 billion (US$5.8 million) in 2010 from Rp9.2 billion in 2009 as a result of increased promotional activities as the Company worked to establish its presence in its exclusive distribution areas under the *Nokia* zoning scheme.

General and administrative expenses were Rp115.0 billion (US$13.4 million) in 2010, an increase of 64.1% compared to Rp70.1 billion in 2009. This increase was due primarily to a 73.0% increase in salaries and employee benefits to Rp61.6 billion (US$7.2 million) in 2010 from Rp35.6 billion in 2009 as a result of the hiring of additional employees in 2010, primarily as a result of the Company's efforts to establish its presence in its exclusive distribution areas under the *Nokia* zoning scheme, as well as a shift in the Company's compensation policy to provide for additional bonuses and adjust to increased compensation levels in the market. The Company also experienced increased severance payments in 2010 compared to 2009, as employee numbers were reduced in areas where the Company no longer distributes *Nokia* products.

Other operating income was Rp5.7 billion (US$0.7 million) in 2010, compared to other operating income of Rp120.9 billion in 2009. This was primarily due to a net gain on foreign exchange—operating activities of Rp117.7 billion in 2009, while a net loss on foreign exchange—operating activities was experienced in 2010. This was primarily as a result of the significant strengthening of the Rupiah in 2009, which led to a gain on foreign exchange in the year as the Company's U.S. dollar accounts payable decreased in Rupiah terms.

Other operating expenses were Rp14.2 billion (US$1.6 million) in 2010, compared to other operating expenses of Rp0.02 billion in 2009. This was primarily in connection with penalties paid for late payments to suppliers due to extended payment terms from suppliers at the request of the Company, as the Company sought to minimize the impact of the fluctuation in the U.S. dollar / Rupiah exchange rate. The Company also experienced a net loss in foreign exchange—operational activities amounting to Rp4.4 billion in 2010, as compared to a net gain in foreign exchange—operational activities in 2009. This was primarily as a result of the strengthening of the Rupiah in 2010, as the Company's U.S. dollar assets such as time deposits and cash at bank decreased in Rupiah terms.

Income From Operations

Operating income was Rp293.6 billion (US$34.2 million) in 2010, an decrease of 1.7% compared to Rp298.8 billion in 2009, due to the reasons discussed above.

Income before Income Tax

Income before income tax was Rp296.7 billion (US$34.5 million) in 2010, an increase of 1.5% compared to income before income tax of Rp292.4 billion in 2009, due to the reasons discussed above.

Income Tax Expense—Net

Income tax expense—net was Rp76.0 billion (US$8.8 million) in 2010, a decrease of 8.5% compared to Rp83.1 billion in 2009. This decrease was primarily due to a decrease in the statutory tax rate to 25% in 2010, compared to 28% in 2009. The Company's effective tax rates in 2010 and 2009 were in line with statutory rates.

Effect of Pro Forma Adjustments

Effect of pro forma adjustments was Rp2.1 billion (US$0.2 million) in 2010, compared to Rp4.2 billion for 2009.

Net Income

As a result of the foregoing, net income was Rp218.6 billion (US$25.4 million) in 2010, an increase of 6.6% compared to Rp205.1 billion in 2009.

2009 COMPARED TO 2008

Net Sales

Net sales were Rp5,028.7 billion in 2009, an increase of 47.2% compared to Rp3,415.2 billion in 2008. This increase was primarily due to an improvement in market conditions following global economic volatility in 2008, as well as the impact of a substantial increase in market demand for mobile phones. This increase in demand was driven by decreases in selling prices that resulted from increased supply from brand principals in Indonesia, as the impact of the global economic downturn that began in 2008 was not as pronounced in Indonesia relative to other mobile phone markets and these brand principals looked to Indonesia to replace demand lost in other markets. The decrease in selling prices was also driven by competition in the market from low price private brand phones from China.

The Company's net sales also benefitted from increased demand for the GSM mobile phones that the Company distributes and retails, which comprise a significant portion of the Company's product range. This increased demand occurred as a result of the growth of GSM coverage by network operators in 2009. This expansion of GSM coverage made the Company's product range more competitive to CDMA phones, which had historically benefitted from more expansive CDMA coverage in Indonesia relative to GSM coverage.

The average selling price of the Company's *Nokia* products decreased 6.1% compared to 2008, while sales volumes of *Nokia* products increased 82.1% in 2009 compared to 2008. Sales volumes for the Company's mobile handsets increased to 5.3 million in 2009, from 3.4 million in 2008. The average selling price for all of the Company's mobile handset brands increased to Rp826,508 in 2009, from Rp812,159 in 2008, due to a shift in sales mix from distribution to retail. Due to the foregoing, the Company's Cellular Phone segment recorded an increase in net sales (before eliminations) in 2009 to Rp4,903.2 billion from Rp3,213.4 billion in 2008. The Company's Reload Voucher segment recorded a decrease in net sales (before eliminations) in 2009 to Rp583.9 billion from Rp666.0 billion in 2008, primarily due to increased bundling of SIM starter packs and reload vouchers with mobile phones in 2008, which increased sales (before eliminations) in 2008. The Company's Accessories and Other segment recorded an increase in net sales in 2009 to Rp35.2 billion from Rp10.0 billion in 2008, primarily due to increased imports of accessories by the Company in 2009 in connection with the ramp-up of the Company's accessories business.

Cost of Goods Sold

Cost of goods sold were Rp4,725.2 billion in 2009, an increase of 54.6% compared to Rp3,056.3 billion in 2008. This increase was primarily due to increased sales volumes resulting from increased demand as a result of the factors discussed above.

Gross Profit and Gross Margin

Gross profit was Rp303.5 billion in 2009, a decrease of 15.4% compared to Rp358.9 billion in 2008. Gross margins were 6.0% in 2009, compared to 10.5% in 2008. This decrease in gross profit and gross margin was primarily due to the impact of extensive price competition that occurred in 2009 as a result of increased supply from the Company's brand principals. Due to the foregoing, the Company's Cellular Phone segment recorded a decrease in gross profit (before eliminations) in 2009 to Rp294.2 billion from Rp341.1 billion in 2008. The Company's Reload Voucher segment recorded an increase in gross profit (before eliminations) in 2009 to Rp18.3 billion from Rp13.1 billion in 2008, primarily due to lower gross margins in 2008 due to increased bundling, as bundling generally provides lower margins. The Company's Accessories and Other segment recorded an increase in gross profit in 2009 to Rp6.1 billion from Rp4.7 billion in 2008, primarily due to increased sales volumes in 2009.

Selling and Distribution Expenses, General and Administrative Expenses, Other Operating Income and Other Operating Expenses

Selling and distribution expenses were Rp55.5 billion in 2009, an increase of 149.0% compared to Rp22.3 billion in 2008. This increase was primarily due to increased compensation to sales staff, as a result of higher sales volumes in 2009 compared to 2008 resulting in increased commissions paid to staff, as well as the implementation of consumer financing arrangements with consumers, which increased the Company's credit card expenses in 2009 to Rp7.8 billion from Rp0.1 billion in 2008, as the Company began its partnership with third-party banks in 2009 to provide retail customers with financing through credit cards.

General and administrative expenses were Rp70.1 billion in 2009, an increase of 336.5% compared to Rp16.1 billion in 2008. This increase was due primarily to increases in salaries and employee benefit expense in connection with the expansion of Company's business and higher sales volumes, as well as new independent surveyor requirements relating to import tariff enforcement implemented by the Indonesian government in 2009, which led to inspection expenses of Rp9.4 billion in 2009, the first year the Company has incurred such expenses.

Other operating income was Rp120.9 billion in 2009, compared to other operating income of Rp2.8 billion in 2008. This was primarily due to a net gain on foreign exchange—operating activities of Rp117.7 billion in 2009, while a net loss on foreign exchange—operating activities was experienced in 2008. This was primarily as a result of the significant strengthening of the Rupiah in 2009, which led to a gain on foreign exchange in the year as the Company's U.S. dollar accounts payable decreased in Rupiah terms.

Other operating expenses were Rp0.01 billion in 2009, compared to other operating expenses of Rp181.5 billion in 2008. This decrease was primarily due to a net loss on foreign exchange—operating activities of Rp180.9 billion in 2008, while a net gain on foreign exchange—operating activities was experienced in 2009. This was primarily as a result of the significant weakening of the Rupiah in 2008, as the Company's U.S. dollar accounts payable increased in Rupiah terms.

Income From Operations

Operating income was Rp298.8 billion in 2009, an increase of 110.8% compared to Rp141.8 billion in 2008. This was primarily due to the factors discussed above.

Income before Income Tax

Income before income tax was Rp292.4 billion in 2009, an increase of 143.8% compared to income before income tax of Rp119.9 billion in 2008. This increase was primarily due to the factors discussed above.

Income Tax Expense—Net

Income tax expense was Rp83.1 billion in 2009, an increase of 131.5% compared to Rp35.9 billion in 2008. This increase was primarily due to increased income before income tax, partially offset by a reduction in the statutory tax rate to 28% in 2009, compared to a statutory tax rate of 30% in 2008. The Company's effective tax rates in 2009 and 2008 were in line with statutory rates.

Effect of Pro Forma Adjustments

Effect of pro forma adjustments was Rp4.2 billion in 2009, compared to Rp3.1 billion for 2008.

Net Income

As a result of the foregoing, net income was Rp205.1 billion in 2009, an increase of 153.3% compared to Rp81.0 billion in 2008.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains cash balances to fund the daily cash requirements of its business. Its funding requirements for its working capital, capital expenditures and other requirements have been met through cash generated from operations and short-term bank borrowings. As of June 30, 2011, the Company had Rp44.8 billion (US$5.2 million) of cash and cash equivalents and had loans and borrowings totaling Rp99.4 billion (US$11.6 million). As its liquidity and capital requirements are affected by many factors, some of which are beyond its control, its funding requirements may change. If the Company requires additional funds to support its working capital or capital requirements, it may seek to raise such additional funds through public or private financing or other sources.

The following table summarizes its cash flows for the periods indicated:

	For the years ended December 31,				For the six months ended June 30,		
	2008	2009	2010	2010	2010 (unaudited)	2011	2011
	(Rp billions)			(US$ millions)[1]	(Rp billions)		(US$ millions)[1]
Cash flow statements data:							
Net cash provided by (used in) operating activities	105.1	(484.6)	58.7	6.8	189.2	184.0	21.4
Net cash used in investing activities	(4.8)	(63.3)	(59.5)	(6.9)	(19.6)	(116.4)	(13.5)
Net cash provided by (used in) financing activities	(87.5)	482.3	25.0	2.9	(20.5)	(70.4)	(8.2)
Net increase (decrease) in cash and cash equivalents	12.8	(65.6)	24.1	2.8	149.1	(2.8)	(0.3)
Cash and cash equivalents (at end of period)[2]	20.4	(45.2)	(21.1)	(2.5)	103.9	(23.9)	(2.8)

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) Negative cash and cash equivalents balances as at June 30, 2011, December 31, 2010 and December 31, 2009 are due to outstanding balances as at these dates under the Company's BCA overdraft facility, discussed below under "—Description of the Company's Borrowings".

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2011 was Rp184.0 billion (US$21.4 million), compared to Rp189.2 billion for the six months ended June 30, 2010. This decrease was primarily attributable to an increase in tax expense in the six months ended June 30, 2011.

Net cash provided by operating activities for 2010 was Rp58.7 billion (US$6.8 million), compared to net cash used in operating activities for 2009 of Rp484.6 billion and net cash provided by operating activities of Rp105.1 billion for 2008. This fluctuation was primarily attributable to the impact in 2009 of the Company's implementation of its policy to reduce its accounts payable, which resulted in cash payments in 2009 to reduce third-party trade accounts payable, which decreased to Rp199.4 billion in 2009 from Rp1,261.0 billion in 2008.

Net Cash Used in Investing Activities

Net cash used in investing activities was Rp116.4 billion (US$13.5 million) for the six months ended June 30, 2011, compared to Rp19.6 billion for the six months ended June 30, 2010. This increase was primarily attributable to the purchase of fixed assets and an investment in a time deposit in connection with a subsidiary loan facility in the six months ended June 30, 2011.

Net cash used in investing activities for 2010 was Rp59.5 billion (US$6.9 million), compared to Rp63.3 billion for 2009 and Rp4.8 billion for 2008. These fluctuations were primarily due to an investment in a time deposit in 2009 of Rp37.7 billion as collateral for the Company's stand-by letter of credit used in connection with extension of credit to the Company by brand principals, as well as investment in the form of the purchase of Erafone for Rp23.8 billion in 2010.

Net Cash Provided by Financing Activities

Net cash used in financing activities was Rp70.4 billion (US$8.2 million) for the six months ended June 30, 2011, compared to Rp20.5 billion for the six months ended June 30, 2010. This increase was primarily attributable to the repayment of a short term loan by the Company in the six months ended June 30, 2011.

Net cash provided by financing activities for 2010 was Rp25.0 billion (US$2.9 million), compared to Rp482.3 billion for 2009 and net cash used in financing activities of Rp87.5 billion for 2008. This increase in 2009 was primarily as a result of an increase in deposits for future stock subscriptions of Rp498 billion in 2009 as part of the Company's recapitalization strategy.

INDEBTEDNESS

The following table sets forth information on the Company's outstanding indebtedness as of the dates indicated:

	As of December 31,				As of June 30,		
	2008	2009	2010	2010	2010 (unaudited)	2011	2011
	(Rp billions)			(US$ millions)[1]	(Rp billions)		(US$ millions)[1]
Short-term debt[2]	32.9	104.6	181.4	21.1	1.8	99.3	11.5
Long-term debt net of current maturities	0.7	0.7	0.1	0.0	0.1	0.1	0.0
Total borrowings	33.7	105.3	181.5	21.1	2.0	99.4	11.6

(1) Converted into U.S. dollars based on the exchange rate of Rp8,597 = US$1.00 on June 30, 2011 for the convenience of the reader.

(2) Short-term debt consists of short-term bank loans and current maturities of long-term debt.

Description of the Company's Borrowings

PT Bank Central Asia Tbk Loan

On December 14, 2009, Erajaya and Erafone, entered into a loan agreement with PT Bank Central Asia Tbk ("BCA"). The loan agreement was extended and amended on December 14, 2010 and again on March 11, 2011 and March 24, 2011. The agreement currently expires on December 14, 2011. The loan agreement provides Erajaya with an overdraft facility and a revolving loan facility, with maximum credit limits of Rp100 billion and Rp200 billion, respectively. The original loan agreement provided for a US$5 million foreign exchange facility that has since been terminated. The loan agreement also provides Erafone with an overdraft facility with a limit of Rp50 billion. As at June 30, 2011, the overdraft and revolving loan facilities bore interest at 10.0% per annum, with the rate of interest dependent upon BCA's funding costs. As at September 8, 2011, the interest rate on these facilities has not changed. In 2010, the loan facilities bore interest at rates ranging from 10.0% to 11.25% per annum and in 2009 the loan agreements bore interest at a rate of 11.25% per annum. Any borrowings under these facilities are secured by the accounts receivable and inventories of Erajaya and Erafone, with a minimum aggregate amount of Rp750 billion, certain fixed assets of Erajaya and Erafone and personal guarantees from Ardy Hady Wijaya (President Commissioner of Erajaya and Erafone), Budiarto Halim (President Director of Erajaya and Erafone) and Lareina Kusuma. The loan agreement requires that Erajaya and Erafone obtain written approval from BCA for certain transactions, including, among others, obtaining additional loans or pledging Erajaya and Erafone's assets, providing loans to third-parties or conducting transactions outside Erajaya and Erafone's normal course of business, investing in or establishing a new business, disposal of core assets of the business, changing Erajaya and Erafone's status, their Articles of Association or the composition of their Boards of Commissioners, Boards of Directors and shareholders and declaring and paying dividends. The BCA loan agreement also requires Erajaya and Erafone to maintain a current ratio (the ratio of current assets to current liabilities) greater than or equal to 100%, a ratio of income before income tax, depreciation and amortization to interest expense of at least two times and a ratio of accounts receivable—trade and inventories to outstanding loans of at least one and a half times. The Group has signed a letter of intent with BCA to extend the facility. The Group expects the new agreement to provide for facilities in an aggregate amount of Rp800 billion, plus a foreign exchange facility of US$6.7 million. The Group expects the new agreement to provide for security that is substantially similar to that in the existing agreement, with an interest rate of 9.75% per annum and a maturity date of December 14, 2012. The Group intends to enter into the new agreement on or about December 6, 2011.

PT Bank Artha Graha Internasional Tbk Loan

Erajaya's subsidiary, PT Era Sukses Abadi ("ESA") entered into a credit agreement with PT Bank Artha Graha Internasional Tbk ("BAG"), dated March 23, 2011, to be used as working capital. The credit agreement provides ESA with a revolving loan with a limit of Rp30 billion and bears interest at a rate of 10% per annum. The revolving loan expires on March 23, 2012. The credit agreement contains similar restrictions on the activities of ESA as those included in the Erajaya and Erafone's BCA loan agreement. This credit agreement is not secured with a specific security value.

Promissory Note Issued to Dexter Financial Equities Limited

Erajaya financed the purchase of TAM Group with cash consideration and through the issuance of a promissory note to Dexter, the vendor. US$850,000 of the US$85 million consideration was paid in the form of cash, with the balance paid through the issuance of a promissory note by Erajaya to Dexter. The promissory note bears no interest and is payable in full two months after the date that Offer Shares are listed on the IDX and no later than August 11, 2012, unless the parties agree to an alternate date. Pursuant to a supplemental letter, dated November 28, 2011, between Erajaya and Dexter, the promissory note was amended to provide for payment of the promissory note in Rupiah at the exchange rate prevailing on the date of payment or a rate of Rp8,750 = US$1.00, whichever is lower. Erajaya plans to use a portion of the proceeds from the Offering to satisfy this obligation. See "Use of Proceeds". As the obligation arose in August 2011, it is not reflected on the Company's consolidated statements of financial position as at June 30, 2011.

TAM Group's Borrowings

As at June 30, 2011, TAM had borrowings of Rp187.8 billion under a Revolving Loan Facility and a Current Account Facility with BAG, each of which was entered into on December 11, 2008. On October 10, 2011, the facilities were amended to remove negative covenant clauses that restricted TAM from changing, among others, its articles of association and management, and imposed restrictions on the distribution of dividends. The facilities require TAM to obtain written approval from BAG for any transfer or disposal of TAM assets except in the ordinary course of business. Borrowings under these facilities are secured by TAM's accounts receivable and inventories, certain fixed assets of the TAM, personal guarantees from certain individuals related to TAM and a corporate guarantee from TAM's immediate parent company, PT Nusa Gemilang Abadi.

Revolving Loan Facility

TAM's revolving loan facility has a limit of Rp275 billion and currently expires on December 9, 2011, following an extension on December 15, 2010. The borrowings under the facility bear interest of 13% per annum. The facility provides for penalty payments of an addition 5% per month for late interest payments and 60% per annum for any overdrawn amounts under the facility.

Current Account Loan Facility

TAM's current account loan facility has a limit of Rp20 billion and can be utilized provided that TAM has a credit balance within the account maintained by BAG and currently expires on December 9, 2011, following an extension on December 15, 2010. The borrowings under the facility bear interest at a rate of 13% per annum.

CAPITAL EXPENDITURES

The Company's capital expenditures consist primarily of fit-out costs for new stores, renovation of existing stores, site purchases, payments on prepaid leases, IT and other purposes. Historically, the Company has financed capital expenditures through a combination of internally sourced cash and borrowings. The table below sets out the Company's capital expenditures, which represents amount paid by the Company for acquisitions of fixed assets and advances for purchase of fixed assets, in 2008, 2009, 2010 and the six months ended June 30, 2011.

	For the years ended December 31,			For the six months ended June 30,
	2008	**2009**	**2010**	**2011**
		(Rp billions)		
Capital expenditure				
Total	2.7	25.6	35.5	54.3

The Company's capital expenditures in 2010 primarily relate to the purchase of land and buildings for its head office, retail outlets and distribution centers. The Company's capital expenditures in the first half of 2011 primarily relate to the purchases of land for the Company's planned West Jakarta central distribution facility and a Megastore site. The Company estimates capital expenditures of approximately Rp26.0 billion (US$3.0 million) for the second half of 2011, consisting of Rp4.2 billion for maintenance and Rp21.8 billion for investment. For 2012, the Company estimates capital expenditures of approximately Rp98.9 billion (US$11.5 million), consisting of Rp4.0 billion for maintenance and Rp94.9 billion for investment. The capital expenditure estimates for 2012 include capital expenditure of TAM Group. Capital expenditure in the second half of 2011 is budgeted for expenses related to opening the Company's first two Megastores and approximately 40 new retail stores, as well as the expansion of its distribution network. Capital expenditure for 2012 is budgeted for expenses related to the opening of additional Megastores, several new retail stores, distribution outlets (including the new central distribution facility in Jakarta) and other costs related to the expansion of the Company's business. These figures are budgeted figures only and are subject to revision by the Company.

CONTRACTUAL OBLIGATIONS

As of June 30, 2011, the Company had total contractual obligations in an amount of Rp19.2 billion, related to operating leases. The following table sets forth the maturity of its contractual obligations as of June 30, 2011:

	Rest of 2011	**2012**	**2013**	**2014**	**Thereafter**
			(Rp billions)		
Contractual Obligations					
Operating Leases	2.7	5.2	4.1	3.1	4.0

OFF-BALANCE SHEET ARRANGEMENTS

The Group does not have material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group's business exposes it to a variety of financial risks, including changes to foreign exchange rates, inflation and fluctuations in interest rates. The following discussion summarizes its exposure to foreign exchange rates and interest rate movements and its policies to address these risks. The following discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions about the Group. These statements are based upon current expectations and projections about future events. There are important factors that could cause the Group's actual results and performance to differ materially from such forward-looking statements, including those risks discussed under "Risk Factors".

Foreign Currency Exchange Risk

The Group's foreign currency exposure gives rise to market risk associated with exchange rate movements against the Rupiah, which is its functional and reporting currency. The Group records transactions involving foreign currencies at the rates of exchange prevailing at the transaction date. At a statement of financial position date, monetary assets and liabilities denominated in foreign currency are adjusted to Rupiah using Bank Indonesia's middle rate at the last banking transaction date of the year. The resulting foreign exchange gains or losses are credited or charged to the consolidated statements of income for the year. In the past, the Group has experienced significant gains and losses related to foreign currency fluctuations.

Interest Rate Risk

The interest payable on the Group's indebtedness fluctuates with the borrowing costs of its lender. Therefore, an increase in market interest rates would increase the Group's interest expense. The Group currently has relatively low levels of borrowings and, consequently, the impact from changes in market interest rates.

RECENT ACCOUNTING PRONOUNCEMENTS

New accounting standards have been published that are mandatory for accounting periods beginning on or after January 1, 2012. A description of these new standards is set out below.

PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates" prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

PSAK No. 24 (Revised 2010), "Employee Benefits" establishes the accounting and disclosure requirements for employee benefits.

PSAK No. 46 (Revised 2010), "Accounting for Income Taxes" prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statement of financial position and transactions and other events of the current period that are recognized in the financial statements.

PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation" establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

PSAK No. 60, "Financial Instruments: Disclosures" requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

ISAK No. 15, "PSAK No. 24 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No 24 (Revised 2010), "Employee Benefits".

ISAK No. 20, "Income Taxes—Changes in the Tax Status of an Entity or its Shareholders" prescribes how an entity should account for the current and deferred tax consequences of a change in tax status of entities or its shareholders.

The Group is currently evaluating the impact of such revised accounting standards and has not yet determined the impact, if any, that these revised standards will have on the consolidated financial statements.

THE TAM GROUP ACQUISITION

Overview

Erajaya acquired a controlling interest in TAM Group through a Sale and Purchase Agreement, dated August 11, 2011, between Erajaya and Dexter, a special purpose vehicle of the vendor, under which Erajaya purchased the Convertible Bond. TAM Group is a distributor in Indonesia of the brands *BlackBerry*, *Samsung*, *Sony Ericsson* and the owner of *Venera*. Until 2009, TAM's parent company, NGA, and Erajaya had a common indirect shareholder. In 2009, the indirect shareholder sold NGA to a third-party in order to become an exclusive *Nokia* distributor, following the provision of incentive payments from *Nokia* to its distributors that were exclusive to *Nokia*. Under the terms of the Sale and Purchase Agreement, Erajaya paid US$85 million as consideration for the Convertible Bond. US$850,000 of the US$85 million consideration was paid in the form of cash, with the balance paid through the issuance of a promissory note by Erajaya to Dexter. Under the terms of the Sale and Purchase Agreement, the promissory note is payable in full two months after the date that Offering Shares are listed on the IDX, but no later than one year following the date of the Sale and Purchase Agreement, unless the parties agree to an alternate date. Pursuant to a supplemental letter, dated November 28, 2011, between Erajaya and Dexter, the promissory note was amended to provide for payment of the promissory note in Rupiah at the exchange rate prevailing on the date of payment or a rate of Rp8,750 = US$1.00, whichever is lower. Erajaya plans to use a portion of the proceeds from the Offering to satisfy this obligation. See "Use of Proceeds". On August 12, 2011, Erajaya exercised its rights under the Convertible Bond and converted the bond into shares in West Swan equal to 99.9% of the outstanding share capital of West Swan.

Erajaya acquired TAM Group as part of its strategy to expand its distribution network and its brand portfolio. Erajaya's strategy for TAM Group following the acquisition involves a restructuring of TAM Group's sales strategy to reduce TAM Group's reliance on master dealers for distribution, as sales through master dealers generally have lower margins, an increase in TAM Group's working capital to allow it to take better advantage of its brand portfolio and restructuring TAM Group's debt to reduce its cost of financing. The information contained in this section provides information relating to the TAM Group on a stand-alone basis. Unless otherwise noted, descriptions of the "Group" in this offering memorandum include the businesses of the TAM Group.

Historical Financial Performance of TAM Group

Erajaya acquired its controlling interest in TAM Group through ownership of 99.9% of the outstanding share capital of West Swan, the parent company of NGA. Because West Swan is a holding company with minimal assets and liabilities that was created for the purpose of the acquisition, the financial information included in this section has been presented for NGA. The financial information included below has been derived from the historical consolidated financial statements of NGA included elsewhere in this offering memorandum and are qualified in its entirety by reference to those consolidated financial statements and the related notes thereto. A portion of NGA's net sales were sales to Erafone, a subsidiary of Erajaya, and these transactions have been eliminated in the preparation of the pro forma financial information contained in this offering memorandum. See "Unaudited Pro Forma Consolidated Financial Information". In the six months ended June 30, 2011 and the year ended December 31, 2010, sales to Erafone were 14.1% and 15.5% of NGA's net sales, respectively.

In the six months ended June 30, 2011, NGA had net sales of Rp1,239.2 billion. NGA had sales volumes of 1.1 million handsets in the six months ended June 30, 2011, with an average selling price of Rp1,032,323. The primary drivers of NGA's net sales performance in the period were a significant increase in sales of *BlackBerry* smartphones, which have a relatively high average selling price, as well as increased sales of *Venera* branded products, which is NGA's owned brand, partially offset by a decline in sales volumes of *Samsung* products as compared to the prior period. In the six months ended June 30, 2011, NGA's cost of goods sold was Rp1,130.2 billion, resulting in gross profit of Rp109.1 billion and a gross profit margin of 8.8% for the period. NGA's selling expenses for the period were Rp36.0 billion, the largest component of which was advertising and promotion expenses of Rp30.8 billion. These advertising and promotion expenses were primarily related to marketing support provided by NGA to its dealers, expenses related to *Venera's* brand ambassador and television advertising. NGA's general and administrative expenses for the six months ended June 30, 2011 were Rp22.4 billion, the largest component of which was salaries of Rp10.4 billion. In the six months ended June 30, 2011, NGA's finance costs were Rp13.9 billion, which were primarily comprised of interest payments made by NGA's subsidiary, TAM, on its borrowing facilities with BAG.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—TAM Group's Borrowings". In the six months ended June 30, 2011, NGA's net income was Rp29.0 billion.

In 2010, NGA had net sales of Rp1,745.1 billion. NGA had sales volumes of 1.9 million handsets in 2010, with an average selling price of Rp891,487. The primary drivers of NGA's net sales performance in 2010 were sales of *Samsung* and *Venera* branded phones, as well as the commencement of NGA's *BlackBerry* distribution arrangement. In 2010, NGA's cost of goods sold was Rp1,586.1 billion, resulting in gross profit of Rp159.0 billion and a gross profit margin of 9.1% for the year. NGA's selling expenses in 2010 were Rp36.9 billion, the largest component of which was advertising and promotion expenses of Rp24.8 billion. These advertising and promotion expenses were primarily related to expenses related to *Venera's* brand ambassador, television advertising and promotions related to the introduction of *BlackBerry* to NGA's brand portfolio. NGA's general and administrative expenses for 2010 were Rp50.4 billion, the largest component of which was salaries of Rp25.1 billion. In 2010, NGA's finance costs were Rp14.5 billion, which were primarily comprised of interest payments made by NGA's subsidiary, TAM, on its borrowing facilities with BAG. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—TAM Group's Borrowings". NGA's net income for 2010 was Rp58.1 billion.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—TAM Group's Borrowings" for details on TAM Group's indebtedness.

RECENT DEVELOPMENTS

The financial information contained below relating to the Group's consolidated statements of comprehensive income for the eight months ended August 31, 2011 and the two months ended August 31, 2011 include the financial performance of TAM Group since August 12, 2011, the date of the acquisition. The financial information below relating to the Group's consolidated statements of financial position as at August 31, 2011 reflects the full impact of the TAM Group acquisition.

The Group's net sales for the eight months ended August 31, 2011 were Rp3,024.8 billion. The Group's net sales for the two months ended August 31, 2011 were Rp989.1 billion. The main drivers of the Group's net sales for the two months ended August 31, 2011 were sales in connection with Ramadhan and improved sales performance from *BlackBerry*, *Nokia* and *Samsung* products.

The Group's gross profit for the eight months ended August 31, 2011 was Rp318.9 billion, providing a gross margin of 10.5% for the period. The Group's gross profit for the two months ended August 31, 2011 was Rp93.6 billion, proving a gross margin of 9.5%. A main driver of the Group's gross margin for the two months ended August 31, 2011 was a decrease in the selling price for *Nokia* products as part of *Nokia's* strategy to gain market share. Under *Nokia's* sell-through rebate program, the Group will receive future rebates equal to the price reductions on the products, but a time lag in the processing of the rebates led to lower gross margin for the two months ended August 31, 2011.

The Group's income from operations for the eight months ended August 31, 2011 was Rp134.1 billion. The Group's income from operations for the two months ended August 31, 2011 was Rp25.6 billion. The main drivers of the Group's income from operations for the two months ended August 31, 2011 were increased salary expenses as a result of mandatory bonuses paid in connection with Ramadhan, as well as an increase in advertising and promotional expenses in line with the holiday season and increased selling and distribution costs and survey and inspection costs due to higher transaction volumes.

The Group's net income for the eight months ended August 31, 2011 was Rp83.6 billion. The Group's net income for the two months ended August 31, 2011 was Rp15.9 billion, primarily driven by the factors discussed above.

As at August 31, 2011, the Group had cash and cash equivalents of Rp108.3 billion, short-term bank loans and current maturities of long-term debt of Rp366.9 billion, long-term debt—net of current maturities of Rp0.5 billion, accounts receivable of Rp754.7 billion, accounts payable of Rp979.6 billion and inventories—net of allowance for obsolescence and decline in value of inventories of Rp659.9 billion.

The Group's sales volumes (excluding TAM Group) for the eight months ended August 31, 2011 were 3.0 million handsets, with an average selling price of Rp762,278. The Group's sales volumes (excluding TAM Group) for the two months ended August 31, 2011 were 0.9 million handsets, with an average selling price of Rp704,215.

TAM Group's sales volumes for the eight months ended August 31, 2011 were 1.8 million handsets, with an average selling price of Rp1,050,855. TAM Group's sales volumes for the two months ended August 31, 2011 were 0.7 million handsets, with an average selling price of Rp1,083,029. TAM Group's sales have been consolidated with the Group's sales beginning on August 12, 2011, which has had a positive impact on the Group's average selling price.

INDUSTRY

This section, including all data (actual, estimated and forecast) relating to, among other things, demand and market share information, has been prepared by Frost & Sullivan. Neither the Group, the International Selling Agents, nor the Underwriters make any representation as to the accuracy of this information. This information has not been independently verified by the Group, the International Selling Agents or the Underwriters. Data included in this section with respect to a year denoted with the letter "E" means the data is forecasted by Frost & Sullivan based on its available sources and internal analyses. Forecasts, estimates, predictions and other forward-looking statements contained in this section and throughout the offering memorandum are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates or predictions. Prospective investors should not place undue reliance on such statements, or on the ability of Frost & Sullivan or any third party, to accurately predict future industry trends or performance.

Background

Indonesia is the third largest wireless market in Asia in terms of number of mobile subscribers, after China and India. As at December 31, 2010, Frost & Sullivan estimated that Indonesian mobile subscribers had 236.7 million SIMs, representing a SIM-based penetration rate of approximately 97.3%, compared to 162.9 million SIMs and a SIM-based penetration rate of 68.6% at the end of 2008. This represents a SIM compound annual growth rate (CAGR) of 20.6% from 2008 to 2010, which was one of the highest in Asia.

Indonesia Mobile Subscriber Growth, 2008-2015E

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Wireless SIMs	162,897	194,186	236,747	268,275	298,644	326,406	350,142	372,061	9.5%
Wireless SIM Penetration	68.6%	80.8%	97.3%	109.0%	119.9%	129.5%	137.2%	144.1%	—
Unique Subscribers	96,963	115,587	140,864	159,688	177,764	194,289	208,418	221,465	9.5%
Unique Subscriber Penetration	40.8%	48.1%	57.9%	64.9%	71.4%	77.1%	81.7%	86.8%	—

Source: Frost & Sullivan.

Asia Pacific Mobile SIM CAGRs, 2008-2010

Market	2008–2010 Mobile SIM CAGR
Cambodia	33.7%
India	29.4%
Indonesia	**20.6%**
Vietnam	20.5%
Sri Lanka	16.1%
Bangladesh	15.0%
Malaysia	8.4%
China	8.2%
Philippines	8.2%
Australia	6.4%
Hong Kong	5.5%
Taiwan	5.0%
Thailand	4.9%
Singapore	4.7%
Pakistan	4.7%
South Korea	3.6%
New Zealand	3.4%
Japan	3.0%

Source: Frost & Sullivan

Although Indonesia has a high SIM-based penetration rate, the unique subscriber penetration rate is relatively low at approximately 57.9% in 2010, as subscribers have on average, more than one SIM card each. By 2015E, Frost & Sullivan expects that the Indonesian market will increase to 221.5 million unique wireless subscribers, up from the 2010 level of 140.9 million unique wireless subscribers, representing a CAGR of 9.5%.

Indonesia has 11 GSM and CDMA wireless operators, larger than any other Asian market with the exception of India.

Indonesia wireless operators subscriber information, 2010

	2010 Mobile Subscribers (in thousands)	2010 Indonesia Market Share	2010 GSM Market Share	2010 CDMA Market Share
Telkomsel	94,027	39.7%	47.5%	N/A
Indosat	44,300	18.7%	22.4%	N/A
XL	40,641	17.2%	20.6%	N/A
Hutchison	10,091	4.3%	5.1%	N/A
NTS (Axis)	8,685	3.7%	4.4%	N/A
Flexi (PT Telkom)	18,161	7.7%	N/A	46.6%
BTEL (Esia)	13,027	5.5%	N/A	33.4%
Mobile-8	3,077	1.3%	N/A	7.9%
Smart	2,556	1.1%	N/A	6.6%
Sampoerna	1,632	0.7%	N/A	4.2%
StarOne (Indosat)	550	0.2%	N/A	1.4%

Source: Frost & Sullivan.

Although competition has resulted in significant tariff wars in the past, particularly during the 2007–2008 period, it has also led to service offering innovations by the wireless operators that have, for instance, made Indonesia the world's fastest-growing market for BlackBerry service and the world's first market to see the commercial launch of EVDO Rev. B 3G services and to introduce per character SMS pricing. The growth in the wireless subscriber market has in turn created a substantial industry for mobile devices (including both smartphone and non-smartphone) sales in the country.

Frost & Sullivan believes that the Indonesian wireless market therefore presents growth opportunities for the mobile device industry due to:

- Currently low unique subscriber penetration rate;
- Falling tariffs and price plans which encourage uptake of wireless services by new subscribers;
- Overwhelmingly prepaid market with a high rate of subscriber churn;
- Continued investment by operators in wireless networks to provide innovative service offerings;
- Government mandated infrastructure sharing which enlarges wireless service coverage in Tier 2 and rural cities; and
- Strong underlying macroeconomic fundamentals, including rising incomes and robust local consumption.

Overview of the Indonesia Mobile Device Industry

The growth in mobile subscriber uptake has led to a booming handset retail and distribution industry in the market. Frost and Sullivan expects the Indonesian market to sell approximately 41.4 million mobile devices in 2011E, growing to 60.4 million mobile devices in 2013E, at a CAGR of 20.3%, and is expected to maintain strong volume growth thereafter in line with the growing subscriber base and drivers outlined below.

Key trends and drivers of the rapidly growing Indonesia mobile device industry include:

- ***Growing mobile device retail industry driven by smartphone migration***

  Growth of the mobile device industry is represented mainly by the burgeoning smartphone industry, which market share is expected to grow from 13.3% of all mobile devices sold in 2010 to 36.6% of all mobile devices sold in the market by 2013E, driven by increasing smartphone adoption by Indonesian wireless subscribers. Demand for non-smartphones will decline due to a fall in demand for phones with limited features and an increasing consumer preference towards smartphones, though this decline is mitigated by the currently low mobile device ownership in the Indonesian market.

  Overall, the mobile device industry is expected to grow to US$5.2 billion by 2013E at a CAGR of 26.8% from US$2.6 billion in 2010, as shown in the table below. The greater revenue from sales of mobile devices is due to Indonesians' perception of the mobile device as a lifestyle item, the availability of cheap credit and payment plans, and the widespread use of pre paid plans (not tied to any mobile device) which encourages swifter replacement of mobile devices. Continued subscriber growth in Indonesia and a robust macroeconomic forecast suggest that strong subscriber growth will continue past our forecast period.

Indonesia Mobile Device Unit Sales & Revenue Growth, 2008-2013E

	2008	**2009**	**2010**	**2011E**	**2012E**	**2013E**	**CAGR 2010–2013**
Total smartphone sales (millions)	0.5	1.2	4.6	7.2	15.3	22.1	68.7%
Total non-smartphone sales (millions)	23.2	25.1	30.1	34.2	40.3	38.3	8.4%
Total mobile device sales (millions)	23.7	26.3	34.7	41.4	55.6	60.4	20.3%
Smartphone sales as a percentage of total sales	2.1%	4.6%	13.3%	17.4%	27.5%	36.6%	—
Total mobile device revenues (US$ million)	2,403	2,444	2,558	3,398	4,682	5,221	26.8%

Source: Frost & Sullivan.

- ***Declining average selling prices (ASPs) of mobile devices***

  The average selling price ("ASP") for a handset sold in Indonesia in 2010 was US$73.71, compared to an ASP of US$101.48 in 2008. The ASP for smartphones stood at US$213.22 in 2010, compared to an ASP for smartphones of US$293.12 in 2008. The falling ASP trends are expected to encourage first-time handset ownership by lower income Indonesians and faster handset replacement rate by current handset owners.

  However, the fall in ASP is expected to be partially offset by an increase in market share of higher priced smartphones. Going forward, Frost & Sullivan expects that the ASP in Indonesia will increase gradually over time as feature phone users upgrade to smartphones, driven by increasing consumer affluence in line with macroeconomic forecasts and demand for increased mobile device functionality.

Indonesia Average Handset Selling Prices, 2008-2011E

	2008	2009	2010	2011E
Average handset selling price (US$)	101.48	93.07	73.71	82.07
Smartphone average handset selling price (US$)	293.12	232.33	213.22	220.43
Non-smartphone average handset selling price (US$)	97.52	86.42	52.40	52.95

Source: Frost & Sullivan.

- ***Multi-device ownership due to the co-existence of dual mobile communication standards in Indonesia***

  The Indonesian mobile device market is also characterized by multi-device ownership, driven largely by the adoption of both GSM and CDMA standards in Indonesia.

  CDMA devices do not require removable SIM cards as GSM devices do, though certain CDMA network providers distribute removable SIM cards, and when CDMA operators in the market (such as Bakrie Telecom) unveiled low-cost plans, many consumers adopted CDMA devices in addition to GSM devices to call other phones on the same standard. This industry structure has led to the overall Indonesian mobile subscriber to own an average of 1.8 mobile devices each, leading to significantly higher handset sales as compared to other markets which only use the GSM standard. Although this phenomenon has been largely contained to the greater Jakarta area where the majority of CDMA access is located, Frost & Sullivan expects the standard to expand across the country as CDMA operators continue to deploy their networks.

  While CDMA has grown in Indonesia and now represents 21.2% of the market, Frost & Sullivan believes that the market will eventually gravitate towards GSM as brand principals' support for the former weakens. Frost & Sullivan believes that this decline will be compounded by the relatively weak financial position of CDMA operators in Indonesia compared to GSM operators and as many CDMA operators are considering consolidation, this would likely make them less aggressive going forward. This is expected to be a key factor driving lower handset replacements periods.

- ***Shortening of handset replacement periods***

  The Indonesian mobile device market is also witnessing a rapid shortening of the replacement period of mobile devices as the market continues to develop. The average Indonesian mobile device was replaced every 10 months in 2010, but this is falling rapidly as low cost models enter the market. Smartphone replacement periods are higher on average due to the high cost and durability of the devices, but are also falling due to more frequent releases of newer models with increased and improved functionalities by brand principals. Frost & Sullivan expects that the replacement rate will continue to fall further in the future.

Indonesia Average Replacement Periods, 2008-2011E

	2008	2009	2010	2011E
Total market replacement period (months)	12.4	11.8	10.0	7.6
Smartphone replacement period (months)	22.3	18.4	16.2	14.2
Non-Smartphone replacement period (months)	12.2	11.5	9.6	7.1

Source: Frost & Sullivan.

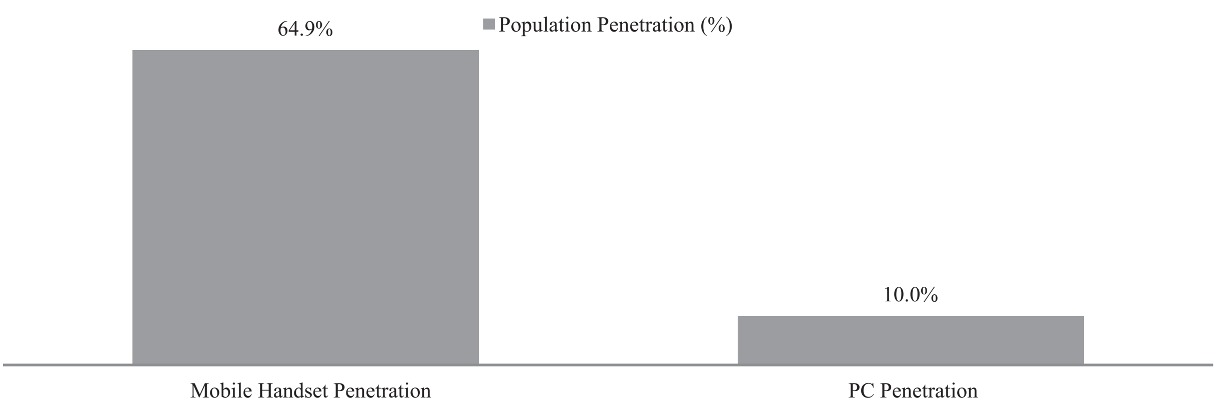
Smartphone Industry Drivers

There are several market characteristics specific to Indonesia which are driving the mobile device market, notably the rapid uptake of smartphones:

- ***Limited penetration of fixed line Internet***

In Indonesia, fixed line Internet is severely limited compared to mobile penetration and hence mobile devices are the medium through which most Indonesian consumers will access the Internet. As shown in the exhibit below, while PC penetration in the country is expected to reach only 10.0% at the end of 2011, mobile devices will reach 64.9% of the overall population. Given the fact that fixed-line services are almost a monopoly in the country, mobile services have provided a critical role to enable more Indonesians to access the Internet.

Indonesia Mobile vs. PC Penetration, 2011E

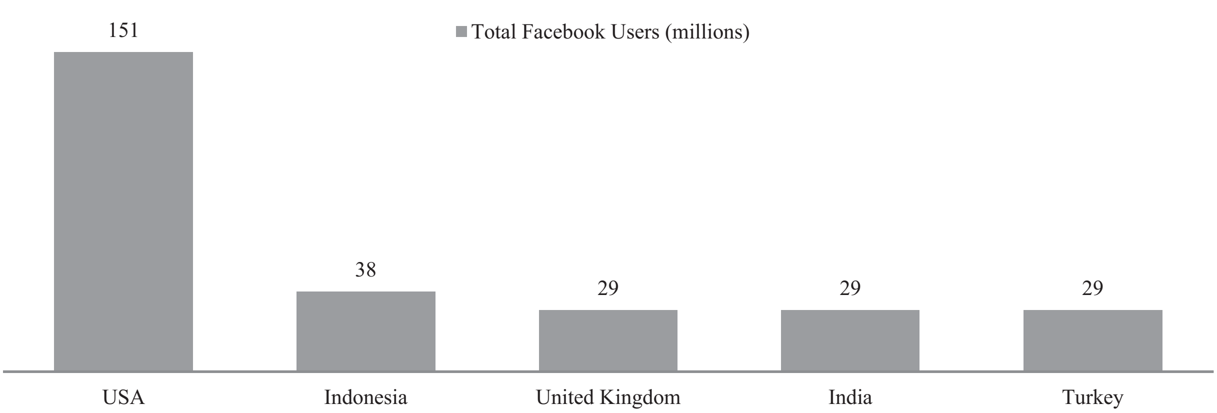


Source: Frost & Sullivan.

- ***Growing social networking demand driving mobile Internet usage***

Another key market trend that is driving demand for smart devices in Indonesia is the rapid growth of social networking site usage in the country. As seen in the exhibit below, Indonesia is the world's second-largest market for Facebook use in the world, second only to the United States. This comes despite a single-digit broadband penetration rate, and usage is transitioning to mobile devices as smartphones become more affordable and mobile broadband services become more available.

Top Five Facebook Markets by User, July 2011



Source: Frost & Sullivan.

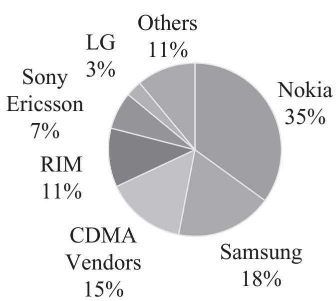
Competitive dynamics of the Indonesia mobile device market

Brand principals

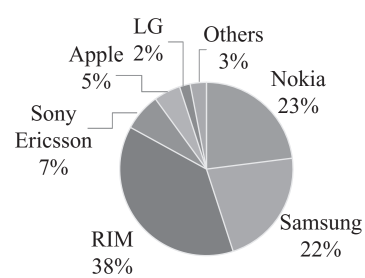
Indonesia's overall handset market is fragmented among several different brand principals. As shown in the chart below, Nokia is the market leader in the market with a 35% share of devices sold in the first half of 2011, although their share is falling at a rapid pace. Samsung has gained a significant market share in the first half of 2011, both on the low end and the high end with the launch of its Galaxy smartphone line. Research in Motion (RIM) continues to grow in the Indonesian market with 11% of sales in the first half of the year followed by Sony Ericsson and LG.

In terms of the smartphone market, RIM is the largest vendor with 38% of sales in the first half of 2011. Samsung has gained momentum in this space in the last six months and sold 22% of all devices, coming largely at the expense of Nokia which continues to lose market share. Apple is not as well established in the market yet as compared to other countries due in part to the lack of an established supply chain, but is starting to gain traction in Indonesia.

Indonesia Handset market share (by units), 1H 2011



Indonesia Smartphone market share (by units), 1H 2011



Source: Frost & Sullivan.

Note: Others include brand principals such as HTC, Dell, Huawei, ZTE and handsets produced locally.

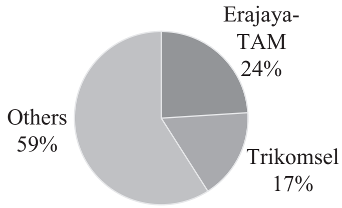
RIM has been particularly successful in the Indonesian market for several reasons. One notable reason is that mobile operators in the market have launched plans that allow consumers on prepaid services to pay for mobile Internet access on a daily basis. For instance, XL Axiata allows its BlackBerry users to use social networking sites and also mobile chat services for Rp2,000 per day, which is equivalent to US$0.23. Users who wish to add mobile Internet browsing and push email need to pay Rp5,000 per day for access which is equal to US$0.57. This pricing structure is critical for the Indonesian market as more than 98% of mobile subscribers are prepaid users and hence would not be eligible for a monthly mobile Internet plan.

Distributors and retailers

In terms of handset retailing & distribution industry, the market is fragmented but there are several prominent players in the industry. The largest companies in the retail space are PT Erajaya Swasembada Tbk (Erafone), PT Trikomsel Oke Tbk, and PT. Cipta Multi Usaha Perkasa (Global Teleshop). These companies have different mixes between their retail and distribution businesses. Erajaya, for example has a significant distribution arm, Global Teleshop is a retailer, whereas Trikomsel is mixed. In 1H 2011, it is reported that the management of Trikomsel had acquired a controlling stake in Global Teleshop.

In the distribution space Erajaya and Trikomsel are the largest companies as the former has recently merged with PT Teletama Artha Mandiri ("TAM") in 2011. In terms of overall handset market share Erajaya-TAM was the market leader in its combined retail and distributor business in 2010 with 24% of the market followed by Trikomsel standalone. With the acquisition of a controlling stake of Global Teleshop by the management of Trikomsel, Erajaya-TAM is still expected to be a leading player in the retail and distribution of handset retailing and distribution industry.

Indonesia Handset market share (by revenue), 2010



Source: Frost & Sullivan and company filings.

Note: Considers Trikomsel's revenue derived within Indonesia only.

Tablet PC Segment Overview

The tablet PC sector is also a rapidly growing device category in Indonesia. A tablet PC is a flat personal computer, between 7 and 12 inches in length, that utilizes an operating system and has wireless connectivity through 3G or Wi-Fi. As in other markets, tablet PC demand is strong in Indonesia as consumers adopt tablet PCs in order to consume content through wireless networks, which are increasingly preferred over traditional PCs. As shown in the table below, there has been strong demand for tablets in the Indonesian market, as Frost & Sullivan estimates that there were 0.6 million tablets sold in the market in 2010. Frost & Sullivan expects a 2010 to 2013E CAGR of 58.7%, at which point Frost & Sullivan estimates that 2.4 million tables will be sold in Indonesia.

Despite the relatively small unit sales as compared to the smartphone space, tablet PCs have a significantly higher average selling price than smartphones. The average selling price of a tablet PC in Indonesia in 2010 was US$542.88. Frost & Sullivan expects average selling price to decrease as new Android-based tablets enter the market and pricing of older models declines.

The Indonesian tablet PC industry previously had a sizeable parallel import market, but from 2011 onwards Frost & Sullivan estimates that the tablet PC sector in Indonesia is moving towards local distributors as there is no longer a significant arbitrage opportunity due to local product launches. Of the tablet PC brands available in Indonesia, the Apple iPad line and Samsung Galaxy Tab line are the most popular tablet PC brands. Samsung's Galaxy Tab line is the most popular device in the market and Frost & Sullivan estimates that it commands over 60% market share.

Indonesia Tablet PC Sales & Revenue Growth, 2010-2013E

	2010	2011E	2012E	2013E	CAGR 2010–2013
Total tablet PC sales (millions)	0.6	1.2	1.9	2.4	58.7%
Total tablet PC revenues (US$ million)	326	511	734	775	33.5%

Source: Frost & Sullivan.

Indonesia Macroeconomic Environment

Continued sustained growth of the Indonesian economy

With a population of over 237 million as of 2010, Indonesia is the fourth-most populous nation in the world, and its gross domestic product ("GDP") of US$377 billion is the largest in Southeast Asia and 18th overall at the global level. Indonesia's economy grew strongly in 2010, posting 6.1% real GDP growth. Frost & Sullivan expects Indonesia's GDP growth rate to remain robust, expanding at over 6.0% per year through 2015E. In

2011E, Frost & Sullivan expects Indonesia to experience the second highest growth rate among large Southeast Asian economies, following Vietnam. Consequently, Frost & Sullivan expects Indonesia's real GDP per capita to rise from US$1,553 in 2010 to an estimated US$2,018 in 2015E, resulting in increased purchasing power for Indonesian consumers.

The table below sets forth a comparison on Indonesia's key macroeconomic indicators with other Southeast Asian economies:

Comparison of Southeast Asian economies, 2008-2015E

Major Southeast Asian GDP Data, 2008-2015E	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Indonesia									
Real GDP (US$bn)	340	356	377	402	427	455	484	516	6.5%
Real GDP per capita (US$)	1,432	1,480	1,553	1,635	1,720	1,813	1,912	2,018	5.4%
Real GDP growth (%)	6.0%	4.6%	6.1%	6.5%	6.3%	6.5%	6.5%	6.6%	—
Thailand									
Real GDP (US$bn)	200	195	210	218	227	238	250	262	4.5%
Real GDP per capita (US$)	3,008	2,909	3,108	3,198	3,302	3,433	3,567	3,720	3.7%
Real GDP growth (%)	2.5%	-2.3%	7.8%	3.8%	4.2%	4.7%	4.9%	5.0%	—
Malaysia									
Real GDP (US$bn)	163	160	172	180	187	198	209	222	5.2%
Real GDP per capita (US$)	5,917	5,745	6,082	6,274	6,465	6,734	7,029	7,357	3.9%
Real GDP growth (%)	4.8%	-1.6%	7.2%	4.5%	4.4%	5.5%	5.7%	6.0%	—
Philippines									
Real GDP (US$bn)	121	122	131	138	144	152	160	169	5.2%
Real GDP per capita (US$)	1,255	1,245	1,314	1,351	1,391	1,438	1,489	1,545	3.3%
Real GDP growth (%)	4.6%	1.1%	7.6%	4.7%	5.0%	5.3%	5.5%	5.5%	—
Vietnam									
Real GDP (US$bn)	66	70	74	79	84	90	96	103	6.7%
Real GDP per capita (US$)	768	800	847	889	939	992	1,052	1,115	5.6%
Real GDP growth (%)	6.3%	5.3%	6.8%	6.0%	6.7%	6.7%	7.0%	7.0%	—

Source: Economist Intelligence Unit.

Looking at Indonesia as a whole, the country has 33 total provinces and the economic situation is starkly different from the situation from the greater Jakarta area. The GRP in Jakarta DKI of US$9,909 is significantly higher compared to the major subregions of Sumatra (US$2,655), Java (US$2,483), Bali (US$1,893), Kalimantan (US$3,866) and Sulawesi (US$1,517). Historic GRP (Gross Regional Product) growth has also been higher on average in these other regions (except Kalimantan which is heavily linked to commodity prices). Therefore while the boom in mobile device sales has been largely contained to West Java, Frost & Sullivan believes that the next wave of growth in the market will occur in these other areas.

Within these other provinces, there are other cities emerging as important hubs of regional activity. Outside of Jakarta Indonesia has ten cities with a population of over one million people, which are home to significant economic activity.

Indonesia Tier-2 Cities by Population, 2010

City	2010 Population
Surabaya	2.8 million
Bandung	2.4 million
Medan	2.1 million
Bekasi	2.0 million
Serang	1.8 million
Depok	1.8 million
Tangerang	1.5 million
Palembang	1.4 million
Makassar	1.3 million
Semarang	1.3 million

Source: Frost & Sullivan.

Furthermore, Indonesia's GDP is heavily weighted towards private consumption which in Q2 2011 comprised 44.1% of GDP. Indonesia also maintains a trade surplus, and government income exceeds government spending which has kept the country relatively insulated from global economic crises over the past few years.

Indonesia GDP Composition Q2 2011

Structure of Demand (% of GDP)	Q2 2011
Consumption Expenditure of Households	44.1
Consumption Expenditure of Government	6.7
Change of Stocks	0.1
Gross Fixed Capital Formation	22.8
Exports of Goods and Services	22.2
Imports of Goods and Services	20.6

Source: Bank Indonesia.

Population growth and favorable demographics

With over 237 million inhabitants as of 2010, Indonesia is the fourth-most populous nation in the world, and the population is expected to continue to expand rapidly over the next five years as Frost & Sullivan expects the country to add nearly 15 million inhabitants by 2015E. The country is quite young as at the nationwide level nearly 37% of the country was aged 24 years old or younger in 2010.

Within Indonesia, the Greater Jakarta Region known as "Jabodetabek", comprising Jakarta, Bogor, Depok, Tangerang and Bekasi, has a population of over 28 million people and its differing demographics are typical of urban areas in the country.

As shown in the table below, Indonesians under the age of 14 made up 16.7% of the Greater Jakarta Region's population, compared to 19.3% of the country's population in 2010, as a result of higher birthrates in rural areas outside the Greater Jakarta Region.

Indonesia & Greater Jakarta Population Region Demographics, 2010

Age Group	Indonesia Distribution	Total Population	Greater Jakarta Distribution	Total Population
0 to 14	19.3%	45,919,230	16.7%	4,684,101
15 to 24	17.2%	40,749,503	19.0%	5,324,523
25 to 34	17.3%	41,122,287	22.2%	6,229,923
35 to 49	20.6%	49,051,922	21.8%	6,114,818
> 50	25.6%	60,798,384	20.2%	5,666,180
Total	100.0%	237,641,326	100.0%	28,019,545

Source: Frost & Sullivan.

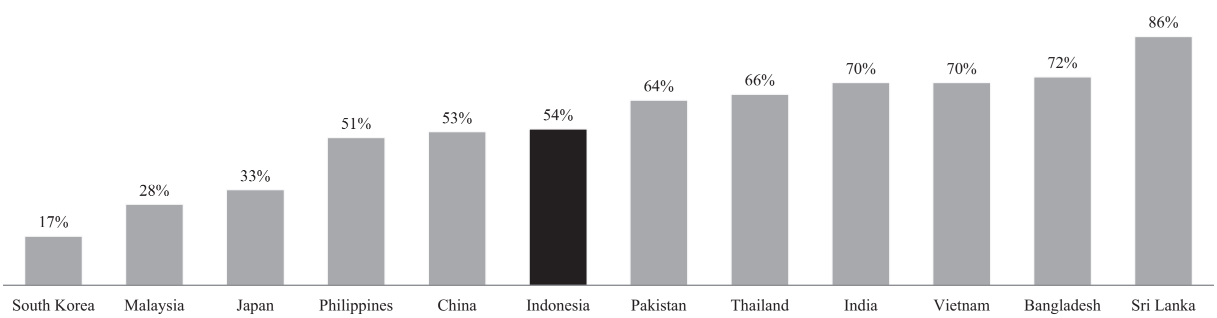
The most important gaps, however, are in the student (ages 15 to 24) and young professional (ages 25 to 34) groups. In 2010, the Greater Jakarta Region comprised 19.0% of student-age residents compared to 17.2% on a nationwide level and 22.2% of young professionals compared to 17.3% on a nationwide level. Students and young professionals, typically heavy users of mobile services, comprise 11.6 million people.

Indonesia's youthful population has driven demand for mobile phones in the country as the highest mobile phone ownership age bracket is in the 15 – 24 year range. Going forward, demand will be increased as the under-14-year-old age segment matures to become mobile phone adopters. Furthermore, student and young professionals are heavy consumers of goods and services perceived as 'lifestyle' items, such as mobile devices, hence are more inclined to purchase smartphones and utilize value added features such as SMS and mobile social networking using 3G technology.

Rapid urbanization

As seen in the table below, Indonesia still has a high percentage of its population living in rural areas. In 2010, nearly 55% of the total population resided in rural areas, although this percentage is expected to fall over the coming years. The resulting shift in consumers to urban areas is expected to increase consumer income and ultimately increase consumer spending rates which will trickle down into consumer spending on mobile devices. Furthermore, as the growth in mobile phones has been concentrated in the more affluent greater Jakarta area, Frost & Sullivan expects this trend to expand to Tier Two cities in the country such as Surabaya and Medan, away from West Java.

Rural Population as a Percentage of Total in Asia Pacific Markets, 2010

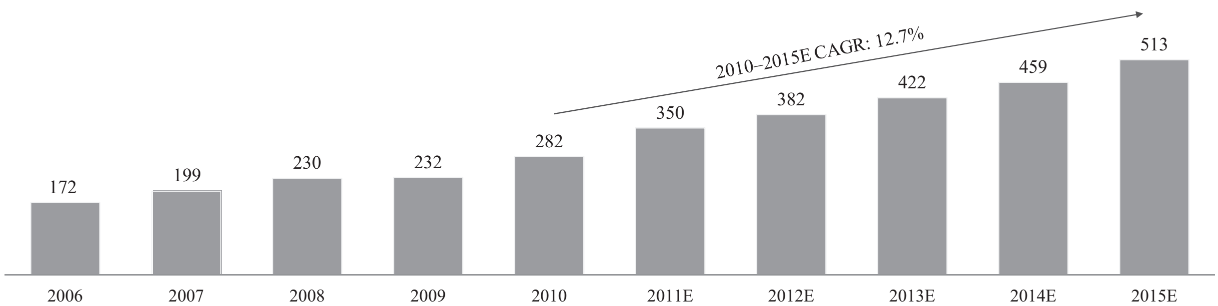


Source: Frost & Sullivan

Indonesian retail market

The growth predicted in the Indonesian economy has also had a large impact on the country's retail sales market. In 2010 the total value of Indonesia's retail market was US$282 billion, growing by 21.6% from 2009. As seen in the chart below, Frost & Sullivan expects the market to grow considerably given rising income in the market and the movement towards large retailers entering the market.

Indonesia Retail Market Sale (US$billion), 2008-2015E



Source: Frost & Sullivan.

This increase in retail spending is driven by increasing consumer spending on consumer electronics. In 2009, Indonesians spent US$7.3 billion on consumer electronics which Frost & Sullivan believes will increase due to increasing consumer income and low unemployment on the demand side, in addition to the number of large retailers entering the market on the supply side.

Mobile phones sales comprise a significant portion of the Indonesian market and are growing at a faster rate. Frost & Sullivan believes that mobile handset sales constitute the largest segment of the consumer electronics market comprising nearly 47% of the market in 2010. Frost & Sullivan expects this proportion to increase over time due to the rapidly expanding mobile subscriber base and increased average selling price of phones as smartphones are increasingly adopted in the country.

Indonesia Telecommunications Industry

Although Indonesia's wireless service penetration rate appears high due to its SIM-based penetration rate, it remains one of the least-penetrated markets in the Asia-Pacific region. In 2010, only three of the major wireless markets had a lower SIM penetration rate, namely China, India and the Philippines.

In 2010, the wireless SIM-based penetration rate was 97.3% and the average Indonesian subscriber held 1.68 SIM cards, resulting in an implied unique subscriber penetration rate of only 57.9%. This multiple-SIM card characteristic and intense competition have resulted in one of the highest wireless subscriber churn rates in the Asia-Pacific region, which is currently 12.0% to 15.0% per month, depending on the operator.

Asia Pacific Wireless Service Penetration Rate Comparison, 2010

Geographic Area	2010 Wireless SIM Penetration Rate	2010 Wireless User Penetration Rate
Hong Kong	159.5%	96.1%
Singapore	143.3%	95.5%
Taiwan	128.4%	99.5%
Vietnam	128.0%	63.4%
Australia	125.0%	99.2%
New Zealand	122.3%	96.1%
Malaysia	119.9%	85.8%
Thailand	107.9%	78.2%
South Korea	104.0%	99.0%
Japan	98.5%	93.7%
Indonesia	**97.3%**	**57.9%**
Philippines	89.9%	69.9%
China	64.6%	56.1%
India	61.7%	46.4%

Source: Frost & Sullivan.

Key trends and drivers of the Indonesia wireless industry include:

- ***Wireless voice and broadband services growing strongly on the back of stagnating wireline voice and broadband services***

  Frost & Sullivan expects the Indonesian wireless market to continue to witness revenue growth as organic subscriber growth continues and wireless broadband adoption increases. Frost & Sullivan estimates that in 2010, the Indonesian wireless market generated US$10.0 billion in revenue and Frost & Sullivan expects this to grow to US$14.8 billion by 2015E, representing a CAGR of 8.1%.

  Data services, comprising SMS, mobile value-added services such as ringtones and wireless Internet access, are expected by Frost & Sullivan to grow at a CAGR of 16.9%, from US$3.4 billion in 2010, to US$7.3 billion in 2015, representing 33.4% and 49.4% of total wireless service revenues in 2010 and 2015, respectively. Frost & Sullivan expects the market for wireless voice services to grow at a CAGR of 2.3%, from US$6.7 billion in 2010 to US$7.5 billion in 2015.

Indonesia Mobile Revenue Growth, 2008-2015E

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Wireless Service Revenues (US$ million)	7,439	8,087	10,036	11,161	12,041	12,992	13,960	14,819	8.1%
Wireless Voice Revenues (US$ million)	5,337	5,601	6,686	7,159	7,403	7,571	7,620	7,499	2.3%
Wireless Data Revenues (US$ million)	2,102	2,486	3,350	4,003	4,638	5,421	6,340	7,320	16.9%
Wireless Data Revenues as a percentage of Total Wireless Revenues	28.3%	30.7%	33.4%	35.9%	38.5%	41.7%	45.4%	49.4%	—

Source: Frost & Sullivan.

Indonesia, the world's largest archipelago with over 17,000 islands, ranks low among all major markets in the Asia-Pacific region in terms of wireline telephony uptake. As of December 31, 2010, Indonesia's wireline telephony penetration rate was only 5.1%, with only India having a lower rate. Fixed telephony has not been widely adopted in the market because PT Telkom holds a near monopoly in the market and has not aggressively rolled out wireline services beyond secondary and tertiary cities. Frost & Sullivan expects wireline telephony service to remain low in Indonesia because mobile services can more economically and conveniently accommodate consumers' voice communication needs.

Indonesia also has one of the lowest wireline broadband penetration rates in the Asia-Pacific region, with a population penetration rate of only 1.9% as of December 31, 2010. This is largely due to the more favorable economics of mobile broadband solutions. Frost & Sullivan expects this low penetration rate to translate into significant wireless broadband growth in the future, especially in the consumer segment.

In 2010 the country had 8.6 million narrowband lines and 764,000 fixed broadband lines in service. Due to competition from mobile services, Frost & Sullivan expects that the number of fixed lines in the market will decline to 7.7 million lines in service by 2015E, representing a CAGR of -2.4% from 2010 to 2015E. Wireline broadband services are expected to grow healthily at a CAGR of 37.7% from 2010 to 2015E, but at that point Frost & Sullivan expects less than 3.8 million lines in service, meaning that mobile broadband use is expected to be the main medium through which Indonesian consumers access the Internet.

Indonesia Fixed Market Growth, 2008–2015E

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Total Narrowband Lines ('000s)	8,709	8,685	8,630	8,377	8,303	8,137	7,893	7,656	-2.4%
Total Broadband Lines ('000s)	149	320	764	1,315	1,856	2,386	2,991	3,786	37.7%
Business Broadband Penetration	0.2%	0.3%	0.6%	0.9%	1.1%	1.4%	2.0%	3.0%	—
Residential Broadband Penetration	0.2%	0.4%	1.0%	1.7%	2.3%	3.0%	3.5%	4.0%	—
Population Broadband Penetration	0.1%	0.1%	0.3%	0.5%	0.8%	1.0%	1.2%	1.5%	—

Source: Frost & Sullivan.

- ***Predominantly 'prepaid' nature of the Indonesian wireless telecommunications market***

  Indonesia's wireless market is overwhelmingly comprised of prepaid subscribers, who constituted 98.1% of all subscribers in the country at the end of 2010. Going forward, Frost & Sullivan expects this ratio to increase slightly as more market additions come from rural and low income segments of the population and predicts that Indonesia will have more than 372 million prepaid subscribers by 2015E, representing 98.6% of the total subscriber base. The predominantly prepaid nature of the Indonesian wireless market implies that subscribers are not tied to any specific mobile device (as in the case of postpaid plans), hence have greater mobile operator churns and shorter mobile device replacement periods.

Indonesia Mobile Subscriber Growth, 2008-2015E

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Total Wireless Subscribers (‘000s)	162,897	194,186	236,747	268,275	298,644	326,406	350,142	372,061	9.5%
Total Prepaid Subscribers (‘000s)	159,015	188,992	232,188	263,790	294,061	321,639	345,290	366,956	9.6%
Percentage of prepaid subscribers	97.6%	97.3%	98.1%	98.3%	98.5%	98.5%	98.6%	98.6%	—
Total Postpaid Subscribers	3,882	5,194	4,559	4,485	4,583	4,767	4,852	5,105	2.3%
Percentage of postpaid subscribers	2.4%	2.7%	1.9%	1.7%	1.5%	1.5%	1.4%	1.4%	—

Source: Frost & Sullivan.

- ***Declining voice tariffs and lower priced entry price plans increase affordability of wireless services***

  As Indonesia’s wireless market continues to expand, the average revenue per user, or ARPU, of mobile subscribers will likely decrease as a result of mobile operators’ expansion into low income segments through the offering of lower priced entry price plans. Price competition amongst the mobile operators will also continue to force voice tariffs down. Falling voice tariffs is further encouraged by government-mandated tower infrastructure sharing amongst mobile operators, which lowers costs and increases service coverage, hence generating new mobile device demand.

  Frost & Sullivan estimates that the aggregate ARPU of Indonesian consumers will decrease from US$3.88 in 2010 to US$3.42 in 2015E, representing a CAGR of -2.5%. Frost & Sullivan expects a drop in the prepaid ARPU from US$3.54 in 2010 to US$3.19 in 2015E. The average postpaid ARPU, however, is expected to increase from US$22.16 in 2010 to US$23.01 in 2015E due to increased demand for 3G services.

Indonesia Mobile ARPU Growth, 2008-2015E

ARPU (US$)	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Aggregate ARPU	4.65	3.77	3.88	3.68	3.54	3.46	3.44	3.42	-2.5%
Postpaid ARPU	19.25	18.45	22.16	22.56	22.71	22.76	22.74	23.01	0.8%
Prepaid ARPU	4.26	3.44	3.54	3.38	3.28	3.22	3.21	3.19	-2.1%

Source: Frost & Sullivan.

As Indonesia’s wireless market expands, minutes-of-use (MOUs) are expected to increase as voice tariffs decline and economic growth leads to more consumer spending power. Frost & Sullivan expects that the aggregate MOU will increase from 170 minutes in 2010 to 200 minutes in 2015, representing a CAGR of 3.3%. Going forward the increasing MOU will be a major factor in operator capital expenditure spending, requiring both more base stations and more network capacity.

Indonesia Mobile MOU Growth, 2008-2015E

Average Minutes of Usage per month (MOU) per subscriber	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2010-2015 CAGR
Aggregate MOU	133	156	170	182	191	194	198	200	3.3%
Prepaid MOU	131	155	169	181	190	193	197	199	3.3%
Postpaid MOU	198	215	230	249	264	268	271	271	3.3%

Source: Frost & Sullivan.

- ***Expansion in 3G services***

  As of December 31, 2010, the Indonesian market had a wireless broadband penetration rate of approximately 12.2%, above its Asian emerging market peers including the Philippines, Thailand and Vietnam. This is a result of 3G services being introduced in Indonesia in 2006, which was relatively early compared to other Asian emerging markets. Competitive pricing plans for 3G services, which are a result of a tariff war and, more recently, creative smartphone promotions, have also contributed to this relatively higher penetration rate. Furthermore, Indonesia is the second-largest market in the world for Facebook, and the use of social networking services on mobile phones is a major growth driver for 3G service use. Going forward, Frost & Sullivan expects strong demand for wireless broadband in Indonesia due to low wireline uptake, the falling cost of 3G handsets and dongles, falling tariffs and increasing coverage.

Asia Pacific Wireless Broadband Penetration Rate Comparison, 2010

Geographic Area	2010 Wireless Broadband Penetration Rate
Japan	92.5%
South Korea	82.5%
Singapore	63.3%
Australia	60.0%
Taiwan	57.8%
Hong Kong	42.8%
New Zealand	42.1%
Malaysia	32.8%
Indonesia	**12.2%**
Vietnam	8.3%
Philippines	8.1%
China	5.4%
Thailand	1.0%
India	0.6%

Source: Frost & Sullivan.

BUSINESS

Overview

The Group is one of the leading distributors and retailers of mobile communication products and services in Indonesia, acting as an authorized distributor or retailer for various brands including *Acer, BlackBerry, Dell, Huawei, LG, Nokia, Samsung and Sony Ericsson*, as well as an authorized distributor of reload vouchers, SIM starter packs and other products for all major Indonesian mobile network operators. The Group is also the owner of the *Venera* brand for handsets. According to industry data from Frost & Sullivan, the Group had an estimated Indonesian market share for mobile handset distribution and retail of 24% in 2010.

With an extensive distribution network, the Group offers an established national platform for brand principals and mobile network operators to distribute their mobile communication products and operator products in Indonesia. As of June 30, 2011, the Group operated 70 distribution centers across Indonesia, providing it with efficient points of access and delivery to its large third-party reseller base of over 16,000 outlets and service points.

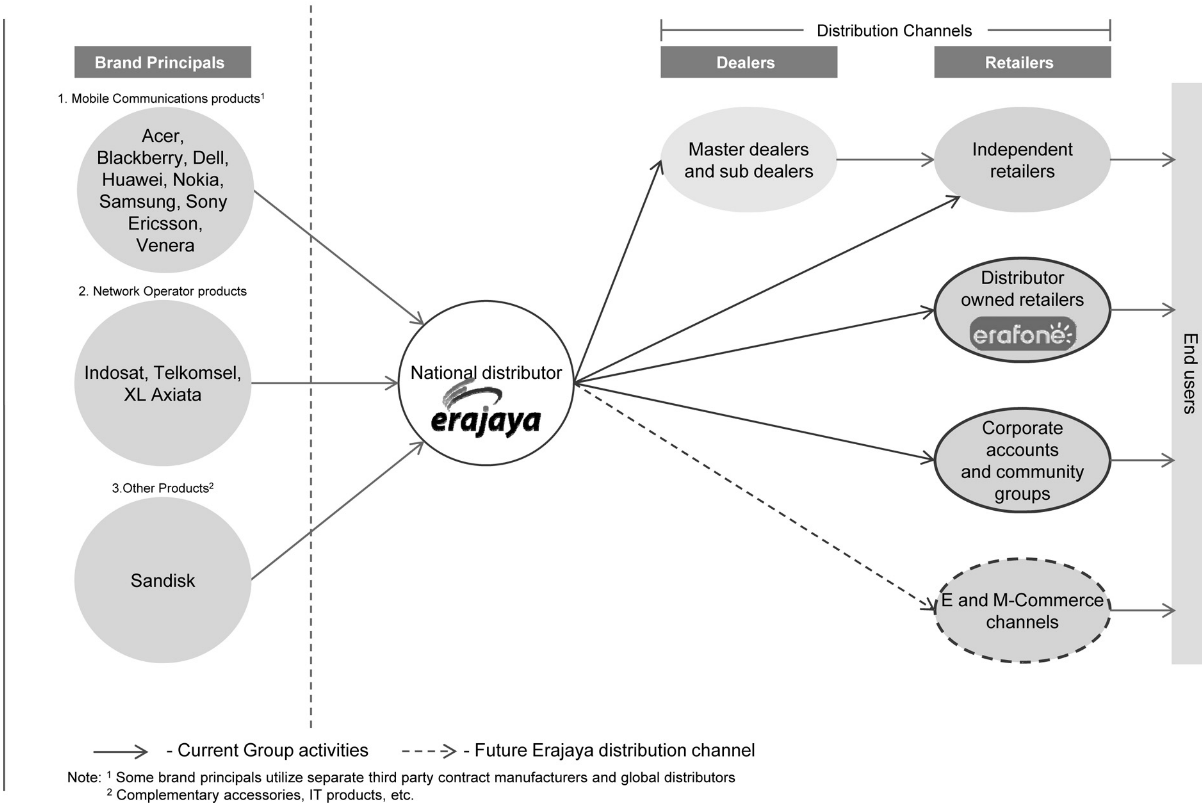
The Group is also one of Indonesia's largest retailers of mobile communication products, with 236 retail stores in 27 cities throughout Indonesia as of June 30, 2011. Through its network of retail stores, it sells a wide range of mobile phones and accessories from major brand principals, as well as pre-paid SIM card starter packs and reload vouchers from all the major Indonesian mobile network operators.

The Group has received awards from its brand principals for its performance as a distributor on both regional and national levels, including awards for its sales volumes, revenue growth, service center performance and customer relationships from brand principals such as *Nokia*, *Samsung* and *Sony Ericsson*. The Group has significantly increased its footprint in recent years, growing from approximately 5,000 third-party resellers and 161 retail stores in 2008 to more than 16,000 third-party resellers (both of mobile communication products and operator products) and 236 retail stores as of June 30, 2011.

In August 2011, the Group acquired TAM Group, a distributor of *BlackBerry, Samsung* and *Sony Ericsson*, and the owner of the *Venera* brand. The financial information provided in this section is presented on a pro forma basis, to reflect the effects of the recent acquisition of TAM Group. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein. See "The TAM Group Acquisition" for more information on the recent acquisition of TAM Group. On a pro forma basis, the Group's net sales and EBITDA for the year ended December 31, 2010 was Rp6,138.1 billion and Rp413.9 billion, respectively, and the Group's net sales and EBITDA for the six months ended June 30, 2011 was Rp3,155.2 billion and Rp170.7 billion, respectively. On a pro forma basis, the Group's distribution business accounted for 78.7% and 72.9% of the Group's net sales for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively, and the Group's retail business accounted for 21.3% and 27.1% of the Group's net sales for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively.

The diagram below provides an overview of the Indonesian mobile communication products and mobile network operator products distribution value chain. The solid line illustrates the role of the Group's businesses in this value chain.

Erajaya's Position in the Distribution Value Chain



Competitive Strengths

The Group holds a leading market position in an attractive high-growth distributor-dependent Indonesian mobile communication market

Having commenced its operations in 1996, the Group was one of the first participants in the mobile communication products distribution market and has built an expansive distribution and retail portfolio of mobile communication products brands. The Group is one of the leading distributors and retailers of mobile communication products in Indonesia with an estimated market share for mobile handset distribution and retail of 24% in 2010 according to data from Frost & Sullivan.

According to Frost & Sullivan, Indonesia is the third largest wireless market in Asia in terms of number of mobile subscribers. The Indonesian mobile communication products market is one of the fastest growing markets in the world, supported by the world's fourth largest population, over 50% of which is under 35 years old, as well as a growing middle class that is driving demand for smartphones, tablets and other feature-rich products.

With over 95% of Indonesian mobile communication customers subscribing on a pre-paid basis according to data from Frost & Sullivan, the mobile communication products market relies heavily on distributors and retailers such as the Group to effectively meet consumer demand for such products. This, combined with the expansive geography of the Indonesian archipelago, drives demand for access to the Group's distribution network, which solidifies the Group's market position.

The Group's nationwide distribution network makes it the channel partner of choice for brand principals and mobile operators in Indonesia

The Group's distribution network of over 16,000 third-party resellers and 236 owned retail stores allows it to offer brand principals and mobile network operators access to a substantial portion of the Indonesian market. The Group has received awards from its brand principals for its performance as a distributor on both regional and national levels, including awards for its sales volumes, revenue growth, service center performance and relationship success from brand principals such as *Nokia*, *Samsung* and *Sony Ericsson*.

The Group's network covers all major Indonesian markets, including the more established markets of the islands of Java, Sumatra and Bali and the emerging markets in East Indonesia, including, among others, Sulawesi, Kalimantan, and Papua, which the Group believes will be a significant source of new demand in the coming years as mobile network coverage continues to expand and consumer spending increases. The Group's distribution network is in place to meet growing demand in different markets, serving customers across different income groups with the Group's wide range of products, allowing the Group to supply its customers with increasingly sophisticated technology as markets mature.

The Group's early entry into the mobile communication products market in Indonesia has allowed it to develop an extensive network of 70 distribution centers to respond to evolving market demand. These distribution centers are supplied from the Group's central distribution facilities in Jakarta, which have a capacity of over 900,000 units and the capability to ship between 50,000 and 60,000 units a day to fulfill customer orders. The efficient functioning of its network has allowed the Group to meet demand through the placement of weekly orders with its suppliers, which helps to minimize its average inventory turnover days.

The Group has established strong relationships with the premier brand principals and major mobile operators in Indonesia to provide a comprehensive mobile communication product portfolio

Over its history, the Group has consistently demonstrated its value as the channel partner of choice to brand principals, allowing it to establish strong relationships with them and expand its brand portfolio through the development of new relationships with additional brand principals. The Group's relationship with Nokia began in 1996, and the Group has significantly increased its brand portfolio in the last 12 months. According to Frost & Sullivan, the brands that the Group distributes and retails had a combined market share in Indonesia for mobile phones of over 71% in the six months ended June 30, 2011, with the brands in Group's smartphone range having a combined market share of over 91% in the Indonesian smartphone market in the six months ended June 30, 2011. The mobile operators the Group partners with had a combined subscriber market share in Indonesia of 85% in 2010, according to data provided by Frost & Sullivan. This broad portfolio also insulates the Group from some of the effects of shifts in product demand or mobile operator choice, allowing it to maintain its customer base as consumer preferences shift from one brand to another.

The Group also uses its established relationships with both brand principals and mobile network operators to offer bundled products such as packages that include both a mobile communication product and a SIM starter pack, which is an attractive offering for its customers and provides the Group with a competitive advantage. In addition, the Group is exploring partnerships and programs to capitalize on its relationships with both mobile communication products principals and the mobile network operators to enhance revenue streams. For example, the Group has recently begun a pilot program with a major mobile network operator that enables the Group to share reload revenues for an agreed period from the sales and activation of USB modems.

The Group's established presence in Indonesia offers an attractive source of demand for its brand principals and mobile network operators and an attractive source of supply for its third-party resellers and retail customers that is difficult for competitors to replicate, deterring new entrants and helping to ensure the scale needed for rapid inventory turnover

The Group's relationships with major brand principals provide access to a full range of products, which builds loyalty amongst retailers and contributes to the size and depth of the Group's distribution network. At the same time, a larger distribution network enhances the Group's attractiveness to its suppliers, strengthening and expanding such relationships. Unlike most of its competitors, the Group principally distributes directly to resellers rather than through master dealers. This allows quicker access to end users and better protection of margins. Such advantages have helped the Group establish and maintain its significant market share and has provided the Group with sustained supply and demand there by allowing it to efficiently manage its inventory levels and providing the Group with the resources to invest in its infrastructure and its supply chain management systems. This sustained market share and efficient inventory management has, in turn, provided the Group with what it believes to be a solid financial position and access to credit. Further, the Group believes that its ability to offer efficient, low-cost access to such a wide network of outlets makes it one of the preferred distributors for new brands and brand principals of other information technology products that are looking to expand their presence in Indonesia, as evidenced by the Group's recent arrangements with *SanDisk* to distribute solid state memory cards, and *Huawei* to distribute USB modems. The Group is also conducting discussions with various IT product principals to include IT products such as notebooks, netbooks, e-book readers and related accessories in its product portfolio.

The Group is led by a highly experienced management team with significant industry experience

The Group's management team has significant industry and financial experience, with many members of management having experience with other international telecommunications firms before joining the Group. The Group's key management team members have an average of over 10 years' experience in relevant industries, providing the Group with a deep network of relationships in these industries, allowing the Group to develop new businesses and maintain strong customer relationships. The efficacy of the Group's management is demonstrated by growth in the Group's net sales (excluding TAM Group) from Rp3,415.2 billion in 2008 to Rp4,638.5 billion in 2010.

Business Strategies

Enhance the Group's distribution and fulfillment network to further penetrate markets for the products it distributes

The Group has developed a multi-pronged approach to further develop its distribution and fulfillment network, including expanding its distribution infrastructure through the roll-out of new distribution centers, upgrading its information technology platform to improve the technical proficiency of its logistics network, and improving the quality of the Group's sales force and support personnel to extend and deepen the Group's penetration into markets throughout Indonesia.

The Group intends to enhance its distribution and retail network through the establishment of partnerships with new third-party resellers and community groups, similar to the successful and established relationship that the Group has developed with an Indonesian national Islamic organization with over 40 million members nationwide. These partnerships will enable the Group to deepen its penetration in markets that have been historically more difficult to infiltrate, expanding the Group's revenue base and increasing the attractiveness of its distribution network to its brand principals.

The Group is also enhancing its distribution and fulfillment network through the creation of new channels by expanding its e-commerce platform and developing an m-commerce platform. The Group expects these expanded platforms will allow the Group to offer products to its customers without incurring expenses related to retail stores, which is expected to improve margins, as well as to serve as an attractive channel for its brand principals and mobile network operators to meet consumer demand, enhance customer loyalty through extending the relationship with customers beyond the initial point of sale and provide the Group with a new source of revenue.

Development of the Group's new Megastore format and the expansion of the Group's "hub-and-spoke" network through the further buildout of Erafone multi-brand retail stores

The Group is expanding its distribution and retail network through a number of strategies, the most prominent of which is the roll-out of the Group's new Megastore format. These Megastores will be up to 20 times larger than some of the Group's current retail stores and will offer a wide-range of mobile communication products and other complementary IT products. The Group expects these new format stores to benefit from increased economies of scale, through an increase in revenue per employee and through lower rental rates per sqm. The Group also plans to generate additional revenue in its Megastores through the sale of strategic shelf space to its brand principals, and through creating leasing and consignment opportunities, for new partners to offer products that complement the Group's product portfolio. The Megastores will serve as regional "hubs" in the Group's distribution network, with attached warehouse capacity.

The Group intends to substantially expand the number of *Erafone* multi-brand retail stores in tier 1 cities (provincial capitals) and tier 2 cities (cities other than provincial capitals) throughout Indonesia. These outlets will serve as the "spokes" in the "hub and spoke" structure as part of the extension of the Megastore retail network to reach out to a greater area and consumer base. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures" for further detail on the capital expenditure related to this expansion.

Further enhance the Group's comprehensive product portfolio to further leverage the Group's distribution network and ensure that the Group is able to cater to changing consumer preferences

The Group plans to leverage its extensive and well-established distribution network to expand the range of products it offers through the addition of complementary brands and products to its portfolio, such as tablets, notebooks, netbooks, networking devices, data storage devices and mobile content. The Group strives to maintain a diverse brand portfolio for its mobile communication products and its mobile network operator products, which allows it to be well-positioned to cater to changing consumer preferences and capture customer revenue as customers switch brands. The Group intends to further expand its portfolio to strengthen this revenue retention capability as well as to enable it to provide products for its customers' needs beyond mobile communication products and mobile network operator products, as it has already done through its arrangement with *SanDisk* to distribute and retail solid state memory cards. The Group is also conducting discussions with several IT product principals to distribute or retail complementary products such as notebooks, netbooks, e-book readers and related accessories in this portfolio.

The creation of a synergistic product portfolio is expected to enable the Group to further create up-selling and cross-selling opportunities, such as pre-loading mobile content onto the products that it distributes and retails, and the bundling of complementary products. These up-selling and cross-selling opportunities are expected to further enhance the attractiveness of the Group's distribution network to brand principals, as it allows the brand principals to offer a more comprehensive product package to consumers.

Develop a Transaction Platform for Content and Services

The Group intends to capitalize on its extensive third party reseller network to provide a payment and delivery platform for content and service providers. The Group already has an existing online transaction system for reload vouchers with a significant portion of its third party reseller and own retail network, and intends to expand the capacities of this transactional system to accommodate other products in the future. For example, the Group recently started to distribute and retail vouchers for popular games, such as those developed by *Zynga*, over this network.

The Group intends to secure more content based products and services, further leveraging its distribution and retail network and expanding its revenue base by providing content and service providers with an effective distribution channel that includes a critical physical presence for payment collection in major cities. This network is valuable to content and service providers in a market such as Indonesia, where many customers do not have credit cards or bank accounts to facilitate online payments.

Develop a fully integrated and technology-driven supply chain and sales force management system to more efficiently manage inventory and lower operating costs

The Group is currently in the process of integrating ISO 9001:2008 compliant quality management processes for its retail stores and has recently upgraded its information technology platform to an Oracle-based system that provides integrated sales and warehouse management, procurement and financial reporting capabilities. The Group is also developing a sales force management system that will enable GPS tracking of its sales team, as well as mobile stock checking and real-time sales tracking. These new systems will allow the Group to monitor the performance of its business more closely and efficiently and are expected to enable the Group to lower its operating costs, through the identification and elimination of potential inefficiencies and unnecessary expenses, and improve return on investment through a more rapid and efficient turnover of inventory.

Develop and foster increased customer loyalty through the development of the Group's brand image

The Group plans to increase the profile and recognition of its brands, including the *Erajaya, Erafone,* and *TAM* brands, which it believes will enhance the recognition of its expansive distribution and retail network and enable its potential suppliers and customers to appreciate the scale and capabilities of the Group's business. The Group's individual businesses currently have limited brand recognition and the Group believes that the establishment of a well-known national brand will enhance its attractiveness to consumers through the association of the brand with extensive and impartial product advice and quality, which is expected to increase net sales and, consequently, assist the Group in expanding its brand portfolio. The Group believes that an expansion of its brand profile will lead to an improvement of the Group's value proposition to brand principals.

Pursue strategic acquisitions, investments and partnerships in areas that are complementary to the Group's businesses

The Group intends to undertake selective strategic alliances, investments and acquisitions to allow it to gain access to new customers and customer segments, acquire complementary brands and products for its portfolio and expand its geographic presence across Indonesia. For example, the Group's recent acquisition of TAM Group provided the Group with both additional distribution infrastructure and complementary brands for its portfolio, such as *BlackBerry, Samsung and Sony Ericsson*. Potential acquisition and/or strategic alliance plans include partnering with content providers and aggregators to create revenue opportunities through bundling the Group's products with content, acquiring existing distributors of mobile communication products and retailers to expand the geographic footprint of the Group and expand its brand portfolio, and partnering with well known consumer electronics retail chains in Indonesia to add to the Group's current product offering. The Group believes that these types of strategic alliances, investments and acquisitions will provide the Group with a complementary means of expanding its business in addition to expected organic growth.

Product Portfolio

Mobile Communication Products

The Group is a leading authorized retailer and distributor in Indonesia of mobile communication products, including *Acer*, *BlackBerry*, *Dell, LG, Nokia*, *Samsung* and *Sony Ericsson* products, as well as of its house brand, *Venera*. Additionally, the Group signed an agreement with *Huawei* in August 2011 to become an authorized distributor of their mobile products in Indonesia, and started distributing *Huawei* products in the second half of 2011. According to data from Frost & Sullivan, the brands that the Group distributes and retails had a combined market share in Indonesia for mobile phones of over 71% in the six months ended June 30, 2011. The wide range of the Group's brand offerings allows the Group to respond to changing Indonesian brand preferences. The Group's products range across smartphones, feature phones and basic phones, with the product mix designed to cater to consumers seeking phones for professional, lifestyle and basic use. A tablet is a mobile computer, larger than a mobile phone, with an integrated touch screen. Tablets typically have either a slot for SIM cards or WiFi capability in tablets to enable users to access internet and other forms of communication such as social networks. A smartphone is a high-end mobile phone that offers more advanced computing ability and connectivity than a contemporary feature phone. A smartphone combines the functions of a personal digital assistant and a mobile phone, typically featuring portable media players, cameras with high-resolution touchscreen, GPS navigation, Wi-Fi and mobile broadband access. Feature phones are similar to smartphones, but do not run full mobile phone operating system software, which limits their ability to multi-task and run complex third-party applications. The Group distributes and retails products from *Nokia*, *Samsung*, and *Sony Ericsson* across all three mobile phone categories, while its *BlackBerry* and *Dell* offerings are focused on smartphones. The Group's own brand *Venera* is targeted at entry-level users. The Group currently offers tablets from *Acer*, *BlackBerry* and *Samsung*.

On a pro forma basis, the Group's net sales from mobile communication products accounted for 88.6% and 85.4% of its total net sales in the year ended December 31, 2010 and the six months ended June 30, 2011, respectively. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein.

Operator Products

The Group distributes and retails operator products such as reload vouchers from all major Indonesian mobile network operators, including *Axis, Esia*, *Indosat*, *Telkomsel* and *XL Axiata*. According to Frost & Sullivan, these mobile network operators had a combined subscriber market share in Indonesia of 85% in 2010. Prepaid SIM card starter packs include a SIM card that is linked to one of the mobile network providers and connected to a mobile phone number. Reload vouchers allow customers with SIM cards to add additional credit to their phones. According to data from Frost & Sullivan, over 95% of Indonesian mobile subscriber accounts were pre-paid. The Group offers electronic and physical reload vouchers, with electronic vouchers accounting for approximately 90% of the Group's voucher sales. The Group purchases SIM card starter packs and reload vouchers from the mobile network operators and re-sells them to customers and third party resellers. The typical reload voucher transaction by an end user is between Rp5,000 and Rp100,000. The Group also has revenue arrangements in place for certain SIM card starter pack sales, whereby the Group receives a portion of the revenue from the reloading of a pre-paid SIM card.

The Group intends to expand the capacity of its online reload voucher systems to accommodate other products in the future. For example, the Group recently started to distribute and retail vouchers for popular games, such as those developed by *Zynga*, over this network. The Group intends to secure more content based products and services, further leveraging its distribution and retail network and expanding its revenue base by providing content and service providers with an effective distribution channel that includes a critical physical presence for payment collection in major cities.

On a pro forma basis, the Group's net sales from operator products accounted for 11.1% and 12.5% of its total net sales in the year ended December 31, 2010 and the six months ended June 30, 2011, respectively. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein.

Other Products

The Group also distributes and retails a range of complementary products for its mobile communication products offerings, including accessories such as cases, Bluetooth headsets, chargers, mobile communication products for cars and decorative items. The Group also offers solid state storage card products from *SanDisk*, which can be used as additional storage in certain mobile phones, as well as in cameras and other electronics devices. Additionally, the Group distributes and retails 3G USB modems (also known as “dongles” or “internet sticks”), which allow computer users to access the internet through cellular phone networks.

The Group currently has a limited e-commerce business, through which it retails mobile phones and accessories over the internet. The Group intends to expand its e-commerce business, as well as develop an m-commerce business, through which the Group would sell mobile content such as games, applications and music through mobile devices. The Group currently sells a limited portfolio of mobile content, such as ringtones and ringbacks. See “—Business Strategy—Pursue strategic acquisitions, investments and partnerships in areas that are complementary to the Group’s businesses”.

Distribution Business

As of June 30, 2011 the Group had 70 distribution centers located in strategic locations throughout Indonesia. The Group supplies and services its network of independent resellers and its own retail stores from these distribution centers.

Customers

The Group takes ownership of products and receives them in its central distribution facilities, subsequently arranging delivery to, or pick up by, its third-party resellers through its network of 70 distribution centers throughout Indonesia. The Group’s distribution business supplies more than 16,000 third-party resellers which comprise the largest distribution customer base, the Group’s own retail stores for most of the brands that they sell, its corporate customers and third-party master dealers. The Group’s third-party resellers are generally family-run businesses, which make up a significant portion of the independent retail mobile communication device and operator products market in Indonesia, as well as internet cafes and other similar businesses. Independent retailers are typically defined as retailers with only one retail store, in contrast to organized retailers such as the Group which have two or more retail stores. The Group also provides product training services to its third-party resellers to assist them with their customer education efforts. The Group’s customer base also includes over 200 corporate customers, who order products directly from the Group for end use in their respective businesses. The Group also sells to master dealers to supply areas where it does not have direct relationships with independent retailers. These master dealers then onsell the products to these independent retailers. In the year ended December 31, 2010 and the six months ended June 30, 2011, 9.0% and 18.0% of the Group’s net sales (excluding TAM Group), respectively, were to master dealers. In the year ended December 31, 2010 and the six months ended June 30, 2011, 80.0% and 86.7% of TAM Group’s net sales, respectively, were to master dealers. In the first six months of 2011, the Group’s supplied over 16,000 third-party resellers. The Group also distributes *Nokia* products through PT Mobile World Indonesia, which is an entity created and jointly owned by the Group and the other two *Nokia* distributors in Indonesia to optimize distribution of *Nokia* products to master dealers throughout Indonesia. The Group and each of the other shareholders hold 33.3% of the shares in PT Mobile World Indonesia.

The Group also liaises with community networks to create and maintain relationships with its third-party resellers. The Group has a formal arrangement with an Indonesian Islamic organization with more than 40 million members that provides for the payment of commissions to the organization and individual members of the community in connection with any sales made by members of the community. The arrangement is currently limited to voucher distribution but the Group is looking to expand the arrangement to include mobile phones and other products and services in the near future.

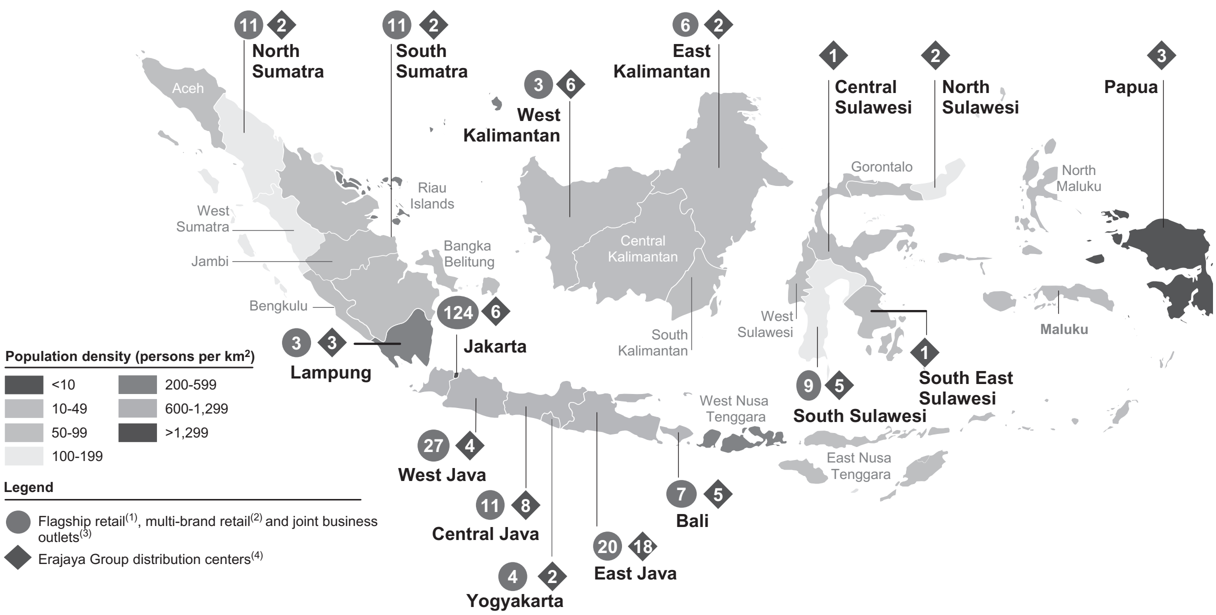
The Group generally requires its third-party resellers to pay in cash on delivery for its voucher sales and for some of its mobile communication products sales. The Group extends credit, on a case-by-case basis to certain long-standing third-party resellers, for terms ranging from 14 to 21 days for its mobile communication products sales. The Group also extends credit for up to 45 days for certain of its corporate customers, with the rest of these corporate customers paying cash on delivery.

Sales

On a pro forma basis, the Group's distribution business generated 78.7% and 72.9% of its net sales for the year ended December 31, 2010 and the six months ended June 30, 2011, respectively. Excluding sales to the Group's own retail stores, the Group sold approximately 7.2 million and 3.2 million mobile communication products through its distribution business in the year ended December 31, 2010 and the six months ended June 30, 2011, respectively. On a pro forma basis, the Group's net sales from its distribution business for the year ended December 31, 2010 and the six months ended June 30, 2011 were Rp4,833.3 billion and Rp2,301.7 billion, respectively. On a pro forma basis, the Group's gross profit from its distribution business for the year ended December 31, 2010 and the six months ended June 30, 2011 was Rp325.9 billion and Rp1551.9 billion, respectively. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein. As at June 30, 2011, the Group had 673 sales personnel in its distribution business. These sales personnel generally cover one of the Group's brands for a given geographical area and are based at either the Group's head office in Jakarta or one of the Group's distribution centers.

Distribution network

As of June 30, 2011 the Group had 70 distribution centers located in strategic locations throughout Indonesia. As evidenced by the map below, the Group has a presence in the most populous areas of Indonesia. In addition to serving as a regional warehouse, the Group's distribution centers also house back office staff to support the operations in the region and the Group's regional sales personnel. These distribution centers are primarily leased and have low fit-out costs, which allows the Group the flexibility to expand and relocate distribution centers to accommodate any changes in demand patterns.



Source: Company information; Indonesia Statistics Board (2010 Population Census Data by Province).
Note: (1) 22 Flagship retail for the retail business segment.
(2) 62 multibrand retail for the retail business segment.
(3) 152 joint business for the retail business segment.
(4) 70 distribution centers.

The following table sets out the number of distribution centers by region:

Region	Number of Distribution centers
Bali	5
Jakarta	6
Jawa Barat	4
Jawa Tengah	8
Jawa Timur	18
Kalimantan Barat	6
Kalimantan Timur	2
Lampung	3
Papua	3
Sulawesi Selatan	5
Sulawesi Tengah	1
Sulawesi Tenggara	1
Sulawesi Utara	2
Sumatra Selatan	2
Sumatra Utara	2
Yogyakarta	2
Total	70

Supply Chain

The products that the Group imports, which account for substantially all of the mobile communication products that the Group sells, are primarily shipped from China, India and Korea and routed through Jakarta's Soekarno–Hatta International Airport or the Port of Tanjung Priok in Jakarta. The Group is responsible for ensuring that its products clear customs, which it outsources to a third-party clearance agent, and then forwards all products to its two central distribution facilities in Jakarta. One of the Group's central distribution facilities in Jakarta is approximately 940 sqm and has a capacity of approximately 600,000 units, with typical stock levels of approximately 300,000 units. The Group's other central distribution facility is approximately 400 sqm and has a capacity of approximately 300,000 units, with typical stock levels of approximately 160,000 units. Approximately 287 of the Group's employees are employed at the central distribution facilities. From there, the Group receives orders from its third-party resellers and retail stores primarily via its integrated information technology platform and fulfills these orders by shipping to third-party resellers and its retail stores either directly or via one of its regional distribution centers located throughout Indonesia. It takes approximately one month for the products to reach the Group's central distribution facilities from the time that the Group places its weekly order with its brand principals and approximately one to two days for the products to be transferred from the central distribution facilities to the distribution centers, though it can take up to five days for the products to reach distribution centers in more remote areas, such as Papua. The Group primarily transports its products through the use of third-party logistics providers. The Group's distribution network has the ability to deliver between 50,000 and 60,000 units a day from its two central distribution facilities. The Group's distribution network also handles the processing of returns from third-party resellers and retail stores for reasons such as defects or, in the case of the Group's retail stores, obsolescence. The Group is currently planning to build a new central distribution facility on land that it is in the process of acquiring in West Jakarta, which will replace the Group's two existing central distribution facilities. This new central distribution facility is expected to be operational in mid-2012 and will be over 1,000 sqm, with a capacity of over 1.2 million units.

Retail Business

Sales

On a pro forma basis, the Group's retail business generated 21.3% and 27.1% of net sales for year ended December 31, 2010 and the six months ended June 30, 2011, respectively. The Group's net sales from its retail business for the year ended December 31, 2010 and the six months ended June 30, 2011 were Rp1,304.8 billion and Rp853.5 billion, respectively. Substantially all of the sales for these respective time periods were of mobile communication products, with the balance consisting of operator products and accessories and other products. The Group's gross profit from its retail business for the year ended December 31, 2010 and the six months ended June 30, 2011 was Rp353.5 billion and Rp182.5 billion, respectively. See "Unaudited Pro Forma Consolidated Financial Information" for more information on the preparation of the pro forma financial information contained herein.

Store Network

As of June 30, 2011, the Group had 236 retail stores located throughout Indonesia.

The following table shows the location of the Group's retail stores by city across Indonesia:

City	Number of Retail Stores
Bali	6
Balikpapan	3
Bandung	13
Batam	4
Bekasi	14
Binjai	1
Bogor	8
Cikarang	3
Cilegon	1
Depok	7
Jakarta	82
Jogjakarta	4
Lampung	3
Makasar	9
Malang	1
Mataram	1
Medan	10
Palembang	7
Pontianak	3
Salatiga	1
Samarinda	3
Semarang	6
Serang	2
Sidoarjo	2
Solo	4
Surabaya	17
Tangerang	21
Total	236

The Group supplies these retail stores through the use of its distribution network. See "—Distribution Business—Supply Chain".

Point of Sale Services

The Group is committed to providing customers in its retail stores with the information that customers need to make an informed purchase decision. In order to provide this service, the Group provides training to its employees so that employees are able to fully-explain the functionality of the various retail offerings, and also able to assist customers with initial configuration of products post-sale. The Group currently runs an employee training center in Jakarta and is in the process of establishing an employee training academy that will provide a formal curricula as well as qualification certificates to its employees. See "—Employees" for further information on the Group's employee training programs.

After-Sales Services and Accessories

Through its retail stores, the Group provides software upgrade services, alteration of device settings, live demonstrations and download services. The Group also plans in the future to provide download stations for phone applications (such as music and games), sales of supporting game vouchers and tokens for social networking games and, in its planned Megastores, service desks for mobile network operators and financing and insurance services.

Retail stores also sell accessories for mobile communication products, such as cases, *Bluetooth* headsets, chargers, mobile communication products for cars and decorative items.

Third-Party Financing

The Group provides customers in its retail stores with access to financing provided by third-party banks. This financing is provided through credit cards issued by these third-party banks, that generally provide six to 12 months of interest-free installment financing. Due to this arrangement the Group has no exposure to the credit risk of its retail customers and is consequently protected from non-performing loans. The Group believes that this third-party financing has had a positive impact on smartphone sales, as it has enabled lower income customers to afford higher priced smartphones.

Stores

The Group's retail stores are generally located in shopping malls and other retail centers in key population centers in Indonesia and are primarily leased premises. The Group's retail store portfolio includes four different store formats, comprising branded stores, multi-brand stores, modern channel joint businesses and Megastores. The Group also operates an e-commerce business as part of its retail business.

Branded Stores

The Group's branded stores are retail stores that sell only one of the brands that the Group distributes. The relevant brand is prominently displayed on each store and the brand principal typically shares a portion of the fit-out and operating costs of these stores. These stores average 57 sqm in size. As at June 30, 2011, the Group operated 22 branded stores.

Multi-brand Stores

The Group's multi-brand stores offer products from several of the brands that the Group retails and are primarily branded with the *Erafone* brand. These stores average 28 sqm in size. As at June 30, 2011, the Group operated 62 multi-branded stores.

Modern Channel Joint Businesses

The Group's modern channel joint businesses are outlets operated by the Group that are part of a larger retail store, such as a consumer electronics store or a retail superstore including *Carrefour*, *Hypermart, Best Denki,* *Electronic Solutions* and *Electronic City*. Under these arrangements (of which some are in the process of being renewed) the Group does not pay rent to the host store, and instead pays a commission on each sale from the outlet. As at June 30, 2011, the Group operated 152 modern channel joint businesses.

Megastores

The Group opened one new-concept flagship Megastore in late-August 2011 in Solo and a second flagship Megastore in Jakarta in October 2011. It intends to open an additional ten Megastores over the next two years. The Group is planning to have two types of Megastores, a 300 to 500 sqm format and a 700 to 1,000 sqm format. These Megastores are also intended to serve as regional hubs in the Group's distribution network, with attached warehouse capacity. The Group plans to seek partners at its Megastores to offer products that complement the Group's product portfolio, allowing the Group to expand the revenue base of each Megastore. These partner arrangements will generally take the form of a sales commission agreement, although the Group also plans to sub-lease space in the Megastores to network operators for sales and service functions. The larger format of these stores will allow the Group to realize greater economies of scale through an increase in revenue per worker and through lower per sqm rental rates. In larger format Megastores, the Group intends to include a range of IT products that includes gadgets, tablets, notebooks, netbooks, e-book readers and accessories, with the goal of providing a one stop shopping concept for consumers. The Group also plans to generate additional revenue in its Megastores through the sale of attractive shelf space to its brand principals. The Group plans to use these Megastores as a new platform for growth, providing key distribution capabilities while increasing the Group's brand profile. The Group estimates an average capital expenditure of Rp1.7 billion for the smaller format Megastores and Rp5.2 billion for the large format Megastores, though capital expenditure per store is dependent upon whether the premises are owned or rented. The Group expects the typical payback period for a Megastore to be 1.8 to 2.5 years.

E-commerce and m-commerce

The Group currently operates a small e-commerce business, which allows customers to purchase mobile communication products through the internet. The Group intends to expand this business in the future. The Group is also in the process of developing an m-commerce business, which will allow customers to make purchases using their mobile phones.

Store Portfolio Management

The management of the Group's store portfolio is a key point of focus for the Group that it closely manages and monitors, subject to procedures and guidelines established by management. After sourcing a proposed store location, the Group undertakes a comprehensive feasibility study, primarily internally with assistance from third-party data in certain instances, in an effort to ensure that the location is sufficiently accessible by the desired customer demographic to generate the high human traffic flow needed to facilitate high volume sales of the Group's products. The proposed location must meet specific criteria that the Group has set forth, including, but not limited to, the following:

- minimum population density requirements;
- sufficient consumer purchasing power in the catchment area;
- minimum consumer traffic rates;
- level of competition in the area; and
- the amount of cannibalization that would occur with respect to the Group's existing stores.

Once the Group has identified and secured a suitable location, it prepares the store for opening. The Group negotiates with either the landlord or its agent and, in limited cases, with the land owner when acquiring land and constructing a store. The Group has an in-house store opening team that works with design houses to determine the optimal lay-out of the proposed store, with construction outsourced to local contractors.

Prior to opening the store, the Group undertakes various advertising and marketing campaigns to inform the public of the new store. The Group will usually host store launching events and offer special promotions in the store to attract customers, with the goal of accelerating the sales ramp-up period. The Group also undertakes personnel sourcing and provides training to new employees through its training center in Jakarta. For each new store that the Group opens, the Group staffs the store with a mix of new employees and experienced employees that have been transferred from existing stores to ensure the maintenance of a standard level of service in the new stores.

Store performance is reviewed by the Group periodically, with the Group examining each store's contribution to overheads, sales per sqm, the store's ratio of rental expense to sales, the store's contribution to gross margin and the store's inventory turnover days. In 2010 the Group had net store openings of 25, with net store closings of two in the six months ended June 30, 2011.

Service Centers

The Group operates a network of both multi-brand and single brand service centers throughout Indonesia. As at June 30, 2011, the Group operated 12 multi-brand service centers, 6 *BlackBerry* service centers and 28 *Sony Ericsson* service centers. The Group's service centers offer primarily handset and accessory repair services, as well as software upgrades and download services.

Suppliers, brand principals and purchasing

The Group's suppliers fall into two main categories:

Brand Principals

As an authorized distributor or retailer in Indonesia for, among others, *Acer*, *BlackBerry*, *Dell, Huawei, LG, Nokia*, *Samsung* and *Sony Ericsson*, the group primarily sources its mobile phone products directly from brand principals or their agents. The Group has agreements in place with each of these brand principals for the distribution and retail of their goods in Indonesia on a non-exclusive basis, with certain exclusive distribution agreements for set geographical areas. For example, the Group's arrangement with *BlackBerry* covers all of Indonesia and is non-exclusive, while the Group's arrangement with *Nokia* that came into force in September 2010 provides the Group with exclusive distribution rights in eastern Indonesia. These distribution arrangements are generally for a term of one to two years although some renew automatically. All renewals are generally dependent on the Group's ongoing performance. The table below sets out details of the Group's relationship with certain brand principals.

Principal	Date of Initial Contract	Terms of Current Contract
Acer	August 2011	Contract expires August 2012, terminable on 30 days' notice by either party
BlackBerry (through BrightPoint)	February 2010	Contract expires February 2012, with automatic annual renewal, terminable on 90 days' notice by either party
Dell	June 2011	Contract expires in May 2013, terminable on 60 days' notice by either party
Huawei	August 2011	Contract expires August 2012, terminable on 60 business days' notice by either party
LG	October 2011	Contract expires October 2013
Nokia	June 2005	Contract expires in December 2011, terminable on three months' notice by either party
Samsung	April 2007	Contract expires April 2012, terminable on notice by either party
Sony Ericsson	September 2005	Contract expires upon termination by the parties, with three months' notice

The Group currently expects all contracts to be renewed by the relevant brand principal upon expiry either by way of automatic renewal or renegotiation.

The handsets that are sold under the Group's own brand, *Venera*, are manufactured by several contract manufacturers in China. The Group's use of multiple manufacturers for its *Venera* brand allows it to switch manufacturers on a batch-by-batch basis if the Group identifies any quality control issues with a manufacturer.

The Group does not have any affiliated relationships with the brand principals or suppliers.

Mobile network operators

Due to its position in the market and the geographic span of its network, the Group believes that it offers an attractive distribution and retail channel for mobile network operators, which has enabled it to cultivate strong relationships with all of the major Indonesian mobile network operators. The Group offers operator products, such as pre-paid SIM card starter packs and reload vouchers, from five major network operators. The Group operates under various arrangements with mobile network operators, all of which are non-exclusive arrangements. The table below sets out details of the Group's relationship with each mobile network operator.

Network Operator	Date of Initial Contract	Terms of Current Contract
Axis	October 2008	Renewable annually
Esia	October 2008	Contract expires October 2012
Indosat	Since 2004	Renewable every three years
Telkomsel	December 2009	Contract expires in June 2012 and may be extended as approved by the parties
XL Axiata	June 2009	Renewable annually, terminable on written notice by either party

The Group currently expects all contracts to be renewed by the relevant mobile network operators upon expiry either by way of automatic renewal or renegotiation and is currently in the process of renewing its agreements with Axis and XL Axiata.

Purchasing and Merchandising

The Group monitors orders and inventory closely to anticipate customer needs and maintain sufficient inventories of currently popular products. For mobile communication products, the Group typically places weekly orders for products from its brand principals based on periodic estimates of its product needs. The Group also has the ability to place orders with its brand principals on an interim basis as required by customer demand. For network operators, the operators allocate a certain supply of products at a set price to the Group on a weekly basis, which the Group has the option of accepting or rejecting, although a rejection of an allotment from a mobile network operator generally leads to lower allotments in the future. The Group typically accepts the entire weekly allotment from Indosat, Telkomsel and XL Axiata, as their large market share and the high turnover rate of their products provides steady demand for these products. With Axis and Esia, the Group is able to negotiate its weekly allotments as necessary.

For mobile communication products, the prices the Group charges for the products that it distributes and retails are either set by the brand principal, following discussions and negotiations with the Group to allow the Group to realize an agreed margin on those products, or set at a suggested retail price, following the advice of the Group. In instances where the Group is unable to sell its inventory of a certain product at the set price, the brand principal will generally allow the Group to lower the set price in order to reduce inventory and will provide the Group with a partial rebate to cover the Group's decreased gross profit on that product. For SIM cards and reload vouchers, the Group typically refers to the market for pricing, with the goal of maintaining a minimum target margin.

The Group generally has the option to pay for its purchases in cash prior to delivery or pursuant to an extension of credit by a brand principal, typically for 30 days. The Group typically receives a discount for paying in cash. For each purchase that is denominated in U.S. dollars, the Group compares the cash discount to the expected movements of the Rupiah over the 30 day credit period. If the Group expects the Rupiah to strengthen over the period such that it would provide a greater benefit than the cash discount, the Group will generally accept the extension of credit. Otherwise, the Group will pay in cash and receive the discount. The credit that the Group receives from its brand principals is supported by stand-by letters of credit in favor of the brand principals, which are supported by collateral in the form of a time deposit with the bank issuing the stand-by letter of credit. The Group purchases mobile communication products from all of its brand principals in U.S. dollars, with the exception of *Samsung*, with whom the Group's purchases are denominated in Rupiah. Mobile communication products from brand principals are generally imported and received at the Group's central distribution facilities in Jakarta. The Group's purchases of operator products, such as SIM starter packs and reload vouchers, are exclusively in Rupiah.

In the Group's distribution business, it typically receives payment from third-party resellers in the form of cash or check, though the Group extends credit for 14 to 21 days for certain long-standing third-party resellers.

Merchandising

Part of the Group's strategy is to leverage its existing distribution and retail businesses through the expansion of its product portfolio. See "—Business Strategy—Further build the Group's comprehensive product portfolio to more fully-leverage the Group's distribution network and ensure that the Group is able to cater to changing consumer preferences".

Marketing

The Group employs a number of marketing strategies to grow its customer base and increase the profile of its *Erafone* retail brand and *TAM* distribution brand and also to increase the profile of the products of the brand principals that it distributes and retails. The Group's *Erafone* marketing primarily consists of twice monthly quarter page advertisements in national newspapers with large circulations and through the distribution of monthly pamphlets in retail centers that contain a listing, with prices and pictures, of the Group's product offerings, including sections on new products and popular products. These pamphlets also contain a list of the locations and phone numbers for each of the Group's *Erafone* stores. The Group's marketing of the *TAM* distribution brand primarily consists of including the *TAM* logo on the boxes of the products that are sold in the branded outlets supplied by *TAM* and includes *TAM's* name on signs for *BlackBerry* branded stores, as well as *BlackBerry* related advertising such as pamphlets and newspaper advertisements.

The Group advertises most of the brands of its brand principals in print media, on billboards and on the radio, typically with the support of the brand principals. The Group also advertises through social networking services such as Twitter and Facebook. Most of the Group's agreements with its brand principals grant it the non-exclusive right to use their trademarks in advertising and marketing promotions for sales of their products and related after-sales services. Some of these agreements require the Group to seek approval from these brand principals for such usage on a case-by-case basis.

The Group's marketing strategy seeks to raise the brand profile of its own brand and those of its brand principals through the use of a number of promotional programs. These programs include rebate vouchers, product launch events and promotions, interest-free financing, special product bundling, the inclusion of materials advertising the Group's other products in the packaging of certain products that it distributes and retails, periodic contests and lucky draws and print media and bulk text message (SMS) dissemination to inform the public of these promotions.

Information Technology Infrastructure

The Group operates an extensive information technology network to support its business. The Group's IT platform includes inventory management and revenue tracking systems, systems integrated with mobile operator systems for the sale of electronic vouchers and standard business support networks. The Group is in the process of expanding its Oracle-based IT platform to most of its business. This new platform provides integrated sales and warehouse management and procurement and financial reporting capabilities. The Group's legacy system will be maintained and will be available to support the business should there be any disruptions of the performance of the Group's new platform. The Group's IT systems are integrated with those of *Nokia*, which allows *Nokia* to track the Group's sales of *Nokia* products. The IT systems also allow the Group to generate key performance indicator reports relating to its sales volumes, that are required by some of its brand principals. The Group is also developing a sales force management system that will enable GPS tracking of its sales team, as well as mobile stock checking and real-time sales tracking.

Quality Control and Quality Assurance

The Group has an established, multi-level quality control process that is integrated into its supply chain. The Group's quality control personnel verify the contents of each package that is received in the Group's central distribution facilities, and performs random testing of device functionality. This same process is repeated, in conjunction with the relevant freight forwarder, prior to shipping from the central distribution facility. The Group also employs mystery shoppers to evaluate its retail stores and provides a call center to provide assistance to, and receive feedback from, customers. The Group has an internal audit team that is structured with the intention of ensuring, among other things, that the Group's various internal processes and procedures relating to quality assurance are adequately followed. Prior to entering into any supply arrangements with thirds parties for house branded products, such as the Group's *Venera* brand products, members from the Group's management team perform an inspection of the third-party's factories to review the third-party's operations and its quality control processes. Additionally, the Group is in the process of implementing quality management processes under the ISO 9001:2008 standard in its retail stores, with the goal of receiving ISO 9001:2008 certification in late 2011.

Competition

The Group operates in a market with varying levels of competition. The Group's main competition for the sale of mobile devices, operator products and accessories in the large urban areas tends to be similarly structured companies in Indonesia with a distribution business complemented by an organized retail presence. The Group also faces competition from independent retailers in smaller cities and suburban areas. The Group seeks to distinguish itself from its competitors through its extensive geographic coverage and the employment of trained sales staff that are capable of assisting with the selection of appropriate products and accessories. The Group believes that its new concept Megastores will further differentiate it from its key competition, as these Megastores will offer a much wider range of products and support services than most competitors.

Intellectual Property

The Group seeks to obtain trademarks and copyrights to protect its proprietary rights whenever possible and practicable. Currently, the Group has registered or is in the process of registering in Indonesia: (i) the trademarks for the brand names *Erajaya Swasembada, Erafone* and *Venera* and (ii) the copyrights for the logos of *Erajaya Swasembada* and *TAM*. Most of the Group's agreements with its brand principals grant it the non-exclusive right to use their trademarks in advertising and marketing promotions for sales of their products and related after-sales services. Some of the agreements with the principals require the Group to seek approval from these brand principals for such usage on a case-by-case basis. TAM Group is now in the process of registering the *Venera* brand in its own name following its purchase of the brand.

Employees

As of June 30, 2011, the Group had 2,783 employees, excluding the members of management. Of these employees, 1,563 were permanent employees and 356 were contract-based employees. An additional 864 personnel were employed by a third-party staffing business and outsourced to the Group on a temporary basis, which is a common practice among retail businesses in Indonesia. These third-party employees are primarily employed as retail store staff.

When hiring a new employee, the Group requires a probation period of three months before a proposed employee becomes a permanent employee. During this probation period, both parties are entitled to terminate the employment without paying any compensation. The Group provides its employees with benefits such as health insurance and life insurance and contributes to the Indonesian national social security program, Jamsostek. The Group has also provided loans to certain key employees, which are repaid by these employees on an installment basis. Under Indonesian law, the Group is required to pay a severance allowance to its employees at the termination of the employment relationship. The severance allowance is comprised of three elements: (i) severance pay (ranging from one month's to nine month's salary depending on length of service), (ii) gratuity (ranging from two month's to ten month's salary depending on length of service) and (iii) other compensation (including unpaid leave, transportation costs, a housing allowance and other compensation). In the case of voluntarily resignation by an employee, only the compensation listed under (iii) in the previous sentence is due. The Group provides no interest loans, including loans to assist with the purchase of an automobile, to certain of its employees on a case-by-case basis.

In connection with the Group's focus on customer service in its retail stores, the Group operates an employee training center in Jakarta. At this center, new and existing employees undergo training to familiarize themselves with the products offered by the Group and to develop the set of skills, including customer service skills, required to work in one of the Group's stores. The Group is in the process of opening a training academy, which will provide further employee training and will also offer certification. The Group's training staff also regularly travel to its stores and provide on-site evaluation and training.

None of the Group's employees are covered by a collective bargaining agreement or represented by a union. The Group experienced a turnover rate of 2.7% in 2010 and 5.0% in the six months ended June 30, 2011.

Properties

Almost all of the Group's retail stores are leased, with leases typically ranging from two to five years. The following table sets forth the remaining terms of the Group's leases as of June 30, 2011 for its leased stores. These figures exclude the Group's modern channel joint businesses, which operate on a commission basis and do not pay rent to the host store.

Remaining lease length / Number of stores		
Less than 1 year	**1-3 years**	**More than 3 years**
22	37	17

The Group owns certain of its occupied properties and currently has a strategy of acquiring land for new retail stores on an opportunistic basis. The Group currently owns its headquarters premises in Jakarta, its training center in West Jakarta, one of its distribution centers and five of its retail store locations. The Group is in the process of completing the purchase of a site in West Jakarta that is planned for the development of a new central distribution facility. Certain of the properties that the Group owns are still registered in the name of their previous owners and the Group is in the process of transferring the registration to the Group.

Insurance

The Group carries insurance coverage consistent with companies engaged in similar distribution and retail operations with similar properties, including motor vehicle, earthquake and property risk insurance. The Group's policies cover claims arising from accidental death or bodily injury or loss, theft or damage to property that may occur in connection with its business and operations. These insurance policies are subject to certain limits, deductibles and typical policy exclusions.

Litigation and Regulatory Proceedings

The Group may be involved in legal proceedings from time to time in connection with its business. At this time, the Group is not party to any proceedings which, if adversely determined, would have a material adverse effect on the Group's business, financial condition or results of operations.

Licenses and Permits

In connection with the operation of its business, the Group is required to obtain and maintain the following registrations, licenses and permits.

Company Registration Card (Tanda Daftar Perusahaan—"TDP")

In compliance with Law No. 3 Year 1982 regarding Company Registration, a company that is established under Indonesian Law must be registered with the Company Registration Office of the Ministry of Trade, following which a TDP is issued. A company is required to notify the Ministry of Trade of any changes to the company's name, trademark(s), duration of existence, business license(s), addresses (head office, branches, agencies, or representative offices), members of the Board of Directors and the Board of Commissioners, shareholders, and shareholding composition of the company, which details are entered in the Company Register maintained by Ministry of Trade.

A company must renew its TDP no later than three months prior to its expiration. Erajaya has obtained the following TDPs: (i) TDP No. 09.02.1.51.21808, dated October 25, 2007, which is valid until March 20, 2012; and (ii) TDP No. 09.02.1.51.21808, dated January 26, 2010, which is valid until March 20, 2012.

Trading Business License (Surat Izin Usaha Perdagangan—"SIUP")

A company that engages in trading activities continuously is required to have an SIUP. A company that plans to open a branch office must submit a written notification to the relevant Head of Industry and Trade Agency where the branch office is located.

Erajaya has obtained SIUP-Besar No. 05371/1.824.271, dated December 28, 2009, issued by the Head of the Service Office for Cooperative, Micro, Small and Medium Entrepreneurs, and Trading of DKI Jakarta Province (*Kepala Dinas Koperasi, Usaha Mikro, Kecil dan Menengah, dan Perdagangan Provinsi DKI Jakarta*), which must be renewed by October 11, 2012.

Registration Letter (Surat Tanda Pendaftaran—"STP")

Pursuant to Regulation No. 11/M-DAG/PER/3/2006 of the Minister of Trade of the Republic of Indonesia, concerning the Provisions and Procedures for the Issuance of the Registration Letter of Agent or Distributor of Goods and/or Services, any national trading company that has made an agreement with a principal to act as a distributor of goods or services offshore or onshore, must obtain an STP through registration with the Ministry of Trade. Currently, the Group is in the process of applying to the Ministry of Trade of the Republic of Indonesia for STPs.

General Importer Identification Number (Angka Pengenal Importir Umum—"API—U")

Pursuant to Regulation No. 45/M-DAG/PER/9/2009 of the Minister of Trade of the Republic of Indonesia, as amended by Regulation No. 17/M-DAG/PER/3/2010 of the Minister of Trade of the Republic of Indonesia, an importer must obtain an API-U. Erajaya has obtained an API-U (No. 090402597, dated August 10, 2010, issued by the head of Service Office for Cooperative, Micro, Social and Medium Enterprises and Trading of Jakarta), which is valid so long as the Group operates its business.

Special Importer Identification Number (Nomor Pengenal Importir Khusus—"NPIK")

In accordance with Regulation No. 141/MPP/Kep/3/2002 of the Minister of Industry and Trade of the Republic of Indonesia, as amended by Regulation No. 07/M-DAG/PER/3/2008 of the Minister of Industry of the Republic of Indonesia, an importer must also obtain an NPIK. The holder of an NPIK must submit a periodic report to the Director of Import, Ministry of Trade concerning its import activity. The Group has obtained an NPIK.

Determination of Registered Importer of Certain Product (Penetapan Importir Terdaftar Produk Tertentu—"IT Produk Tertentu")

Pursuant to Regulation No. 56/M-DAG/PER/12/2008 of the Minister of Trade of the Republic of Indonesia, as amended by Regulation No. 23/M-DAG/PER/5/2010 of the Minister of Trade of the Republic of Indonesia, the import of certain products, including electronic products, may only be conducted by holders of an *IT-Produk Tertentu*. In compliance with the above regulations, the Group has obtained an *IT-Produk Tertentu*.

Certification of Telecommunication Equipment

Pursuant to Regulation No. 29/PER/M.KOMINFO/09/2008 of the Minister of Communications and Information, any equipment made, assembled, traded and or used in the territory of Republic of Indonesia must meet certain technical requirements. In connection with this regulation, the Group has obtained several certificates relating to the products that the Group distributes and retails.

Corporate Social Responsibility

The Group is committed to contributing to the well-being of the communities in which it operates. Past community support activities by the Group include routine donations on the day of Idul Adha, aid for natural disaster victims, including the earthquake in West Sumatra in 2009, support for UNICEF's anti-polio efforts, support for immunization of children in Deli Serdang, Medan, blood drives at the Group's head office, and support for the health, social services, disaster aid, educational and environmental preservation activities of the Buddha Tzu Chi Indonesia Foundation. In 2009, 2010 and the six months ended June 30, 2011, the Group donated Rp4.0 billion, Rp6.0 billion and Rp3.0 billion, respectively, to the Buddha Tzu Chi Indonesia Foundation. In the past, the Group has also provided assistance to employees and their families that have been affected by tragedies.

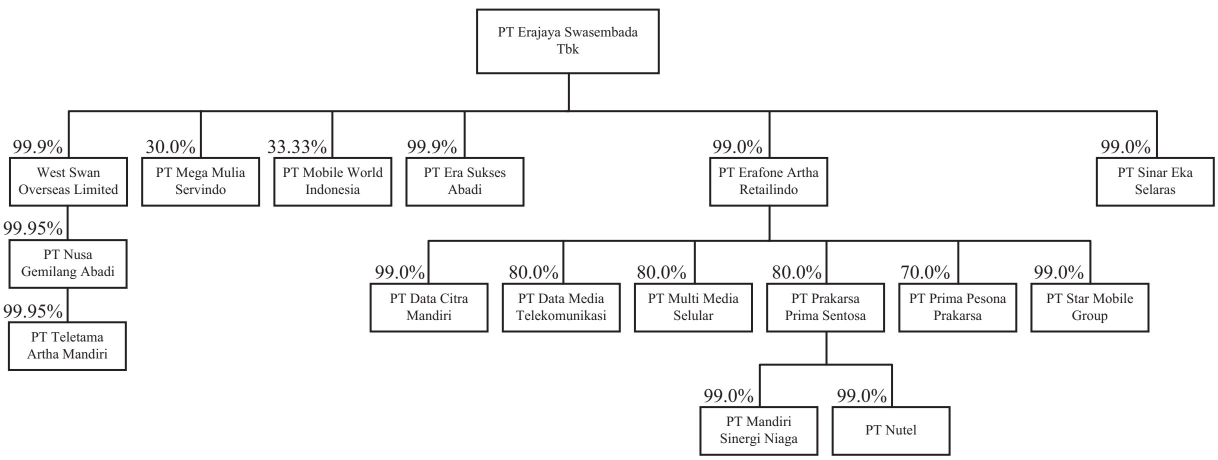
CORPORATE HISTORY AND STRUCTURE

Corporate History

PT Erajaya Swasembada Tbk was established on October 8, 1996 and received Ministry of Justice approval on February 24, 1997. Since 2004, the Company has primarily concentrated on distributing and selling mobile handsets, mobile network operator products and related accessories. As of June 2011, it owned and managed through its subsidiaries, over 230 retail outlets and modern channel partners throughout Indonesia.

Current Corporate Structure

The following chart sets forth the corporate structure of the Group as of the date of this offering memorandum.



Erafone Artha Retailindo, Sinar Eka Selaras and Era Sukses Abadi were established on August 15, 2002, March 13, 2009 and March 3, 2011, respectively. Erafone Artha Retailindo, Sinar Eka Selaras and Era Sukses Abadi were acquired by Erajaya in 2010, 2009 and 2011, respectively.

Erafone acquired Data Citra Mandiri, Data Media Telekomunikasi, Multi Media Selular and Star Mobile Group in 2008.

Prakarsa Prima Sentosa was acquired in 2009 and Prima Pesona Prakarsa in 2010.

For information on the ownership of PT Erajaya Swasembada Tbk, refer to the section entitled "Principal Shareholder" in this offering memorandum.

Subsidiaries

The Company's beneficial ownership of its subsidiaries as of the date of this offering memorandum is set forth in the following table.

Company Name	Year of Incorporation/ Acquisition	Country of Incorporation	Principal Place of Business	Principal Activities	Effective Interest/ Voting Power (Direct/ Indirect)
PT Erafone Artha Retailindo	2002/2010	Indonesia	Indonesia	Retail	99.0
PT Data Citra Mandiri	2004/2008	Indonesia	Indonesia	Retail	99.0
PT Data Media Telekomunikasi	2003/2008	Indonesia	Indonesia	Retail	80.0
PT Multi Media Selular	2003/2008	Indonesia	Indonesia	Retail	80.0
PT Prakarsa Prima Sentosa	2008/2009	Indonesia	Indonesia	Retail	80.0
PT Mandiri Sinergi Niaga	2011/2011	Indonesia	Indonesia	Retail	99.0
PT Nutel	2011/2011	Indonesia	Indonesia	Retail	99.0
PT Prima Pesona Prakarsa	2010/2010	Indonesia	Indonesia	Retail	70.0
PT Star Mobile Group	2008/2008	Indonesia	Indonesia	Retail	99.0
PT Sinar Eka Selaras	2009/2009	Indonesia	Indonesia	Distributor	99.0
PT Era Sukses Abadi	2011/2011	Indonesia	Indonesia	Property	99.9
West Swan Overseas Limited	2011/2011	British Virgin Islands	British Virgin Islands	Investment	99.9
PT Nusa Gemilang Abadi	2006/2011	Indonesia	Indonesia	Investment	99.95
PT Teletama Artha Mandiri	2004/2011	Indonesia	Indonesia	Distributor	99.95

INFORMATION ABOUT SUBSIDIARIES

PT Erafone Artha Retailindo and its subsidiaries

PT Erafone Artha Retailindo was established in 2002. The purpose of this company is to engage in trading, services, printing industry, construction, mining, agriculture and land transportation business activities. Through its subsidiaries, PT Data Citra Mandiri, PT Data Media Telekomunikasi, PT Multi Media Selular, PT Prakarsa Prima Sentosa, PT Prima Pesona Prakarsa and PT Star Mobile Group, it is a nationwide distributor, sub-distributor, and carrier affiliate of *Nokia, BlackBerry, Sony Ericsson* and *Dell*. It is an authorized retailer of *Samsung*. It is also an authorized retailer of mobile handsets and accessories for *Nokia, BlackBerry, Sony Ericsson* and *Venera*.

The shareholding of PT Erafone Artha Retailindo as of the date of this offering memorandum is as follows:

Name	Nominal Amount	Nominal Value (Rp)	Percentage
PT Erajaya Swasembada Tbk	99,000,000	99,000,000,000	99.00
Ardy Hady Wijaya	500,000	500,000,000	0.50
Budiarto Halim	500,000	500,000,000	0.50
Total	100,000,000	100,000,000,000	100.00

The board of directors of PT Erafone Artha Retailindo are:

Name	Position
Budiarto Halim	President Director
Richard Halim Kusuma	Director

The board of commissioners of PT Erafone Artha Retailindo are:

Name	Position
Ardy Hady Wijaya	President Commissioner
Sintawati Halim	Commissioner
Andreas Harun Djumadi	Commissioner

PT Erafone Artha Retailindo has six subsidiaries, as follows:

1. PT Data Citra Mandiri

PT Data Citra Mandiri was established on December 6, 2004. The purposes of this company are to engage in trading and services business activities. PT Data Citra Mandiri is currently inactive.

The shareholding of PT Data Citra Mandiri as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	1,980	1,980,000,000	99.00
Budiarto Halim	20	20,000,000	1.00
Total	2,000	2,000,000,000	100.00

The board of directors of PT Data Citra Mandiri are:

Name	Position
Agus Setyawan	Director
Lexy Yapri	Director

The board of commissioners of PT Data Citra Mandiri are:

Name	Position
Budiarto Halim	Commissioner

2. PT Data Media Telekomunikasi

PT Data Media Telekomunikasi was established on April 23, 2003. The purposes of this company are to engage in trading, construction, industry and services business activities. PT Data Media Telekomunikasi sells Indosat prepaid and post paid Starter Packs recharge vouchers to third-party resellers throughout Indonesia.

The shareholding of PT Data Media Telekomunikasi as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	400,000	400,000,000	80.00
Lie Pie Kiun/Rina Dewi	100,000	100,000,000	20.00
Total	500,000	500,000,000	100.00

The board of directors of PT Data Media Telekomunikasi are:

Name	Position
Sim Chee Ping	President Director
Agus Setyawan	Director

The board of commissioners of PT Data Media Telekomunikasi are:

Name	Position
Ardy Hady Wijaya	President Commissioner
Sintawati Halim	Commissioner
Lie Pie Kiun/Rina Dewi	Commissioner

3. PT Multi Media Selular

PT Multi Media Selular was established on April 24, 2003. The purposes of this company are to engage in services and trading business activities. PT Multi Media Selular sells Indosat prepaid and post paid Starter Packs and recharge vouchers to outlets throughout Indonesia. PT Multi Media Selular also partners with wholesale distributors for electronic voucher distribution.

The shareholding of PT Multi Media Selular as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	800,000	800,000,000	80.00
Lie Pie Kiun/Rina Dewi	200,000	200,000,000	20.00
Total	1,000,000	1,000,000,000	100.00

The board of directors of PT Multi Media Selular are:

Name	Position
Sim Chee Ping	President Director
Agus Setyawan	Director

The board of commissioners of PT Multi Media Selular are:

Name	Position
Ardy Hady Wijaya	President Commissioner
Sintawati Halim	Commissioner
Lie Pie Kiun/Rina Dewi	Commissioner

4. PT Prakarsa Prima Sentosa and its subsidiaries

PT Prakarsa Prima Sentosa was established on November 4, 2008. The purposes of this company are to engage in trading, services, industry, construction, real estate, printing, agro-business mining and transportation business activities.

PT Erafone Artha Retailindo acquired PT Prakarsa Prima Sentosa in August 28, 2009. PT Prakarsa Prima Sentosa, with its subsidiaries, sells both prepaid and postpaid Telkomsel Starter Packs and recharge vouchers.

The shareholding of PT Prakarsa Prima Sentosa as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	5,840	5,840,000,000	80.00
Lie Pie Kiun/Rina Dewi	1,460	1,460,000,000	20.00
Total	7,300	7,300,000,000	100.00

The board of directors of PT Prakarsa Prima Sentosa are:

Name	Position
Sim Chee Ping	President Director
Agus Setyawan	Director

The board of commissioners of PT Prakarsa Prima Sentosa are:

Name	Position
Ardy Hady Wijaya	President Commissioner
Sintawati Halim	Commissioner
Lie Pie Kun/Rina Dewi	Commissioner

PT Prakarsa Prima Sentosa has two subsidiaries, as follows:

PT Mandiri Sinergi Niaga

PT Mandiri Sinergi Niaga was established on April 1, 2011. The purposes of this company are to engage in construction, trading, industrial, land transportation, agriculture, printing, warehouse and services business activities. It is a non-active division for retail of vouchers.

The shareholding of PT Mandiri Sinergi Niaga as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Prakarsa Prima Sentosa	99	99,000,000	99.00
Keith Ardy Hady Wijaya	1	1,000,000	1.00
Total	100	100,000,000	100.00

The board of directors of PT Mandiri Sinergi Niaga are:

Name	Position
Keith Ardy Hady Wijaya	Director

The board of commissioners of PT Mandiri Sinergi Niaga are:

Name	Position
Lie Pie Kiun/Rina Dewi	Commissioner

PT Nutel

PT Nutel was established in 2011. The purposes of this company are to engage in construction, trading, industrial, land transportation, agriculture, printing, warehouse and services business activities. It is a non-active division for retail of vouchers.

The shareholding of PT Nutel as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Prakarsa Prima Sentosa	99	99,000,000	99.00
Keith Ardy Hady Wijaya	1	1,000,000	1.00
Total	100	100,000,000	100.00

The board of directors of PT Nutel are:

Name	Position
Keith Ardy Hady Wijaya	Director

The board of commissioners of PT Nutel are:

Name	Position
Lie Pie Kiun/Rina Dewi	Commissioner

5. PT Prima Pesona Prakarsa

PT Prima Pesona Prakarsa was established on October 26, 2010. The purposes of this company are to engage in trading, industrial and services business activities. It is a non-active division for retail of vouchers.

The shareholding of PT Prima Pesona Prakarsa as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	70	70,000,000	70.00
Lie Pie Kiun/Rina Dewi	30	30,000,000	30.00
Total	100	100,000,000	100.00

The board of directors of PT Prima Pesona Prakarsa are:

Name	Position
Sim Chee Ping	Director

The board of commissioners of PT Prima Pesona Prakarsa are:

Name	Position
Andreas Harun Djumadi	Commissioner

6. PT Star Mobile Group

PT Star Mobile Group was established on December 3, 2008 under the name PT Riset Infokom Mandiri. The purposes of this company are to engage in trading, services, printing, industry, construction, mining agriculture and land transportation business activities. It is a non-active division for cell phone accessories.

The shareholding of PT Star Mobile Group as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erafone Artha Retailindo	2,475,000	2,475,000,000	99.00
Mitchella Ardy Hady Wijaya	25,000	25,000,000	1.00
Total	2,500,000	2,500,000,000	100.00

The board of directors of PT Star Mobile Group are:

Name	Position
Mitchella Ardy Hady Wijaya	Director

The board of commissioners of PT Star Mobile Group are:

Name	Position
Richard Halim Kusuma	Commissioner

PT Sinar Eka Selaras

PT Sinar Eka Selaras was established on March 13, 2009 as a direct distributor of *Dell and LG* handsets to retail outlets. The purposes of this company are to engage in trading, industry and services activities.

The shareholding of PT Sinar Eka Selaras as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erajaya Swasembada Tbk	49,500	49,500,000,000	99.00
Jemmy Hady Wijaya	250	250,000,000	0.50
Frans Gosal	250	250,000,000	0.50
Total	50,000	50,000,000,000	100.00

The board of directors of PT Sinar Eka Selaras are:

Name	Position
Budiarto Halim	President Director
Jemmy Hady Wijaya	Director

The board of commissioners of PT Sinar Eka Selaras are:

Name	Position
Ardy Hady Wijaya	President Commissioner
Sintawati Halim	Commissioner

PT Era Sukses Abadi

PT Era Sukses Abadi was established on March 3, 2011. The purposes of this company are to engage in trading, industry, services and construction business activities. PT Era Sukses Abadi is the real property holding company for the Group.

The shareholding of PT Era Sukses Abadi as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erajaya Swasembada Tbk	9,990	9,990,000,000	99.90
Budiarto Halim	10	10,000,000	0.10
Total	10,000	10,000,000,000	100.00

The board of directors of PT Era Sukses Abadi are:

Name	Position
Budiarto Halim	Director

The board of commissioners of PT Era Sukses Abadi are:

Name	Position
Ardy Hady Wijaya	Commissioner

West Swan Overseas Ltd

West Swan Overseas Ltd holds shares in PT Nusa Gemilang Abadi and is not currently operating commercially. It was established in the British Virgin Islands under certificate of incorporation BVI company number 1650663 dated May 26, 2011.

The shareholding of West Swan Overseas Ltd as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (US$)	Percentage of Ownership
PT Erajaya Swasembada Tbk	700,000	700,000	99.9999
Boswell Investments Pte., Ltd.	1	1	0.0001
Total	700,001	700,001	100.0

The board of directors of West Swan Overseas Ltd is:

Name	Position
First Pacific (Asia) Pte Ltd	Director

West Swan Overseas Ltd. has one subsidiary as follows:

PT Nusa Gemilang Abadi

PT Nusa Gemilang Abadi was established on April 25, 2006 and holds shares in PT Teletama Artha Mandiri. The purposes of this company are to conduct wholesaler business activities (main distributor, export and import) especially for telecommunication devices and provide after-sales services.

The shareholding of PT Nusa Gemilang Abadi as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
Billy Ching	25	25,000,000	0.0005
Boswell Investments Pte., Ltd	2,475	2,475,000,000	0.0495
West Swan Overseas Ltd	5,000,000	5,000,000,000	99.95
Total	5,002,500	7,500,000,000	100.00

The board of directors of PT Nusa Gemilang Abadi are:

Name	Position
Billy Ching	Director

The board of commissioners of PT Nusa Gemilang Abadi are:

Name	Position
Hasanoedin Solichin	Commissioner

PT Nusa Genilang Abadi has a subsidiary, as follows:

PT Teletama Artha Mandiri

PT Teletama Artha Mandiri was established on September 8, 2004. The purpose of this company is to engage in trade and services business activities.

PT Teletama Artha Mandiri is a national distributor of *BlackBerry* and *Sony Ericsson*, the fulfillment distributor of *Samsung*, and the owner of the *Venera* brand.

The shareholding of PT Teletama Artha Mandiri as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Nusa Gemilang Abadi	1,999	1,999,000,000	99.95
Billy Ching	1	1,000,000	0.05
Total	2,000	2,000,000,000	100.00

The board of directors of PT Teletama Artha Mandiri are:

Name	Position
Fransisca Prijatna	Director
Hasan Aula	Director

The board of commissioners of PT Teletama Artha Mandiri are:

Name	Position
Daniel Priyatna	Commissioner

Associated Companies

The Company's ownership of its associated companies as of the date of this offering memorandum is set forth in the following table.

Company Name	Year of Incorporation/ Acquisition	Country of Incorporation	Principal Place of Business	Principal Activities	Effective Interest/ Voting Power (Direct/ Indirect)
PT Mega Mulia Servindo	2009/2009	Indonesia	Indonesia	Services	30.0
PT Mobile World Indonesia	2010/2010	Indonesia	Indonesia	Sub-distributor	33.3

INFORMATION ABOUT ASSOCIATED COMPANIES

PT Mega Mulia Servindo

PT Mega Mulia Servindo was established on December 21, 2009.

The shareholding of PT Mega Mulia Servindo as of the date of this offering memorandum is as follows:

Name	Nominal Amount	Nominal Value (Rp)	Percentage
PT Trisada Mulia	1,400	1,400,000,000	70.0
PT Erajaya Swasembada Tbk	600	600,000,000	30.0
Total	2,000	2,000,000,000	100.0

The board of directors of PT Mega Mulia Servindo are:

Name	Position
Susanna Subijanto Hartawan	Director

The board of commissioners of PT Mega Mulia Servindo are:

Name	Position
Budiarto Halim	Commissioner

PT Mobile World Indonesia

PT Mobile World Indonesia was established on May 4, 2010.

The shareholding of PT Mobile World Indonesia as of the date of this offering memorandum is as follows:

Name	Number of Shares	Amount (Rp)	Percentage of Ownership
PT Erajaya Swasembada Tbk	1,000,000	1,000,000,000	33.33
PT Parastar Echorindo	1,000,000	1,000,000,000	33.33
PT Trikomsel Oke Tbk	1,000,000	1,000,000,000	33.33
Total	3,000,000	3,000,000,000	100.00

The board of directors of PT Mobile World Indonesia are:

Name	Position
Elly	President Director
Hendra	Director
Ellianah Wati Setiady	Director

The board of commissioners of PT Mobile World Indonesia are:

Name	Position
Harry Hartono	President Commissioner
Budiarto Halim	Commissioner
Sugiono Wiyono Sugialam	Commissioner

MANAGEMENT

In accordance with Indonesian law, Erajaya has a Board of Directors and a Board of Commissioners. The two boards are separate and no individual may be a member of both boards.

Directors

The Board of Directors manages Erajaya's day to day operations and is appointed by Erajaya's shareholders in a General Meeting. Under Erajaya's Articles of Association, the President Director has the authority to act for and on behalf of Erajaya. In the absence of the President Director, two of the members of the Board of Directors shall jointly have the authority to act for and on behalf of Erajaya. The Board of Directors is responsible for the management of Erajaya's business.

The table below sets forth, as of August 3, 2011, the names, positions, principal occupations and ages of Erajaya's directors. The term of office for directors is until 2016, without prejudice to the ability of a General Meeting to dismiss a director during his or her term of office or to re-appoint a director whose term of office has expired.

Name	Position	Age
Budiarto Halim	President Director	45
Elly Kohardjo	Director	41
Sintawati Halim	Director	49
Sim Chee Ping	Director	42
Lee Sang Bong	Director	34
Michael Chung Shing Wu	Director	47
Andreas Harun Djumadi	Director	56
Jody Rasjidgandha	Non-affiliated Director	34

A brief biography of each of the directors is provided below.

Budiarto Halim, President Director

Mr. Budiarto Halim has been President Director of Erajaya since 2005. Prior to this, he was the CEO of PT Kia Mobil Indonesia from 2000 to 2005. Additionally, he previously served as a director of PT Puspita Bisnispuri from 1997 to 2000. He graduated with a bachelor's degree in business administration from San Francisco State University in 1990.

Elly Kohardjo, Director

Ms. Elly Kohardjo has been a Director of Erajaya since 2007. Prior to this, she was the general manager for sales and marketing of Erajaya from 2005 to 2007 and has worked in Erajaya's sales and marketing department since 1998. She attended YKPN Accounting Academy in Yogyakarta, Indonesia from 1988 to 1991.

Sintawati Halim, Director

Ms. Sintawati Halim has been a Director of Erajaya since 2008. Prior to this, she was a Senior VP of finance for PT Mobile-8 Telecom from 2003 to 2008, after serving as Director of Industry Standard Servers for Hewlett Packard Indonesia and Director of Finance and Administration for Compaq Computer Indonesia. She graduated with a bachelor's degree in Computer Applications and Information Systems from New York University in 1985. She also holds a Masters of Business Administration from The Leonard N. Stern School of Business at New York University.

Sim Chee Ping, Director

Mr. Sim Chee Ping has been a Director of Erajaya since 2011. Prior to this, he was the executive director of AZEC Indonesia Management Services from 2000 to 2011. From 1992 to 2000, he held a number of positions with Arthur Andersen in Singapore and Indonesia. He graduated with a bachelor's degree in Accountancy from the National University of Singapore in 1992. He also holds a diploma in Engineering Design from the Singapore Institute of Management.

Lee Sang Bong, Director

Mr. Lee Sang Bong has been a Director of Erajaya since 2011. Prior to this, he was a director of PT Erafone Artha Retailindo from 2008 to 2011. Additionally, he previously served as the CEO of GBT Co., Ltd in Seoul, Korea from 2006 to 2007. Prior to this he was a general manager of Charoen Pokphand Indonesia from 2003 to 2006. He graduated with a bachelor's degree in Entrepreneurship from Babson College in Wellesley, Massachusetts in 2000.

Michael Chung Shing Wu, Director

Mr. Michael Chung Shing Wu has been the Information Technology Director for Erajaya since 2011. He previously held positions as the Vice President of Citi Private Bank, Singapore from 2004 to 2011, Associate Director of Schroders Investment Management Ltd, Singapore from 2000 to 2004, and as Assistant Vice President of Citibank, Global Cash & Trade, Singapore from 1998 to 2000. He has also served as Technical Advisor and Multimedia Manager in PT. Media Citra Indostar, MIS Manager in PT. Amcol Citra Gallery in Indonesia, System Analyst in New Window Associates and as a Programmer Analyst in Citibank, New York. He graduated with a Bachelor of Arts degree from New York University in 1986.

Andreas Harun Djumadi, Director

Mr. Andreas Harun Djumadi has been a Director of Erajaya since 2011. Until 2011, he was a Commissioner of Erajaya. He is also the President Director of PT Multi Media Seluar and a Commissioner of PT Erafone Artha Retailindo and PT Prima Pesona Prakasa since 2010. He has been the President Commissioner of PT Kia Mobil Indonesia and PT Kia Indonesia Motor since 2008. Prior to this, he was the finance and accounting director for PT Kia Mobil Indonesia and Pt Kia Indonesia Motor from 2000 to 2008. He graduated with a bachelor's degree in Accounting from the University of Indonesia in 1980.

Jody Rasjidgandha

Mr. Jody Rasjidgandha has been an Independent Director of Erajaya since 2011. Prior to this, he was a director of PT Multimarilin Permata Nusantara from 2009 to 2011. Additionally, he previously served as Director of PT Raga Unggul Selaras from 2006 to 2009. He graduated with B.S. in Business Administration; Majoring in Finance and International Business from The Ohio State University. He also holds a Masters of Business Administration from The Ohio State University.

Board of Directors of TAM

Hasan Aula

Mr. Hasan Aula has been a Director and Chief Executive Officer of TAM since 2010. Prior to this he was a country manager for Nokia Indonesia from 2002 to 2009 and a member of management at Nokia Indonesia from 1997 to 2002. He graduated with a degree in Food Technology Engineering from the Bogor Agricultural University in 1987. He also received a Masters of Business Administration from the Management Development Institute of Indonesia in 1990.

Committees of the Board of Directors

The Board of Directors delegates certain of its authority to the following committees:

Audit Committee

In order to meet the requirements of BAPEPAM-LK and IDX, Erajaya's audit committee will be established after the Offering is completed. The members of the audit committee will be appointed and removed by the Board of Commissioners and will comprise at least three members, consisting of one Independent Commissioner and two independent external parties. All audit committee members must be financially literate and at least one member must have accounting and/or related financial management expertise. Erajaya expects that its Independent Commissioner will be the chairman of the audit committee and Erajaya is in the process of identifying suitable candidates to act as the two external parties required.

Board of Commissioners

The Board of Commissioners, which has the task of supervising the management, must contain at least two members, one of whom is the president commissioner. The principal function of the Board of Commissioners is to give recommendations to and supervise the policies of, the Board of Directors. The Board of Commissioners are appointed by Erajaya's shareholders in a General Meeting. The term of office for commissioners is five years, without prejudice to the ability of a General Meeting to dismiss a commissioner during his/her term of office or to re-appoint a commissioner whose term of office has expired.

The table below sets forth, as of August 3, 2011, the names, positions, principal occupations and ages of Erajaya's commissioners. All of the commissioners were appointed at the Extraordinary General Meeting of Shareholders on August 3, 2011.

Name	Position	Age
Ardy Hady Wijaya	President Commissioner	45
Richard Halim Kusuma.	Commissioner	31
Lim Bing Tjay	Independent Commissioner	61

A brief biography of each of the commissioners is provided below.

Ardy Hady Wijaya

Mr. Ardy Hady Wijaya has been President Commissioner of Erajaya since 1998. He also serves as a President Commissioner of PT Erafone Artha Retailindo, PT Multi Media Seluler and PT Sinar Eka Selaras, and is a Commissioner of PT Era Sukses Abadi and PT Eralink International. Prior to joining Erajaya, he was a manager for a family-owned department store in Indonesia. He attended Senior High School Tarakanita 2, Pluit from 1982 to 1985.

Richard Halim Kusuma

Mr. Richard Halim Kusuma has been a Commissioner of Erajaya since 2011. Prior to this, he was a director of Erajaya from 2006 to 2011. He attended Northeastern University in Boston, Massachusetts from 1998 to 2004.

Lim Bing Tjay

Mr. Lim Bing Tjay has been an Independent Commissioner of Erajaya since 2011. He is also the President of PT Mandiri Global Citra since March 2011. Prior to this, he was senior managing director and deputy CEO of PT Smart Telecom from 2008 to 2011. Additionally, he previously served as CEO of PT Pratama Jaringan Nusantara from 2006 to 2008, CEO of PT Mobile-8 Telecom from 2006 to 2008, CEO of PT Hewlett Packard Indonesia from 2002 to 2004 and CEO of Compaq Computer Indonesia from 1998 to 2002. He graduated with a degree in computer science from the Institute of Computer Science NOVI in Amsterdam, The Netherlands in 1971.

Family Relationships

Certain members of Erajaya's Board of Directors and Board of Commissioners are related. Mr. Ardy Hady Wijaya, the President Commissioner of Erajaya, is the brother-in-law of Mr. Budiarto Halim, the President Director of Erajaya, the brother-in-law of Ms. Sintawati Halim, a Director of Erajaya, and is the uncle of Mr. Richard Halim Kusuma, a Commissioner of Erajaya. Mr. Budiarto Halim is the brother of Ms. Sintawati Halim. Mr. Richard Halim Kusuma and Mr. Lee Sang Bong, a Director of Erajaya, are nephews of Mr. Budiarto Halim and Ms. Sintawati Halim.

Compensation of Board Members and Management

During the year ended December 31, 2010 and the first six months of 2011, Erajaya's directors and commissioners and key members of management received remuneration of Rp9.9 billion (US$1.2 million) and Rp8.7 billion (US$1.0 million), respectively.

Except as disclosed in "Principal Shareholder", Erajaya's principal senior management, including their spouses and minor children, currently do not hold any shares of outstanding capital stock. Erajaya has not extended any loans to any principal senior management. It has not provided any guarantee of any personal liabilities of any of the directors, commissioners or management.

Management and Employee Stock Allocation

Erajaya plans to provide certain management and employees of Erajaya and its subsidiaries (except Erajaya's Independent Commissioner) an opportunity to receive Shares as part of the Offering, through its Management and Employee Stock Allocation ("MESA") Program. Erajaya believes that the MESA Program will enhance employee performance and loyalty as employees become direct stakeholders of Erajaya.

The participants of MESA Program will be all employees registered in the employee registry of Erajaya and its subsidiaries as of June 30, 2011, including all of the incumbent members of the Board of Commissioners and the Board of Directors (except the Independent Commissioner of Erajaya) of Erajaya and its subsidiaries during the implementation of MESA Program ("MESA Program Participants"). 80% of the Shares allocated to the MESA Program will be offered to management of Erajaya and its subsidiaries and 20% of the Shares allocated to the MESA Program will be allocated to rest of the employees of Erajaya and its subsidiaries. Participants will pay the Offering Price for Shares purchased through the MESA Program. These Shares will be subject to a 12 month lock-up period, during which the MESA Program participants will be restricted in their transfer of the Shares purchased through the MESA Program.

MESA Program is designed to comply with Bapepam-LK Regulation No.IX.A.7, which provides for a maximum allocation of 10% of the total Offer Shares to Erajaya's employees and management. The maximum total shares allocated to MESA Program Participants are 5% of the total Offer Shares. In the event that the total shares subscribed for in the MESA Program by MESA Program Participants are less than 5% of the total Offer Shares, such remaining shares will be offered to the Public.

Corporate Governance

Under the IDX regulations, Erajaya is required to establish an audit committee within six months of the listing of the shares on the IDX. Erajaya has established an internal audit unit in compliance with BAPEPAM-LK regulations.

Based on BAPEPAM-LK Rule No. IX.I.4 which is attached to the Decree of the Chairman of BAPEPAM-LK No. Kep-63/PM/1996 dated January 17, 1996 regarding the Establishment of Corporate Secretary, Erajaya has appointed Syaiful Hayat as the Corporate Secretary to liaise (on behalf of Erajaya) with BAPEPAM-LK, IDX and other related public institutions, to coordinate Erajaya's compliance with capital markets regulations and advise the Board of Directors on related matters and serve as a contact point for investors in Erajaya's shares.

Erajaya has established an Internal Audit Unit Charter on November 1, 2011 which constitutes the work guideline of the Internal Audit Unit as regulated in BAPEPAM-LK Rule No.IX.I.7 re. Establishment and Guidelines of the Arrangement of Internal Audit Unit Charter.

PRINCIPAL SHAREHOLDER

Erajaya's authorized share capital is Rp3,900 billion comprising 7.8 billion common shares of par value Rp500 each, of which 1.98 billion shares were outstanding immediately prior to the Offering. After the completion of the Offering, Erajaya will have up to 2.9 billion shares outstanding.

The following table sets forth certain information with respect to the share ownership of Erajaya's substantial shareholder and its Directors and Commissioners who own its shares immediately prior to the Offering and as adjusted after giving effect to the Offering.

	Actual		Adjusted	
Shareholders	**Number of shares**	**Percentage of shares**	**Number of shares**	**Percentage of shares**
PT Eralink International(1)	1,979,996,040	99.9998	1,979,996,040	68.28%
Ardy Hady Wijaya	3,960	0.0002	3,960	0.0001%
Public shareholders	—	—	920,000,000	31.72%
TOTAL	1,980,000,000	100.00%	2,900,000,000	100.00%

(1) PT Eralink International is ultimately owned by a discretionary trust. The settlors of the trust are Mr. Ardy Hady Wijaya, Mr. Budiarto Halim and Mr. Richard Halim Kusuma. The beneficiaries of the discretionary trust are ultimately the settlors and their children. Being a fully discretionary trust, the trust does not provide for the specific allocation of beneficial interests among the beneficiaries. The trustee has general discretion in the administration of the trust; however, the trust allows for decisions relating to revocation of the trust, removal of the trustee, and decisions relating to investments by the trust (such as how PT Eralink International votes) to be made by unanimous agreement of the three settlors. The trustee of the discretionary trust is Credit Suisse Trust Limited.

RELATED PARTY TRANSACTIONS

Summarized below are related party transactions that Erajaya and its subsidiaries have entered into historically with its direct and indirect shareholders and affiliates of its shareholders and ongoing or future transactions that Erajaya proposes to enter into after the date of this offering memorandum. Erajaya believes that each of these arrangements have been or will be entered into on arm's-length terms or on terms that Erajaya believes have been at least as favorable to it as similar transactions with non-related parties would have been.

Historical Related Party Transactions

A brief description of the significant transactions with related parties that Erajaya has entered into, as of September 1, 2011, is provided below:

Increase in Erafone Shareholding

On August 18, 2011, the shareholders of PT Erafone Artha Retailindo ("Erafone"), Andy Hady Wijaya (the President Commissioner of Erajaya) and Budiarto Halim (the President Director of Erajaya), agreed to sell 5,500,000 shares and 2,500,000 shares of Erafone, respectively, to Erajaya, increasing Erajaya's shareholding in Erafone to 99% from 91%. Erajaya paid Rp8.0 billion for the additional shares in Erafone.

Increase in SES Shareholding

On August 18, 2011, the shareholders of PT Sinar Eka Selaras ("SES"), Jemmy Hady Wijaya and Frans Gosal, agreed to sell 2,250 shares and 750 shares of SES, respectively, to Erajaya, increasing Erajaya's shareholding in SES to 99% from 93%. Erajaya paid Rp3.0 billion for the additional shares in SES.

Transfer of Accounts Receivable Agreement with Eralink

On June 27, 2011, Erajaya entered into a Transfer of Accounts Receivable Agreement with PT Eralink International ("Eralink"), the majority shareholder of Erajaya. Under the agreement, Eralink agreed to assume responsibility for collection of certain of Erajaya's receivables that were more than 90 days overdue, totaling Rp196.0 billion. Eralink has an obligation to pay Erajaya the amount due under these receivables within 12 months of the date of the agreement.

Deeds of Conditional Sale and Purchase between ESA and Ardy Hady Wijaya

On May 25, 2011, ESA and Ardy Hady Wijaya entered into two deeds of conditional sale and purchase under which ESA agreed to purchase two properties located in Jakarta owned by Ardy Hady Wijaya, with a purchase price of Rp7.2 billion for each.

Deed of Conditional Sale and Purchase between TAM and Ardy Hady Wijaya

On May 18, 2011, TAM and Ardy Hady Wijaya entered into two deeds of conditional sale and purchase under which TAM agreed to purchase two properties located in Jakarta owned by Ardy Hady Wijaya, with a purchase price of Rp1.6 billion for each.

Credit Agreement between SMG and TAM

On March 5, 2010, TAM entered into a credit agreement with SMG, under which SMG received a loan with a maximum limit of Rp6.5 billion. The credit agreement provides for an interest rate of 14.5% per annum. Amounts outstanding under the loan are repayable on demand. TAM is considered to be a related party because, at the time of the transaction, a director and a commissioner of TAM served as directors of certain of the Group's subsidiaries. This loan was fully repaid on July 11, 2011.

Credit Agreement between SMG and TAM

On March 5, 2010, TAM entered into a credit agreement with SMG, under which SMG received a loan with a maximum limit of US$215,000. The credit agreement provides for an interest rate of 7.0% per annum. Amounts outstanding under the loan are repayable on demand. TAM is considered to be a related party because, at the time of the transaction, a director and a commissioner of TAM served as directors of certain of the Group's subsidiaries. This loan was fully repaid on July 11, 2011.

Management Service Agreement between SMG and TAM

On July 27, 2009, SMG entered into a Management Service Agreement with TAM. Under this agreement, TAM provided operational services to SMG in the form of sales assistance from August 1, 2009 to December 31, 2009. SMG paid TAM a management fee of 6.0% of SMG's net sales during the agreement period. Payments under the agreement were recorded in the Group's consolidated financial statements under Selling and Distribution Expenses—Management Fee. TAM is considered to be a related party because, at the time of the transaction, a director and a commissioner of TAM served as directors of certain of the Group's subsidiaries.

Ongoing and Future Related Party Transactions

Under BAPEPAM-LK regulations, there are two types of related party transactions, namely affiliated transactions and conflict of interests transactions. An affiliated party transaction is defined as a transaction which is conducted between the company or the controlled company with an affiliate of the company or an affiliate of a member of the board of directors, the board of commissioners, or a substantial shareholder (being a shareholder who owns at least 20.0% of the issued shares in the company or other lower threshold as determined by BAPEPAM-LK). Affiliated party transactions do not require the approval of independent shareholders. Generally, such transactions, including detailed information and a summary appraisal report regarding the transaction, must be announced within two business days from the date of the transaction, unless an exemption is available. If an exemption is available, the transaction will either be (i) reported to BAPEPAM-LK or (ii) not required to be disclosed and reported to BAPEPAM-LK (as relevant). The transactions that are not required to be disclosed and reported to BAPEPAM-LK include, among others, (i) any transactions that constitute the core business of the company or its controlled subsidiaries, or any transactions that support the core business of the company or its controlled subsidiaries, or (ii) transactions that occur before the public offering of the company or before the submission of the registration statement that have been disclosed in the prospectus, provided that the terms and conditions of the transactions have not changed in a manner that may cause loss to the company. Any transaction by a company listed on an Indonesian stock exchange which entails a conflict of interest must be approved by a majority of the shareholders who do not have a conflict of interest in the proposed transaction and certain disclosure must be made to the shareholders prior to the shareholders meeting held to approve such conflict of interest transactions. A "conflict of interest" is defined in BAPEPAM-LK regulations to mean a conflict between the economic interests of a publicly listed company, on the one hand, and the personal economic interests of any member of the Board of Commissioners, Board of Directors or a substantial shareholder (being a shareholder who owns at least 20.0% of the issued shares in the company or other lower threshold as determined by BAPEPAM-LK) which has the potential to result in losses to Erajaya. BAPEPAM-LK has the power to enforce this rule, and Erajaya's shareholders may also bring enforcement action based on this rule.

DESCRIPTION OF ERAJAYA'S COMMON SHARES

Erajaya's authorized capital is Rp3,900 billion divided into 7,800,000,000 shares, each with a par value of Rp500 per share. Prior to the Offering, 1,980,000,000 shares were outstanding, all of which are fully subscribed and paid for as of the date hereof, and none of which has been listed on any securities exchange.

The following is a summary of the material rights and restrictions related to Erajaya's common shares under the provisions of its Articles of Association. This description does not purport to be complete.

Common Shares

All transfers of the common shares must be evidenced by an instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee or based on other documents which give satisfactory evidence of such transfer as determined and approved by the Board of Directors. In addition, any transfer of the shares must comply with rules and regulations applicable in the Indonesian capital market and of the IDX. Transfers of shares take effect only after the transfer is registered in the Shareholder Registry (the "Register"). The transferor of any shares will be treated as the owner of such shares until the name of the transferee has been recorded in the Register by the Board of Directors, through the Share Registrar. Under the scripless system, KSEI will be registered as the holder of the shares in the Register, in its capacity as the central securities depositary institution which holds the shares on behalf of KSEI participants which in turn hold the shares on behalf of shareholders ("Beneficial Shareholders").

The holders of shares whose names are recorded in the Register (such holders, the "Registered Shareholders") are entitled to pre-emptive rights in the event Erajaya issues new shares, convertible bonds, warrants or other securities convertible into equity securities except as provided below. See "Risk Factors—Risks Relating to an Investment in Erajaya's Shares—Purchasers' rights to participate in any future rights offerings by Erajaya could be limited, which would cause dilution to a purchaser's shareholding". For shares deposited with KSEI, all ownership rights are automatically distributed by KSEI, through KSEI participants, to purchasers ultimately holding the shares as Beneficial Shareholders (or their assignees). Such pre-emptive rights may be sold and transferred to third parties without the consent of any party to the extent permitted by the rules and regulations applicable in the Indonesian capital market and of the IDX. If the Registered Shareholders or the Beneficial Shareholders (or their respective assignees) do not exercise their pre-emptive rights within a period of time determined by the Board of Directors (in accordance with the prevailing regulations) after the issuance of new securities, the Board of Directors may issue such shares, convertible bonds, warrants or other securities to third parties on the same terms and conditions.

In accordance with BAPEPAM-LK Regulation IX.D.4 as provided for in the Articles of Association, Erajaya may increase its capital without providing a pre-emptive right to the Registered Shareholders or the Beneficial Shareholders to subscribe for securities, provided that such action is regulated under its Articles of Association, with the following provisions:

(1) if within any two-year period, the increase in its issued share capital without pre-emptive rights is no more than 10.0% of the paid-in capital; or

(2) if the main objective of the increase in its authorized share capital is to improve its financial position which is experiencing one of the following conditions:

    (i) Erajaya has negative net working capital and has liabilities of more than 80.0% of its assets at the time of the General Meeting of Shareholders approving the capital increase; or

    (ii) Erajaya has defaulted or is not capable of avoiding default in payment of its liabilities with a non-affiliated provider of a loan, and the loan provider or non-affiliated investor agrees to receive its shares or convertible bonds to settle the loan.

Other than as described above, Erajaya's authorized share capital may be increased or decreased by a resolution of a General Meeting of Shareholders and amendment of the Articles of Association. Any such amendment will be effective only after obtaining approval from the Minister of Law and Human Rights. In the case of a decrease in the authorized share capital, the approval from the Minister of Law and Human Rights may only be given if (i) approved by a General Meeting of Shareholders; (ii) there are no written objections from the creditors; (iii) a settlement has been reached on any objection raised; and (iv) any creditors' lawsuit as the result of objections by creditors has obtained a final and binding judgment rendered by the court.

Shareholders' Meetings and Voting Rights

Each share entitles the owner thereof to cast one vote in a General Meeting of Shareholders. In the case of shares held by KSEI, prior to Erajaya taking corporate action, KSEI must provide details to Erajaya concerning the share entitlements of all the Beneficial Shareholders on whose behalf shares are held. A KSEI participant holding the shares on behalf of a Beneficial Shareholder is obliged to notify such Beneficial Shareholder of the exercise of any preemptive rights, delivery of offering memorandums and other notices issued by Erajaya as well as notices of General Meetings of Shareholders. Beneficial Shareholders or their legal representatives have the right to be present and vote at the General Meetings of Shareholders. See "Indonesian Capital Markets".

The Annual General Meeting of Shareholders must be held by no later than the end of June each year. At such Annual General Meeting of Shareholders, pursuant to the Company Law, the Board of Directors must submit an annual report which should include, at least (i) annual financial reports; (ii) report on Erajaya's activity; (iii) report in relation to the corporate and social responsibility implementation; (iv) details regarding any problems arising during the financial year which affects Erajaya's activities; (v) report in relation to the supervisory duties which has been carried out by the Board of Commissioners during the preceding financial year; (vi) name of the Board of Directors and the Board of Commissioners; and (vii) salary and other remunerations for both the Board of Directors and the Board of Commissioners for the preceding year. Such annual report must be made available in Erajaya's office for inspection by any shareholder from the day such shareholder is notified of the Annual General Meeting of Shareholders through the date of the Annual General Meeting of Shareholders.

Either the Board of Directors or the Board of Commissioners may convene an Extraordinary General Meeting of Shareholders. An Extraordinary General Meeting of Shareholders must be convened upon receipt of written notice requesting a meeting from one or more shareholders owning an aggregate of at least 10.0% of Erajaya's issued shares. In the event neither the Board of Directors nor the Board of Commissioners convenes such a meeting within 30 days of receipt of such written notice the relevant shareholders may call a meeting at Erajaya's expense after obtaining the approval from the District Court.

At least 14 days prior to the issuance of notice of both Extraordinary General Meetings and Annual General Meetings of Shareholders, an announcement must be made by placing an advertisement in at least two daily newspapers published in Indonesia, one of which must have a wide circulation in Indonesia, that a shareholders' meeting is to be called. Notice to the shareholders of the meeting must also be made by newspaper advertisement, as described above, published at least 14 days before the date of the meeting.

The quorum for an Annual General Meeting of Shareholders requires shareholders and/or authorized proxies representing more than 50.0% of the issued shares with voting rights to be represented either in person or by a power of attorney at such meeting. The quorum requirement may be greater, depending on the nature of the resolutions to be considered at such meeting.

If a quorum for such General Meeting is not obtained, then no earlier than 10 days and no later than 21 days after such original General Meeting, a second meeting may be held to render a legal and binding resolution on matters which were not resolved at the first meeting. The second meeting must be attended by shareholders representing at least one-thirds of the total issued shares. Resolutions adopted at such a meeting must be approved by a majority of the total votes present and cast at the meeting.

Shareholders may be represented in a General Meeting of Shareholders by any person holding a power of attorney, provided that if the proxy is a commissioner, director or employee of Erajaya then the vote of any such proxy shall not be counted. In order to be adopted, resolutions must receive the affirmative votes of shareholders holding more than 50.0% of the shares which are either present or represented in the meeting (except for resolutions concerning certain transactions such as (i) the transfer or disposal of rights or encumbrances or the action to encumber all or more than 50.0% of Erajaya's total assets, (ii) amendments to the Articles of Association, or (iii) a merger, consolidation or acquisition, (iv) liquidation, or (v) conflict of interest transactions, which have various voting thresholds above that level). In addition, for certain transactions involving a conflict of interest, approval from independent shareholders must be obtained in accordance with BAPEPAM-LK Regulation IX.E.1.

Dividends

A portion of the profit, as determined by an Annual General Meeting of Shareholders, after deduction of corporate tax, must be used as a reserve fund up to an amount of at least 20.0% of the subscribed capital. It can be used only to cover losses suffered by Erajaya. Amounts in the reserve fund that exceed 20.0% of the subscribed capital may be used for working capital or other purposes in its interest, subject to the approval of the shareholders. Any interest or other profit earned from such reserve fund must be entered in the profit and loss account.

Dividends, if any, are paid in accordance with a resolution adopted by an Annual General Meeting of Shareholders, which resolution must establish the amount, the time and manner of payment of the dividends. All shares which are fully paid and outstanding at the time a dividend or other distribution is declared are entitled to share equally in such dividend or other distribution. Dividends are payable to the persons whose names are recorded in the Register. The Articles of Association provide that dividends unclaimed after a period of five years will be placed in a special reserve fund. After the lapse of the 10-year period, such unclaimed dividends shall belong to Erajaya.

Amendments to the Articles of Association

Amendments to the Articles of Association can only be effected pursuant to a resolution at a General Meeting of Shareholders attended by shareholders or their lawful proxies representing at least two-thirds of the total issued shares. Resolutions adopted at such a meeting must be approved by more than two-thirds of the total valid votes cast at the meeting. Any amendment that would change Erajaya's name, its domicile, its objectives and purpose, its business activities or its term of establishment, or would increase or reduce its authorized capital, reduce the issued and paid-up capital or change its status from a private company to become a public company or vice versa will only be effective upon approval by the Minister of Law and Human Rights. Any amendment to the articles must be made in the form of a notarial deed no later than 30 days from the date of the shareholders meeting and be reported to the Minister of Law and Human Rights within 30 days from the date of the notarial deed. Any other amendments will only be effective as of the date of the letter from the Minister of Law and Human Rights confirming acceptance of notification of such amendments. A resolution reducing the capital must be delivered to Erajaya's creditors and published in the State Gazette of the Republic of Indonesia and announced in at least two newspapers published in Indonesia with wide circulation within seven days after such resolution.

Liquidation

Erajaya can be dissolved or liquidated pursuant to (i) a resolution passed at an Extraordinary General Meeting of Shareholders pursuant to its Articles of Association, (ii) the expiry of the incorporation period of Erajaya, (iii) a court decision, (iv) bankruptcy, when Erajaya's assets are not sufficient to settle its obligations or if Erajaya is declared to be insolvent, or (vi) revocation of the business license of Erajaya which requires Erajaya to be liquidated.

A resolution for Erajaya's dissolution must be approved at a General Meeting of Shareholders attended by the holders of more than three-quarters of the total number of shares outstanding and approved by the holders of more than three-fourths of the total votes cast at the meeting. In the event Erajaya is wound up, dissolved or declared bankrupt, subject to insolvency or for any other reason provided under the Company Law, the General Meeting of Shareholders must appoint a liquidator to perform certain liquidation procedures. If the General Meeting of Shareholders fails to appoint a liquidator, the Board of Directors shall act as the liquidator.

The liquidators must register the resolution for Erajaya's dissolution in the Register, publish it in the State Gazette and announce it in two daily newspapers published in Indonesia and notify Erajaya's creditors and notify the Minister of Justice and Human Rights by no later than 30 calendar days from the dissolution of Erajaya, the IDX and BAPEPAM-LK pursuant to prevailing regulations.

Rights of Shareholders

In general, Indonesian law has traditionally afforded shareholders fewer rights than those available in common law jurisdictions such as the United Kingdom. See "Risk Factors—Risks Relating to an Investment in Erajaya's Shares—Purchasers may be subject to limitations on minority shareholders rights". The Company Law affords certain rights to shareholders, and certain additional rights to one or more shareholders collectively representing at least 10.0% of all voting shares of a company ("Minority Shareholders").

A shareholder generally has the right to lodge a legal action against Erajaya if it has been harmed by any unfair and unreasonable action Erajaya has taken. In addition, each shareholder of a public company has the right to request Erajaya to repurchase the shareholder's shares at the then prevailing market price if such shareholder disagrees with certain of Erajaya's actions which harm the interests of such shareholder or Erajaya. These actions include: (i) the amendment of the Articles of Association; (ii) transfer or disposal of rights or encumbrance of Erajaya's assets of more than 50% of its net assets; or (iii) a merger, consolidation, acquisition, or spin-off of Erajaya. Under the Company Law, Erajaya may repurchase shares; *provided* that such repurchase (a) must not cause its net assets (as stated in its most recent balance sheet, as approved by the shareholders within the last six months) to fall below paid-in capital and reserves; (b) may not cause the total number of shares having been repurchased by Erajaya and pledge or other encumbrance of shares held by Erajaya or by other company which shares are directly or indirectly owned by Erajaya, to become more than 10% of its outstanding shares, and (c) must be conducted in compliance with the procedure and the requirement under the Indonesian Capital Market Law, in particular BAPEPAM-LK's regulation No. XI.B.2 attached to the decision of BAPEPAM-LK No. KEP-105/BL/2010 on Share Buy Back by the Issuer or Public Company dated April 13, 2010. To the extent that a request to repurchase shares exceeds these limitations, Erajaya is required to seek a third-party purchaser for such shares. Under Article 40 of the Company Law, shares repurchased by Erajaya may not be used to cast a vote in a General Meeting of Shareholders, and will not be counted in determining the quorum that has to be achieved in accordance with the Company Law and the Articles of Association. Such a limitation also applies to the shares that are purchased by the Subsidiaries.

Erajaya's Minority Shareholders have certain other rights. These include the rights to call a General Meeting of Shareholders in the event that the directors or commissioners fail to convene such meeting within the stipulated time. Minority Shareholders also have the right to lodge a derivative action on Erajaya's behalf against the directors or commissioners who, through error or negligence, have caused Erajaya's losses. Under the Company Law, directors and commissioners are obliged to act in good faith, with full responsibility and in Erajaya's best interests when carrying out their corporate duties. The Minority Shareholders may request that Erajaya be examined by a court-appointed third-party if there is suspicion that Erajaya has committed an act contrary to law which damages the shareholders or third-party or if there is any suspicion that any of its directors or commissioners has committed an act contrary to law which damages Erajaya, the shareholders, or third-party. Minority Shareholders may also apply to a court for Erajaya's dissolution. However, the Company Law does not specify the circumstances under which such application may be made.

INDONESIAN CAPITAL MARKETS

The following information has been derived from publicly available information and has not been independently verified by the Group, the International Selling Agents, the Lead Managing Underwriter or any of their respective advisors.

Background and Development

In 1976, the Government established a regulatory agency, the Capital Market Executive Agency, (*Badan Pelaksana Pasar Modal,* or "BAPEPAM"), the Capital Market Development Agency (*Badan Pembina Pasar Modal*) and a national investment trust company, PT Danareksa (Persero) to reactivate and promote the development of a securities market in Indonesia. In 1990, the Capital Market Executive Agency and the Capital Market Development Agency became the Capital Market Supervisory Board (*Badan Pengawas Pasar Modal*) or BAPEPAM. The first share issue listed on the Jakarta Stock Exchange (the "JSX") took place in August 1977. By the end of 1988, the shares of 24 companies were listed on the JSX and the volume of shares traded was relatively low.

Since 1988, a number of reform measures affecting the Indonesian capital markets were introduced. These have led to the privatization of the JSX and its establishment in December 1991 as a limited liability company, PT Bursa Efek Jakarta, incorporating 221 securities trading companies as its shareholders. On July 13, 1992, the operation of the JSX was transferred from BAPEPAM to PT Bursa Efek Jakarta. At that time, BAPEPAM operated under its new name, the Capital Markets Supervisory Board or *Badan Pengawas Pasar Modal*, and its principal function is to ensure the orderly and fair operation of the securities exchanges.

In December 2005, BAPEPAM merged with the Financial Institution Supervisory Agency or *Badan Pengawas Lembaga Keuangan* under the Department of Finance, and change its name to the Capital Markets and Financial Institutions Supervisory Board or *Badan Pengawas Pasar Modal dan Lembaga Keuangan* ("BAPEPAM-LK").

On October 27, 2011, Parliament passed a new law governing financial services companies known as the Law on the Financial Services Authority (*Otoritas Jasa Keuangan—"OJK"*). Under the new law, OJK will take over certain authorities relating to the supervision and regulation of banks from Bank Indonesia effective December 31, 2013 and the supervision and regulation of capital markets, insurance, pension funds and multifinance companies from BAPEPAM-LK effective December 31, 2012. The law will come into force after it is signed by the President or 30 days after it was passed by Parliament, whichever is earlier.

The various reforms over the past few years have sought to strengthen the operational and supervisory framework of the Indonesian securities market and to improve the Indonesian securities market's trading environment. The measures also established an over-the-counter market, or "Bursa Paralel", and private stock exchanges outside Jakarta, the first of which was the Surabaya Stock Exchange or PT Bursa Efek Surabaya (the "SSX") in Surabaya . In July 1995, the Bursa Paralel and the SSX were merged to form a single exchange intended to focus on small and medium sized companies. A company could elect to list shares on the JSX, the SSX or both.

On November 30, 2007, the JSX and the SSX were merged to form a single exchange. As the result of the merger, the JSX is now operating under the new name of PT Bursa Efek Indonesia (the "Indonesia Stock Exchange" or "IDX"*)*.

Other reforms were also introduced to provide increased protection for minority shareholders, to improve disclosure requirements and to clarify listing procedures. As of August 24, 2011, 428 companies were listed on the IDX with a total market capitalization of Rp3,473 trillion compared to 24 listed companies with a market capitalization of approximately Rp100.0 billion in December 1987, just prior to the introduction of the capital market reform measures.

Overview of the Indonesia Stock Exchange

As of June 30, 2011, the IDX comprised of 428 members. Of these 428 members, the top 20 most active stocks in total trading volume handled transactions totaling 333,702 million shares for the first half of 2011, approximately 58.0% of total shares traded on the IDX during that period. In trading value, the top 20 most active members accounted for Rp217,494 billion in trading, or approximately 35.1% of the overall value of buying and selling transactions on the IDX for the first half of 2011. The rules and regulations governing the JSX are currently applied to the IDX in the same manner.

Trading rules on the IDX are, at present, generated in the form of decisions by the IDX. There are currently two daily trading sessions for regular market and negotiated market from Monday to Thursday, a morning session from 9.30 am to 12.00 noon, followed by an afternoon session from 1.30 pm to 4.00 pm. There are two trading sessions on Friday, from 9.30 am to 11.30 am and from 2.00 pm to 4.00 pm. There is only one cash market trading session from Monday to Thursday, 9.30 am to 12.00 noon, and on Friday, 9.30 am to 11.30 am.

Trading of securities is divided into three market segments: regular market, negotiated market and cash market (except for rights issues which may only be traded in the cash market and in the first session of the negotiated markets). The regular market is the mechanism for trading stock in standard lots on a continuous auction market during exchange hours. Regular market and cash market trading must be carried out in unit lots of 500 shares. The price movements:

- for shares with a previous price less than Rp200, in multiples of Rp1, and each price movement should be no more than Rp10;
- for shares with a previous price of at least Rp200 but less than Rp500, in multiples of Rp5 and each price movement should be no more than Rp50;
- for shares with a previous price of at least Rp500 but less than Rp2,000, in multiples of Rp10 and each price movement should be no more than Rp100;
- for shares with a previous price of at least Rp2,000 but less than Rp5,000, in multiples of Rp25 and each price movement should be no more than Rp250; and
- for shares with a previous price of Rp5,000 or more, in multiples of Rp50 and each price movement should be no more than Rp500.

Auctioning takes place according to price priority and time priority. Price priority refers to the giving of priority to buying orders at a higher price or selling orders at a lower price. If buying or selling orders are placed at the same price, priority is given to the buying or selling according to the time the order is placed (i.e. time priority).

Negotiated market trading is carried out (i) by direct negotiation between members of IDX or (ii) between clients through one member of IDX or (iii) between client and member of IDX or (iv) between member of IDX and the Indonesian Stock Clearing and Guarantee (PT Kliring dan Penjaminan Efek Indonesia or the "KPEI"). The negotiated market trading does not use round lots.

Transactions on the IDX regular market are required to be settled no later than the third trading day after the transactions except for cross trading. Transactions on the negotiated market are settled based on agreement between the (selling) exchange member and the (buying) exchange member, and are settled per transaction. In the event that the selling and buying exchange members do not determine the period of settlement, the settlement is required to be completed no later than the third trading day after the transaction. Transactions on the IDX cash market are required to be settled on the trading day of the transactions. In case of a default by an exchange member on settlement, cash market trading takes place, pursuant to which trading of securities by means of direct negotiation on cash and carry terms will be conducted. All cash market transactions must be reported to the IDX. An exchange member is obliged to pay a transaction cost as regulated by the IDX, and delay in payment of the transaction cost will be subject to a fine of 1.0% of the outstanding amount for each day of delay. For any violation of IDX rules, IDX may impose on an exchange member, any of the following sanctions: (i) a fine up to Rp500 million; (ii) a written warning; (iii) a written admonition; (iv) a temporary suspension from trading activities; or (v) a revocation of license as an exchange member.

All transactions involving shares listed only on the IDX which use the services of exchange members must be conducted through the IDX. In order for a trade (except a block trade) to be made on the IDX, both the cash and securities settlement must be conducted through the facilities of the IDX. Short selling and margin trading are allowed, subject to fulfillment of certain requirements such as: (i) the maintenance of a regular securities account that shows the transaction records of the trader, (ii) the maintenance of a margin trading or short selling financing securities account, and (iii) an initial deposit of Rp200,000,000 into the margin trading or short selling financing securities account. Under the prevailing laws, only a member of the IDX that has obtained approval from the IDX can enter into a short selling transaction or margin transaction. Furthermore, BAPEPAM-LK may cancel a transaction if proof exists of fraud, market manipulation or the use of insider information. The IDX may also suspend trading if there are indications of fraudulent transactions or artificial inflation of share prices, misleading information, use of insider information, counterfeit securities or securities blocked from trading, or any other material event. The IDX may suspend trading of certain securities or suspend certain members of the stock exchange.

Members of the IDX charge a brokerage fee for their services, based on agreement with their client, up to a maximum of 1.0% of the transaction value. When conducting share transactions on the IDX, exchange members are required to pay a transaction cost equal to 0.03% of the transaction value (for transactions in the regular and cash markets) and a transaction cost equal to 0.03% of the transaction value or based on the exchange policy (for transactions in the negotiated markets). Exchange members generally pass on these costs to their clients. The transaction cost is a minimum of Rp20,000,000 per month as contribution for the provision of exchange's facilities (which continues to apply for exchange members in suspension or with frozen membership). The clients are also responsible for paying a 10.0% value added tax on the amount of brokerage fee and transaction cost. Indonesian sellers are also required to pay a withholding tax of 0.1% (plus an additional 0.5% for founder shares) of the total transaction value. Additionally, a stamp duty of Rp3,000 is payable on any transaction with a value between Rp250,000 and Rp1,000,000 and stamp duty of Rp6,000 is payable on every transaction with a value of more than Rp1,000,000. See "Taxation".

Shareholders or their appointees may request at any time during working hours that the issuer, or a securities administration bureau appointed by the issuer, register their shares in the issuer's registry of shareholders. Reporting of share ownership to BAPEPAM-LK is mandatory for: (i) members of the Board of Directors; (ii) members of the Board of Commissioners; and (iii) shareholders whose ownership has reached 5.0% or more of an issuer's issued and fully paid up capital. Those shareholders must report their ownership to BAPEPAM-LK within 10 days after the transaction.

The following table sets forth certain information on the IDX for the periods or as of the dates indicated.

	2006	2007	2008	2009	2010
Market capitalization (trillion Rp)	1,249	1,988	1,076	2,019	3,247
Trading volume (million shares)	436,936	1,039,542	787,846	1,467,659	1,330,865
Average daily trading volume (million shares)	1,806	4,226	3,283	6,090	5,432
Trading value (billion Rp)	445,708	1,050,154	1,064,528	975,135	1,176,237
Average daily trading value (billion Rp)	1,842	4,269	4,436	4,046	4,801
Number of listed companies	344	383	396	398	420

Source: IDX summary statistics for the years 2006 to 2010.

Offering, Listing and Reporting Regulations

BAPEPAM-LK regulates and monitors securities issues which are publicly offered or listed in Indonesia. Initial securities offerings are generally conducted as underwritten public offers for sale by subscription. BAPEPAM-LK regulates offering and allocation procedures.

Unless waived, companies are required to meet certain requirements in order to become listed on the IDX which are set out respectively in the Decision of the Board of Directors of JSX No. Kep-305/BEJ/07-2004 dated July 19, 2004 regarding Listing of Shares and Equity-Linked Securities other than Shares Issued by Listed Company ("IDX Listing Regulation No. I-A").

Listed companies are required to submit to BAPEPAM-LK and IDX the following documents:

- an annual report to be submitted not later than four months after the end of the financial year of the company;
- consolidated financial statements consisting of:
  - (i) an annual financial report audited by an accountant registered with BAPEPAM-LK, to be submitted not later than three months after the date of such report;
  - (ii) any of the following mid-year reports: (a) a mid-year report (unaudited), to be submitted not later than one month after the date of such report; (b) a mid-year report with limited review by an accountant registered with BAPEPAM-LK, to be submitted not later than two months after the date of such report; or (c) a mid-year report audited by an accountant registered with BAPEPAM-LK containing a full opinion on the fairness of such report, to be submitted not later than three months after the date of such report; and
  - (iii) quarterly reports, the preparation of which is required by the rules of the IDX, to be submitted to the IDX not later than one month after the date of such report for a non-audited report, two months after the date of such report for a limited audit report, and three months after the date of such report for a fully audited report;
- material information that is important and relevant according to BAPEPAM-LK regulations and which may affect the value of the security or an investment decision, such as a merger, acquisition, consolidation, stock split, distribution of a stock dividend, change in management, replacement of public accountant, replacement of trustee, material legal claims, and other important information possibly affecting share prices on the exchange; such information must be submitted to BAPEPAM-LK and announced publicly no later than two working days after such information is revealed;
- a copy of any amendment to the company's articles of association;
- the purpose of the utilization of net proceeds from the initial public offering;
- notice of any change in the composition of the company's Board of Directors or Board of Commissioners;
- report on shareholding and any change in shareholding;
- notice on appointment and replacement of corporate secretary; and
- notice of any material deviation from projections published by such companies.

Based on the Circular Letter of the Chairman of BAPEPAM No. SE-01/BL/2007, a company that consolidates its subsidiaries into its financial statements and that wishes to submit a registration to BAPEPAM-LK in relation to a public offering or rights issue is required to submit the following documents:

- the consolidated financial statements of the company;
- individual/stand alone, unconsolidated financial statements of the company; and
- individual/stand alone, unconsolidated financial statements for each subsidiary whose financial statements are consolidated into the financial statements of the company.

In addition, the annual financial statements submitted to BAPEPAM-LK for any subsidiary of a listed company must be audited by a public accountant if the subsidiary in question fulfills any of the following requirements:

- such subsidiary is a public company;
- such subsidiary is engaged in a line of business related to the generation of public funds;
- such subsidiary issues an acknowledgement of indebtedness;
- such subsidiary has assets equal to or greater than Rp50.0 billion;
- the terms of any such subsidiary's existing debt require it to audit its annual financial statements;
- such subsidiary is a state enterprise; or
- such subsidiary is otherwise required by law to do so.

Insider trading, fraud and market manipulation of securities are prohibited under Indonesian capital markets laws. In such circumstances, a transaction may be cancelled or suspended by the IDX or BAPEPAM-LK may suspend or revoke the license of the capital market supporting institution and supporting professionals involved. A party engaging in (i) misleading conduct, fraud or falsification in connection with the sale of securities; (ii) other actions to mislead the public regarding trading activities, market conditions or price or (iii) insider trading is liable for the loss incurred and faces a fine of up to Rp15.0 billion and imprisonment of up to 10 years.

Scripless Trading

On December 23, 1997, a private limited company, the Indonesian Central Securities Depositary, PT Kustodian Sentral Efek Indonesia, or KSEI (See "—KSEI"), was established to serve as the central securities clearing house. On November 11, 1998, KSEI obtained a license from BAPEPAM to act as an approved central securities depositary and settlement institution. The shareholders of KSEI is currently comprised of 30 securities firms, holding 31.5% of KSEI's shares, nine custodian banks, holding 36.0% of KSEI's shares, four Share Registrars (*Biro Administrasi Efek*), holding 4.0% of KSEI's shares, the IDX and KPEI, holding 27.5% of KSEI's shares and one Treasury Stock, holding 1% of KSEI's shares. In 2000, KSEI introduced the Central Depository and Book Entry Settlement System, or "C-Best", a computerized system for the registration and settlement of securities.

In 2000, BAPEPAM-LK implemented regulations to provide for a scripless trading system. Under the scripless system, a member broker, sub-broker or local custodian (the "KSEI Participant"), may deposit with KSEI certificates evidencing ownership of securities on an account kept for such purpose, making KSEI the registered holder of those securities. Any institution becoming a KSEI participant is required to open at least one account with KSEI for deposit, withdrawal or transfer of securities. After KSEI has accepted a deposit of any securities, it will hold such securities on behalf of its participant or the participant's clients and, as such, investors obtain a beneficial (rather than direct) interest in the shares, which is convertible into a physical share certificate at the direction of the investor. Thus, to establish ownership rights, each holder of an account for deposit, withdrawal and/or transfer of securities (the "KSEI Account Holder") is obliged to maintain a list of the owners of securities deposited with it. Sales and purchases of securities are settled on the relevant securities deposit account via a computer system. At the end of each trading day, KSEI delivers a statement showing the balance of securities held for each participant.

A company that intends to register their securities with KSEI enters into a standard registration agreement with KSEI. Subsequently, KSEI Account Holders or KSEI Participants must issue confirmations for the benefit of KSEI for the entire value of the securities deposited with KSEI.

Securities registered with KSEI are recorded and administered electronically in securities accounts opened with KSEI ("KSEI Securities Accounts") and KSEI Account Holders and administer deposits, withdrawals and transfers of securities through their KSEI Securities Accounts. Parties that are eligible to become KSEI Account Holders are (i) securities companies (ii) custodian banks and (iii) other parties determined by the prevailing capital market laws and regulations. In addition, any institution becoming a KSEI Participant is required to open at least one securities account with KSEI. Each KSEI Account Holder who maintains subscribers' securities and funds must also open sub-accounts for the deposit of securities and funds on behalf of their customers.

In accordance with the KSEI rules on Central Depository Services, C-Best is the central computerized system for depository services and the settlement of securities transactions by book entry settlement. C-Best is provided by KSEI to KSEI Account Holders. Sales, purchases and conveyances of securities are settled through the C-Best system by setting off the relevant securities in the appropriate KSEI Securities Accounts. At the end of each trading day, KSEI delivers, through the C-Best system, a statement to each KSEI Account Holder showing the balance of securities held by that KSEI Account Holder.

Pursuant to a Circular Letter issued by BAPEPAM-LK dated November 23, 2001, listed companies must register their shares in a central depository prior to June 30, 2002. Further, on January 15, 2003, BAPEPAM-LK issued a new regulation, effective as at May 1, 2003, which requires each KSEI Participant holding securities on behalf of a client to:

- establish a securities sub-account on behalf of each client and record each client's securities account in such sub- account;
- ensure that the balance in the customer's security account in the KSEI Participant's books is always equivalent with the balance in the sub-account with KSEI;
- take measures to ensure that the identity of each client is properly recorded by the KSEI Participant; and
- take measures to ensure that the securities sub-account balance of each client is and remains correct.

Transfers of Shares

Transfers of listed shares on the IDX are governed by the Company Law and IDX rules. Under the Company Law, as a general matter, ownership of shares is based on the registration of ownership in the relevant company's share register. To be valid against the issuing company, a request for an entry of the transfer into a share registry must be received by the company. To be valid against a third-party, the entry of the transfer must actually be made into the share register.

Transfer of scripless shares are made by way of appropriate instructions to the relevant brokers, sub-brokers or custodians with whom the transferor and the transferee involved maintain securities accounts in accordance with the individual arrangements with such brokers, sub-brokers or custodians. Upon receipt of such instructions, the relevant brokers, sub-brokers or custodians will, in accordance with such arrangements, effect the relevant changes in the register they are required to maintain for rights and entitlements purposes.

Effective as of June 30, 2002, only shares held through KSEI (and which have not been pledged or foreclosed upon based on a court order, or seized for the purpose of criminal proceedings) may be traded on the JSX or SSX, now IDX.

Securities transaction settlement services are part of the central depository services provided for the fulfillment of the rights and obligations as the result of stock exchange transactions or over-the-counter transactions by means of the transfer of securities and or funds between securities accounts. The settlement of stock exchange transactions is performed by KSEI based on transfer instructions received from both a selling Clearing Member (defined as a member of a stock exchange registered as the KSEI Clearing Member) and a buying Clearing Member. Alternatively, KSEI may settle over-the-counter transactions based on transfer instructions from a selling KSEI Account Holder and acceptance from a buying KSEI Account Holder and the availability of sufficient securities in the sub-account. Over-the-counter transfer instructions must also state whether the transaction requires a payment or not. When a transfer of securities and/or funds is completed and settled, KSEI submits a report to KPEI or the Clearing Member on the settlement of a stock exchange transaction or provides a confirmation to the relevant KSEI Account Holder for an over-the-counter transaction.

An acquisition of more than 50% of the shares of a public company or acquisition of direct or indirect control of the management or policy of a public company will be deemed as an acquisition of a public company and thus trigger a mandatory tender offer by the new controlling shareholder. The new controlling shareholder will have to conduct a mandatory tender offer for all the other shares in the public company, except for: (i) shares owned by shareholders which conducted the acquisition in conjunction with the new controlling shareholders, (ii) shares owned by other parties which received an offer on the same terms and conditions with the new controlling shareholder, (iii) shares owned by other parties which are conducting either a mandatory or voluntary tender offer at the same time on the same public company's shares, (iv) shares owned by the principal shareholders, and (v) shares owned by the other controlling shareholders in the public company. If the mandatory tender offer results in the new controlling shareholder holding more than 80% of the total paid-up capital in the public company, the new controlling shareholder must transfer a certain amount of the shares to the public so that at least 20% of the total paid-up shares in the public company is owned by the public, comprising of at least 300 parties within two years after the completion of the mandatory tender offer. If the acquisition results in the new controlling shareholder obtaining more than 80% of the total paid-up capital in the public company, the new controlling shareholder will have to transfer the shares to the public equal to the percentage of shares obtained in the mandatory tender offer, at a minimum, and the shares must be owned by at least 300 parties within two years after the completion of the mandatory tender offer.

KSEI

KSEI is a self-regulating organization and is licensed and regulated by BAPEPAM-LK. Under KSEI's rules, securities companies or custodian banks fulfilling certain criteria and authorized by BAPEPAM-LK may become KSEI Participants. The principal shareholders of KSEI are large custodian banks, securities companies, share registrars (*Biro Administrasi Efek*), IDX and KPEI. In the scripless system, the role of KSEI is to settle the transfer and receipt of securities and to act as the central securities depository. KPEI's role is to conduct fund settlement.

KSEI is managed by a Board of Directors as supervised by a Board of Commissioners who are subject to the provisions of the Company Law. KSEI is also a member of several international associations that are related to securities depositories, including the Association of National Numbering Agency ("ANNA"), the International Society of Securities Administrators ("ISSA"), and the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") and Asia Pacific Central Securities Depositories Group ("ACG").

BAPEPAM-LK sets strict standards for the internal controls of KSEI. These standards call for daily reconciliation of account balances between KSEI and the issuers whose securities are held in the name of KSEI. This daily reconciliation is required to be verified continuously by the head of the audit unit of KSEI who must report this verification to the Internal Control Committee of KSEI, the Board of Directors of KSEI and BAPEPAM-LK. Each KSEI Participant has the right to send auditors to KSEI to verify the reconciliation of its accounts with those of KSEI and the right to send auditors to verify the registry of the securities on the books of the issuer.

The internal control systems of KSEI are required to be audited annually by KSEI independent auditor with international experience and reputation and to include a review of the protections against fraud, embezzlement, natural disruptions and electronic damage. This report is to be sent to all KSEI shareholders along with the annual report.

The regulations call for a number of fundamental security measures to ensure the integrity of KSEI:

- access to data processing functions, record-keeping functions and customer account service areas of KSEI must be restricted;
- KSEI must have a primary computer and back-up computer at different locations that allow continued processing within two hours of a breakdown of the primary computer;

- duplicate electronic records must be maintained in repositories that are at least 30 kilometers away from each other;
- software development and maintenance are required to be segregated from data processing operations; and
- a special security division of KSEI's own funds is required to be segregated from data processing operations; all debits and credits to securities accounts must be based on instructions of account holders and controlled by a division that is separate from the data processing division.

In addition to the oversight of internal controls and specific regulations regarding recovery and security, the legal basis for securities accounts permits recovery of an investor's assets even in the event of destruction of all records of KSEI. This is done based on investor's confirmations and statements and records of the issuer, all of which are maintained independently from records of KSEI. With daily reconciliation of key records, strong internal control supervision by major banks, special security measures, and legal safeguards, recovery is possible even if there is a catastrophic occurrence.

IDX Listing, Relisting, Delisting and Corporate Governance Rules

The IDX listing rules for equity securities and regulations are aimed at enhancing good corporate governance and clarifying listing, relisting and delisting criteria, sanctions for violation of stock exchange rules and e-reporting and monitoring.

The listing rules also introduced the two board system, comprising of the Main Board and the Development Board.

The Main Board serves as the flag-carrier of the IDX and is intended for companies fulfilling regional listing standards relating to size, track record and net tangible assets. The Development Board allows both large and small companies with prospects but who do not qualify to list on the Main Board yet, as well as companies in the recovery phase, to be listed on the IDX.

Under the listing rules, a company is deemed qualified to undertake an initial listing on the Main Board if it fulfills certain requirements, including having:

- a registration statement declared effective by BAPEPAM-LK;
- been duly incorporated as a limited liability company and operated in the same core business for at least three consecutive years;
- net tangible assets of at least Rp100 billion;
- audited financial reports covering at least the last three years and unqualified audit opinions from the auditor covering the financial reports for the last two years and the last audited interim report;
- at least 1,000 shareholders, each holding a securities account with the stock exchange members;
- shares owned by minority shareholders immediately after the initial listing which are at least 100 million shares in number or represent 35.0% of the total paid in capital, whichever is the lower.

Under the listing rules, a company is deemed qualified to undertake an initial listing on the Development Board if it fulfills certain requirements, including having:

- a registration statement declared effective by BAPEPAM-LK;
- been duly incorporated as a limited liability company for at least the last 12 consecutive months;
- net tangible assets of at least Rp5.0 billion;
- operated for at least the past 12 consecutive months in the same core area of business activity;

- unqualified audit opinions from the auditor covering the financial report for the last 12 months and the last audited interim report (if any);
- for a company which has experienced loss or has not booked any profit or has been operated for less than two years, (1) based on its financial forecast to be announced in the stock exchange at the latest at the end of the second financial year as of the listing date it has obtained operational and net profits; or (2) based on its financial forecast by no later than at the end of the company's sixth financial year as of the listing date, it has obtained operational and net profits, especially if the proposed listed company is a company that by nature of its business will likely require a longer period of time to reach a break even point (such as infrastructure, plantation, forestry concession right (HPH), or industrial forest concession right (HTI) or other business related to public service);
- at least 500 shareholders, each holding a securities account with the stock exchange members;
- shares owned by minority shareholders immediately after the initial listing within five stock exchange days before the listing application which are at least 50 million shares in number or represent at least 35.0% of the total paid up capital, whichever is the lower; and
- full underwriting commitment from underwriters.

The rules allow a company listed in the Development Board, to be promoted to the Main Board if it fulfills the requirements for listing on the Main Board.

A company can be delisted voluntarily or involuntarily by the stock exchange. A company can be delisted if it fulfills one of the following conditions, (i) suffers certain conditions which adversely affects the going concern of the company, financially or legally, or to adversely affect the continuing status of the company as a public listed company and the company has not shown any sufficient remedial actions; or (ii) its shares are suspended from the regular market and the cash market and may only be traded in the negotiation market for at least the last 24 months.

Under the IDX Listing Regulations No. I-A, all companies listed on the IDX must have:

- independent commissioners of at least 30.0% of the total number of members of the Board of Commissioners;
- at least one non-affiliated director;
- an audit committee;
- a corporate secretary; and
- a nominal value of shares of at least Rp100.

Based on Decision of Chairman of BAPEPAM No. Kep-29/PM/2004 on Regulation No. IX.I.5 concerning the Formation and Implementation Guidance for audit committee, issued in September 24, 2004, or "BAPEPAM-LK Regulation No. IX.I.5", and IDX Listing Regulation No. I-A, an independent commissioner in a listed company must:

- come from outside the listed company;
- not own any shares of the listed company directly or indirectly;
- not have an affiliated relationship with the listed company, commissioners, directors or principal shareholders or controlling shareholders of the listed company;
- not hold a dual position as a director of another company which is an affiliate of the listed company;
- not have any business relationship which is directly or indirectly related to the listed company's business activity; and
- have adequate knowledge of all relevant capital markets regulations.

The audit committee must be comprised of at least three members, one of whom must be an independent commissioner of the listed company who will serve as chairman of the audit committee. The other members must also be independent persons, at least one of whom must be an expert in the field of accounting and/or finance.

Pursuant to the BAPEPAM-LK Regulation No. IX.I.5 and Circular Letter issued by IDX in 2001, the following persons are prohibited from becoming members of the audit committees of a listed company:

- any insider person of the public accountant, legal counsel or other party who give audit, non-audit and/or other consultation services to the company in the last six months before his appointment as a member of the audit committee;
- any party that has the authority and responsibility to plan, direct or control the activity of the listed company in the last six months before his appointment as a member of the audit committee, except an independent commissioner;
- any party which owns shares, either directly or indirectly, in the listed company;
- any party which has a family relationship, either by marriage or blood, up to second degree vertically or horizontally with any commissioner, director or principal shareholder of the listed company; and/or
- any party which has business relationship which is directly or indirectly related to the listed company's business activity.

In addition to the above, each member of the audit committee must:

- have high integrity, ability, knowledge, and adequate experience (including any relevant educational qualifications) who are able to communicate properly;
- be capable of reading and understanding financial reports, and at least one member of the Audit Committee must have an educational qualification in accountancy or finance; and
- have adequate knowledge of all relevant capital markets regulations.

Pursuant to IDX Listing Regulation No. I-A, a non-affiliated director in a listed company:

- may not have an affiliated relationship with the company's controlling shareholders for at least six months before his appointment as a non-affiliated director in a listed company;
- may not have an affiliated relationship with any commissioner or other director of the listed company;
- may not act as a director of another company; and
- may not be an insider at a capital market supporting professional or institution of which his/her/its service was used by the listed company for six months before his appointment as a director of the listed company.

The function of a corporate secretary shall be performed by one of the directors of the listed company, or an official of the listed company designated to carry out such function. The corporate secretary acts as a liaison or contact person between the listed company, government authorities including BAPEPAM-LK and the public. The corporate secretary must have access to material and relevant information relating to the listed company and must be familiar with all statutory regulations relating to capital markets, particularly on disclosure matters.

Reporting Requirements

According to the decision of the Chairman of BAPEPAM No. Kep-82/PM/1996, dated January 17, 1996 on Regulation No. X.M.1 concerning the Disclosure Requirements for Certain Shareholders, the director or commissioner of a listed company or a public company must report to BAPEPAM-LK with regard to their ownership and the changes of ownership of the shares in the listed company or public company within 10 days of the transaction. Such reporting obligation also applies to a shareholder that owns 5% or more of the paid up capital in the listed company or public company.

TAXATION

The discussion below does not constitute tax advice and it is not a complete analysis of all tax consequences relating to ownership and disposition of the Offer Shares for a non-resident individual or non-resident entity (a "Non-Indonesian Holder") that holds shares in an Indonesian company. The summary should not be relied upon by individual or corporate purchasers. Prospective purchasers of the Offer Shares must consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations as now in effect and available as of the date of this offering memorandum. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

Indonesian Taxation

The following is a summary of the principal Indonesian tax consequences of the ownership and disposition of shares for a Non-Indonesian Holder that holds shares in an Indonesian company. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase shares. A "non-resident individual" is a foreign national who does not reside in Indonesia or is not physically present in Indonesia for more than 183 days during any 12 month period, during which period, such non-resident individual receives income in respect of the ownership or disposition of the shares, and a "non-resident entity" is a corporation or non corporate body that is established under the laws of a jurisdiction other than Indonesia, is not domiciled in Indonesia and does not have a fixed place of business or permanent establishment in Indonesia during an Indonesian tax year in which such non-Indonesian entity receives income in respect of the ownership or disposition of shares.

Taxation of dividends

Dividends declared by Erajaya out of retained earnings and distributed to a Non-Indonesian Holder in respect of shares are subject to Indonesian withholding tax, currently at the rate of 20.0%, on the amount of the distribution (in the case of cash dividends) or on the shareholders' proportional share of the value of the distribution (normally par value in the case of stock dividends). A lower rate provided under certain double taxation treaties may be applicable provided that, among other things, the recipient is the beneficial owner of the dividend, is a tax resident of a treaty country and satisfy the administrative requirements as described below.

Application of Tax Treaties under Indonesian Tax Regulations

On November 5, 2009, the Director General of Taxation ("DGT") issued two regulations aimed at preventing tax treaties being used in an abusive manner, i.e. DGT Regulation No. PER- 61/PJ./2009 ("DGT-61") as amended by DGT Regulation No. PER-24/PJ/2010 ("DGT-24") regarding the administrative procedures to apply for a double tax treaty approval and DGT Regulation No. PER-62/PJ./2009 ("DGT-62") as amended by DGT Regulation No. PER-25/PJ/2010 ("DGT-25") regarding the prevention of double tax treaty approval abuse. Effective from January 1, 2010, the Indonesian tax withholder (i.e. the Indonesian party making a payment to the Non-Indonesian Holder) is allowed to withhold the tax payable in accordance with the provisions of double tax treaty approval, provided that:

a. the income tax recipient is not an Indonesian tax resident;

b. the administrative requirements have been fulfilled, and

c. there is no double tax treaty approval abuse by the Non-Indonesian Holder.

In the case that the above requirements are not met, the Indonesian tax withholder shall withhold the tax in accordance with Indonesian tax regulations, i.e. withholding tax at the rate of 20%.

Under DGT-62 as amended by DGT-25, a Non-Indonesian Holder is considered to participate in double tax treaty approval abuse if:

a. the transaction, which does not have an economic substance, is carried out using a structure/scheme so as to merely enjoy double tax treaty approval benefits;

b. the legal form of the structure/scheme of the transaction is different from the economic substance so as to merely enjoy double tax treaty approval benefits, and

c. the recipient of the income is not the actual owner of the economic benefits of the income (beneficial owner). The beneficial owner requirements are applicable for recipient of interest, dividend, and royalty income.

Under DGT-62 as amended by DGT-25, an individual or a company covered by the double tax treaty approval is not considered to be involved in double tax treaty approval abuse if:

a. the individual is not acting as an agent or nominee;

b. the institution's name is stated explicitly in the double tax treaty approval or has been agreed by the competent authority in Indonesia and the double tax treaty approval partner countries;

c. the Non-Indonesian Holder receives or earns income through a custodian in relation to income from the transfer of shares or bonds which are traded or listed on the IDX, except for interest and dividend income, in the case where the Non-Indonesian Holder is not acting as an agent or nominee;

d. the Non-Indonesian Holder is a company whose shares are listed on a stock exchange and are regularly traded;

e. the Non-Indonesian Holder is a pension fund whose establishment is in accordance with the laws of the double tax treaty approval partner country, and it is a tax subject in the double tax treaty approval partner country;

f. the Non-Indonesian Holder is a bank; or

g. the Non-Indonesian Holder is a company which meets the following requirements:

    1) If under the relevant double tax treaty approval provision the Non-Indonesian Holder is not required to be the beneficial owner of the income, the Non-Indonesian Holder must certify that its establishment or the transaction structure or scheme is not merely motivated to take advantage of the double tax treaty approval benefits; or

    2) If under the relevant double tax treaty approval provision the Non-Indonesian Holder is required to be the beneficial owner of the income (usually income in the form of interest, dividend and royalty), the Non-Indonesian Holder must certify that:

        (i) the establishment of the Non-Indonesian Holder or the transaction structure or scheme is not merely motivated to take advantage of double tax treaty approval benefits; and

        (ii) it has its own management to conduct the business and the management has an independent discretion to conduct its business; and

        (iii) it employs sufficient qualified personnel; and

        (iv) it engages in active conduct of a trade or business; and

        (v) the income derived from Indonesia is subject to tax in its country of residence; and

        (vi) not more than 50% of the income of the Non-Indonesian Holder is used to satisfy claims by other persons in the form of interest, royalty, or other fees (excluding salary to employees and dividend paid to shareholders).

In the case that there is double tax treaty approval abuse, the following will apply:

a. the Non-Indonesian Holder is not allowed to apply the double tax treaty approval benefits and must withhold or collect tax which is payable in accordance with Indonesian tax regulations, i.e. withholding tax at the rate of 20%; and

b. the Non-Indonesian Holder who abuses the double tax treaty approval cannot apply for a refund for the overpayment of the tax which should have not been payable.

Certificate of Domicile ("COD")

A Non-Indonesian Holder can utilize a double tax treaty approval if it is not a resident of Indonesia, the administrative requirements of the double tax treaty approval are met and it is not abusing the double tax treaty approval. The administrative requirements are in the form prescribed COD by the DGT as described below.

Under DGT-61 as amended by DGT-24, the administrative criteria to be fulfilled by the Non-Indonesian Holder in order to enjoy double tax treaty approval benefits are in the new COD form, which must be:

a. in the form prescribed by the DGT (i.e. Form DGT-1 or Form DGT-2, whichever is applicable);

b. filled in completely by the Non-Indonesian Holder;

c. signed by the Non-Indonesian Holder or carries a mark equal to a signature as relevant with the common practice in the double tax treaty approval partner country;

d. certified by the competent tax authority of the treaty country of the Non-Indonesian Holder, his authorized representative or a tax office official authorized by the relevant double tax treaty approval partner country, which can be in the form of a mark equal to a signature as relevant with the common practice in the double tax treaty approval partner country; and

e. given prior to the lodgment of the relevant monthly tax return.

Non-resident banks or persons who receive income from a custodian relating to publicly traded stocks or bonds (other than interest and dividend) should use Form DGT-2 (the simpler COD form), which remains valid for 12 months. All other non-resident recipients of income sourced in Indonesia must use Form DGT-1. Form DGT-1 requires the Non-Indonesian Holder to disclose the amount and type of income sourced in Indonesia.

If the requirement as set out in point d above cannot be obtained on page one of Form DGT-1 or Form DGT-2 yet the other requirements are fulfilled, the Non-Indonesian Holder may replace this with the COD which was certified or issued by the competent tax authority of the double tax treaty approval partner country. In this case, such COD, is required to be attached to the Form DGT-1 or Form DGT-2, where applicable, that has been completed and signed by the Non-Indonesian Holder, as relevant with the common practice. The COD must satisfy the following requirements set by the DGT:

- it is written in English;
- it is issued on or after January 1, 2010;
- it is in the form of originals or photocopies of documents that have been legalized by the tax office where the taxpayer is registered;
- it includes, at a minimum, the name of the Non-Indonesian Holder; and
- it has been signed by an authorized officer, his authorized representative or a tax office official authorized by the relevant double tax treaty approval partner country, or carries a mark equal to a signature as relevant with the common practice in the double tax treaty approval partner country, and it lists the name of the relevant officials.

Beneficial Owner

Based on DGT-62 as amended by DGT-25, the actual owner of the economic benefits of the income (beneficial owner) is defined as the income recipient who is not acting as:

- An agent

  Agent means an individual or a company who acts as an intermediary and carries out activities for and/or on behalf of other party;

- A nominee

  Nominee means an individual or company which legally owns (legal owner) an asset and/or income, for the benefit of, or acts under the instruction of, the actual asset owner and/or the party which actually enjoys the benefit of the income; and

- A conduit company

  Conduit company is a company who enjoys benefits from the tax treaty in relation to the income arising in other country, whilst the economic benefits from that income is owned by persons in other country who cannot enjoy tax treaty benefits if the income is received directly.

Article 26 paragraph (1a) of Income Tax Law No. 36/2008 and its elucidation defined the concept of beneficial owner as a Non-Indonesian Holder who truly receives the real benefit from the income from Indonesia. In determining the country of residence or domicile of the Non-Indonesian Holder, the COD shall not be the only determining factor. Instead, the place of residence or domicile of the beneficial owner of the income should also be taken into consideration. If the beneficial owner is an individual, his/her country of domicile shall be the country where the individual resides or lives. If the beneficial owner is a company (corporate or enterprise), its country of domicile shall be the country where its owner or where the shareholders with more than 50.0% ownership (either individually or together) is domiciled or the country where its effective management is situated.

Tax treaties

Indonesia has concluded double taxation treaties with a number of countries including Australia, Belgium, Canada, France, Germany, Japan, Luxembourg, The Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America. The relevant tax treaty may also affect the definition of non-resident party.

Taxation on the disposition of shares

Sale of Indonesian listed shares

Pursuant to Government Regulation No. 41 of 1994 regarding Withholding Tax on Income from Share Trading Transactions on the Stock Exchange dated December 23, 1994 and its amendments in Government Regulation No. 14 of 1997 dated May 29, 1997, the sale or transfer of shares that are listed on an Indonesian stock exchange is subject to final withholding tax of 0.1% of the gross amount of the transaction value and should be withheld by the broker handling the transaction. An additional 0.5% final tax (totaling a total tax of 0.6%) is imposed on the share value at the time of the initial public offering ("IPO") for the holding of the founder shares (except for the founder shares of a mutual fund). The imposition of 0.5% withholding tax will occur at the time of the IPO for shares traded on the stock exchange on or after January 1, 1997 and must be paid by the Company that undertook the IPO within one month of the IPO. The imposition of 0.5% withholding tax on the founder shares is not compulsory. The tax regulations provide an option for the taxpayer to elect to substitute the 0.5% additional final tax with the taxation of actual capital gains (if any) resulting from the sale of the founder shares subject to the normal tax rates (a flat rate of 25.0% for corporate taxpayers or progressive rates with a maximum of 30.0% for individual taxpayers). Currently, the tax regulations for listed shares do not contain any provision in respect of treaty protections. In practice, the 0.1% final withholding tax is applied irrespective of the fact that there may be treaty exemptions. Indonesian tax authorities have a general rule regarding refunds, which may be used in case of an applicable treaty exemption.

Taxation of Rights Issues

The grant by Erajaya of statutory subscription rights for the common shares in compliance with Indonesian Law (a "Rights Issue") should not be subject to Indonesian tax. However, should an Indonesian tax resident shareholder sell its rights received in such Rights Issue, the proceeds from such sale is considered as taxable income subject to normal tax.

An exemption from withholding tax provided under double taxation treaties may also be applicable for a Non-Indonesian Holder provided it can obtain tax treaty benefits as outlined under section "Application of Tax Treaties under Indonesian Tax Regulations" above and it does not have a permanent establishment in Indonesia. Any income from the sale of a Rights Issue by a Non-Indonesian Holder is not subject to Indonesian tax since the relevant implementing regulation has not been issued.

Stamp Duty

According to Government Regulation No. 24 of 2000, a document that effects a sale of Indonesian shares is subject to stamp duty of Rp6,000. The nominal amount of the Indonesian stamp duty for any kind of securities transaction having a value greater than Rp1,000,000 is Rp6,000 but this reduces to Rp3,000 for transactions having a value between Rp250,000 and Rp1,000,000. Generally, the stamp duty is due at the time the document is executed. Stamp duty is payable by the party who benefits from the document executed unless all parties involved decided otherwise.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Offer Shares by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that will hold Offer Shares as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on the acquisition, ownership or disposition of Offer Shares by particular investors, and does not address state, local or foreign tax laws. In particular, this discussion does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 10.0% or more of our voting stock, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the Code (such as financial institutions, banks, thrifts or insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers or traders in securities, commodities or currencies, investors that will hold Offer Shares as part of straddles, hedging transactions, constructive sales, conversion transactions or other integrated transactions for U.S. federal income tax purposes, real estate investment trusts, grantor trusts, partnerships or other pass through entities, certain former citizens or long term residents of the United States, investors whose functional currency is not the U.S. dollar or investors otherwise subject to special U.S. federal income tax rules). The discussion also does not address any U.S. federal tax laws other than U.S. federal income tax laws (such as the estate and gift tax laws or the Medicare tax on net investment income).

As used herein, the term "U.S. Holder" means a beneficial owner of Offer Shares that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation for U.S. federal tax purposes, created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person).

If a partnership (or any other entity taxable as a partnership for U.S. federal income tax purposes) holds Offer Shares, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships (and partners therein) considering purchasing Offer Shares should consult their own tax advisors regarding the U.S. federal income tax consequences of acquiring, owning or disposing of the Offer Shares.

This summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, as well as on the Convention between the Government of the United States of America and the Government of the Republic of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, together with the protocol thereto (the "Treaty") all as available on the date hereof and all subject to change at any time, possibly with retroactive effect.

We do not intend to seek an opinion or a ruling from the United States Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax issues discussed herein or that may apply to any person that receives, purchases, or disposes of Offer Shares. It is possible that the IRS or a U.S. court would reach different conclusions than those set forth herein.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS OF OFFER SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OFFER SHARES, INCLUDING THE ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX CONSEQUENCES INCLUDED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER UNDER THE CODE; (B) THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE OFFER SHARES AND IS LIMITED TO THE UNITED STATES FEDERAL TAX ISSUES DESCRIBED HEREIN; AND (C) EACH SUCH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Distributions

General

Subject to the application of the passive foreign investment company ("PFIC") rules discussed below, distributions paid on Offer Shares out of Erajaya's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) will generally be taxable to a U.S. Holder as foreign source ordinary dividend income, and will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of Erajaya's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Offer Shares and thereafter as capital gain. Erajaya does not currently maintain, and does not intend to maintain, calculations of earnings and profits under U.S. federal income tax principles, and consequently, U.S. Holders should treat the full amount of distributions on our Offer Shares as dividends for U.S. federal income tax purposes.

For taxable years beginning before January 1, 2013, dividend income of a non-corporate U.S. Holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" generally is subject to a maximum 15.0% U.S. tax rate. A "qualified foreign corporation" generally includes a foreign corporation if (i) its shares are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information provision and that the Secretary of the Treasury has determined to be satisfactory for this purpose. The U.S. Treasury Department and the IRS have issued a Notice indicating that the Treaty meets these criteria and Erajaya believes that it should be eligible for benefits under the Treaty. As a result, Erajaya should be treated as a qualified foreign corporation. However, if Erajaya is treated as a PFIC in the year in which the dividend was paid or the preceding year, as discussed below under "—Passive Foreign Investment Group Considerations", it will not be a qualified foreign corporation. Additionally, there can be no assurance that Erajaya will remain a qualified foreign corporation in the future.

Foreign Currency Dividends

Dividends paid in Indonesian Rupiah will be included in income in the U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the Indonesian Rupiah are converted into U.S. dollars at that time. If dividends received in Indonesian Rupiah are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize exchange gain or loss in respect of the dividend income. If such dividends are converted into U.S. dollars after the day they are received, the U.S. Holder generally will be required to recognize any exchange gain or loss. Any exchange gain or loss will generally constitute U.S. source ordinary income gain or loss.

Effect of Indonesian Withholding Taxes.

For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of any Indonesian taxes withheld by Erajaya, and as then having paid over the withheld taxes to the Indonesian taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends generally will be greater than the amount of cash actually received (or receivable) by the U.S. Holder from Erajaya with respect to the payment.

Foreign Tax Credit

U.S. Holders will generally be entitled, subject to certain limitations, to a credit against their U.S. federal income tax liability, or a deduction in computing their U.S. federal taxable income, for Indonesian income taxes withheld by Erajaya. U.S. Holders that are eligible for benefits under the Treaty but who fail to provide the necessary documentation to qualify for benefits under the Treaty (as discussed in "Indonesian Taxation—Taxation of Dividends") will not be entitled to a foreign tax credit for the amount of any Indonesian taxes withheld in excess of the treaty rate. For purposes of the foreign tax credit limitation, foreign source income is classified in "baskets", and the credit for foreign taxes on income in any basket is limited to the U.S. federal income tax allocable to that income. Dividends paid by Erajaya generally will constitute foreign source income in the "passive category income" basket. To the extent a U.S. Holder has claimed a reduced U.S. tax rate on dividends paid by a qualified foreign corporation, as described above, this will affect the computation of the foreign tax credit.

The rules governing foreign tax credits are complex and prospective purchasers should consult their own tax advisors regarding their application to the particular circumstances of such holder.

Sale or Other Taxable Disposition

Subject to the application of the PFIC rules discussed below, upon a sale or other taxable disposition of Offer Shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in the Offer Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Offer Shares exceeds one year. Non-corporate U.S. Holders are generally entitled to preferential rates of taxation for long-term capital gains. Any gain or loss will generally be U.S. source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If any gain from the sale or exchange of Offer Shares is subject to Indonesian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

A U.S. Holder that receives Indonesian Rupiah on the sale or other taxable disposition of Offer Shares will realize an amount equal to the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, the U.S. dollar value of the Indonesian Rupiah on the settlement date). An accrual basis U.S. Holder that does not elect to use the U.S. dollar value of the Indonesian Rupiah on the settlement date will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other taxable disposition and the settlement date. Gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such Indonesian Rupiah will generally constitute U.S. source ordinary income or loss. Accordingly, due to limitations described above, the holder may be unable to credit any Indonesian tax that is imposed in connection with such sale, conversion or disposition.

Passive Foreign Investment Group Considerations

A foreign corporation will be classified as a PFIC in any taxable year in which either (i) 75% or more of its gross income is "passive income" or (ii) 50% or more of the average quarterly value of its assets is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, dividends, interest, royalties, rents and gains from commodities and securities transactions are generally treated as passive income. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least 25% interest (by value) is taken into account. Based upon the nature of our current income, the value of our assets and anticipated activities, we do not believe we were a PFIC for 2010, nor do we currently expect to become a PFIC for the current year or in the reasonably foreseeable future. However, the determination of whether the Offer Shares constitute shares of a PFIC is a factual determination based on Erajaya's income and assets for any given year and thus may be subject to change. Because this status is based on the nature of Erajaya's income and assets from time to time, and involve the application of complex tax rules subject to differing interpretation, no assurance can be provided that Erajaya will not be considered a PFIC for the current or any other tax year.

If Erajaya were treated as a PFIC in any year during which a U.S. Holder owns Offer Shares, and the U.S. Holder has not made a mark to market or qualified electing fund election (each as described below), the U.S. Holder would generally be subject to adverse tax consequences (regardless of whether Erajaya continued to be a PFIC) with respect to (i) any "excess distribution" (generally, any distributions received by the U.S. Holder on the shares in a taxable year that are greater than 125.0% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the shares) and (ii) any gain realized on the sale or other disposition of shares. Under these rules (a) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

Erajaya does not expect to provide the annual information statement holders would need to make a "qualified electing fund" election to include their shares of their income on a current basis and avoid the potentially adverse treatment above. However, certain elections (such as mark-to-market treatment) of the Offer Shares may be available that would result in alternative treatment. U.S. Holders should consult their own tax advisors to determine whether these elections would be available and, if so, what the consequences of the alternative treatment would be in their particular circumstances if Erajaya were treated as a PFIC.

Additional information reporting requirements would also apply if Erajaya were treated as a PFIC. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to the Offer Shares and the application of any recently enacted legislation to their particular situation.

Information Reporting and Backup Withholding

In general, dividends on Offer Shares, and payments of the proceeds of a sale, exchange or other disposition of Offer Shares paid within the United States or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding of U.S. federal income tax unless the U.S. Holder (i) establishes that it is an exempt recipient or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding tax withheld from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. U.S. Holders generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a refund claim with the IRS.

Certain U.S. Holders are required to report information to the IRS with respect to their investment in Offer Shares unless certain requirements are met. Investors who are individuals and fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in the Offer Shares.

PLAN OF DISTRIBUTION

The Offering

Erajaya intends to offer the Offer Shares in the Offering. The Offering consists of a concurrent International Offering and Indonesian Offering. The closing of the International Offering is conditional upon the closing of the Indonesian Offering.

The International Selling Agents are Credit Suisse (Singapore) Limited and J.P. Morgan Securities Ltd. The Underwriters participating in the Indonesian Offering are PT Buana Capital as the Lead Managing Underwriter, PT Credit Suisse Securities Indonesia and PT J.P. Morgan Securities Indonesia as the Initial Underwriters and the other Underwriters referred to below (the "Additional Underwriters").

Erajaya has agreed to reimburse the International Selling Agents, the Lead Managing Underwriter and the Initial Underwriters for certain expenses and taxes in connection with the Offering. The expenses of the Offering, not including the underwriting fees and commissions, are estimated at approximately Rp28.3 billion (US$3.3 million).

The Underwriters and the International Selling Agents, severally and not jointly, are procuring subscribers for or, in the event of under subscription, purchasing the Offer Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to the validity of the Offer Shares and other conditions contained in the Underwriting Agreement, the Selling Agency Agreement and the International Coordination Agreement (each as defined below).

The International Offering

In connection with the International Offering, the Lead Managing Underwriter, for and on behalf of itself and the Additional Underwriters, the Initial Underwriters and the International Selling Agents have entered into a selling agency and managers' agreement dated November 30, 2011 (as may be amended or supplemented, the "Selling Agency Agreement") pursuant to which the International Selling Agents have severally and not jointly agreed, subject to certain conditions, to subscribe or procure international investors to subscribe for Offer Shares at the Offer Price. If any such Offer Shares are not subscribed or purchased and paid for by subscribers pursuant to the International Offering, the International Selling Agents have agreed to purchase and pay for such Offer Shares at the Offer Price, less underwriting fees and commissions. Subject to the terms and conditions of the Selling Agency Agreement, the International Selling Agents have severally agreed to purchase the following minimum number of Offer Shares from the Underwriters:

International Selling Agents	Number of Shares	(%)
Credit Suisse (Singapore) Limited	247,820,000	50%
J.P. Morgan Securities Limited	247,820,000	50%
Total	495,640,000	100%

As compensation to the International Selling Agents for services performed in connection with the International Offering, the International Selling Agents will receive an amount equal to 2% of the gross proceeds from the International Offering. Purchasers of the Offer Shares in the International Offering may be required to pay stamp duty and other similar charges in accordance with the laws and practices of the country of purchase, in addition to the Offer Price. Purchasers of the Offer Shares in the International Offering will be required to pay a brokerage fee of 1% per Offer Share.

Pursuant to an international coordination agreement dated November 30, 2011 (as may be amended or supplemented, the "International Coordination Agreement"), Erajaya agrees to indemnify the International Selling Agents against certain liabilities, including liabilities under the Securities Act, in connection with the offer and the sale of the Offer Shares, and to contribute to payments which the International Selling Agents may make in respect thereof.

The Indonesian Offering

In connection with the Indonesian Offering, Erajaya has entered into an underwriting agreement dated September 9, 2011 (as amended and supplemented, the "Underwriting Agreement"), with the Lead Managing Underwriter, the Initial Underwriters and the Additional Underwriters. The Underwriters have agreed, upon the terms and conditions specified in the Underwriting Agreement, to offer and sell the Offer Shares to the public and to purchase any unsubscribed Offer Shares pursuant to their respective underwriting portion.

If any of the Offer Shares are not subscribed or purchased and paid for by subscribers pursuant to the Indonesian Offering, the Underwriters have agreed to subscribe or purchase and pay for such Offer Shares at the Offer Price, less underwriting fees, expenses and commissions.

As compensation to the Underwriters for their respective commitments to procure investors to purchase (or, in the event of under-subscription, to purchase) Offer Shares in the Indonesian Offering, Erajaya has agreed to pay the Underwriters an amount equal to 2% of the gross proceeds from the Offering. Retail investors in the Indonesian Offering will not be required to pay brokerage fees. Purchasers of the Offer Shares subject to fixed allotment in the Indonesian Offering may be required to pay a brokerage fee of 1% per Offer Share.

The issue of Offer Shares to Indonesian citizens and/or Indonesian residents will be made pursuant to a prospectus filed with BAPEPAM-LK.

Pursuant to the Underwriting Agreement, Erajaya has agreed to indemnify the Underwriters against certain liabilities in connection with the offer and the sale of the Offer Shares.

The Offer Shares may be re-allocated between the International Offering and the Indonesian Offering.

The table below sets forth each of the underwriting portions of the Underwriters in the Indonesian Offering:

Underwriters:	Underwriting Portion(1)	
Lead Managing Underwriter and Initial Underwriters	Number of Shares	(%)
PT Buana Capital	290,000,000	68.3%
PT Credit Suisse Securities Indonesia	42,180,000	9.9%
PT J.P. Morgan Securities Indonesia	42,180,000	9.9%
Additional Underwriters	50,000,000	11.8%
Total	424,360,000	100%

(1) The figures in this table do not include the Shares sold by the Underwriters to the International Selling Agents, which are allocated to the Underwriters through the Underwriting Agreement.

Important Dates

The following events have taken place or are expected to take place on or about the following dates in connection with the Offering (subject to change, in particular depending on timing of declaration by BAPEPAM-LK on effectiveness of registration statement):

Event	Date
Effective date of BAPEPAM-LK registration statement	December 2, 2011
Commencement of offer period in Indonesian Offering	December 6, 2011
End of offer period in Indonesian Offering	December 9, 2011
Allotment of Offer Shares to successful applicants	December 12, 2011
Payment due by investors in the International Offering	December 13, 2011
Closing Date	December 13, 2011
Listing of Offer Shares on the IDX	December 14, 2011

Registration with BAPEPAM-LK

Erajaya submitted a registration statement to BAPEPAM-LK on September 9, 2011. Erajaya's registration statement was declared effective by the Chairman of BAPEPAM-LK on December 2, 2011, thereby permitting Erajaya to proceed with the Indonesian Offering and the listing of the Offer Shares.

Offer Period in Indonesian Offering

Erajaya expects the offer period in connection with the Indonesian Offering to begin on or about December 6, 2011 and end on December 9, 2011. The Lead Managing Underwriter and the International Selling Agents may offer their customers preferential allocations through a fixed allotment of Offer Shares (as described under "—Allotment of Offer Shares" below). Erajaya expects the Lead Managing Underwriter, on behalf of the Underwriters and the International Selling Agents, to make payment of the net proceeds of the Offering to it on December 13, 2011 and the listing of the shares on the IDX to occur on December 14, 2011.

Application for Offer Shares

Each non-Indonesian citizen and non-Indonesian resident must properly complete and submit a share application form in order to be eligible to purchase Offer Shares in the International Offering. The Underwriters and the International Selling Agents may prepare share application forms on behalf of non-Indonesian citizens and non-Indonesian residents, based on a power of attorney from the relevant investors. Share applications and allocations in connection with the Indonesian Offering are regulated by BAPEPAM-LK regulations. The International Selling Agents will be responsible for preparing share application forms on behalf of investors purchasing Offer Shares through it in the International Offering. Share applications must be for a minimum amount of 500 Offer Shares and multiples thereof. Each investor may only submit one share application form. The Underwriters and the International Selling Agents are entitled to accept or refuse a share application in full or in part at their discretion and without notice. Multiple share applications submitted using more than one share application form may either be treated as a single application for allotment purposes or treated, in full or in part, as invalid applications at the discretion of the Underwriters and the International Selling Agents.

Allotment of Offer Shares

Fixed Allotment and Pooling

At the conclusion of the offer period in connection with the Indonesian Offering, the allotment of the Offer Shares will be made by the Lead Managing Underwriter using a combined system of "fixed allotment" and "pooling" in accordance with BAPEPAM-LK rules. Under BAPEPAM-LK rules, underwriters may determine how to apportion the allotment of the Offer Shares between the "fixed allotment" and "pooling" systems. The last date by which the Lead Managing Underwriter will determine the number of Offer Shares allotted for each applicant is expected to be December 12, 2011.

The Lead Managing Underwriter has determined that the equivalent of 98% of the Offer Shares being offered will be subject to a fixed allotment system, subject to BAPEPAM-LK approval. The allotment of the equivalent of 2% or the Offer Shares being offered will be by a system of pooling.

Allocation to Affiliated Parties

"Affiliated Applicants" include Erajaya's commissioners, directors or employees seeking to purchase Offer Shares outside of the Management and Employee Stock Allocation Program, or other parties holding at least 20% of the share capital in the Lead Managing Underwriter or any International Selling Agent or any other party affiliated with persons involved in the Offering. Affiliated Applicants will only be allotted Offer Shares if there are excess Offer Shares. Once the applications of non-Affiliated Applicants are satisfied, Affiliated Applicants may be allocated the remaining Offer Shares on a *pro rata* basis.

Allocation to Foreign Institution and Foreign Non-Institutions

There is generally no limit on the purchase of the shares by foreign institutions and foreign non-institutions. Allocation to foreign institutions and non-institutions will be on the same basis as to domestic institutions.

Delivery of Offer Shares

Erajaya expects that delivery of the Offer Shares to be made and payment to be made will be on or about December 13, 2011, which will be the business day immediately following the expected date of final allotment of the Offer Shares in the Offering. The Offer Shares may not be traded by the purchasers thereof prior to the listing of the shares on the IDX.

Cancellation of the Offering

At any time prior to the effective letter from BAPEPAM-LK, Erajaya, the Lead Managing Underwriter and the Initial Underwriters may cancel the Offering under certain circumstances pursuant to the Underwriting Agreement.

Pursuant to the Underwriting Agreement, at any time after the effective letter from BAPEPAM-LK until the end of the Offering Period, Erajaya may cancel the Indonesian Public Offering, under limited circumstances set forth therein so long as such cancellation is in compliance with BAPEPAM-LK policies and regulations.

Erajaya may also suspend the Indonesian Offering in similar circumstances pursuant to the Underwriting Agreement.

Pursuant to the Underwriting Agreement, at any time after the effective letter from BAPEPAM-LK until the settlement date, on the occurrence of any of the termination events set forth in the Underwriting Agreement, the Lead Managing Underwriter and the Initial Underwriters may require Erajaya, and Erajaya must use its best efforts, to apply to BAPEPAM-LK for a cancellation of the Indonesian Offering and Erajaya must take any necessary actions to effect the cancellation of the Indonesian Offering to the extent that such cancellation is in line with the policies or regulations of BAPEPAM-LK.

The Underwriting Agreement for the Indonesian Offering also contains customary conditions precedent to closing, and the non-fulfillment of any such condition would provide a basis for the Underwriters to delay consummation of the Indonesian Offering until all conditions have been satisfied.

The termination rights contained in the Underwriting Agreement are more limited than those contained in the International Coordination Agreement and there may be circumstances where the Lead Managing Underwriter and the Initial Underwriters may not have the right to cancel the Offering where the International Selling Agents may have the right to cancel the Offering under the International Coordination Agreement.

The International Selling Agents are entitled to terminate the International Coordination Agreement and Selling Agency Agreement upon the occurrence of certain events, including a material adverse change in the financial condition or business of Erajaya, a suspension of trading on certain securities exchanges, a disruption of commercial banking or securities settlement or clearance services, or the occurrence or intensification of a national or international economic or other crisis.

If any of the Offer Shares are not subscribed or purchased and paid for by subscribers pursuant to the International Offering, the Underwriters (with respect to the Indonesian Offering) and the International Selling Agents (with respect to the International Offering) have agreed to subscribe or purchase and pay for such Offer Shares at the Offer Price. In addition, the Offer Shares may be reallocated from the International Offering to the Indonesian Offering, and vice versa.

Each investor subscribing for Offer Shares in the International Offering will be deemed to have acknowledged that it understands that the circumstances under which the Indonesian Offering may be terminated are more limited than those under the International Offering. Accordingly, the International Selling Agents, whose respective affiliates are acting as Underwriters in the Indonesian Offering, may elect not to exercise termination rights under the International Offering, notwithstanding the occurrence of certain significant adverse events that would trigger such termination rights, due to the obligation of the Underwriters to subscribe or purchase and pay for all of the Offer Shares that would be re-allocated from the International Offering to the Indonesian Offering in such circumstances. As a result, an investor in the International Offering may be required to consummate the purchase of Offer Shares for which it has agreed to subscribe notwithstanding the occurrence of certain significant events that would normally result in termination of the International Offering by the International Selling Agents.

Restrictions on the Disposition of the Shares

Erajaya has agreed that, for a period of eight months from the date the registration statement relating to the Offering is declared effective by BAPEPAM-LK, that it will not, directly or indirectly, take any of the following actions with respect to any Shares of Erajaya or any securities convertible into or exchangeable for or exercisable for any Shares ("Lock-Up Securities"): (i) issue, offer, sell, contract to sell, grant security over, encumber or otherwise dispose of Lock-Up Securities, (ii) issue, offer, sell, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities or otherwise transfer or dispose of, directly or indirectly, any Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act, (v) file with the Commission a registration statement under the Securities Act relating to Lock-Up Securities or publicly disclose the intention to take any such action, or (vi) file with BAPEPAM-LK a registration statement relating to the Shares, or (in each case) publicly disclose the intention to take any such action, without (in each case) the prior written consent of the International Selling Agents.

PT Eralink International, the trustee of the discretionary trust that ultimately owns PT Eralink International, (see "Principal Shareholder"), the settlors of the trust and the relevant intermediate companies have agreed that, for a period of eight months from the date the registration statement relating to the Offering is declared effective by BAPEPAM-LK, that they will not perform any of the actions as mentioned above for Erajaya with regards the Lock-up Securities without (in each case) the prior written consent of the International Selling Agents.

Registration of the Offer Shares in KSEI

The Offer Shares have been registered into the depository facilities of KSEI in accordance with the Agreement for the Registration of Shares into Central Deposit No.SP-0021/PE/KSEI/0811 entered into between KSEI and Erajaya on August 19, 2011.

By registering the Offer Shares in KSEI, Erajaya will not issue individual share certificates to successful applicants, but any Offer Shares allotted to an investor will be distributed electronically. In order to submit an application for Offer Shares, each investor must hold a securities account with a securities company or custodian bank which is a KSEI Participant to manage and administer any Offer Shares allotted to it on the investor's behalf.

At the end of the offer period in connection with the Indonesian Offering, the Lead Managing Underwriter will undertake the allotment in the manner set out above and report the allotment result to Erajaya. Erajaya will issue to KSEI a confirmation of registration in its register of shares, in the name of KSEI, of the number of Offer Shares allotted as part of the Offering. Erajaya will then instruct KSEI to credit the Lead Managing Underwriter and the International Selling Agents' securities accounts with KSEI to receive and hold the Offer Shares allotted to the successful applicants. The Lead Managing Underwriter and the International Selling Agents will then instruct KSEI to distribute the number of Offer Shares allotted to a successful applicant from their securities accounts to the securities account of the relevant KSEI Participant.

As evidence of the allotment of the Offer Shares, the Lead Managing Underwriter will deliver allotment confirmation forms to the KSEI Participants, which must then be passed on to the relevant investor, in exchange for a subscription receipt. Distribution of the allotment confirmation forms is expected to occur at the latest three working days after the last day of the offer period in connection with the Indonesian Offering. The International Selling Agents will receive the allotment confirmation forms on behalf of investors purchasing Offer Shares through it in the International Offering. Proof of ownership of the Offer Shares will be in the form of a written confirmation letter from KSEI or the KSEI Participant charged with managing the relevant investor's Offer Shares.

The transfer of shares held with KSEI will be by way of electronic book-entry between securities accounts. The shareholder holding the shares through KSEI will be entitled to withdraw its shares from central deposit and receive a share certificate registered in its name. Only those shares which are registered in KSEI will be tradable on the IDX.

Article 60 of Indonesian Law No. 8 of 1995 regarding the Capital Markets provides that all rights attaching to shares held with KSEI, including dividends, interest, bonuses and other ownership entitlements on securities will be automatically distributed by KSEI to a beneficial shareholder (as defined in Article 60 of Indonesian Law No. 8 of 1995) (the "Beneficial Shareholder") holding through the depository system via its KSEI Participant who holds the shares on such Beneficial Shareholder's behalf. The KSEI Participant is obliged to open a sub-account in the name of the relevant customers and immediately pass such rights and entitlements onto its customers.

Prior to corporate action being taken by Erajaya, KSEI must provide details to Erajaya concerning the share entitlements of all the Beneficial Shareholders on whose behalf shares are held. A KSEI Participant is obliged to notify a Beneficial Shareholder of the exercise of any pre-emptive rights, delivery of annual reports and other notices by Erajaya as well as notices of general meetings of shareholders. The Beneficial Shareholder, the KSEI Participant it holds through, or its legal representative, has the right to be present and vote at Erajaya's general meetings of shareholders.

KSEI is obliged to give Erajaya details of the KSEI Participants holding shares on behalf of Beneficial Shareholders either:

- within one working day after the record date set for the purposes of assessing the identity of the shareholders entitled to a dividend or other such rights attaching to shares which have been declared by Erajaya;
- prior to the holding of Erajaya's general meeting of shareholders; or
- at Erajaya's request based on an instruction from an authorized person or agency to Erajaya in accordance with the prevailing laws and regulations.

A Beneficial Shareholder that wishes to obtain a share certificate may withdraw its shares from the depository once all of those shares have been distributed to the securities account of its KSEI Participant. An application for the withdrawal of shares must be forwarded to KSEI by the KSEI Participant, on behalf of the Beneficial Shareholder, in a specified form. Collective share certificates in the name of the Beneficial Shareholder will be issued to KSEI for any shares that are withdrawn from KSEI no later than five business days from the receipt of the withdrawal request by Erajaya from KSEI, unless KSEI rejects the withdrawal of shares based on written orders from BAPEPAM-LK or certain other authorized persons if required for the purposes of civil or criminal court proceedings. Only shares remaining in KSEI, and which have not been pledged, foreclosed upon based on a court order or seized for the purposes of criminal court investigation, can be traded on the IDX. Investors wishing to trade withdrawn shares on the IDX must return them to KSEI. The process of depositing withdrawn shares can take up to five business days.

No Public Trading Market for Erajaya's Shares

Before this Offering, there has been no public market for Erajaya's shares. The Offer Price will be determined and agreed upon between Erajaya, the Lead Managing Underwriter and the International Selling Agents after taking into consideration prevailing market conditions and the following factors:

- the valuation multiples of publicly traded companies that the Lead Managing Underwriter believes to be comparable to us;
- the financial performance and operating history of, and the prospects for, Erajaya;
- Erajaya's competitive strengths, business strategies and future plans;
- the present state of Erajaya's development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for Erajaya's shares may not develop. It is also possible that after the Offering, the shares will not trade in the public market at or above the Offer Price.

Other Relationships

The Underwriters and the International Selling Agents and their respective affiliates have from time to time provided in the past, and may provide in the future, investment banking, commercial lending, consulting and financial advisory services to Erajaya and its affiliates in the ordinary course of their business for which they may receive customary advisory and transaction fees and expense reimbursement.

Credit Suisse Trust Limited, which is part of the separate Private Banking division of the Credit Suisse Group, currently acts as the trustee for the discretionary trusts that indirectly own PT Eralink International. See "Principal Shareholder".

Selling Restrictions

General

No action has been taken or will be taken that would permit a public offering of the Offer Shares to occur in any jurisdiction other than Indonesia, or the possession, circulation or distribution of this offering memorandum or any other material relating to Erajaya or the Offer Shares in any jurisdiction where action for such purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any offering materials or advertisements in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Indonesian Offering will be made in compliance with the applicable rules of BAPEPAM-LK.

Australia

This offering memorandum has not been prepared as a disclosure document in accordance with the Corporations Act and has not been and will not be lodged with the Australian Securities and Investments Commission. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Australia other than pursuant to offers that do not need disclosure to investors under section 708 of the Corporations Act. The Company does not issue the Offer Shares with the purpose of the person to whom they are issued selling or transferring the Offer Shares or granting, issuing or transferring an interest in, or options over, our Shares to any person in Australia.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") each International Selling Agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Offer Shares which are the subject of the Offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the International Selling Agents and Lead Managing Underwriter; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by Erajaya or any of the International Selling Agents of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **"**offer to the public**"** in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **"**Prospectus Directive**"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

This offering memorandum has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Offer Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue, or have in his possession for the purposes of issue, any invitation, advertisement or other document relating to the Offer Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

You are advised to exercise caution in relation to the Offering. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan

The Offer Shares have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the Offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 4, Item 2 of the FIEA.

Malaysia

No approval from the Securities Commission of Malaysia ("SC") has been applied for or will be obtained for the offer or invitation in respect of the Offering under the Capital Markets and Services Act 2007. Neither has a prospectus been or will be registered with the SC in connection with the Offering in Malaysia. Accordingly, this offering memorandum or any amendment or supplement hereto or any other offering document in relation to Erajaya and/or the Offer Shares may not be distributed in Malaysia directly or indirectly for the purpose of any offer of the Offer Shares and no person may offer for subscription or purchase any of the Offer Shares directly or indirectly to anyone in Malaysia.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Offer Shares may not be offered or sold, nor may the Offer Shares be the subject of an invitation for subscription or purchase, nor may this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Offer Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the listing rules of the SIX Swiss Exchange or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Offer Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Offering, the Company or the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and neither the Company nor the Offer Shares have been or will be authorized under the Swiss Federal Act on Collective Investment Schemes.

United Kingdom

Each International Selling Agent has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA")) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

United Arab Emirates ("UAE") (excluding the Dubai International Financial Centre)

Each International Selling Agent has represented and agreed that the Offer Shares have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities; and

Each International Selling Agent acknowledges that the information contained in this offering memorandum does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise, and is not intended to be a public offer and the information contained in this offering memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the UAE.

Dubai International Financial Centre

Each International Selling Agent has represented and agreed that it has not offered and will not offer the Offer Shares to any person in the Dubai International Financial Centre unless such offer is:

(a) an ''Exempt Offer'' in accordance with the Offered Securities Rules of the DFSA; and

(b) made only to persons who meet the ''Professional Client'' criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

United States

The Offer Shares are being offered and sold (i) within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act and (ii) outside of the United States to non-U.S. Persons in reliance on Regulation S. The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the International Selling Agents has warranted that, except as permitted by the International Coordination Agreement it will not offer or sell the Offer Shares in the Offering:

- as part of their distribution at any time; or
- otherwise until 40 days after the later of the commencement of the Offering and the Closing Date,

within the United States or to, or for the account or benefit of, U.S. Persons, and that it will have sent to each dealer to which it sells Offer Shares (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The International Coordination Agreement provides that the International Selling Agents may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Offer Shares within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the first date upon which the Offer Shares were bona fide offered to the public, an offer of the Offer Shares within the United States by a dealer may violate the registration requirements of the Securities Act.

Each purchaser of the Offer Shares will be deemed to have made the acknowledgements, representations and agreements as described in "Transfer Restrictions."

TRANSFER RESTRICTIONS

Because the following restrictions will apply to the offering of the Offer Shares, purchasers are advised to consult their own legal counsel prior to making any offer, resale, pledge or transfer of the shares.

The Offer Shares have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to (a) "qualified institutional buyers" (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Rule 144A

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A, by accepting delivery of this offering memorandum, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a "qualified institutional buyer" (as defined in Rule 144A), (b) acquiring such shares for its own account or for the account of a "qualified institutional buyer" and (c) aware, and each beneficial owner of such shares has been advised, that the sale of such shares to it is being made in reliance on Rule 144A.

(2) It understands that such shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a "qualified institutional buyer", (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such shares (to the extent they are in certificated form), unless otherwise agreed by the Group in accordance with applicable law, will bear a legend to the following effect:

"THESE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK".

(4) The Group, the International Selling Agents, the Joint Lead Managing Underwriters, their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any shares for the account of one or more "qualified institutional buyers", the purchaser represents that it has sole investment discretion with respect to each such account and that it has

full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of Erajaya's shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S and each subsequent purchaser of such shares in resales prior to the expiration of the distribution compliance period, by accepting delivery of this offering memorandum and the Offer Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time such shares are purchased will be, the beneficial owner of such shares and (a) it is located outside the United States (within the meaning of Regulation S), (b) it is purchasing such shares in an offshore transaction pursuant to Regulation S, and (c) it is not an affiliate of the Group's or a person acting on behalf of such affiliate.

(2) It understands that such shares have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (within the meaning of Regulation S), it will not offer, sell, pledge or otherwise transfer such shares except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a "qualified institutional buyer" purchasing for its own account or the account of a "qualified institutional buyer" or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) The Group, the International Selling Agents, the Joint Lead Managing Underwriters, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

General

Each purchaser of the Offer Shares will be deemed to have represented and agreed that it is relying on this offering memorandum and not on any other information or representation concerning the Group or the Offer Shares and none of the Group, any other person responsible for this offering memorandum or any part of it, the International Selling Agents or the Lead Managing Underwriter will have any liability for any such other information or representation.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Group by Milbank, Tweed, Hadley & McCloy LLP as to certain matters of New York and U.S. federal securities law and by DNC—Advocates at Work as to certain matters of Indonesian law. Certain legal matters in connection with the Offering will be passed upon for the International Selling Agents by Clifford Chance, as to certain matters of New York and U.S. federal securities law and by Hiswara Bunjamin & Tandjung as to certain matters of Indonesian law.

INDEPENDENT PUBLIC ACCOUNTANTS

PT Erajaya Swasembada Tbk

The Company's unaudited restated consolidated financial statements as of and for the year ended December 31, 2008, after applying to the restatement adjustments related to (i) the retrospective implementation of certain Indonesian Statements of Financial Accounting Standards which became effective as of January 1, 2011, and (ii) the retrospective application of the restructuring transaction of entities under common control in December 2010 related to acquisition of 70% interest ownership in Erafone were derived from (a) the financial statements of Erajaya as of and for the year ended December 31, 2008, which are not included in this offering memorandum, as audited by KAP Arsyad & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum, (b) the consolidated financial statements of Erafone as of and for the year ended 2008, which are not included in this offering memorandum, as audited by KAP Richard Risambessy & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum, and (c) the restatement adjustments applied to the unaudited restated consolidated financial statements of the Company as of and for the year ended December 31, 2008, which have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountant, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

The Company's consolidated financial statements as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

The Company's consolidated financial statements as of and for the six months ended June 30, 2010, included elsewhere in this offering memorandum, have been reviewed by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SA 722 established by the IICPA, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SA 722 established by the IICPA is substantially less in scope than an audit conducted in accordance with auditing standards established by the IICPA and, as stated in their review report appearing in this offering memorandum (presented combined with the audit report mentioned above), Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited consolidated financial statements included in this offering memorandum.

West Swan Overseas Limited

West Swan's financial statements (stand-alone) as of June 30, 2011 and for the period from May 26, 2011 to June 30, 2011, included elsewhere in this offering memorandum, have been audited by Ernst & Young LLP, Singapore, independent public accountants, in accordance with auditing standards established by the International Auditing Standards as stated in their audit report appearing in this offering memorandum.

PT Nusa Gemilang Abadi

NGA's consolidated financial statements as of and for the year ended December 31, 2010 and as of and for the six months ended June 30, 2011, included elsewhere in this offering memorandum, have been audited by Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum. NGA's consolidated financial statements as of and for the year ended

December 31, 2009, prior to restatement adjustments related to (i) the retrospective implementation of certain Indonesian Statements of Financial Accounting Standards which came became effective as of January 1, 2011, and (ii) the appropriate accounting for the acquisition of TAM by NGA from a third party in 2008, which are not included in this offering memorandum, were audited by KAP Arsyad & Rekan, independent public accountants, in accordance with auditing standards established by the IICPA, as stated in their audit report appearing in this offering memorandum.

INDUSTRY CONSULTANT

Frost & Sullivan has prepared the "Industry" section of this offering memorandum. Frost & Sullivan has given and has not withdrawn their written consent to the issue of this offering memorandum with the inclusion herein of its name and the "Industry" section and all references thereto in the form and context in which they appear in this offering memorandum, and to act in such capacity in relation to this offering memorandum.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP

The consolidated financial statements included in this Offering Memorandum are prepared and presented in accordance with Indonesian GAAP. Significant differences exist between Indonesian GAAP and U.S. GAAP, which might be material to the consolidated financial statements herein. The matters described below should not be expected to reveal all differences between Indonesian GAAP and U.S. GAAP that are relevant to the Group.

Management has made no attempt to quantify the impact of those differences, nor has any attempt been made to identify all disclosure, presentation, or classification differences that would affect the manner in which transactions or events are presented in the consolidated financial statements. Had any such quantification or identification been undertaken by management, other potential significant accounting and disclosure differences may have come to its attention which are not summarized below. Accordingly, it should not be construed that the following summary of certain significant differences between Indonesian GAAP and U.S. GAAP is complete.

Regulatory bodies that promulgate Indonesian GAAP and U.S. GAAP have significant ongoing projects that could affect future comparisons such as this one. Further, no attempt has been made to identify future differences between Indonesian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards and regulations. Finally, no attempt has been made to identify all future differences between Indonesian GAAP and U.S. GAAP that may affect the consolidated financial statements as a result of transactions or events that may occur in future.

Management believes that the application of U.S. GAAP to the consolidated financial statements could have a material and significant impact upon the consolidated financial statements reported under Indonesian GAAP. In making an investment decision, investors must rely upon their own examination of the Group, terms of the offering, and the consolidated financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between Indonesian GAAP and U.S. GAAP, and how those differences might affect the consolidated financial statements included herein.

Consolidation and Equity-Method Investment

Under Indonesian GAAP, when an entity owns, directly or indirectly through one or more subsidiaries, more than 50% of the voting rights of another entity, it should present consolidated financial statements. An entity that owns 50% or less of the voting rights of a company is required to prepare consolidated financial statements if it can prove that control exists. Control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than 50% of the voting rights of an entity. When an entity owns 50% or less of the voting rights of another entity, control is still considered to exist when the owning entity: (i) has more than 50% of the voting rights by virtue of an agreement with other investors; (ii) has the right to govern the financial and operating policies of the entity under the Articles of Association or an agreement; (iii) has the ability to appoint or remove the majority of the members of management; and (iv) has the ability to control the majority of votes at meetings of management.

Under Indonesian GAAP, a special-purpose entity ("SPE") will be consolidated if the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity. Control may exist through the predetermination of the activities of the SPE or otherwise. The application of the control concept requires consideration of all relevant factors.

Under Indonesian GAAP, generally the equity-method of accounting shall be used by investors (other than venture capital organizations, mutual funds, unit trust, and similar entities) to account for their investments in associates in consolidated financial statements. Prior to the issuance of the Indonesian Statement of Financial Accounting Standards ("SFAS") No. 4 (Revised 2009), "Consolidated and Separate Financial Statements" ("SFAS No. 4(R)"), which applies to consolidated financial statements relating to periods beginning on or after

January 1, 2011, presentation of separate consolidated financial statements (that is, those presented by a parent or investor in parent-only financial statements) was not permitted. After the issuance of SFAS No. 4(R), if separate consolidated financial statements are presented by a parent or investor (parent-only financial statements), subsidiaries and associates shall be accounted for at cost. Further, uniform accounting policies between investor and investees are required.

Under U.S. GAAP, consolidation generally is required when one of the companies in a group directly or indirectly has a controlling financial interest in the other companies. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule, ownership by one entity, directly or indirectly, of over 50% of the outstanding voting shares of another entity is a condition pointing towards consolidation. Consolidation of majority-owned subsidiaries is required in the preparation of consolidated financial statements unless control is likely to be temporary or it does not rest with the majority owner.

Under U.S. GAAP, an entity should also be considered for consolidation if the entity is a variable-interest entity ("VIE"). An entity shall consolidate a VIE if that entity has a variable interest that will absorb a majority of the VIE's expected losses, receive a majority of the entity's expected residual returns, or both. An entity shall consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of the VIE's expected losses, receive the majority of the VIE's expected residual returns, or both. If one entity will absorb a majority of a VIE's expected losses and another entity will receive a majority of that VIE's expected residual returns, the entity absorbing a majority of the losses shall consolidate the VIE. The entity that consolidates a VIE is called the primary beneficiary of that VIE. A primary beneficiary of a VIE is an entity that has both of the following: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Under U.S. GAAP, entities are provided with option to account for equity-method investments at their fair value or equity-method of accounting. Further, uniform accounting policies between investor and investee are not required.

Inventories

Under Indonesian GAAP, inventories are measured at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Under Indonesian GAAP, prior to the issuance of SFAS No. 14 (Revised 2008), "Inventories" ("SFAS No. 14(R)"), which applies to financial statements relating to periods beginning on or after January 1, 2009, the cost of inventory should be determined using either the first-in-first-out ("FIFO") method, weighted average or moving average methods, or last-in-first-out ("LIFO") method. After the issuance of SFAS No. 14(R), the use of LIFO method in determining the cost of inventory is no longer permitted.

Under Indonesian GAAP, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

Under U.S. GAAP, inventories are carried at the lower of cost or market value. Market value is defined as the current replacement cost (by purchase or by reproduction), provided that it meets both of the following conditions: (i) the market value shall not exceed net realizable value and (ii) the market value shall not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

Under U.S. GAAP, the cost of inventory should be determined using either the FIFO method, average cost method, or LIFO method.

Under U.S. GAAP, inventories that were previously written-down below cost cannot be reversed.

Revaluation of Fixed Assets

Under Indonesian GAAP, fixed assets can be accounted for using either the cost model or the revaluation model. Under the revaluation model, fixed assets, the fair value of which can be reliably measured shall be recorded at a revalued amount, which is the fair value as of the date of the revaluation, less the accumulated depreciation and accumulated impairment losses subsequent to the revaluation date. If a fixed asset is revalued, then all fixed assets within the same category are also required to be revalued.

Under U.S. GAAP, revaluation of fixed assets is not permitted.

Impairment of Long-Lived Assets

Under Indonesian GAAP, if indicators of impairment exist with respect to an asset, a determination should be made as to whether the asset’s recoverable amount is less than its carrying amount. An asset’s recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtained from the sale of an asset in an arm’s length transaction, after deducting the related costs. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from its disposal at the end of its useful life. Where an asset’s recoverable amount is less than its carrying amount, an impairment loss should be recognized in an amount equal to the excess of the carrying amount over its recoverable amount. Carrying values are increased for subsequent recoveries of fair value, provided that such increase does not exceed the original carrying value adjusted for depreciation.

Under U.S. GAAP, if indicators of impairment are present, a determination should be made as to whether the sum of the estimated undiscounted future cash flows attributable to the long-lived asset in question is less than its carrying amount. Where the sum of estimated undiscounted future cash flows is less than the asset’s carrying amount, an impairment loss, equal to the excess of the carrying amount over its fair value, should be recognized. Reversal of impairment loss is not permitted.

Leases

Under Indonesian GAAP, the determination of whether an arrangement is, or contains, a lease, is based on: (i) the substance of the arrangement at the date of inception, (ii) whether the fulfillment of the arrangement is dependent on the use of a specific asset, and (iii) whether the arrangement conveys a right to use the asset. Leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases; otherwise they shall be classified as operating leases.

Under U.S. GAAP, a lease can be classified as a capital lease or an operating lease. From the lessee’s perspective, a lease is a capital lease if it meets any one of the following criteria: (i) ownership is transferred to the lessee by the end of the lease term, (ii) the lease contains a bargain purchase option, (iii) the lease term is at least 75% of the property’s estimated remaining economic life, or (iv) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at date of inception, less any related investment tax credit.

Land Rights

In Indonesia, except for ownership rights granted to individuals, the title to land rests with the Government under the Agrarian Law No. 5 of 1960. Land use is accomplished through land rights, whereby the holder of the rights enjoys the full use of the land for a stated period of time, subject to extensions. Under Indonesian GAAP, land right is not depreciated, unless if management believes that it is highly unlikely that extensions of the land right will not be granted by the Government. The predominant practice is to capitalize (and not to amortize) the costs of acquired land rights. Management believes that extensions of land rights will be granted by the Government. Other expenses associated with the acquisition of Government permits to use land, including legal fees, area survey and remeasurement fees, notary fees, and taxes, are capitalized and amortized over the period of the right to use the land.

Under U.S. GAAP, the costs and other expenses associated with the acquisition of land rights are capitalized and amortized over the period of the right to use the land.

Business Combinations

Under Indonesian GAAP, prior to the issuance of SFAS No. 22 (Revised 2010), "Business Combinations" ("SFAS No. 22(R)"), which shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, minority interest (currently known as non controlling interest) is measured at its proportionate share of the pre-acquisition carrying amounts of the assets and liabilities of the acquiree. After the issuance of SFAS No. 22(R), non controlling interest is measured either fair value (including goodwill) or at its proportionate share of the fair value of the identifiable net assets (exclusive of goodwill) of the acquiree.

Under Indonesian GAAP, prior to the issuance of SFAS No. 22(R), goodwill is amortized using the straight-line method over the estimated useful life of the goodwill. After the issuance of SFAS No. 22(R), goodwill is no longer amortized, but is subject to the impairment test.

Under U.S. GAAP, non controlling interest is measured at fair value, which includes the non controlling interest's share of goodwill.

Under U.S. GAAP, goodwill is not amortized, but is subject to the impairment test.

Employee Benefits

Under Indonesian GAAP, an entity is required to recognize a liability in the balance sheet equal to the present value of the defined benefit obligation plus or minus any actuarial gains and losses not yet recognized, minus unrecognized past service costs, minus the fair value of any plan assets. If this liability results in a negative balance (i.e. an asset), this liability is subject to a "ceiling test".

Under Indonesian GAAP, in computing the employee benefits liability, projected unit credit method is required in all cases.

Under Indonesian GAAP, past service costs are amortized on a straight-line basis over the average remaining service period or, if already vested, immediately recognized. Deferred actuarial gains and losses are amortized on a straight-line basis over the average remaining service period or, for inactive employees, immediately recognized.

Under Indonesian GAAP, gains or losses from settlement or curtailment are recognized when occurred.

Under U.S. GAAP, an entity is required to recognize in the balance sheet the over or under funded status as the difference between the fair value of plan assets and the benefit obligation (i.e. projected benefit obligation for pension plans or accumulated projected benefit obligation for any other postretirement plans).

Under U.S. GAAP, in computing the employee benefits liability, different methods are required depending on the characteristics of the benefit calculation of the plan.

Under U.S. GAAP, past service costs and deferred actuarial gains and losses are amortized on a straight-line basis over the future service lives of employees or, for inactive employees, over the remaining life expectancy of those participants.

Under U.S. GAAP, settlement gain or loss is recognized when obligation is settled. Curtailment losses are recognized when it is probable that a curtailment will occur, while curtailment gains are recognized only to the extent they exceed any unrecognized actuarial losses at the curtailment date.

Income Taxes

Under Indonesian GAAP, there is no specific accounting standard which prescribes the accounting for uncertainty in income taxes, such as the likelihood of amendments to taxation obligations. The general practice for amendments to taxation obligations is that they are recorded when an assessment is received from the tax authorities or, for assessment amounts appealed against by the entity when: (i) the result of the appeal is determined, unless if there is significant uncertainty as to the outcome of such appeal, in which event the impact of the amendment to taxation obligations based on an assessment is recognized at the time of making such appeal or (ii) the positive outcome of the entity's appeal is significantly uncertain (based on knowledge of developments in similar cases involving matters appealed by the entity, which is based on rulings by the tax authorities), in which event the impact of the amendment of taxation obligations based on the assessment of the amounts appealed is recognized.

Under U.S. GAAP, an entity is required to recognize and measure its uncertain tax positions, which requires a two-step process separating recognition from measurement. A benefit is recognized when it is "more likely than not" to be sustained based on the technical merits of the position. The amount of benefit to be recognized is based on the largest amount of tax benefit that is more than 50% likely to being realized upon ultimate settlement.

Revenue Recognition

Under Indonesian GAAP, revenue from the sale of goods should be recognized when all the following conditions have been satisfied: (i) the seller has transferred to the buyer the significant risks and rewards of ownership of the goods, (ii) the seller retains neither continuing managerial involvement (to the degree usually associated with ownership) nor effective control over the goods sold, (iii) the amount of revenue can be measured reliably, (iv) it is probable that the economic benefits associated with the transaction will flow to the seller and (v) the costs incurred or to be incurred with respect to the transaction can be measured reliably.

Under U.S. GAAP, revenue is generally measured by the exchange values of the assets (goods or services) or liabilities involved, and recognition involves consideration of two factors: whether revenue has been realized or is realizable and whether revenue has been earned. Revenue generally is realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement (i.e. a final understanding between the parties as to the specific nature and terms of the agreed-upon transaction) exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable and (iv) collectibility is reasonably assured.

Changes in Accounting Policy

Under Indonesian GAAP, changes in accounting policy shall be applied retrospectively (except for changes in accounting policy as a result of the adoption of a new accounting standard in which the new accounting standard does not require retrospective application) by restating the impacted amounts of the prior periods (the "restatement" approach), unless the amount cannot be reasonably determined, in which case the changes can be applied prospectively.

U.S. GAAP allows the use of either the “restatement” approach or the “cumulative effect” approach in recognizing the impact of changes in accounting policy. The “cumulative effect” approach is used when the cumulative effect of applying changes in accounting policy to all prior periods can be determined, but it is impracticable to determine the period-specific effects of those changes on all prior periods presented; therefore, the cumulative effect of the changes should be applied to the carrying amounts of assets and liabilities as of the beginning of the earliest period to which the new accounting policy is applied, with an offsetting adjustment to be made to the opening balance of retained earnings (or other appropriate components of shareholders’ equity or net assets in the statement of financial position) for that period.

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INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
PT Erajaya Swasembada and Subsidiaries	
Independent auditors' report of Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited) on the audited consolidated financial statements as of and for the six-month period ended June 30, 2011, and as of and for the years ended December 31, 2009 and 2010, and on the unaudited consolidated financial statements as of and for the six-month period ended June 30, 2010	F-3
Consolidated statements of financial position as of June 30, 2011 and 2010, December 31, 2010, 2009, and 2008, and January 1, 2008/December 31, 2007	F-6
Consolidated statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010, 2009, and 2008	F-10
Consolidated statements of changes in equity for the six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010, 2009, and 2008	F-11
Consolidated statements of cash flows for six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010, 2009, and 2008	F-14
Notes to the consolidated financial statements as of and for the six-month periods ended June 30, 2011 and 2010, as of and for the years ended December 31, 2010, 2009, and 2008, and as of December 31, 2007	F-16
Independent auditors' report of Arsyad & Rekan on the audited financial statements (before restatement) as of and for the years ended December 31, 2008 and 2007	F-115
PT Erafone Artha Retailindo	
Independent auditors' report of Richard Risambessy & Rekan on the audited financial statements as of and for the year ended December 31, 2008	F-116
Independent auditors' report of Arsyad & Rekan on the audited financial statements as of and for the year ended December 31, 2007	F-117
West Swan Overseas Limited	
Independent auditors' report of Ernst & Young LLP, Singapore, on the audited financial statements (stand alone) as of June 30, 2011 and for the period from May 26, 2011 (date of incorporation) to June 30, 2011 (prepared under International Financial Reporting Standards)	F-119
Statement of comprehensive income (stand alone) for the period from May 26, 2011 (date of incorporation) to June 30, 2011 (prepared under International Financial Reporting Standards)	F-120
Balance sheet (stand alone) as of June 30, 2011 (prepared under International Financial Reporting Standards)	F-121
Statement of changes in equity (stand alone) for the period from May 26, 2011 (date of incorporation) to June 30, 2011 (prepared under International Financial Reporting Standards)	F-122
Statement of cash flows (stand alone) for the period from May 26, 2011 (date of incorporation) to June 30, 2011 (prepared under International Financial Reporting Standards)	F-123
Notes to the consolidated financial statements (stand alone) as of June 30, 2011 and for the period from May 26, 2011 (date of incorporation) to June 30, 2011 (prepared under International Financial Reporting Standards)	F-124

	Page
PT Nusa Gemilang Abadi and Subsidiaries	
Independent auditors' report of Purwantono, Suherman & Surja (the Indonesian member firm of Ernst & Young Global Limited) on the audited consolidated financial statements as of and for the six-month period ended June 30, 2011, and as of and for the year ended December 31, 2010, and on the unaudited consolidated financial statements as of and for the six-month period ended June 30, 2010	F-135
Consolidated statements of financial position as of June 30, 2011, December 31, 2010 and 2009, and January 1, 2009/December 31, 2008	F-137
Consolidated statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010 and 2009	F-139
Consolidated statements of changes in equity for the six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010 and 2009	F-140
Consolidated statements of cash flows for the six-month periods ended June 30, 2011 and 2010, and the years ended December 31, 2010 and 2009	F-141
Notes to the consolidated financial statements as of and for the six-month periods ended June 30, 2011, as of and for the years ended December 31, 2010 and 2009, as of December 31, 2008, and for the six-month periods ended June 30, 2010	F-142
Independent auditors' report of Arsyad & Rekan on the audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008	F-193

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. No. RPC-1615/PSS/2011

The Shareholders and the Boards of Commissioners and Directors
PT Erajaya Swasembada

We have audited the accompanying consolidated statements of financial position of PT Erajaya Swasembada (the "Company") and its subsidiaries as of June 30, 2011 and December 31, 2010 and 2009, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month period ended June 30, 2011 and the years ended December 31, 2010 and 2009. 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. The financial statements of the Company as of December 31, 2008 and 2007, and for the years then ended (before the restatement as disclosed in Notes 2 and 4 to the consolidated financial statements) were audited by other independent auditors, whose report dated April 8, 2009 expressed an unqualified opinion on those statements.

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 audits 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, and as well as evaluating the overall financial statements 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 Erajaya Swasembada and its subsidiaries as of June 30, 2011 and December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the six-month period ended June 30, 2011 and the years ended December 31, 2010 and 2009, in conformity with Indonesian Financial Accounting Standards.

Purwantono, Suherman & Surja
Registered Public Accountants KMK No. 381/KM.1/2010
A member firm of Ernst & Young Global Limited

This report is originally issued in the Indonesian language.

As disclosed in Note 2 to the consolidated financial statements, the Company and its subsidiaries have implemented certain Statements of Financial Accounting Standards ("PSAK 2011"), which became effective as of January 1, 2011 and are applied prospectively and retrospectively. In addition, as disclosed in Notes 2 and 4 to the consolidated financial statements, in December 2010, the Company acquired 70% interest ownership in PT Erafone Artha Retailindo ("EAR"), an entity under common control. The Company recorded such transaction using the pooling of interest method in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control" and restated the comparative financial statements as if the Company had acquired EAR since the beginning of the earliest comparative period presented. Accordingly, the financial statements of the Company as of June 30, 2010 and for the six-month period then ended, the financial statements of the Company as of December 31, 2010, 2009, and 2008, and for the years the ended, and the statement of financial position of the Company as of January 1, 2008/December 31, 2007, have been restated. The consolidated financial statements of EAR as of December 31, 2008 and 2007, and for the years then ended, were audited by other independent auditors, whose report dated April 30, 2009, expressed an unqualified opinion on those statements. We have audited the restatement adjustments applied to the restated financial statements of the Company as of December 31, 2008 and for the year then ended, and the statement of financial position of the Company as of January 1, 2008/December 31, 2007, to retrospectively apply the PSAK 2011 and the accounting for restructuring transaction of entities under common control, as disclosed in Notes 2 and 4 to the consolidated financial statements. In our opinion, such restatement adjustments are appropriate and have been properly applied.

The consolidated financial statements of PT Erajaya Swasembada and its subsidiaries as of June 30, 2010 and for the six-month period then ended, which have been restated due to the retrospective implementation of PSAK 2011 and the retrospective application of the restructuring transaction of entities under common control as disclosed in Notes 2 and 4 to the consolidated financial statements, were reviewed by us in accordance with standards established by the Indonesian Institute of Certified Public Accountants. A review of financial statements is substantially less in scope than an audit conducted in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants, the objective of which is the expression of an opinion regarding the financial statements taken as a whole; accordingly, we do not expresses such an opinion. Based on our review, we are not aware of any indications of material modifications that should be made to the consolidated financial statements of PT Erajaya Swasembada and its subsidiaries as of June 30, 2010 and for the six-month period then ended in order for them to be in conformity with Indonesian Financial Accounting Standards.

Our audits of the consolidated financial statements as of June 30, 2011 and December 31, 2010 and 2009 were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The statements of financial position of the Company (parent company only) as of June 30, 2011 and December 31, 2010, 2009, and 2008, and January 1, 2008/December 31, 2007, and the related statements of comprehensive income, changes in equity, and cash flows for the six-month period ended June 30, 2011 and the years ended December 31, 2010, 2009, and 2008, which are disclosed in Note 40 to the consolidated financial statements, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements under Indonesian Financial Accounting Standards. Such statements of financial position and the related statements of comprehensive income, changes in equity, and cash flows have been subjected to the auditing procedures applied in the audits of the consolidated financial statements in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants, and in our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

This report is originally issued in the Indonesian language.

Our review of the consolidated financial statements as of June 30, 2010 and for the six-month period then ended was conducted for the purpose of stating whether we are aware of any indications of material modifications that should be made to the consolidated financial statements taken as a whole in order for them to be in conformity with Indonesian Financial Accounting Standards. The statement of financial position of the Company (parent company only) as of June 30, 2010 and the related statement of comprehensive income, changes in equity, and cash flows for the six-month period then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements under Indonesian Financial Accounting Standards. Such statement of financial position and the related statements of comprehensive income, changes in equity, and cash flows have been subjected to the review procedures applied in the review of the consolidated financial statements in accordance with the standards established by the Indonesian Institute of Certified Public Accountants, and based on our review, we are not aware of any indications of material modifications that should be made to such statements in order for them to be in conformity with Indonesian Financial Accounting Standards.

We have previously issued Independent Auditors' Report No. RPC-1514/PSS/2011 dated August 22, 2011 on the consolidated financial statements of PT Erajaya Swasembada and its subsidiaries as of June 30, 2011 and December 31, 2010 and 2009, and for the six-month period ended June 30, 2011 and the years ended December 31, 2010 and 2009, and on the unaudited consolidated financial statements as of June 30, 2010 and for the six-month period then ended. In relation to the Company's plan to conduct its initial public offering as disclosed in Note 41 to the consolidated financial statements, the Company reissued its consolidated financial statements referred to above with additional disclosures in the notes to the consolidated financial statements.

Purwantono, Suherman & Surja

Peter Surja
Public Accountant License No. 05.1.0976

October 12, 2011

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2011 and 2010 (unaudited), December 31, 2010 and 2009 with comparative figures as of December 31, 2008 and January 1, 2008/December 31, 2007
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010 (As restated, Notes 2 and 4)	December 31, 2010 (As restated, Notes 2 and 4)	December 31, 2009 (As restated, Notes 2 and 4)	December 31, 2008	January 1, 2008/ December 31, 2007 (As restated, Notes 2 and 4)
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	2d,2q,2w, 5,34,36	44,774,174,507	103,870,547,823	59,262,159,225	37,579,920,586	20,369,565,880	7,618,399,004
Short-term investments	2e,2q,2w, 6,34,36	96,703,974,480	38,108,301,572	37,620,730,723	39,328,575,000	1,632,575,000	-
Accounts receivable	2w						
Trade	2q,3,7,16,34,36						
Third parties - net of allowance for impairment of Rp5,957,569,686 as of June 30, 2011 and Rp5,828,630,711 as of December 31, 2010	2f	124,979,513,477	518,313,804,516	361,314,694,816	593,305,815,403	989,616,566,160	117,187,660,692
Related parties	2g,8a	79,760,497,039	13,911,884,573	141,132,222,924	5,563,448,803	-	-
Others	2q						
Third parties		15,560,628,530	667,175,778	5,413,870,101	1,765,804,987	6,575,761,177	378,590,766
Related parties	2g,8c,8d,8e, 8f,8g,8h,8i, 8j,8k,8l,8m	196,125,350,595	6,011,212,671	7,529,682,290	833,547,598	7,000,000,000	-
Inventories - net of allowance for obsolescence and decline in value of inventories of Rp9,009,307,959 as of June 30, 2011, Rp4,020,674,152 as of June 30, 2010, Rp5,371,779,398 as of December 31, 2010 and Rp1,595,355,038 as of December 31, 2009	2i,3,9,16,27	459,693,409,551	240,108,086,042	400,951,352,975	298,048,352,178	383,913,875,282	53,521,401,907
Advances and prepaid expenses	2j,10	66,551,990,086	18,036,218,383	121,183,230,310	173,747,753,222	32,196,466,513	86,552,436,739
Current portion of prepaid rent	2j,2m,11	8,420,714,668	6,788,561,498	7,924,012,332	7,306,078,589	3,426,742,352	1,244,046,403
Prepaid value added tax		15,004,595,168	5,015,505,658	17,145,305,175	1,559,418,986	4,288,448,261	59,812,357
TOTAL CURRENT ASSETS		**1,107,574,848,101**	**950,831,298,514**	**1,159,477,260,871**	**1,159,038,715,352**	**1,449,020,000,625**	**266,562,347,868**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of June 30, 2011 and 2010 (unaudited), December 31, 2010 and 2009 with comparative figures as of December 31, 2008 and January 1, 2008/December 31, 2007
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	January 1, 2008/ December 31, 2007
			As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
NON-CURRENT ASSETS							
Deferred tax assets - net	2r,3,31	6,796,288,131	5,220,549,660	4,995,556,160	1,302,522,451	432,299,130	240,128,095
Loans to employees	2w,8r,36	552,688,195	1,042,991,617	691,526,961	894,606,471	-	-
Investments in associated companies	2g,2k,12	686,910,597	932,938,233	4,802,217,015	-	-	-
Fixed assets - net of accumulated depreciation of Rp11,038,984,869 as of June 30, 2011, Rp4,344,223,669 as of June 30, 2010, Rp7,223,611,310 as of December 31, 2010, Rp4,490,828,210 as of December 31, 2009, Rp2,549,331,255 as of December 31, 2008 and Rp1,601,812,672 as of December 31, 2007	2l,3,13,16,27	81,238,791,244	23,913,170,846	61,854,618,233	12,736,845,244	6,935,449,581	2,409,798,245
Advances for purchase of fixed assets	2l,8n,14	30,784,125,000	25,535,666,238	40,011,838	20,000,000,000	-	-
Prepaid rent - net of current portion	2j,2m,11	4,840,975,177	3,977,398,340	3,506,534,600	4,213,218,920	4,859,236,966	3,622,001,846
Estimated claims for tax refund	2r,31	46,809,091,635	48,393,793,034	46,904,310,554	52,965,668,410	31,677,914,994	3,420,463,668
Goodwill - net	3,15	-	328,885,077	270,846,533	386,923,620	503,000,707	-
Security deposits	2w,36	2,245,566,852	1,851,868,215	2,238,664,600	1,748,646,363	1,281,905,737	822,423,322
Deferred charges - net	2o	36,181,615,349	218,750,000	210,000,000	227,500,000	245,000,000	262,500,000
TOTAL NON-CURRENT ASSETS		**210,136,052,180**	**111,416,011,260**	**125,514,286,494**	**94,475,931,479**	**45,934,807,115**	**10,777,315,176**
TOTAL ASSETS	37	**1,317,710,900,281**	**1,062,247,309,774**	**1,284,991,547,365**	**1,253,514,646,831**	**1,494,954,807,740**	**277,339,663,044**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of June 30, 2011 and 2010 (unaudited), December 31, 2010 and 2009
with comparative figures as of December 31, 2008
and January 1, 2008/December 31, 2007
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	January 1, 2008/ December 31, 2007
			As restated, Notes 2 and 4	As restated, Notes 2 and 4	As restated, Notes 2 and 4		As restated, Notes 2 and 4
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Short-term bank loans	2w,16,36	98,652,554,245	-	180,340,060,000	102,800,030,000	32,000,000,000	150,000,000,000
Accounts payable	2w,17,36						
Trade							
Third parties	2q,34	60,973,064,437	4,281,362,424	51,662,761,896	199,356,586,676	1,261,010,988,681	72,179,937,336
Related parties	2g,8b	-	36,614,668,327	1,089,000,000	21,200,549,682	-	-
Others							
Third parties	2q,34	6,813,035,595	7,024,782,337	4,798,221,365	11,315,187,105	21,061,054,434	32,545,016
Related parties	2g,8n 8o,8p,8q	-	5,081,877,562	264,060,000	6,085,977,562	-	-
Taxes payable	2r,18	2,549,583,716	3,111,497,473	2,767,408,279	3,696,131,090	1,589,950,684	2,541,914,971
Accrued expenses	2w,19,36	39,162,933,033	6,132,100,727	6,247,067,800	7,463,047,905	8,448,009,102	2,557,530,563
Advances from customers	20	5,487,608,098	44,970,369,876	7,745,399,337	22,837,604,221	2,142,439,077	156,802,613
Current maturities of long-term debt	2w,36	609,521,436	1,819,031,579	1,034,308,381	1,767,624,440	926,581,200	-
TOTAL CURRENT LIABILITIES		**214,248,300,560**	**109,035,690,305**	**255,948,287,058**	**376,522,738,681**	**1,327,179,023,178**	**227,468,730,499**
NON-CURRENT LIABILITIES							
Long-term debt - net of current maturities	2w,36	113,220,000	133,838,200	100,163,333	707,056,867	728,425,933	-
Liabilities for employee benefits	2s,3,30	11,658,644,000	5,638,726,500	8,529,564,000	3,629,059,000	1,562,917,124	758,429,619
Negative goodwill - net	3,15,28	-	3,615,826,264	3,514,466,745	3,717,185,786	3,919,904,827	-
TOTAL NON-CURRENT LIABILITIES		**11,771,864,000**	**9,388,390,964**	**12,144,194,078**	**8,053,301,653**	**6,211,247,884**	**758,429,619**
TOTAL LIABILITIES	37	**226,020,164,560**	**118,424,081,269**	**268,092,481,136**	**384,576,040,334**	**1,333,390,271,062**	**228,227,160,118**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of June 30, 2011 and 2010 (unaudited), December 31, 2010 and 2009 with comparative figures as of December 31, 2008 and January 1, 2008/December 31, 2007
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	January 1, 2008/ December 31, 2007
			As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
EQUITY							
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY							
Share capital - Rp1,000,000 par value as of June 30, 2011 and 2010, and December 31, 2010, Rp1,000 par value as of December 31, 2009, 2008 and 2007 Authorized - 1,000,000 shares as of June 30, 2011 and 2010 and December 31, 2010, 3,800,000 shares as of December 31, 2009, 2008 and 2007 Issued and fully paid - 990,000 shares as of June 30, 2011, 500,000 shares as of June 30, 2010, and December 31, 2010, and 2,000,000 shares as of December 31, 2009, 2008 and 2007	21	990,000,000,000	500,000,000,000	500,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Deposits for future stock subscription	21	-	-	-	498,000,000,000	-	-
Difference in value of restructuring transaction of entities under common control	2b,2h,4	5,757,176,258	-	5,757,176,258	-	-	-
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	22,592,330,494	-	27,427,407,528	23,178,181,800	(210,330,430)
Retained earnings							
Appropriated	21	1,000,000,000	-	-	-	-	-
Unappropriated		75,754,220,003	411,182,589,061	497,330,023,249	329,618,450,777	126,368,654,605	47,412,974,968
Sub-total		**1,072,511,396,261**	**933,774,919,555**	**1,003,087,199,507**	**857,045,858,305**	**151,546,836,405**	**49,202,644,538**
NON-CONTROLLING INTERESTS	2b,2h,4	**19,179,339,460**	**10,048,308,950**	**13,811,866,722**	**11,892,748,192**	**10,017,700,273**	**(90,141,612)**
TOTAL EQUITY		**1,091,690,735,721**	**943,823,228,505**	**1,016,899,066,229**	**868,938,606,497**	**161,564,536,678**	**49,112,502,926**
TOTAL LIABILITIES AND EQUITY		**1,317,710,900,281**	**1,062,247,309,774**	**1,284,991,547,365**	**1,253,514,646,831**	**1,494,954,807,740**	**277,339,663,044**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended June 30, 2011 and 2010 (unaudited) and years ended December 31, 2010 and 2009 with comparative figures for the year ended December 31, 2008
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008
			As restated, Notes 2 and 4		**As restated, Notes 2 and 4**	
NET SALES	2g,2p,2t,24	2,035,720,499,535	2,273,380,881,337	4,638,514,264,715	5,028,728,486,870	3,415,173,415,147
COST OF GOODS SOLD	2g,2p,25	1,810,353,446,184	2,078,533,204,052	4,118,169,580,498	4,725,189,561,897	3,056,298,971,218
GROSS PROFIT	37	**225,367,053,351**	**194,847,677,285**	**520,344,684,217**	**303,538,924,973**	**358,874,443,929**
Selling and distribution expenses	2g,2p,8p,26	(40,613,939,280)	(38,934,133,833)	(103,238,670,485)	(55,474,472,155)	(22,275,211,884)
General and administrative expenses	2l,2p,2s,7,9, 13,27,30,31	(73,606,196,018)	(46,945,255,854)	(115,024,778,216)	(70,099,600,298)	(16,059,831,825)
Other operating income	2p,28	938,700,079	2,866,372,190	5,707,851,925	120,868,983,160	2,771,497,286
Other operating expenses	2p,6,13,15,29	(3,600,707,914)	(11,108,839,908)	(14,179,992,184)	(21,204,393)	(181,545,486,986)
INCOME FROM OPERATIONS	37	**108,484,910,218**	**100,725,819,880**	**293,609,095,257**	**298,812,631,287**	**141,765,410,520**
Finance income	2g,2p,8h	934,255,757	1,256,504,352	2,691,468,002	2,409,920,754	350,035,892
Finance costs	2p,16	(9,295,535,003)	(1,366,182,666)	(2,784,309,188)	(8,781,115,502)	(22,165,518,607)
Share in net income (loss) from associated companies - net	2g,12	(4,115,306,418)	332,938,233	3,202,217,015	-	-
INCOME BEFORE INCOME TAX	37	**96,008,324,554**	**100,949,079,799**	**296,718,471,086**	**292,441,436,539**	**119,949,927,805**
INCOME TAX BENEFIT (EXPENSES)	2r,31					
Current		(30,039,364,500)	(30,192,485,000)	(79,701,045,063)	(83,962,590,040)	(35,905,281,700)
Deferred		1,800,731,971	3,918,027,209	3,693,033,709	870,223,321	9,627,727
Income tax expense - net		(28,238,632,529)	(26,274,457,791)	(76,008,011,354)	(83,092,366,719)	(35,895,653,973)
NET INCOME AFTER EFFECT OF PRO FORMA ADJUSTMENTS	2b,2h,4,37	**67,769,692,025**	**74,674,622,008**	**220,710,459,732**	**209,349,069,820**	**84,054,273,832**
EFFECT OF PRO FORMA ADJUSTMENTS	2b,2h,4	**-**	**4,835,077,034**	**(2,079,768,730)**	**(4,249,225,728)**	**(3,088,512,230)**
NET INCOME	2b,2h,4,37	**67,769,692,025**	**79,509,699,042**	**218,630,691,002**	**205,099,844,092**	**80,965,761,602**
OTHER COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	2b,2h,4	**67,769,692,025**	**79,509,699,042**	**218,630,691,002**	**205,099,844,092**	**80,965,761,602**
Net income (loss) attributable to:						
Equity holders of the parent company		66,964,070,032	81,564,138,284	217,711,572,472	203,249,796,172	78,955,679,637
Non-controlling interest		805,621,993	(2,054,439,242)	919,118,530	1,850,047,920	2,010,081,965
TOTAL	2b,2h,4	**67,769,692,025**	**79,509,699,042**	**218,630,691,002**	**205,099,844,092**	**80,965,761,602**
BASIC EARNINGS PER SHARE	2u,23	**34**	**41**	**110**	**375**	**9,969**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended June 30, 2011 and 2010 (unaudited)
and years ended December 31, 2010 and 2009
with comparative figures for the year ended December 31, 2008
(Expressed in Rupiah, unless otherwise stated)

		Equity Attributable to The Equity Holders of The Parent Company								
						Retained Earnings				
	Notes	Issued and Fully Paid Share Capital	Deposits for Future Stock Subscription	Difference in Value of Restructuring Transaction of Entities Under Common Control	Pro Forma Capital Arising from Restructuring Transaction of Entities Under Common Control	Appropriated	Unappropriated	Sub-total	Non-controlling Interests	Total Equity
Balance, January 1, 2008/ December 31, 2007 (As previously reported)		**2,000,000,000**	**-**	**-**	**-**	**-**	**47,412,974,968**	**49,412,974,968**	**-**	**49,412,974,968**
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	(210,330,430)	-	-	(210,330,430)	(90,141,612)	(300,472,042)
Balance, January 1, 2008 (As restated, Notes 2 and 4)		**2,000,000,000**	**-**	**-**	**(210,330,430)**	**-**	**47,412,974,968**	**49,202,644,538**	**(90,141,612)**	**49,112,502,926**
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	23,388,512,230	-	-	23,388,512,230	8,097,759,920	31,486,272,150
Net income for the year ended December 31, 2008		-	-	-	-	-	78,955,679,637	78,955,679,637	2,010,081,965	80,965,761,602
Balance, December 31, 2008 (As restated, Notes 2 and 4)		**2,000,000,000**	**-**	**-**	**23,178,181,800**	**-**	**126,368,654,605**	**151,546,836,405**	**10,017,700,273**	**161,564,536,678**
Deposits for future stock subscription	21	-	498,000,000,000	-	-	-	-	498,000,000,000	-	498,000,000,000
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	4,249,225,728	-	-	4,249,225,728	24,999,999	4,274,225,727
Net income for the year ended December 31, 2009		-	-	-	-	-	203,249,796,172	203,249,796,172	1,850,047,920	205,099,844,092
Balance, December 31, 2009 (As restated, Notes 2 and 4)		**2,000,000,000**	**498,000,000,000**	**-**	**27,427,407,528**	**-**	**329,618,450,777**	**857,045,858,305**	**11,892,748,192**	**868,938,606,497**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
For the six months ended June 30, 2011 and 2010 (unaudited) and years ended December 31, 2010 and 2009 with comparative figures for the year ended December 31, 2008
(Expressed in Rupiah, unless otherwise stated)

		Equity Attributable to The Equity Holders of The Parent Company								
						Retained Earnings				
	Notes	Issued and Fully Paid Share Capital	Deposits for Future Stock Subscription	Difference in Value of Restructuring Transaction of Entities Under Common Control	Pro Forma Capital Arising from Restructuring Transaction of Entities Under Common Control	Appropriated	Unappropriated	Sub-total	Non-controlling Interests	Total Equity
Additional share capital - issued and fully paid	21	498,000,000,000	(498,000,000,000)	-	-	-	-	-	-	-
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	(4,835,077,034)	-	-	(4,835,077,034)	210,000,000	(4,625,077,034)
Net income for the six months ended June 30, 2010		-	-	-	-	-	81,564,138,284	81,564,138,284	(2,054,439,242)	79,509,699,042
Balance, June 30, 2010 (As restated, Notes 2 and 4)		**500,000,000,000**	**-**	**-**	**22,592,330,494**	**-**	**411,182,589,061**	**933,774,919,555**	**10,048,308,950**	**943,823,228,505**
Balance, December 31, 2009 (As restated, Notes 2 and 4)		**2,000,000,000**	**498,000,000,000**	**-**	**27,427,407,528**	**-**	**329,618,450,777**	**857,045,858,305**	**11,892,748,192**	**868,938,606,497**
Additional share capital - issued and fully paid	21	498,000,000,000	(498,000,000,000)	-	-	-	-	-	-	-
Pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	2,079,768,730	-	-	2,079,768,730	1,000,000,000	3,079,768,730
Reversal of pro forma capital arising from restructuring transaction of entities under common control	2b,2h,4	-	-	-	(29,507,176,258)	-	-	(29,507,176,258)	-	(29,507,176,258)
Difference in value of restructuring transaction of entities under common control	2b,2h,4	-	-	5,757,176,258	-	-	-	5,757,176,258	-	5,757,176,258
Net income for the year ended December 31, 2010		-	-	-	-	-	217,711,572,472	217,711,572,472	919,118,530	218,630,691,002
Cash dividends	22	-	-	-	-	-	(50,000,000,000)	(50,000,000,000)	-	(50,000,000,000)
Balance, December 31, 2010 (As restated, Notes 2 and 4)		**500,000,000,000**	**-**	**5,757,176,258**	**-**	**-**	**497,330,023,249**	**1,003,087,199,507**	**13,811,866,722**	**1,016,899,066,229**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
**For the six months ended June 30, 2011 and 2010 (unaudited)
and years ended December 31, 2010 and 2009
with comparative figures for the year ended December 31, 2008
(Expressed in Rupiah, unless otherwise stated)**

		Equity Attributable to The Equity Holders of The Parent Company								
						Retained Earnings				
	Notes	Issued and Fully Paid Share Capital	Deposits for Future Stock Subscription	Difference in Value of Restructuring Transaction of Entities Under Common Control	Pro Forma Capital Arising from Restructuring Transaction of Entities Under Common Control	Appropriated	Unappropriated	Sub-total	Non-controlling Interests	Total Equity
The impact of the application of Statement of Financial Accounting Standards No. 22 (Revised 2010)	2c,15	-	-	-	-	-	2,460,126,722	2,460,126,722	1,054,340,023	3,514,466,745
Stock dividends	21	490,000,000,000	-	-	-	-	(490,000,000,000)	-	-	-
Addition to Company's non-controlling interest		-	-	-	-	-	-	-	3,507,510,722	3,507,510,722
Appropriation for general reserve	21	-	-	-	-	1,000,000,000	(1,000,000,000)	-	-	-
Net income for the six months ended June 30, 2011		-	-	-	-	-	66,964,070,032	66,964,070,032	805,621,993	67,769,692,025
Balance, June 30, 2011		**990,000,000,000**	**-**	**5,757,176,258**	**-**	**1,000,000,000**	**75,754,220,003**	**1,072,511,396,261**	**19,179,339,460**	**1,091,690,735,721**

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

These consolidated financial statements are originally issued in the Indonesian language.

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2011 and 2010 (unaudited) and years ended December 31, 2010 and 2009 with comparative figures for the year ended December 31, 2008 (Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010 As restated, Notes 2 and 4	December 31, 2010	December 31, 2009 As restated, Notes 2 and 4	December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers		2,134,194,717,333	2,361,511,150,861	4,714,015,775,586	5,440,170,953,969	2,544,730,146,142
Cash payments to suppliers		(1,810,001,617,998)	(2,047,864,955,835)	(4,343,035,011,406)	(5,704,801,832,447)	(2,324,327,033,819)
Cash payments to employees		(43,998,454,987)	(28,709,280,597)	(68,824,067,489)	(43,875,727,568)	(11,496,425,423)
Payments for operating expenses		(60,249,576,960)	(54,793,954,095)	(153,474,438,763)	(66,496,104,785)	(33,675,860,403)
Net cash provided by (used in) operating		219,945,067,388	230,142,960,334	148,682,257,928	(375,002,710,831)	175,230,826,497
Cash receipts from (payments for):						
Interest income		895,978,254	1,256,504,352	2,005,668,516	2,409,920,754	350,035,892
Income taxes		(34,568,509,382)	(26,150,600,651)	(74,321,973,856)	(104,362,966,919)	(65,083,574,469)
Interest expenses		(8,897,802,598)	(9,261,152,446)	(11,440,116,384)	(14,852,083,893)	(15,563,722,447)
Other operating activities		6,650,636,609	(6,781,345,143)	(6,263,181,852)	7,216,891,678	10,177,177,168
Net Cash Provided by (Used in) Operating Activities		**184,025,370,271**	**189,206,366,446**	**58,662,654,352**	**(484,590,949,211)**	**105,110,742,641**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of fixed assets	13	173,825,000	689,110,310	1,791,002,880	466,703,419	8,356,818
Proceeds from sale of short-term investment	6	158,646,454	-	49,000,000	-	-
Acquisitions of fixed assets and advances for purchase of fixed assets	13,14	(54,316,377,930)	(19,683,007,991)	(35,542,310,986)	(25,603,963,053)	(2,750,729,390)
Additional investment in Subsidiary	4	-	-	(23,750,000,000)	-	-
Additional investment in associated companies	12	-	(600,000,000)	(1,600,000,000)	-	-
Additional in security deposits		(160,450,004)	-	(490,018,214)	(466,740,623)	(459,482,415)
Placement of short-term investments	6	(62,269,762,476)	-	-	(37,696,000,000)	(1,632,575,000)
Net Cash Used in Investing Activities		**(116,414,118,956)**	**(19,593,897,681)**	**(59,542,326,320)**	**(63,300,000,257)**	**(4,834,429,987)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from:						
Short-term bank loans	16	310,000,000,000	-	150,000,000,000	772,536,000,000	-
Deposits for future stock subscription	21	-	-	-	498,000,000,000	-
Loan to third parties		-	-	-	-	9,019,000,000
Issuance of share capital - Subsidiary		-	-	-	7,000,000,000	22,000,000,000
Payments of:						
Short-term bank loans	16	(380,000,000,000)	(20,000,000,000)	(70,000,000,000)	(784,536,000,000)	(118,000,000,000)
Cash dividends	22	-	-	(50,000,000,000)	-	-
Long-term debt	13	(411,730,278)	(521,811,528)	(2,049,249,593)	(1,679,725,826)	(544,145,778)
Loan to third parties		-	-	-	(9,019,000,000)	-
Increased in loan from a related party		-	-	(2,928,869,800)	-	-
Net Cash Provided by (Used in) Financing Activities		**(70,411,730,278)**	**(20,521,811,528)**	**25,021,880,607**	**482,301,274,174**	**(87,525,145,778)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,800,478,963)**	**149,090,657,237**	**24,142,208,639**	**(65,589,675,294)**	**12,751,166,876**

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

PT ERAJAYA SWASEMBADA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the six months ended June 30, 2011 and 2010 (unaudited)
and years ended December 31, 2010 and 2009
with comparative figures for the year ended December 31, 2008
(Expressed in Rupiah, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010 As restated, Notes 2 and 4	December 31, 2010	December 31, 2009 As restated, Notes 2 and 4	December 31, 2008
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**(21,077,900,775)**	**(45,220,109,414)**	**(45,220,109,414)**	**20,369,565,880**	**7,618,399,004**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**(23,878,379,738)**	**103,870,547,823**	**(21,077,900,775)**	**(45,220,109,414)**	**20,369,565,880**
CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSISTS OF:						
Cash and cash equivalents	5	44,774,174,507	103,870,547,823	59,262,159,225	37,579,920,586	20,369,565,880
Overdrafts	16	(68,652,554,245)	-	(80,340,060,000)	(82,800,030,000)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**(23,878,379,738)**	**103,870,547,823**	**(21,077,900,775)**	**(45,220,109,414)**	**20,369,565,880**

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

(Expressed in Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment of the Company

PT Erajaya Swasembada (the "Company") was established in Indonesia based on Notarial Deed No. 7 of Myra Yuwono, S.H., dated October 8, 1996. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-1270.HT.01.01. Year 1997 dated February 24, 1997 and was published in Supplement No. 2016 of the State Gazette No. 41 dated May 23, 1997. The Company's Articles of Association has been amended several times, most recently by Notarial Deed No. 2 of Fathiah Helmi, S.H., dated August 3, 2011, pertaining to the Company's plan to conduct its Initial Public Offering (Note 38b). The latest amendment of the Articles of Association was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-43208.AH.01.02. Year 2011 dated August 25, 2011.

The Company and Subsidiaries were established and operated their business in Indonesia. The scope of activities of the Company and Subsidiaries are engaged in distribution and trading of telecommunication equipment such as cellular phones, Subscriber Identity Module Card ("SIM Card"), vouchers for cellular phone and accessories.

The Company is domiciled at Jalan Gedong Panjang No. 29-31, Pekojan, Tambora, Jakarta, and started its commercial operations in 2000.

b. Subsidiaries' Structure

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are the Company are owned more than 50%, directly or indirectly, as follows:

			Percentage of Ownership					
Subsidiaries	Domicile	Start of Commercial Operations	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Direct orwnership								
PT Erafone Artha Retailindo ("EAR")	Jakarta	2003	70.00	-	70.00	-	-	-
PT Sinar Eka Selaras ("SES")	Jakarta	2011	93.00	-	-	-	-	-
PT Era Sukses Abadi ("ESA")	Jakarta	2011	99.90	-	-	-	-	-
Indirect ownership through EAR								
PT Multi Media Selular ("MMS")	Jakarta	2004	99.00	-	99.00	-	-	-
PT Data Media Telekomunikasi ("DMT")	Jakarta	2003	99.00	-	99.00	-	-	-
PT Data Citra Mandiri ("DCM")	Jakarta	2006	99.00	-	99.00	-	-	-
PT Star Mobile Group ("SMG") (formerly PT Riset Infokom Mandiri)	Jakarta	2009	99.00	-	99.00	-	-	-
PT Prakarsa Prima Sentosa ("PPS")	Jakarta	2010	70.00	-	70.00	-	-	-

(Expressed in Rupiah, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries' Structure (continued)

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are the Company are owned more than 50%, directly or indirectly, as follows:(continued)

Subsidiaries	Domicile	Start of Commercial Operations	Total Assets Before Eliminations					
			June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Direct ownership								
PT Erafone Artha Retailindo ("EAR")	Jakarta	2003	290,075,386,787	-	180,058,552,173	-	-	-
PT Sinar Eka Selaras ("SES")	Jakarta	2011	156,097,954,674	-	-	-	-	-
PT Era Sukses Abadi ("ESA")	Jakarta	2011	77,568,023,871	-	-	-	-	-
Indirect ownership through EAR								
PT Multi Media Selular ("MMS")	Jakarta	2004	17,389,212,811	-	21,064,948,634	-	-	-
PT Data Media Telekomunikasi ("DMT")	Jakarta	2003	6,863,358,256	-	6,613,161,219	-	-	-
PT Data Citra Mandiri ("DCM")	Jakarta	2006	2,642,509,431	-	4,854,729,201	-	-	-
PT Star Mobile Group ("SMG") (formerly PT Riset Infokom Mandiri)	Jakarta	2009	4,418,502,239	-	7,149,596,058	-	-	-
PT Prakarsa Prima Sentosa ("PPS")	Jakarta	2010	8,811,778,887	-	8,386,870,218	-	-	-

Based on the Minutes of Extraordinary Shareholders' General Meeting of SES dated April 19, 2011, which was notarized by Notarial Deed No.11 of Myra Yuwono, S.H., dated May 18, 2011, the Company purchased 98% shares of ownership or representing 490 shares of SES which were owned by EAR with the net assets book value on acquisition date of Rp455,150,108 (which consists of total assets and liabilities of Rp455,250,108 dan Rp100,000, respectively) and at the transfer price of Rp490,000,000 which was fully paid on May 26, 2011.

The above transaction should be accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control". However, the Company did not account such transaction using the pooling of interest method in accordance with PSAK No. 38 (Revised 2004) and did not restate the comparative financial statements as if the Company had acquired SES since the beginning of the earliest comparative period presented because the restatement of SES has no significant impact to the consolidated financial statement of the Company, considering the value of assets and liabilities owned by SES were not material. Accordingly, the transaction was accounted for in the purchase method and the difference between the transfer price and the acquired Subsidiary's book value of net assets of Rp34,849,892 was recorded as part of "Other Operating Expenses" in the consolidated statement of comprehensive income for the six months ended June 30, 2011.

Based on the Minutes of Extraordinary Shareholders' General Meeting of SES which was notarized by Notarial Deed No. 11 of Myra Yuwono, S.H., dated May 18, 2011, the shareholders of SES agreed to increase in the authorized share capital from Rp500,000,000 consist of 500 shares, to become Rp200,000,000,000 consisting of 200,000 shares and increase issued and fully paid share capital from Rp500,000,000 consisting of 500 shares, to become Rp50,000,000,000 consisting of 50,000 shares of which the Company owned 46,010 additional shares and the Company's ownership becomes 46,500 shares or 93% shares of ownership.

On March 3, 2011, the Company and Budiarto Halim, the Company's President Director, established PT Era Sukses Abadi ("ESA") with an authorized share capital of Rp40,000,000,000 which the Company has 99.90% ownership. ESA started its commercial operations in April 2011 and engaged in property services.

(Expressed in Rupiah, unless otherwise stated)

1. GENERAL (continued)

b. Subsidiaries' Structure (continued)

EAR and SMG are engaged in trading of cellular phones and accessories, while MMS, DMT, DCM and PPS are engaged in trading of Subscriber Identity Module Card ("SIM Card") and vouchers for cellular phones.

c. Boards of Commissioners, Directors and Employees

As of June 30, 2011, the composition of the Company's Boards of Commissioners and Directors based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 3 of Myra Yuwono, S.H., dated June 1, 2011 is as follows:

Board of Commissioners		Board of Directors	
President Commissioner	- Ardy Hady Wijaya	President Director	- Budiarto Halim
Commissioners	- Richard Halim Kusuma	Directors	- Elly
	- Andreas Harun Djumadi		- Sintawati Halim
			- Sim Chee Ping

As of June 30, 2010, the composition of the Company's Boards of Commissioners and Directors based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 10 of Myra Yuwono, S.H., dated December 9, 2009 is as follows:

Board of Commissioners		Board of Directors	
President Commissioner	- Elly	President Director	- Go Haryono Gozal
Commissioner	- Lexy Yapri	Director	- Ronny Wijaya

As of December 31, 2010, the composition of the Company's Boards of Commissioners and Directors based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 34 of Myra Yuwono, S.H., dated December 16, 2010 is as follows:

Board of Commissioners		Board of Directors	
President Commissioner	- Ardy Hady Wijaya	President Director	- Go Haryono Gozal
Commissioners	- Richard Halim Kusuma	Directors	- Elly
	- Andreas Harun Djumadi		- Budiarto Halim
			- Sintawati Halim
			- Sim Chee Ping

As of December 31, 2009, the composition of the Company's Boards of Commissioners and Directors based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 10 of Myra Yuwono, S.H., dated December 9, 2009 is as follows:

Board of Commissioners		Board of Directors	
President Commissioner	- Elly	President Director	- Go Haryono Gozal
Commissioner	- Lexy Yapri	Director	- Ronny Wijaya

(Expressed in Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Boards of Commissioners, Directors and Employees (continued)

As of December 31, 2008, the composition of the Company's Commissioner and Board of Directors based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 17 of Myra Yuwono, S.H., dated June 3, 2008 is as follows:

Commissioner		Board of Directors	
Commissioner	- Ardy Wikarsa	President Director	- Go Haryono Gozal
		Director	- Jeffrey Pribadi

As of December 31, 2007, the composition of the Company's Commissioner and Director based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 39 of Sinta Susikto, S.H., dated October 30, 2007 is as follows:

Commissioner		Director	
Commissioner	- Sun Lie	Director	- Go Haryono Gozal

Salaries and gross benefits incurred for the Company and Subsidiaries' Boards of Commissioners for the six months ended June 30, 2011 and 2010 amounted to Rp2,414,445,000 and Rp1,899,797,324, respectively, and for the years ended December 31, 2010, 2009 and 2008 amounted to Rp5,092,595,750, Rp3,961,240,800 and Rp1,198,544,899, respectively.

Salaries and gross benefits incurred for the Company and Subsidiaries' Boards of Directors for the six months ended June 30, 2011 and 2010 amounted to Rp6,274,865,537 and Rp1,583,625,901, respectively, and for the years ended December 31, 2010, 2009 and 2008 amounted to Rp4,844,281,709, Rp4,623,053,950 and Rp1,463,464,946, respectively.

On October 18, 2011, Syaiful Hayat was appointed as the Company's Corporate Secretary effective October 1, 2011.

The Company is committed to subsequently establish an Audit Committee in accordance with the change in its status from a private to a public company in accordance with BAPEPAM regulation. The Company had Internal Audit division.

As of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, the Company and Subsidiaries have 1,007, 981, 688, 479, 284 and 70 permanent employees (unaudited), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting and reporting policies consistently applied by the Company and Subsidiaries in the preparation of the consolidated financial statements for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009, 2008 and 2007 are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Presentation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements of Financial Accounting Standards ("PSAKs") and Interpretations to Financial Acccounting Standards ("ISAKs") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants, and Rule No. VIII.G.7 Attachment of Chairman of BAPEPAM's decision No. KEP-06/PM/2000 dated March 13, 2000 on the Regulations and the Guidelines on Financial Statement Presentation and Disclosures issued by Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK"). As disclosed further in the relevant succeeding notes, several amended and published accounting standards were adopted effective January 1, 2011, prospectively or retrospectively. Accordingly, the consolidated financial statements of the Company and Subsidiaries as of December 31, 2010, 2009 and 2008 and for the years then ended, as of June 30, 2010 and for the six months then ended, and the consolidated statement of financial position of the Company and Subsidiaries as of January 1, 2008/December 31, 2007 have been restated due to reclassifications of certain accounts.

The consolidated financial statements are prepared in accordance with PSAK No. 1 (Revised 2009), "Presentation of Financial Statements", and PSAK No. 3 (Revised 2010), "Interim Financial Statements" (both adopted on January 1, 2011).

PSAK No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, components of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and liabilities, comparative information and consistency, and introduces new disclosures, such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards, and statement of compliance.

PSAK No. 3 (Revised 2010) regulates the minimum presentation of interim financial statements, and also the principles of recognition and measurement in the complete or condensed interim financial statements.

The adoption of PSAK No. 1 (Revised 2009) and PSAK No. 3 (Revised 2010) has significant impacts on the related presentation and disclosures in the consolidated financial statements.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those made in the preparation of the Company and Subsidiaries' consolidated financial statements for the year ended December 31, 2010, except for the adoption of several amended SAKs effective January 1, 2011 as disclosed in this Note.

The consolidated financial statements have been prepared using the accrual basis, and the measurement basis used is historical cost, except for certain accounts which are measured on the basis as described in the relevant notes herein.

The consolidated statements of cash flows present the receipts and payments of cash and cash equivalents classified into operating, investing and financing activities using the direct method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Effective January 1, 2011, the Company has adopted PSAK No. 2 (Revised 2009), "Statement of Cash Flows", which superseded PSAK No. 2 with the same title. The implementation of PSAK No. 2 (Revised 2009) does not have significant impact in the consolidated financial statements.

The financial reporting period of the Company and Subsidiaries is January 1 - December 31.

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

b. Principles of Consolidation

From January 1, 2011

Effective January 1, 2011, the Company and Subsidiaries retrospectively adopted PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements", except for the following items that were applied prospectively: (i) losses of a subsidiary that result in a deficit balance to non-controlling interests ("NCI"); (ii) loss of control over a subsidiary; (iii) change in the ownership interest in a subsidiary that does not result in a loss of control; (iv) potential voting rights in determining the existence of control; and (v) consolidation of a subsidiary that is subject to long-term restriction.

PSAK No. 4 (Revised 2009) provides for the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and the accounting for investments in subsidiaries, jointly controlled entities and associated entities when separate financial statements are presented as additional information.

As described herein, the adoption of PSAK No. 4 (Revised 2009) has a significant impact on the financial reporting, including the related disclosures, in the consolidated financial statements.

The consolidated financial statements include the financial statements of Subsidiaries as mentioned in Note 1b, in which the Company owns more than 50% share ownership, either directly or indirectly.

All material intercompany accounts and transactions, including unrealized gains or losses, if any, are eliminated to reflect the financial position and the results of operations of the Company and Subsidiaries as one business entity.

Subsidiaries are fully consolidated from the dates of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date such control ceases. Control is presumed to exist if the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

Losses of a non-wholly owned subsidiary are attributed to the NCI even if such losses result in a deficit balance for the NCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

From January 1, 2011 (continued)

In case of loss of control over a subsidiary, the Company and Subsidiaries:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences, recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss in statements of comprehensive income; and,
- reclassifies the parent's share of components previously recognized in other comprehensive income to statements of comprehensive income or retained earnings, as appropriate.

NCI represents the portion of the profit or loss and net assets of the subsidiaries attributable to equity interests that are not owned directly or indirectly by the Company, which are presented in the consolidated statements of comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the Parent Company.

Prior January 1, 2011

The proportionate shares of minority shareholders in net assets and net income or loss of the consolidated subsidiaries were previously presented as "Minority Interest in Net Assets of Consolidated Subsidiaries" in the consolidated statements of financial position and as "Minority Interest in Net Income (Loss) of Consolidated Subsidiaries" in the consolidated statements of comprehensive income.

The losses applicable to the minority interests in a subsidiary may have exceeded the minority interests in the equity of the Subsidiary. The excess and any further losses applicable to the minority interests were absorbed by the Company as the majority shareholder, except to the extent that minority interests had other long-term interest in the related subsidiary or had binding obligations for, and were able to make good of, the losses. If the subsidiary subsequently reported profits, all such profits were allocated to the majority interest holder, in this case, the Company, until the minority interests' share of losses previously absorbed by the Company were recovered.

c. Business Combinations

From January 1, 2011

Effective January 1, 2011, the Company and Subsidiaries prospectively adopted PSAK No. 22 (Revised 2010), "Business Combinations", applicable for business combinations that occur on or after the beginning of a financial year/period commencing on or after January 1, 2011.

PSAK No. 22 (Revised 2010) stipulates the nature of a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

From January 1, 2011 (continued)

In accordance with the transitional provision of PSAK No. 22 (Revised 2010), starting January 1, 2011, the Company and Subsidiaries:

- ceased the goodwill amortization;
- eliminated the carrying amount of the related accumulated amortization of goodwill; and
- performed an impairment test of goodwill in accordance with PSAK No. 48 (Revised 2009), "Impairment of Assets".

As described herein, the adoption of PSAK No. 22 (Revised 2010) did not have a significant impact on the financial reporting, including the related disclosures, in the consolidated financial statements.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are directly expensed and included in administrative expenses.

When the Company and Subsidiaries acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PSAK No. 55 (Revised 2006) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date, to each of the Company and Subsidiaries' Cash-Generating Units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

Prior to January 1, 2011

In comparison to the above, the following were the accounting policies applied for business combinations prior to January 1, 2011:

i. Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The NCI (formerly known as minority interest) was measured at the book value of the proportionate share of the acquiree's identifiable net assets;

ii. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired equity interest did not affect previously recognized goodwill;

iii. When the Company and Subsidiaries acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract;

iv. Contingent consideration was recognized if, and only if, the Company and Subsidiaries had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

d. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks and time deposits with maturities of 3 (three) months or less at the time of placement and not pledged as collateral and without any restrictions in the usage.

e. Short-term Investments

Short-term investments mainly represent time deposits with maturity more of than 3 (three) months but not exceeding 1 (one) year at the time of placement and pledged as collateral and restricted in the usage, presented as part of "Short-term Investments" in the consolidated statement of financial position.

f. Allowance for Impairment of Financial Assets

Prior to January 1, 2010, allowance for impairment is provided based on a review on the collectibility of individual outstanding amounts at the end of the period.

Effective January 1, 2010, the Company and Subsidiaries provide allowance for impairment in accordance with PSAK No. 55 (Revised 2006) (Note 2w.i).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Transactions with Related Parties

Effective January 1, 2011, the Company and Subsidiaries have adopted PSAK No. 7 (Revised 2010), “Related Party Disclosures” , which superseded PSAK No. 7 (Revised 1994), “Related Party Disclosures”. This revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated financial statements. The adoption of the revised PSAK have a significant impact on the related disclosures in the consolidated financial statements.

A party is considered to be related to the Company and Subsidiaries if the party:
a. has control or joint control over the Company and Subsidiaries;
b. has significant influence over the Company and Subsidiaries;
c. is a member of the key management personnel of the Company and Subsidiaries or of a parent of the Company;
d. is a member of the same group with the Company (which means that each parent, subsidiary and fellow subsidiary is related to each others);
e. is an associate or joint venture of the Company and Subsidiaries (or an associate or joint venture of a member of a group of which the Company and Subsidiaries are a member);
f. together with the Company and Subsidiaries, is a joint venture of the same third party;
g. is a joint venture of an associate of the Company and Subsidiaries or is an associate of a joint venture of the Company and Subsidiaries;
h. is a post-employment benefit plan for the benefit of employees of either the Company and Subsidiaries or an entity related to the Company and Subsidiaries;
i. is controlled or jointly controlled by the person identified in (a-c above); and
j. has significant influence by the person identified in (a above).

The transactions are made based on terms agreed by the parties, in which such terms may not be the same as those of the transactions between unrelated parties.

All significant transactions and balances with related parties are disclosed in the relevant notes to the consolidated financial statements.

h. Restructuring of Entities under Common Control

Acquisition or transfer of shares among entities under common control, is accounted in accordance with PSAK No. 38 (Revised 2004), “Accounting for Restructuring of Entities Under Common Control”. Under PSAK No. 38 (Revised 2004), transfer of assets, liabilities, shares, and other instruments of ownership of entities under common control would not result in a gain or loss to the company or to the individual entity within the same group.

Since the restructuring transaction of entities under common control does not result in a change of the economic substance of the ownership of assets, liabilities, shares or other instruments of ownership which are exchanged, assets or liabilities transferred are recorded at book values as a business combination using the pooling-of-interests method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Restructuring of Entities under Common Control (continued)

In applying the pooling-of-interests method, the components of the financial statements for the period during which the restructuring occurred and for other periods presented for comparison purposes, are presented in such a manner as if the restructuring has already happened since the beginning of the earliest period presented. The difference between the carrying values of the investments at the effective date and the transfer price is recognized under the account “Difference in Value of Restructuring Transaction of Entities under Common Control”.

i. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. The costs of the Company’s inventories are determined by the specific identification method, except for the costs of accessories which are determined using the “first-in, first-out” (“FIFO”) method. The costs of the Subsidiaries’ inventories are determined using the FIFO method.

The Company and Subsidiaries provide allowance for obsolescence and/or decline in values of inventories based on periodic reviews of the physical condition and net realizable values of the inventories.

j. Prepaid Expenses

Prepaid expenses including prepaid rent are amortized and charged to operations over the periods benefited. The long-term portion of prepaid rent is presented as part of “Prepaid Rent - Net of Current Portion” in the consolidated statements of financial position.

k. Investments in Associated Companies

Effective January 1, 2011, The Company and Subsidiaries applied PSAK No. 15 (Revised 2009), “Investments in Associated Companies”, which superseded PSAK No. 15 (Revised 1994), “Accounting for Investment in Associated”. The revised PSAK is applied retrospectively and prescribes the accounting for investments in associated companies as to the determination of significant influence, accounting method to be applied, impairment in values of investments and separate financial statements. The adoption of the revised PSAK has no significant impact in the consolidated financial statements.

Investments in which the Company and Subsidiaries have ownership interests of at least 20% but not exceeding 50% are accounted for using the equity method. An associated company is an entity in which the Company and Subsidiaries has significant influence. Under the equity method, the cost of investment is increased or decreased by the Company and Subsidiaries’ share in net earnings or losses of, and dividends received from the investee since the date of acquisition.

The consolidated statements of comprehensive income reflect the results of operations of the associated company. If there has been a change recognized directly in the equity of the associated company, the Company recognize its share of any such changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains or losses resulting from transactions between the Company and Subsidiaries and the associated company are eliminated to the extent of the Company and Subsidiaries’ interest in the associated company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Investments in Associated Companies (continued)

The Company and Subsidiaries determine whether it is necessary to recognize an additional impairment loss on the Company and Subsidiaries' investment in its associated company. The Company and Subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Company and Subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the investment in shares of stock and its carrying value, and recognizes the amount in the consolidated statements of comprehensive income.

If the Company and Subsidiaries' share of losses of an associate equals or exceeds its interest in the associate, the Company and Subsidiaries discontinue recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associated entity.

After the Company and Subsidiaries' interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Company and Subsidiaries' has incurred legal or constructive obligations or made payments on behalf of the associated entity.

l. Fixed Assets

Fixed assets, except for land, are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized as gain or loss when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Type of Fixed Assets	Method	Estimated Useful Lives (Years)	Rate
Building and improvement	Straight-line	3 and 20	33.33% and 5%
Vehicles	Straight-line	4 and 8	25% and 12.5%
Office and outlet equipment	Straight-line	4 and 8	25% and 12.5%
Furniture and fixtures	Straight-line	4 and 8	25% and 12.5%

Land is stated at cost and not amortized.

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed, their costs and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current period operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Fixed Assets (continued)

The Carrying values of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized as profit or loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial period end.

Subsequent to initial recognition, fixed assets are carried at cost less any subsequent accumulated depreciation and impairment losses.

m. Leases

The Company and Subsidiaries has applied PSAK No. 30 (Revised 2007), “Leases” replaces PSAK No. 30 (1990) “Accounting for Leases”. Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Company and Subsidiaries, as a lessee

i) Based on PSAK No. 30 (Revised 2007), under a finance lease, the Company and Subsidiaries shall recognize assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred. Finance charges are recognized through profit or loss.

ii) Leased asset (presented as a part of the “fixed assets”) is depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term.

iii) Under an operating lease, the Company and Subsidiaries recognize lease payments as an expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Impairment of Non-financial Assets

Effective January 1, 2011, the Company and Subsidiaries prospectively adopted PSAK No. 48 (Revised 2009), "Impairment of Assets", including goodwill and assets acquired from business combinations before January 1, 2011.

PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this revised PSAK requires the entity to recognize an impairment loss. This revised PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company and Subsidiaries assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Company and Subsidiaries make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income as "Impairment Losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Impairment of Non-financial Assets (continued)

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the consolidated statement of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment in each reporting period and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Management believes that there is no event or change in circumstances that may indicate any impairment assets value as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007.

o. Deferred Charges

The expenses related to the Company's initial public offering are initially deferred and will be offset with additional paid-in capital that arise from the difference between the proceed and the par value of share in the related initial public offering.

Deferred charges of certain Subsidiary represent cost incurred in relation with payment for using trademark and are amortized over the period benefited.

p. Revenue and Expense Recognition

Effective January 1, 2011, the Company and Subsidiaries adopted PSAK No. 23 (Revised 2010), "Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. The adoption of this revised PSAK has no significant impact in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Revenue and Expense Recognition (continued)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and Subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized for sale of goods are revenue from sales arising from physical delivery of the Company and Subsidiaries' products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincide with their delivery and acceptance.

Expenses are recognized when incurred.

q. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the statement of financial position date, assets and liabilities denominated in foreign currency are adjusted to Rupiah to reflect the last published prevailing rate of exchange by Bank Indonesia for the period. The resulting gains or losses are credited or charged to operations of the current year.

As of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, the rates of exchange used are Rp8,597 per US$1, Rp9,083 per US$1, Rp8,991 per US$1, Rp9,400 per US$1, Rp10,950 per US$1 and Rp9,393 per US$1, respectively.

The rates of exchange used were computed by taking the average of the last published buying and selling rates for bank notes and/or transaction exchange rate by Bank Indonesia as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, respectively.

r. Income Tax

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax base of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realizations of such benefits are probable.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the end of reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Amendments to tax obligations are recorded when an assessment letter is received or, if appealed against by the Company, when the result of the appeal is determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Liabilities for Employee Benefits

The Company and Subsidiaries apply PSAK No. 24 (Revised 2004), “Accounting for Employee Benefits” effective January 1, 2005, to provide post employment benefits under Law No. 13/2003 dated March 25, 2003. Under this revised PSAK, provides the accounting and disclosures of employee benefits including, among others, post-employment benefits and termination benefits.

Under the Revised PSAK No. 24, the calculation of estimated liability of employees benefits based on the Labor Law No. 13/2003 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 at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation at that date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees.

t. Segment Information

Effective January 1, 2011, the Company and Subsidiaries applied PSAK No. 5 (Revised 2009), “Operating Segments”, which superseded PSAK No. 5 (Revised 2000), “Segment Reporting”. The revised PSAK requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. The adoption of the revised PSAK has no significant impact in the consolidated financial statements.

A segment is a distinguishable component of the Company and Subsidiaries that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated.

u. Basic Earnings per Share

In accordance with PSAK No. 56, “Earnings per Share”, earnings per share are computed based on the weighted average number of shares outstanding during the period.

Basic earnings per share is computed by dividing the net income by the weighted-average number of shares outstanding during the period after considering the retroactive effect of the distribution of stock dividend through capitalization of retained earnings, the changes in par value to become Rp500 per share and deposits for future stock subscription (Notes 21 and 38).

The weighted average number of shares outstanding for the period June 30, 2011 and 2010, and December 31, 2010, 2009 and 2008 are 1,980,000,000, 1,980,000,000, 1,980,000,000, 541,954,751 and 7,920,000 shares, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Provisions

Effective January 1, 2011, the Company and Subsidiaries adopted PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities, and Contingent Assets”. This revised PSAK is to be applied prospectively and provides that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the Notes to enable users to understand the nature, timing and amount related to the information. There has no significant impact of this revised PSAK in the consolidated financial statements.

Provisions are recognized when the Company and Subsidiaries has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

w. Financial Instruments

Effective January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures” and PSAK No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”, which superseded PSAK No. 50, “Accounting for Investments in certain Securities”, and PSAK No. 55 (Revised 1999), “Accounting for Derivative Instruments and Hedging Activities”.

PSAK No. 50 (Revised 2006) prescribes the requirements for the presentation of financial instruments and information that should be disclosed in the financial statements, whereas PSAK No. 55 (Revised 2006) prescribes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

The initial adoption of the above revised PSAK did not result in transition adjustment that should be recorded in the consolidated financial statements as of January 1, 2010.

i. Financial Assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

i. Financial Assets (continued)

Initial recognition (continued)

On January 1, 2010, the Company and Subsidiaries did not have financial assets other than cash and cash equivalents, short-term investments, trade receivables, other receivables, loan to employees and security deposits. The Company and Subsidiaries determine the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the classification of those assets at the end of each financial period.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

  Derivative assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with gains or losses recognized as profit or loss.

  The Company and Subsidiaries did not have financial assets at fair value through profit or loss as of June 30, 2011 and 2010 and December 31, 2010.

- Loan and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  The Company and Subsidiaries have cash and cash equivalents, short-term investments - time deposits, trade receivables, other receivables, loan to employees and security deposits are classified under this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

i. Financial Assets (continued)

Subsequent measurement (continued)

- Held-to-maturity (HTM) investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company and Subsidiaries has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

  Gains or losses are recognized in the consolidated statements of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

  The Company and Subsidiaries did not have any HTM investments as of June 30, 2011 and 2010 and December 31, 2010.

- Available-For-Sale (“AFS”) financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholders’ equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity will be reclassified to profit or loss as a reclassification adjustment.

  The Company and Subsidiaries have short-term investments - investment shares - available for sales. These investments are carried at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

i. Financial Assets (continued)

<u>Derecognition of financial assets</u>

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

i. The contractual rights to receive cash flows from the asset have expired; or

ii. The Company and Subsidiaries have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) substantially transferred all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and Subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company and Subsidiaries’ continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and Subsidiaries could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new assets obtained less any new liabilities assumed, and (ii) any cumulative gain or loss which had been recognized in the shareholders’ equity, should be recognized as profit or loss.

<u>Impairment of financial assets</u>

At each consolidated statement of financial position date, the Company and Subsidiaries assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Company and Subsidiaries first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

  If the Company and Subsidiaries determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the Company and Subsidiaries are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

  The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a "loans and receivables" financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized through profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company and Subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of financial assets (continued)

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance account. The recovery should not lead to the carrying amount of the asset exceeding its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized as profit or loss. If a future write-off is later recovered, the recovery is recognized as profit or loss.

- AFS financial assets

In the case of equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is reclassified from shareholders' equity to profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in shareholders' equity.

ii. Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company and Subsidiaries determine the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company and Subsidiaries' financial liabilities include short-term bank loans, trade payables, other payables, accrued expenses and other long-term debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

ii. Financial Liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized as profit or loss.

- Loan and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At consolidated statement of financial position date, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains or losses are recognized through profit or loss when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized as profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Financial Instruments (continued)

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

v. Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

x. Adoption of other revised accounting standards

Other than the revised accounting standards previously mentioned above, the Company and Subsidiaries also adopted the following revised accounting standards on January 1, 2011, which are considered relevant to the consolidated financial statements but did not have significant impact except for the related disclosures:

- PSAK No. 8 (Revised 2009), "Events after the Reporting Period"
- PSAK No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors"

y. Standards issued but not yet effective

Accounting standard revised and issued but not yet effective on January 1, 2011 which considered relevant to the Company and Subsidiaries' consolidated financial statements as follows:

Effective on or after January 1, 2012:

- PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates". The revised PSAK prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK No. 24 (Revised 2010), "Employee Benefits". The revised PSAK establish the accounting and disclosures for employee benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y. Standards issued but not yet effective (continued)

Effective on or after January 1, 2012: (continued)

- PSAK No. 46 (Revised 2010), “Accounting for Income Taxes”. The revised PSAK prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery/(settlement) of the carrying amount of assets/(liabilities) that are recognized in the statement of financial position; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), “Financial Instruments: Presentation”. The revised PSAK establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- PSAK No. 60, “Financial Instruments: Disclosures”. The revised PSAK requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

- ISAK No. 15, “PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. This ISAK provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010),”Employee Benefits”.

- ISAK No. 20, “Income Taxes - Changes in the Tax Status of an Entity or its Shareholders”. This ISAK prescribes how an entity should account for the current and deferred tax consequences of a change in tax status of entities or its shareholders.

The Company and Subsidiaries are presently evaluating and has not yet determined the effects of these amended accounting standards on its consolidated financial statements.

3. SOURCE OF ESTIMATION UNCERTAINTY

Judgements

The preparation of the Company and Subsidiaries’ consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

The following judgments are made by management in the process of applying the Company and Subsidiaries’ accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements:

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Judgements (continued)

Classification of Financial Assets and Financial Liabilities

The Company and Subsidiaries determine the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2006). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company and Subsidiaries' accounting policies disclosed in Note 2w.

Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets. Certain business acquisitions of the Company and Subsidiaries have resulted in goodwill. Under PSAK No. 22 (Revised 2009), "Business Combinations", such goodwill is not amortized and subject to an annual impairment testing. Based on the impairment test, Management impaired the goodwill of Rp270,846,533 and recorded as part of "Other Operating Expenses" in the consolidated statements of comprehensive income for the six months ended June 30, 2011.

Impairment test is performed when certain impairment indicators are present. In case of goodwill, such assets are subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management has to use its judgment in estimating the recoverable value and determining the amount of impairment.

Allowance for Impairment of Trade Receivables

The Company and Subsidiaries evaluate specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company and Subsidiaries use judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company and Subsidiaries expect to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of trade receivables. The carrying amount of the Company and Subsidiaries' trade receivables before allowance for impairment of Rp210,697,580,202 as June 30, 2011, Rp532,225,689,089 as of June 30, 2010, Rp508,275,548,451 as of December 31, 2010, Rp598,869,264,206 as of December 31, 2009, Rp989,616,566,160 as of December 31, 2008 and Rp117,187,660,692 as of December 31, 2007. Further details are presented in Note 7.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period/year are disclosed below. The Company and Subsidiaries based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company and Subsidiaries. Such changes are reflected in the assumptions when they occur.

Employee Benefits

The determination of the Company and Subsidiaries' employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries and the Company and Subsidiaries' management in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company and Subsidiaries' assumptions which has influence exceeded 10% from defined benefit obligation is deferred and amortized on a straight line basis over the expected average remaining working lives of the employee. While the Company and Subsidiaries believe that its assumptions are reasonable and appropriate, significant differences in the Company and Subsidiaries' actual result or significant changes in the Company and Subsidiaries' assumptions may materially affect its estimated liabilities for employee benefits of Rp11,658,644,000 as June 30, 2011, Rp5,638,726,500 as of June 30, 2010, Rp8,529,564,000 as of December 31, 2010, Rp3,629,059,000 as of December 31, 2009, Rp1,562,917,124 as of December 31, 2008 and Rp758,429,619 as of December 31, 2007. Further details are disclosed in Note 30.

Depreciation of Fixed Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 3 to 20 years. These are common life expectancies applied in the industries where the Company and Subsidiaries conduct its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company and Subsidiaries' fixed assets of Rp81,238,791,244 as June 30, 2011, Rp23,913,170,846 as of June 30, 2010, Rp61,854,618,233 as of December 31, 2010, Rp12,736,845,244 as of December 31, 2009, Rp6,935,449,581 as of December 31, 2008 and Rp2,409,798,245 as of December 31, 2007. Further details are disclosed in Note 13.

Income Tax

The Company and Subsidiaries recognize liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due.

(Expressed in Rupiah, unless otherwise stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Allowance for Obsolescence and Decline in Values of Inventories

Allowance for obsolescence and decline in values of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company and Subsidiaries' inventories before allowance for obsolescence and decline in values of Rp468,702,717,510 as June 30, 2011, Rp244,128,760,194 as of June 30, 2010, Rp406,323,132,373 as of December 31, 2010, Rp299,643,707,216 as of December 31, 2009, Rp383,913,875,282 as of December 31, 2008 and Rp53,521,401,907 as of December 31, 2007. Further details are disclosed in Note 9.

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL

On December 16, 2010, the Company purchased 70% share ownership or representing 21,000,000 shares of PT Erafone Artha Retalindo from PT Wireless Cyberdata Indonesia, entity under common control, at the transfer price of Rp23,750,000,000 which was fully paid on December 16, 2010.

The transfer price and the related book value of the net assets of the acquired Subsidiary are as follows:

	Transfer Price	Book Value of Net Assets	Difference
PT Erafone Artha Retailindo	23,750,000,000	29,507,176,258	5,757,176,258

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The above transaction was accounted in accordance with PSAK No. 38 (Revised 2004), “Accounting for Restructuring of Entities Under Common Control”. Accordingly, the difference between the transfer price and the Subsidiary’s book value of net assets of Rp5,757,176,258 was recognized as “Difference in Value of Restructuring Transaction of Entities Under Common Control” in the equity section of the consolidated statement of financial position as of June 30, 2011 and December 31, 2010. The consolidated statement of financial position as of June 30, 2010 and December 31, 2009, 2008 and 2007 have been restated to include the financial position and results of operations assuming the restructuring transaction occurred at the beginning of 2008. The net income of the acquired Subsidiary was recorded as “Effect of Pro Forma Adjustments” in the consolidated statement of comperehensive income for the six months ended June 30, 2010 and for the years ended December 31, 2010, 2009 and 2008.

The statements of financial position before restructuring as of June 30, 2010 and December 31, 2009, 2008, and 2007 are as follows:

	Before Restructuring			
		December 31,		
	June 30, 2010	2009	2008	2007
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	94,962,511,850	7,456,531,896	3,346,121,177	7,513,165,546
Short-term investments	36,475,726,571	37,696,000,000	12,632,575,000	-
Accounts receivable				
Trade				
Third parties - net	486,579,054,430	547,221,002,683	698,624,892,650	45,623,998,400
Related parties	54,785,791,420	72,015,060,930	193,249,139,500	-
Others				
Third parties	310,723,863	479,041,534	310,898,089	368,290,260
Related parties	3,256,099,175	-	-	75,605,015,500
Inventories - net	182,659,487,240	242,915,958,618	320,098,083,179	37,345,629,297
Advances and prepaid expenses	17,198,434,287	172,536,510,742	27,005,568,205	86,358,412,662
Current portion of prepaid rent	1,639,323,418	3,055,011,261	799,132,205	809,980,031
Prepaid value added tax	2,292,568,292	-	501,505,237	1,388,443
TOTAL CURRENT ASSETS	**880,159,720,546**	**1,083,375,117,664**	**1,256,567,915,242**	**253,625,880,139**
NON-CURRENT ASSETS				
Deferred tax assets - net	1,504,032,093	648,345,546	219,491,228	188,974,295
Loans to employees	338,307,588	319,945,900	-	-
Investments in associated companies	932,938,233	-	-	-
Fixed assets - net	11,194,764,800	7,152,255,492	3,599,545,314	1,568,048,099
Advances for purchase of fixed assets	25,495,654,400	20,000,000,000	-	-
Prepaid rent - net of current portion	1,613,007,659	1,666,364,644	2,332,238,249	2,496,924,198
Estimated claims for tax refund	46,863,046,029	52,838,101,144	31,677,914,994	3,420,463,670
Goodwill - net	-	-	-	-
Security deposits	1,118,804,457	1,114,535,400	1,011,231,400	670,202,850
Deferred charges - net	-	-	-	-
TOTAL NON-CURRENT ASSETS	**89,060,555,259**	**83,739,548,126**	**38,840,421,185**	**8,344,613,112**
TOTAL ASSETS	**969,220,275,805**	**1,167,114,665,790**	**1,295,408,336,427**	**261,970,493,251**

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The statements of financial position before restructuring as of June 30, 2010 and December 31, 2009, 2008, and 2007 are as follows: (continued)

	Before Restructuring			
		December 31,		
	June 30, 2010	2009	2008	2007
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans	-	102,800,030,000	32,000,000,000	150,000,000,000
Accounts payable				
Trade				
Third parties	1,431,693,479	198,274,756,428	1,123,561,303,698	59,681,300,725
Related parties	-	-	-	-
Others				
Third parties	3,596,163,450	3,563,940,075	2,283,345,011	-
Related parties	450,000,000	1,146,518,000	-	-
Taxes payable	1,216,147,689	1,117,042,097	327,496,958	849,217,131
Accrued expenses	2,871,983,173	5,149,661,107	7,588,731,347	1,387,735,900
Advances from customers	44,832,360,774	22,603,808,298	-	89,169,991
Current maturities of long-term debt	1,392,806,679	1,227,653,341	276,600,000	-
TOTAL CURRENT LIABILITIES	**55,791,155,244**	**335,883,409,346**	**1,166,037,477,014**	**212,007,423,747**
NON-CURRENT LIABILITIES				
Long-term debt - net of current maturities	-	432,786,667	263,633,333	-
Liabilities for employee benefits	2,246,531,500	1,180,019,000	738,571,475	550,094,536
Negative goodwill - net	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	**2,246,531,500**	**1,612,805,667**	**1,002,204,808**	**550,094,536**
TOTAL LIABILITIES	**58,037,686,744**	**337,496,215,013**	**1,167,039,681,822**	**212,557,518,283**
EQUITY				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	500,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Deposits for future stock subscription	-	498,000,000,000	-	-
Difference in value of restructuring transaction of entities under common control	-	-	-	-
Pro forma capital arising from restructuring transaction of entities under common control	-	-	-	-
Retained earnings				
Appropriated	-	-	-	-
Unappropriated	411,182,589,061	329,618,450,777	126,368,654,605	47,412,974,968
Sub-total	**911,182,589,061**	**829,618,450,777**	**128,368,654,605**	**49,412,974,968**
Non-controlling Interests	**-**	**-**	**-**	**-**
TOTAL EQUITY	**911,182,589,061**	**829,618,450,777**	**128,368,654,605**	**49,412,974,968**
TOTAL LIABILITIES AND EQUITY	**969,220,275,805**	**1,167,114,665,790**	**1,295,408,336,427**	**261,970,493,251**

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The statements of comprehensive income before restructuring for the six months ended June 30, 2010 and for the years ended December 31, 2009, and 2008 are as follows:

	Before Restructuring		
		December 31,	
	June 30, 2010	2009	2008
NET SALES	1,791,879,407,109	4,184,707,610,558	2,537,064,273,944
COST OF GOODS SOLD	1,604,123,943,563	3,943,388,328,571	2,208,174,163,132
GROSS PROFIT	**187,755,463,546**	**241,319,281,987**	**328,890,110,812**
Selling and distribution expenses	(38,855,141,125)	(28,526,887,672)	(8,832,293,905)
General and administrative expenses	(31,025,246,423)	(40,743,214,107)	(6,613,077,458)
Other operating income	1,397,467,828	118,594,424,970	2,551,011,358
Other operating expenses	(9,769,560,157)	(236,763,496)	(181,545,644,282)
INCOME FROM OPERATIONS	**109,502,983,669**	**290,406,841,682**	**134,450,106,525**
Finance income	837,109,446	2,030,672,752	187,479,486
Finance costs	(781,221,611)	(8,726,292,900)	(22,165,518,607)
Share in net income (loss) from associated companies - net	332,938,233	-	-
INCOME BEFORE INCOME TAX	**109,891,809,737**	**283,711,221,534**	**112,472,067,404**
Income tax expense - net	(28,327,671,453)	(80,461,425,362)	(33,516,387,767)
NET INCOME AFTER EFFECT OF PRO FORMA ADJUSTMENTS	**81,564,138,284**	**203,249,796,172**	**78,955,679,637**
EFFECT OF PRO FORMA ADJUSTMENTS	-	-	-
NET INCOME	**81,564,138,284**	**203,249,796,172**	**78,955,679,637**
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	**81,564,138,284**	**203,249,796,172**	**78,955,679,637**
Net income attributable to:			
Equity holders of the parent company	81,564,138,284	203,249,796,172	78,955,679,637
Non-controlling interests	-	-	-
TOTAL	**81,564,138,284**	**203,249,796,172**	**78,955,679,637**

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The statements of financial position after restructuring as of June 30, 2010 and December 31, 2009, 2008, and 2007 are as follows:

	After Restructuring			
		December 31,		
	June 30, 2010	2009	2008	2007
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	103,870,547,823	37,579,920,586	20,369,565,880	7,618,399,004
Short-term investments	38,108,301,572	39,328,575,000	1,632,575,000	-
Accounts receivable				
Trade				
Third parties - net	518,313,804,516	593,305,815,403	989,616,566,160	117,187,660,692
Related parties	13,911,884,573	5,563,448,803	-	-
Others				
Third parties	667,175,778	1,765,804,987	6,575,761,177	378,590,766
Related parties	6,011,212,671	833,547,598	7,000,000,000	-
Inventories - net	240,108,086,042	298,048,352,178	383,913,875,282	53,521,401,907
Advances and prepaid expenses	18,036,218,383	173,747,753,222	32,196,466,513	86,552,436,739
Current portion of prepaid rent	6,788,561,498	7,306,078,589	3,426,742,352	1,244,046,403
Prepaid value added tax	5,015,505,658	1,559,418,986	4,288,448,261	59,812,357
TOTAL CURRENT ASSETS	**950,831,298,514**	**1,159,038,715,352**	**1,449,020,000,625**	**266,562,347,868**
NON-CURRENT ASSETS				
Deferred tax assets - net	5,220,549,660	1,302,522,451	432,299,130	240,128,095
Loans to employees	1,042,991,617	894,606,471	-	-
Investments in associated companies	932,938,233	-	-	-
Fixed assets - net	23,913,170,846	12,736,845,244	6,935,449,581	2,409,798,245
Advances for purchase of fixed assets	25,535,666,238	20,000,000,000	-	-
Prepaid rent - net of current portion	3,977,398,340	4,213,218,920	4,859,236,966	3,622,001,846
Estimated claims for tax refund	48,393,793,034	52,965,668,410	31,677,914,994	3,420,463,668
Goodwill - net	328,885,077	386,923,620	503,000,707	-
Security deposits	1,851,868,215	1,748,646,363	1,281,905,737	822,423,322
Deferred charges - net	218,750,000	227,500,000	245,000,000	262,500,000
TOTAL NON-CURRENT ASSETS	**111,416,011,260**	**94,475,931,479**	**45,934,807,115**	**10,777,315,176**
TOTAL ASSETS	**1,062,247,309,774**	**1,253,514,646,831**	**1,494,954,807,740**	**277,339,663,044**

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The statements of financial position after restructuring as of June 30, 2010 and December 31, 2009, 2008, and 2007 are as follows: (continued)

	After Restructuring			
		December 31,		
	June 30, 2010	2009	2008	2007
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans	-	102,800,030,000	32,000,000,000	150,000,000,000
Accounts payable				
Trade				
Third parties	4,281,362,424	199,356,586,676	1,261,010,988,681	72,179,937,336
Related parties	36,614,668,327	21,200,549,682	-	-
Others				
Third parties	7,024,782,337	11,315,187,105	21,061,054,434	32,545,016
Related parties	5,081,877,562	6,085,977,562	-	-
Taxes payable	3,111,497,473	3,696,131,090	1,589,950,684	2,541,914,971
Accrued expenses	6,132,100,727	7,463,047,905	8,448,009,102	2,557,530,563
Advances from customers	44,970,369,876	22,837,604,221	2,142,439,077	156,802,613
Current maturities of long-term debt	1,819,031,579	1,767,624,440	926,581,200	-
TOTAL CURRENT LIABILITIES	**109,035,690,305**	**376,522,738,681**	**1,327,179,023,178**	**227,468,730,499**
NON-CURRENT LIABILITIES				
Long-term debt - net of current maturities	133,838,200	707,056,867	728,425,933	-
Liabilities for employee benefits	5,638,726,500	3,629,059,000	1,562,917,124	758,429,619
Negative goodwill - net	3,615,826,264	3,717,185,786	3,919,904,827	-
TOTAL NON-CURRENT LIABILITIES	**9,388,390,964**	**8,053,301,653**	**6,211,247,884**	**758,429,619**
TOTAL LIABILITIES	**118,424,081,269**	**384,576,040,334**	**1,333,390,271,062**	**228,227,160,118**
EQUITY				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	500,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Deposits for future stock subscription	-	498,000,000,000	-	-
Pro forma capital arising from restructuring transaction of entities under common control	22,592,330,494	27,427,407,528	23,178,181,800	(210,330,430)
Retained earnings				
Appropriated	-	-	-	-
Unappropriated	411,182,589,061	329,618,450,777	126,368,654,605	47,412,974,968
Sub-total	933,774,919,555	857,045,858,305	151,546,836,405	49,202,644,538
Non-controlling Interests	**10,048,308,950**	**11,892,748,192**	**10,017,700,273**	**(90,141,612)**
TOTAL EQUITY	**943,823,228,505**	**868,938,606,497**	**161,564,536,678**	**49,112,502,926**
TOTAL LIABILITIES AND EQUITY	**1,062,247,309,774**	**1,253,514,646,831**	**1,494,954,807,740**	**277,339,663,044**

(Expressed in Rupiah, unless otherwise stated)

4. RESTRUCTURING OF ENTITIES UNDER COMMON CONTROL (continued)

The statements of comprehensive income after restructuring for the six months ended June 30, 2010 and for the years ended December 31, 2009 and 2008 are as follows:

	After Restructuring		
		December 31,	
	June 30, 2010	2009	2008
NET SALES	2,273,380,881,337	5,028,728,486,870	3,415,173,415,147
COST OF GOODS SOLD	2,078,533,204,052	4,725,189,561,897	3,056,298,971,218
GROSS PROFIT	**194,847,677,285**	**303,538,924,973**	**358,874,443,929**
Selling and distribution expenses	(38,934,133,833)	(55,474,472,155)	(22,275,211,884)
General and administrative expenses	(46,945,255,854)	(70,099,600,298)	(16,059,831,825)
Other operating income	2,866,372,190	120,868,983,160	2,771,497,286
Other operating expenses	(11,108,839,908)	(21,204,393)	(181,545,486,986)
INCOME FROM OPERATIONS	**100,725,819,880**	**298,812,631,287**	**141,765,410,520**
Finance income	1,256,504,352	2,409,920,754	350,035,892
Finance costs	(1,366,182,666)	(8,781,115,502)	(22,165,518,607)
Share in net income from associated companies - net	332,938,233	-	-
INCOME BEFORE INCOME TAX	**100,949,079,799**	**292,441,436,539**	**119,949,927,805**
Income tax expense - net	(26,274,457,791)	(83,092,366,719)	(35,895,653,973)
NET INCOME AFTER EFFECT OF PRO FORMA ADJUSTMENTS	**74,674,622,008**	**209,349,069,820**	**84,054,273,832**
EFFECT OF PRO FORMA ADJUSTMENTS	4,835,077,034	(4,249,225,728)	(3,088,512,230)
NET INCOME	**79,509,699,042**	**205,099,844,092**	**80,965,761,602**
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	**79,509,699,042**	**205,099,844,092**	**80,965,761,602**
Net income attributable to:			
Equity holders of the parent company	81,564,138,284	203,249,796,172	78,955,679,637
Non-controlling interests	(2,054,439,242)	1,850,047,920	2,010,081,965
TOTAL	**79,509,699,042**	**205,099,844,092**	**80,965,761,602**

5. CASH AND CASH EQUIVALENTS

This account consists of:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Cash on hand	4,142,885,601	2,698,656,933	3,458,243,455	5,443,280,017	2,411,132,399	18,482,700
Cash in banks - third parties						
Indonesian Rupiah						
PT Bank Central Asia Tbk.	18,085,958,559	27,651,879,811	14,775,470,552	23,958,624,304	4,115,875,407	6,701,754,279
PT Bank Negara Indonesia (Persero) Tbk.	2,382,637,072	745,266,162	4,947,452,887	1,284,112,921	1,950,000	-
PT Bank Mandiri (Persero) Tbk.	2,153,514,254	621,196,036	1,415,984,019	691,324,857	4,228,297	972,000
PT Bank Rakyat Indonesia (Persero) Tbk.	636,289,187	259,310,436	695,754,330	131,237,632	-	-
PT Bank CIMB Niaga Tbk.	516,485,892	175,597,648	208,723,002	398,210,993	7,758,545	803,264,250
PT Bank Artha Graha Internasional Tbk.	213,319,359	5,189,886	2,049,316	5,943,697	217,550,463	93,925,775
PT Bank Pan Indonesia Tbk.	90,025,803	21,747,370	32,275,684	42,815,221	1,302,761,629	-
PT Bank Internasional Indonesia Tbk.	36,120,768	18,541,619	39,244,585	161,854,138	3,000,000	-
PT Bank Permata Tbk.	3,246,340	3,618,340	3,432,340	2,894,340	-	-
PT Bank OCBC NISP Tbk.	1,766,992	-	44,996,000	-	-	-
PT Bank Danamon Indonesia Tbk.	-	-	-	20,353,656	100,522,141	-
United States Dollar						
PT Bank Central Asia Tbk. (US$1,916,865 as of June 30, 2011, US$5,850,619 as of June 30, 2010, US$3,737,544 as of December 31, 2010, US$412,057 as of December 31, 2009 and US$90,020 as of December 31, 2008)	16,479,286,600	53,141,183,095	33,604,254,418	3,873,335,706	985,722,285	-
PT Bank Artha Graha Internasional Tbk. (US$3,796 as of June 30, 2011, US$3,122 as of June 30, 2010, US$3,813 as of December 31, 2010, US$7,014 as of December 31, 2009, and US$20,005 as of December 31, 2008)	32,638,080	28,360,487	34,278,637	65,933,104	219,064,714	-
Cash equivalents - time deposits - third party						
PT Bank Central Asia Tbk.	-	18,500,000,000	-	1,500,000,000	11,000,000,000	-
Total	**44,774,174,507**	**103,870,547,823**	**59,262,159,225**	**37,579,920,586**	**20,369,565,880**	**7,618,399,004**

The interest rates for cash equivalents - time deposits denominated in Rupiah for the six months ended June 30, 2010 and years ended December 31, 2009 and 2008 were ranging from 5.5% to 7.8% per annum, from 5.75% to 6 % per annum and from 6% to 8% per annum, respectively.

There was no placement of cash and cash equivalents with related parties.

6. SHORT-TERM INVESTMENTS

This account consists of:

	June 30,		December 31,			
	2011	2010	2010	2009	2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Time deposits						
Indonesian Rupiah						
Subsidiary						
PT Bank Artha Graha Internasional Tbk.	32,173,939,726	-	-	-	-	-
United States Dollar						
Company						
J.P. Morgan (US$4,005,375 as of June 30, 2011, US$4,001,001 as of June 30, 2010, US$4,002,686 as of December 31, 2010, US$4,005,000 as of December 31, 2009)	34,434,212,004	36,426,726,572	35,988,155,723	37,647,000,000	-	-
Subsidiary						
J.P. Morgan (US$3,500,735 as of June 30, 2011)	30,095,822,750	-	-	-	-	-
Investments in shares - available-for-sale:						
PT Era Interactive	-	1,632,575,000	1,632,575,000	1,632,575,000	1,632,575,000	-
PT Sinar Eka Selaras	-	49,000,000	-	49,000,000	-	-
Total	**96,703,974,480**	**38,108,301,572**	**37,620,730,723**	**39,328,575,000**	**1,632,575,000**	**-**

As of June 30, 2011, time deposit of PT Era Sukses Abadi, a Subsidiary, represent deposit denominated in Rupiah placed in PT Bank Artha Graha Internasional Tbk. ("BAG") amounting of Rp32,173,939,726. The time deposit is used as collateral to obtain a revolving loan from BAG in relation with the purchase of land and building (Notes 13 and 16). In 2011, the interest rates for time deposits were 8% per annum.

As of June 30, 2011 and 2010, and December 31, 2010, and 2009, the Company's time deposit represent deposit denominated in United States Dollar placed in J.P. Morgan ("JPM") amounting of US$4,005,375 or equivalent to Rp34,434,212,004, US$4,001,001 or equivalent to Rp36,426,726,572, US$4,002,686 or equivalent to Rp35,988,155,723 and US$4,005,000 or equivalent to Rp37,647,000,000, respectively. The time deposit is used as collateral to obtain Standby Letter of Credit from JPM to comply with the requirement of Nokia Corporation, Singapore, for the term of payment on purchase of goods. In 2011, 2010 and 2009, the interest rates for time deposit were 0.04% per annum, 0.07% per annum and 0.08% per annum, respectively.

As of June 30, 2011, time deposit of PT Sinar Eka Selaras, a Subsidiary, represent time deposit denominated in United States Dollar placed in JPM amounting of US$3,500,735 or equivalent to Rp30,095,822,750. The time deposit is used as collateral to obtain Letter of Guarantee from JPM to fulfill the requirement Apple South Asia Pte. Ltd. ("Apple"), for the term of payment on purchase of goods. In 2011, the interest rates for time deposit were 0.04% per annum.

(Expressed in Rupiah, unless otherwise stated)

6. SHORT-TERM INVESTMENTS (continued)

On December 15, 2008, the Company and Emagination Company Ltd., Thailand, a third party, established PT Era Interactive ("EI") with an authorized share capital of Rp1,982,412,500 of which the Company has 82.35% ownership or 175,000 shares. Based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 94 of Robert Purba, S.H., dated October 19, 2009, the Company sold its ownership in EI to PT Erafone Artha Retailindo ("EAR"), a Subsidiary. EI was still in development stage.

Based on the Share Transfer Agreement dated June 24, 2011, EAR transfered all of its owneship in EI of 174,999 shares and 1 share to the Woodlands Distribution, Singapore and Mochamad Rafiuddin, respectively, with transfer price of Rp158,645,547 and Rp907, respectively. The difference between the transfer price and its carrying value of Rp1,473,928,546 was recorded as part of "Other Operating Expenses" in the consolidated statement of comprehensive income for the six months ended June 30, 2011.

7. ACCOUNTS RECEIVABLE

a. Details of accounts receivable - trade per customers are as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Third parties:						
Indonesian Rupiah						
Retailers:						
- Jakarta	3,016,017,878	165,253,669,036	35,310,282,911	396,868,290,814	932,368,728,305	105,642,222,233
- Java	30,739,148,780	29,829,738,524	36,074,663,501	55,470,015,860	8,608,327,418	619,151,000
- Outside Java	32,347,207,910	280,879,346,242	254,363,613,943	86,189,786,546	2,771,459,150	3,546,908,900
PT Electronic Solution Indonesia	16,078,305,513	1,463,667,000	445,717,360	1,253,646,000	-	-
PT Carrefour Indonesia	7,343,405,759	6,194,931,440	6,923,284,369	15,218,790,871	-	-
PT Electronic City Indonesia	3,660,710,192	3,450,877,995	3,135,395,993	11,676,273,693	955,036,910	-
PT Best Denki Indonesia	3,345,684,988	1,322,166,750	3,566,209,050	1,666,915,390	677,483,968	-
PT Matahari Putra Prima Tbk.	3,052,756,795	3,252,764,226	3,602,124,965	2,385,861,940	-	-
PT Teletama Artha Mandiri *)	2,725,302,860	-	-	-	-	-
PT Lotte Shopping Indonesia	1,900,657,048	1,093,653,000	2,557,714,514	499,955,000	-	-
PT Era Point Globalindo	872,450,002	2,718,595,006	-	3,960,830,344	-	-
PT Bank Mega Tbk.	655,016,562	-	214,840,000	2,212,226,764	-	-
PT Eratama Media Seluler	294,686,000	2,587,422,100	1,088,302,881	1,224,106,123	676,998,500	363,345,000
PT XL Axiata Tbk. (formerly PT Excelcomindo Pratama Tbk.)	198,060,002	-	6,362,220,490	3,279,380,000	719,302,200	-
PT Era Papua Mandiri	102,559,000	-	4,306,425,000	-	-	-
PT Agis Tbk.	600,000	-	600,000	600,000	1,102,585,472	-
PT Muliakeramik Indah Raya	-	-	1,723,475,000	-	-	-
PT Bank CIMB Niaga Tbk.	-	3,192,752,300	-	-	-	-
PT Cahaya Mulia Glassindo Lestari	-	1,342,666,815	-	-	-	-
PT Selular Prima Sukses Jaya	-	2,030,450,750	-	1,399,060,120	-	-
PT Rukun Handal Swakarya Dinamika	-	352,449,824	-	1,024,968,564	-	-
Nokia Corporation, Singapore	-	-	-	1,010,241,171	-	-
PT Agis Electronic	-	-	-	-	31,887,015,500	897,563,972
PT Indomarco Prismatama	-	-	-	-	3,534,643,200	-
PT Bengawan Abadi Komputerindo	-	-	-	-	2,324,999,820	-
PT Trikomsel Oke Tbk.	-	-	-	-	1,937,499,850	-
PT Erafone Retailindo Mandiri	-	-	-	-	-	1,426,207,500
Others (below Rp1billion each)	10,879,833,224	13,348,653,508	7,468,455,550	7,964,866,203	2,052,485,867	4,692,262,087

(Expressed in Rupiah, unless otherwise stated)

7. ACCOUNTS RECEIVABLE (continued)

a. Details of accounts receivable - trade per customers are as follows: (continued)

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Third parties: (continued)						
United States Dollar						
Boswell Investment Pte. Ltd., Singapore (US$1,596,450)	13,724,680,650	-	-	-	-	-
Total third parties	130,937,083,163	518,313,804,516	367,143,325,527	593,305,815,403	989,616,566,160	117,187,660,692
Allowance for impairment (Note 27)	(5,957,569,686)	-	(5,828,630,711)	-	-	-
Net	124,979,513,477	518,313,804,516	361,314,694,816	593,305,815,403	989,616,566,160	117,187,660,692
Related parties (Note 8a):						
PT Mobile World Indonesia	76,321,326,065	-	133,002,033,533	-	-	-
PT Mega Mulia Servindo	3,439,170,974	4,399,157,855	3,879,560,960	-	-	-
PT Teletama Artha Mandiri *)	-	9,512,726,718	4,250,628,431	5,563,448,803	-	-
Total related parties	79,760,497,039	13,911,884,573	141,132,222,924	5,563,448,803	-	-
Total	**204,740,010,516**	**532,225,689,089**	**502,446,917,740**	**598,869,264,206**	**989,616,566,160**	**117,187,660,692**

*) PT Teletama Artha Mandiri is a company which has a Director and a Commissioner who also hold the position as director of certain Subsidiaries, effective April 7, 2009 until January 1, 2011.

The accounts receivable - trade from related parties represent 6.05%, 1.30%, 10.98% and 0.44% from the consolidated total assets as of June 30, 2011 and 2010, and December 31, 2010 and 2009, respectively.

As of June 30, 2011, accounts receivable - trade of the Company and certain Subsidiary totaling to Rp445,928,626,392 are pledged as collateral for bank loan facilities (Note 16).

b. The movements of allowance for impairment are as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Balance at beginning of period	5,828,630,711	-	-	-	-	-
Additions during the period (Note 27)	128,938,975	-	5,828,630,711	-	-	-
Balance at end of period	**5,957,569,686**	**-**	**5,828,630,711**	**-**	**-**	**-**

(Expressed in Rupiah, unless otherwise stated)

7. ACCOUNTS RECEIVABLE (continued)

c. The aging analysis of accounts receivable - trade is as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Current	151,315,465,821	113,345,489,301	197,697,157,496	112,183,075,760	7,848,835,555	1,638,857,969
Overdue:						
1 day - 30 days	42,756,538,708	48,854,688,764	33,005,609,366	58,447,715,044	304,351,630,096	48,694,984,802
31 days - 60 days	9,193,059,841	17,427,532,591	12,537,326,108	25,313,627,374	372,974,356,595	65,281,991,280
61 days - 90 days	1,045,449,170	5,119,281,527	3,899,472,148	16,913,011,907	298,091,879,012	718,466,981
More than 90 days	6,387,066,662	347,478,696,906	261,135,983,333	386,011,834,121	6,349,864,902	853,359,660
	210,697,580,202	532,225,689,089	508,275,548,451	598,869,264,206	989,616,566,160	117,187,660,692
Allowance for impairment	(5,957,569,686)	-	(5,828,630,711)	-	-	-
Total trade receivables - net	**204,740,010,516**	**532,225,689,089**	**502,446,917,740**	**598,869,264,206**	**989,616,566,160**	**117,187,660,692**

Based on the review of trade receivable each customer at the end of the period, the Company and Subsidiaries' Management believe that the allowance for impairment of trade receivables is adequate to cover possible losses from non-collection of the accounts.

d. The details of accounts receivable - others are as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Third parties:						
Indonesian Rupiah						
PT Dinamika Agung	6,452,813,836	-	4,776,627,855	-	-	-
PT Indosat Tbk.	2,682,814,384	-	-	-	2,733,787,382	-
PT XL Axiata Tbk. (formerly PT Excelcomindo Pratama Tbk.)	1,796,268,701	-	-	-	-	-
PT Teletama Artha Mandiri *)	1,227,014,385	-	-	-	-	-
PT Nusa Gemilang Abadi	-	-	-	-	1,999,000,000	-
Others (below Rp1 billion each)	2,016,361,697	667,175,778	637,242,246	1,765,804,987	1,842,973,795	378,590,766
United States Dollar						
PT Teletama Artha Mandiri *) (US$161,144)	1,385,355,527	-	-	-	-	-
Total third parties	15,560,628,530	667,175,778	5,413,870,101	1,765,804,987	6,575,761,177	378,590,766
Related parties (Notes 8c,8d 8e,8f,8g,8h,8i,8j,8k,8l and 8m):						
Indonesian Rupiah						
PT Eralink International	196,084,081,177	-	-	-	-	-
PT Mega Mulia Servindo	41,269,418	3,254,448,128	1,938,849,769	-	-	-
PT Wireless Cyberdata Indonesia **)	-	10,000,000	10,000,000	-	4,900,000,000	-
Ardy Hady Wijaya	-	-	-	-	1,400,000,000	-
PT Teletama Artha Mandiri *)	-	495,888,116	4,167,150,249	801,813,998	-	-
Rina Dewi	-	210,000,000	-	-	-	-
PT Sinar Eka Selaras	-	-	4,672,902	31,733,600	-	-
Budiarto Halim	-	-	-	-	700,000,000	-

(Expressed in Rupiah, unless otherwise stated)

7. ACCOUNTS RECEIVABLE (continued)

d. The details of accounts receivable - others are as follows: (continued)

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Related parties (Notes 8c,8d 8e,8f,8g,8h,8i,8j,8k,8l and 8m): (continued)						
United States Dollar						
PT Teletama Artha Mandiri *) (US$219,135 as of June 30, 2010 and US$156,713 as of December 31, 2010)	-	2,040,876,427	1,409,009,370	-	-	-
Total related parties	196,125,350,595	6,011,212,671	7,529,682,290	833,547,598	7,000,000,000	-
Total	**211,685,979,125**	**6,678,388,449**	**12,943,552,391**	**2,599,352,585**	**13,575,761,177**	**378,590,766**

*) PT Teletama Artha Mandiri is a company which has a Director and a Commissioner who also hold the position as director of certain Subsidiaries, effective April 7, 2009 until January 1, 2011.
**) PT Wireless Cyberdata Indonesia is a majority shareholder of the EAR until December 16, 2010, thus other receivables of Rp10,000,000 as of June 30, 2011 was recorded as part of accounts receivable - others - third parties.

Based on the review of the status of accounts receivable - others - at the end of the period, the Company and Subsidiaries' Management believes that no allowance for impairment is required for these other receivables.

As of June 30, 2011 and December 31, 2010, other receivables from PT Dinamika Agung ("DA") mainly represent receivables arising related to trade price protection policy provided by DA and advance payment of promotion costs made by certain Subsidiary on behalf of DA.

As of June 30, 2011 and December 31, 2008, other receivables from PT Indosat Tbk. ("Indosat") represent sales incentive to be received from Indosat.

On June 30, 2011, other receivables from PT XL Axiata Tbk. (formerly PT Excelcomindo Pratama Tbk.) ("XL") represent advance payment of promotion expense made by certain Subsidiary on behalf of XL.

As of June 30, 2011, other receivables from PT Teletama Artha Mandiri ("TAM") represent loan receivables from certain Subsidiaries and receivable arising related to with the cooperation (trade-in) made by certain Subsidiaries with TAM.

As of December 31, 2008, other receivables from PT Nusa Gemilang Abadi ("NGA") represent receivables which arose from transfer of certain Subsidiary's share ownership in TAM to NGA.

(Expressed in Rupiah, unless otherwise stated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Nature of relationship with related parties:

(i) PT Erafone Artha Retailindo (“EAR”) is the Company’s Subsidiary.

(ii) PT Mobile World Indonesia (“MWI”) and PT Mega Mulia Servindo (“Servindo”) are associated companies.

(iii) Elly is one of the Company’s Directors.

(iv) PT Wireless Cyberdata Indonesia is the majority shareholder of EAR until December 16, 2010.

(v) Ardy Hady Wijaya and Budiarto Halim are the Company’s President Commissioner and President Director, respectively.

(vi) PT Teletama Artha Mandiri is a company which has a Director and a Commissioner who also hold the position as director of certain Subsidiaries, effective April 7, 2009 until January 1, 2011.

(vii) PT Star Mobile Group (formerly PT Riset Infokom Mandiri) (“SMG”) and PT Prakarsa Prima Sentosa (“PPS”) are subsidiaries of EAR, respectively.

(viii) PT Sinar Eka Selaras (“SES”) is the Company’s Subsidiary effective May 18, 2011.

(ix) PT Eralink International (“Eralink”) is the majority shareholder of the Company.

(x) Rina Dewi is one of shareholders of certain Subsidiaries of EAR.

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions.

Details of balances with related parties:

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Parent entity						
Other receivables						
PT Eralink International (c,d)	196,084,081,177	14.88	-	-	-	-

	December 31, 2009		December 31, 2008		December 31, 2007	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Parent entity						
Other receivables						
PT Eralink International (c,d)	-	-	-	-	-	-

(Expressed in Rupiah, unless otherwise stated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

Details of balances with related parties: (continued)

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Associated companies						
Trade receivables						
PT Mobile World Indonesia (a)	76,321,326,065	5.79	-	-	133,002,033,533	10.35
PT Mega Mulia Servindo (a)	3,439,170,974	0.26	4,399,157,855	0.41	3,879,560,960	0.30
Other receivables						
PT Mega Mulia Servindo (e)	41,269,418	0.01	3,254,448,128	0.31	1,938,849,769	0.15
Trade payables						
PT Mega Mulia Servindo (b)	-	-	2,445,000	0.01	-	-
Other payables						
PT Mega Mulia Servindo (o)	-	-	450,000,000	0.38	-	-

	December 31, 2009		December 31, 2008		December 31, 2007	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Associated companies						
Trade receivables						
PT Mobile World Indonesia (a)	-	-	-	-	-	-
PT Mega Mulia Servindo (a)	-	-	-	-	-	-
Other receivables						
PT Mega Mulia Servindo (e)	-	-	-	-	-	-
Trade payables						
PT Mega Mulia Servindo (b)	-	-	-	-	-	-
Other payables						
PT Mega Mulia Servindo (o)	-	-	-	-	-	-

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Key management personnel from entity or parent entity						
Other receivables						
Ardy Hady Wijaya (m)	-	-	-	-	-	-
Budiarto Halim (m)	-	-	-	-	-	-

	December 31, 2009		December 31, 2008		December 31, 2007	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Key management personnel from entity or parent entity						
Other receivables						
Ardy Hady Wijaya (m)	-	-	1,400,000,000	0.10	-	-
Budiarto Halim (m)	-	-	700,000,000	0.05	-	-

(Expressed in Rupiah, unless otherwise stated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

Details of balances with related parties: (continued)

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Other related parties						
Trade receivables						
PT Teletama Artha Mandiri (a)	-	-	9,512,726,718	0.89	4,250,628,431	0.33
Other receivables						
PT Teletama Artha Mandiri (g,h,i,j)	-	-	2,536,764,543	0.24	5,576,159,619	0.43
PT Wireless Cyberdata Indonesia (f,m)	-	-	10,000,000	0.01	10,000,000	0.01
Rina Dewi (k)	-	-	210,000,000	0.02	-	-
PT Sinar Eka Selaras (l)	-	-	-	-	4,672,902	0.01
Advances for purchases of fixed assets						
Elly (n)	-	-	25,430,000,000	2.39	-	-
Trade payables						
PT Teletama Artha Mandiri (b)	-	-	36,612,223,327	30.90	1,089,000,000	0.40
Other payables						
PT Teletama Artha Mandiri (p,q)	-	-	4,631,877,562	3.91	-	-
Elly (n)	-	-	-	-	264,060,000	0.10

	December 31, 2009		December 31, 2008		December 31, 2007	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Other related parties						
Trade receivables						
PT Teletama Artha Mandiri (a)	5,563,448,803	0.44	-	-	-	-
Other receivables						
PT Teletama Artha Mandiri (g,h,i,j)	801,813,998	0.06	-	-	-	-
PT Wireless Cyberdata Indonesia (f,m)	-	-	4,900,000,000	0.33	-	-
Rina Dewi (k)	-	-	-	-	-	-
PT Sinar Eka Selaras (l)	31,733,600	0.01	-	-	-	-
Advances for purchases of fixed assets						
Elly (n)	20,000,000,000	1.60	-	-	-	-
Trade payables						
PT Teletama Artha Mandiri (b)	21,200,549,682	5.51	-	-	-	-
Other payables						
PT Teletama Artha Mandiri (p,q)	6,085,977,562	1.58	-	-	-	-
Elly (n)	-	-	-	-	-	-

*) percentage to total consolidated assets/liabilities

Details of transactions with related parties:

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	Percentage (%)**)	Total	Percentage (%)**)	Total	Percentage (%)**)
Associated companies						
Net sales						
PT Mobile World Indonesia (a)	221,690,737,218	10.89	-	-	323,552,875,334	6.97
PT Mega Mulia Servindo (a)	6,243,056	0.01	4,098,930,330	0.18	4,098,071,247	0.09
Net purchases						
PT Mega Mulia Servindo (b)	-	-	2,445,000	0.01	-	-

(Expressed in Rupiah, unless otherwise stated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

Details of transactions with related parties: (continued)

	December 31, 2009		December 31, 2008	
	Total	**Percentage (%)**)**	**Total**	**Percentage (%)**)**
Associated companies				
Net sales				
PT Mobile World Indonesia (a)	-	-	-	-
PT Mega Mulia Servindo (a)	-	-	-	-
Net purchases				
PT Mega Mulia Servindo (b)	-	-	-	-

	June 30, 2011		June 30, 2010		December 31, 2010	
	Total	**Percentage (%)**)**	**Total**	**Percentage (%)**)**	**Total**	**Percentage (%)**)**
Other related parties						
Net sales						
PT Teletama Artha Mandiri (a)	-	-	11,762,731,756	0.52	14,373,652,160	0.31
Net purchase						
PT Teletama Artha Mandiri (b)	-	-	129,984,298,259	6.43	238,037,880,950	5.64
Rebate						
PT Teletama Artha Mandiri (b)	-	-	2,189,234,646	0.11	2,648,893,012	0.06
Selling and distribution expenses						
PT Teletama Artha Mandiri (p)	-	-	-	-	-	-
Finance income						
PT Teletama Artha Mandiri (h)	-	-	284,472,054	22.64	370,964,570	13.78

	December 31, 2009		December 31, 2008	
	Total	**Percentage (%)**)**	**Total**	**Percentage (%)**)**
Other related parties				
Net sales				
PT Teletama Artha Mandiri (a)	49,243,141,297	0.98	-	-
Net purchase				
PT Teletama Artha Mandiri (b)	191,708,887,190	4.13	-	-
Rebate				
PT Teletama Artha Mandiri (b)	7,542,243,161	0.16	-	-
Selling and distribution expenses				
PT Teletama Artha Mandiri (p)	4,288,775,520	7.73	-	-
Finance income				
PT Teletama Artha Mandiri (h)	-	-	-	-

**) percentage to total net sales/net purchases/income/related expenses

a. Sales of products to related parties for the six months ended June 30, 2011 of Rp221,690,737,218 and Rp6,243,056, were made to MWI and Servindo, respectively. Sales of products to related parties for the six months ended June 30, 2010 of Rp4,098,930,330 and Rp11,762,731,756, were made to Servindo and TAM, respectively.

   Sales of products to related parties for the year ended December 31, 2010 of Rp323,552,875,334, Rp14,373,652,160 and Rp4,098,071,247, were made to MWI, TAM, and Servindo, respectively. Sales of products to related party for the year ended December 31, 2009 of Rp49,243,141,297 were made to TAM. There were no sales of products made to related parties for the year ended December 31, 2008.

   Total sales of products made to related parties were 10.89%, 0.70%, 7.37% and 0.98% of the consolidated net sales for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010 and 2009, respectively.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

As of June 30, 2011, the related trade receivables of Rp76,321,326,065 and Rp3,439,170,974 were due from MWI and Servindo, respectively. As of June 30, 2010, the related trade receivables of Rp4,399,157,855 and Rp9,512,726,718 were due from Servindo and TAM, respectively.

As of December 31, 2010, the related trade receivables of Rp133,002,033,533, Rp4,250,628,431 and Rp3,879,560,960 were due from MWI, TAM and Servindo, respectively. As of December 31, 2009, the related trade receivables of Rp5,563,448,803 was due from TAM.

These trade receivables were presented as “Accounts Receivable - Trade - Related Parties” in the consolidated statements of financial position as of June 30, 2011 and 2010, and December 31, 2010 and 2009 (Note 7).

b. Purchases of inventories from related parties for the six months ended June 30, 2010 of Rp129,984,298,259 and Rp2,445,000, respectively, were made from TAM and Servindo. The related purchase rebates of Rp2,189,234,646 to TAM were recorded as deduction of “Cost of Goods Sold” in the consolidated statement of comprehensive income for the six months ended June 30, 2010. There were no purchases of inventories from related parties for the six months ended June 30, 2011.

   Purchases of inventories from related parties for the years ended December 31, 2010 and 2009 of Rp238,037,880,950 and Rp191,708,887,190, respectively, were made from TAM. The related purchase rebates of Rp2,648,893,012 and Rp7,542,243,161, respectively, were recorded as deduction of “Cost of Goods Sold” in the consolidated statements of comprehensive income for the years ended December 31, 2010 and 2009. There were no purchases of inventories made from related parties for the year ended December 31, 2008.

   Total purchases of inventories made from related parties were 6.43%, 5.64% and 4.13% of the consolidated total purchases for the six months ended June 30, 2010 and for the years ended December 31, 2010 and 2009, respectively.

   As of December 31, 2010 and 2009, the related trade payables of Rp1,089,000,000 and Rp21,200,549,682, respectively, were payable to TAM related to purchase transactions and presented as “Accounts Payable - Trade - Related Parties” in the consolidated statements of financial position as of December 31, 2010 and 2009.

   As of June 30, 2010, the related trade payables of Rp36,612,223,327 and Rp2,445,000, respectively, were payable to TAM and Servindo related to purchase transactions and presented as “Accounts Payable - Trade - Related Parties” in the consolidated statement of financial position as of June 30, 2010.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

c. As of June 27, 2011, the Company entered into a Transfer of Accounts Receivable Agreement with Eralink, the majority shareholders of the Company. Based on this agreements, Eralink agreed to take over Company's receivable which already due more than 90 (ninety) days from date of invoices amounted of Rp196,029,081,177. The related receivables mainly arose from transactions made in 2009. Based on this transfer agreement, Eralink has an obligation and should pay to the Company within 12 (twelve) months from date of this agreement. As of June 30, 2011, the related receivables were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2011.

d. As of June 30, 2011, other receivables of Rp55,000,000 from Eralink represents receivables related to advance payments of operational expense made by the Company on behalf of Eralink and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2011.

e. As of June 30, 2011 and 2010, and December 31, 2010, other receivables of Rp41,269,418, Rp3,254,448,128 and Rp1,938,849,769 from Servindo represent receivables related to the advance payments of operational expenses made by the Company on behalf of Servindo and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statements of financial position as of June 30, 2011 and 2010, and December 31, 2010.

f. As of December 31, 2010 and June 30, 2010, other receivables of Rp10,000,000, from PT Wireless Cyberdata Indonesia, respectively, represent receivable arising from the advance payment of operational expenses made by EAR on behalf of PT Wireless Cyberdata Indonesia and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statements of financial position as of December 31, 2010 and June 30, 2010.

g. As of June 30, 2010, other receivables of Rp1,651,048 from TAM represent receivable arising from the advance payment of operational expenses made by Company on behalf of TAM and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2010.

h. On March 5, 2010, SMG entered into a Loan Agreement with TAM with a maximum limit of Rp6,500,000,000 which bears interest at 14.5% per annum and will be repayable on demand. As of June 30, 2010, the related loan receivable and interest receivable of Rp290,000,000 and Rp204,237,068, respectively, were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2010. As of December 31, 2010 the related loan receivable and interest receivable of Rp1,600,000,000 and Rp234,695,389, respectively, were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2010. The related loan receivable and interest receivable were paid on July 11, 2011.

   For the six months ended June 30, 2010 and year ended December 31, 2010, interest income from the related loan of Rp240,278,904 and Rp276,112,222, respectively, were presented as part of "Finance Income" in the consolidated statements of comprehensive income for the six months ended June 30, 2010 and year ended December 31, 2010.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

On March 5, 2010, SMG entered into a Loan Agreement with TAM with a maximum limit of US$215,000 which bears interest at 7% per annum and will be repayable on demand. As of June 30, 2010, the related loan receivable and interest receivable of US$215,000 (equivalent to Rp2,003,312,250) and US$4,135 (equivalent to Rp37,564,177) were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2010. As of December 31, 2010 the related loan receivable and interest receivable of US$147,800 (equivalent to Rp1,328,869,800) and US$8,913 (equivalent to Rp80,139,570), respectively, were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2010. The related loan receivable and interest receivable were paid on July 11, 2011.

For the six months ended June 30, 2010 and for the year ended December 31, 2010, the related interest income of US$4,865 (equivalent to Rp44,193,150) and US$10,486 (equivalent to Rp94,852,348), respectively, were presented as part of "Finance Income" in the consolidated statements of comprehensive income for the six months ended June 30, 2010 and year ended December 31, 2010.

i. As of December 31, 2010, other receivables of Rp2,332,454,860 from TAM represent receivable arising from purchase return transactions made by EAR and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2010.

j. As of December 31, 2009, other receivables of Rp612,324,960 from TAM represent receivables related to payment of promotion expenses made by EAR on behalf of TAM and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2009.

   As of December 31, 2009, other receivables of Rp189,489,038 from TAM represent receivables arising from transfer all of SMG's fixed assets to TAM at book value related to transfer of its business to TAM and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2009.

k. As of June 30, 2010, other receivables of Rp210,000,000 from Rina Dewi represent receivables related to share ownership in PPS and presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2010.

l. As of December 31, 2010 and 2009, other receivables of Rp4,672,902 and Rp31,733,600 from SES represent receivables in relation with payment of operational expenses made by SMG on behalf of SES and were presented as part of "Accounts Receivable - Others - Related Parties" in the consolidated statements of financial position as of December 31, 2010 and 2009.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions. (continued)

m. As of December 31, 2008, other receivables of Rp4,900,000,000, Rp1,400,000,000 and Rp700,000,000 from PT Wireless Cyberdata Indonesia, Ardy Hady Wijaya, and Budiarto Halim represent receivables in relation with the increase in EAR's issued and fully paid share capital and were presented as "Accounts Receivable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2008.

n. As of December 31, 2009 and June 30, 2010, advances for purchase of fixed assets amounted of Rp20,000,000,000 and Rp25,430,000,000, respectively, mainly represent advance purchase of land and buildings owned by Elly which is located at Jalan Gedong Panjang No. 29-31 at the price of Rp27,578,000,000. As of December 20, 2010, "Akta Jual Beli" ("AJB") of the transaction has been completed. As of December 31, 2010, the Company has paid the amount of Rp27,313,940,000 and the reimaining balance of Rp264,060,000 is presented as part of "Accounts Payable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2010.

o. As of June 30, 2010, other payables of Rp450,000,000 represent payables in relation with additional capital contribution in Servindo and were presented as part of "Accounts Payable - Others - Related Parties" in the consolidated statement of financial position as of June 30, 2010.

p. On July 27, 2009, SMG entered into a Management Service Agreement with TAM. Under this agreement, TAM will provide operational services to SMG for the purpose of sales assistance for SMG's products for 5 (five) months period from August 1, 2009 until December 31, 2009. As compensation, SMG will pay management fee at 6% of SMG's net sales during the agreement period and the payment will be made in 60 days after December 29, 2009. Effective date of this agreement started from August 1, 2009 until December 29, 2009.

   Management fee of Rp4,288,775,520 were presented as part of "Selling and Distribution Expenses - Management Fee" in the consolidated statement of comprehensive income for the year ended December 31, 2009. The related other payable of Rp4,631,877,562 were presented as part of "Accounts Payable - Others - Related Parties" in the consolidated statements of financial position as of June 30, 2010 and December 31, 2009.

q. As of December 31, 2009, other payables of Rp1,454,100,000 to TAM represents payable related to cash receipt from the customers made by SMG on behalf of TAM's sales after the transfer of SMG's business to TAM and were presented as part of "Accounts Payable - Others - Related Parties" in the consolidated statement of financial position as of December 31, 2009.

r. The Company and certain Subsidiary granted non-interest bearing loans to their employees and are collectible through monthly payroll deductions. The related receivables of Rp552,688,195, Rp1,042,991,617, Rp691,526,961 and Rp894,606,471 were presented as "Loans to Employees" in the consolidated statements of financial position as of June 30, 2011 and 2010 and December 31, 2010 and 2009.

(Expressed in Rupiah, unless otherwise stated)

9. INVENTORIES

This account consists of:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Cellular phones	439,835,194,911	232,583,592,894	386,458,524,716	273,531,360,724	364,420,329,483	51,914,792,038
Accessories	11,977,812,782	4,364,947,966	4,131,650,567	5,606,548,274	4,590,403,710	-
Electronic vouchers	6,890,781,163	1,672,848,723	8,988,032,062	2,856,967,782	-	-
Starter packs	5,111,739,925	576,621,555	883,593,231	559,578,394	596,428,555	1,534,348,778
Physical vouchers	4,108,872,421	3,525,560,050	5,044,931,083	3,843,254,409	6,684,763,050	72,261,091
Spareparts	727,293,543	727,293,543	727,293,543	5,012,339,829	7,621,950,484	-
Others	51,022,765	677,895,463	89,107,171	3,258,257	-	-
Good in transit	-	-	-	8,230,399,547	-	-
Total	468,702,717,510	244,128,760,194	406,323,132,373	299,643,707,216	383,913,875,282	53,521,401,907
Allowance for obsolescence and decline in value of inventories	(9,009,307,959)	(4,020,674,152)	(5,371,779,398)	(1,595,355,038)	-	-
Net	**459,693,409,551**	**240,108,086,042**	**400,951,352,975**	**298,048,352,178**	**383,913,875,282**	**53,521,401,907**

The movements of allowance for obsolescence and decline in value of inventories are as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Balance at beginning of period	5,371,779,398	1,595,355,038	1,595,355,038	-	-	-
Provision during the period (Note 27)	5,736,422,493	2,425,319,114	3,776,424,360	1,595,355,038	-	-
Recovery during the period (Note 27)	(2,098,893,932)	-	-	-	-	-
Balance at end of period	**9,009,307,959**	**4,020,674,152**	**5,371,779,398**	**1,595,355,038**	**-**	**-**

Based on the review of the physical inventories and net realizable value of inventories, the Company and Subsidiaries' Management believe that the allowance for obsolescence and decline in value of inventories as of June 30, 2011 and 2010, and December 31, 2010 and 2009 are adequate to cover possible losses arising from obsolescence and decline in value of inventories.

As of June 30, 2011, the Company and certain Subsidiaries' inventories are covered by insurance against fire and other risks under blanket policies of Rp217,460,138,693 with PT Artha Graha General Insurance, a third party. The Company and Subsidiaries' Management believe that the insurance coverage is adequate to cover possible losses arising from such risks.

As of June 30, 2011, inventories of the Company and certain Subsidiaries totaling to Rp306,563,083,670 are pledged as collateral for bank loan facilities (Note 16).

(Expressed in Rupiah, unless otherwise stated)

10. ADVANCES AND PREPAID EXPENSES

This account consists of:

	June 30,		December 31,			
	2011	2010	2010	2009	2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Advances:						
Advances for purchase of:						
Cellular phones	57,893,378,332	16,864,902,873	116,892,324,570	171,683,781,756	26,721,590,000	85,721,445,500
Electronic vouchers	-	-	43,508,660	971,834,450	3,011,927,285	-
Spareparts	-	-	-	167,474,724	205,220,046	636,967,160
Starter packs	481,683,739	-	951,724,000	-	592,435,000	-
Physical vouchers	520,808,080	20,509,500	417,358,250	49,397,300	1,430,662,766	-
Accessories	5,126,896,460	-	-	215,111,480	-	-
Others	-	-	121,060,167	-	-	-
Advances for operational	2,073,819,996	874,980,989	1,760,186,343	84,922,357	-	-
Other prepaid expenses	455,403,479	275,825,021	997,068,320	575,231,155	234,631,416	194,024,079
Total	**66,551,990,086**	**18,036,218,383**	**121,183,230,310**	**173,747,753,222**	**32,196,466,513**	**86,552,436,739**

11. PREPAID EXPENSES

The Company entered into several rental agreements for its outlet and buildings for a period of 12 (twelve) months until 36 (thirty six) months. These rental agreements will expire on various dates between 2011 and 2013. These agreement are renewable upon their expiry and agreement by both parties.

The details of the prepaid long-term rent are as follows:

	June 30,		December 31,			
	2011	2010	2010	2009	2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Prepaid expenses	13,261,689,845	10,765,959,838	11,430,546,932	11,519,297,509	8,285,979,318	4,866,048,249
Net of current portion	(8,420,714,668)	(6,788,561,498)	(7,924,012,332)	(7,306,078,589)	(3,426,742,352)	(1,244,046,403)
Long-term portion	**4,840,975,177**	**3,977,398,340**	**3,506,534,600**	**4,213,218,920**	**4,859,236,966**	**3,622,001,846**

Amortizations of prepaid rent charged to operating expenses are as follows (Notes 26 and 27):

	June 30,		December 31,			
	2011	2010	2010	2009	2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Selling and distribution expenses	6,148,858,340	6,111,171,189	11,398,460,264	11,203,449,289	8,055,378,486	4,563,132,858
General and administrative expenses	118,707,775	317,628,111	831,543,260	1,134,030,712	200,375,000	60,000,000
Total	**6,267,566,115**	**6,428,799,300**	**12,230,003,524**	**12,337,480,001**	**8,255,753,486**	**4,623,132,858**

(Expressed in Rupiah, unless otherwise stated)

12. INVESTMENTS IN ASSOCIATED COMPANIES

The details of investments in associated companies are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010
Equity method			
Acquisition cost:			
Beginning balance	1,600,000,000	-	-
Addition during the period:			
PT Mobile World Indonesia	-	-	1,000,000,000
PT Mega Mulia Servindo	-	600,000,000	600,000,000
Ending balance	1,600,000,000	600,000,000	1,600,000,000
Accumulated of net income (loss) from associated companies - net:			
Beginning balance	3,202,217,015	-	-
Share in net income (loss) from associated companies - current period			
PT Mobile World Indonesia	(3,750,755,858)	-	2,750,755,859
PT Mega Mulia Servindo	(364,550,560)	332,938,233	451,461,156
Ending balance	(913,089,403)	332,938,233	3,202,217,015
Carrying values of investment in associated companies with equity method	**686,910,597**	**932,938,233**	**4,802,217,015**

On May 21, 2010, the Company, PT Okeshop, a third party, and PT Parastar Echorindo, a third party, established PT Mobile World Indonesia ("MWI") with an authorized share capital of Rp3,000,000,000 of which the Company has 33.33% ownership. MWI is engaged in trading of telecommunication equipment and started its commercial operations in 2010.

On December 21, 2009, the Company and PT Trisada Mulia, a third party, established PT Mega Mulia Servindo ("Servindo") with an authorized share capital of Rp2,000,000,000 of which the Company has 30% ownership. Servindo is engaged in service of telecommunication equipment and started its commercial operations in 2010.

The details of total assets, liabilities, net sales and net income (loss) of associates are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010
PT Mobile World Indonesia			
Assets	390,099,902,852	-	335,233,698,352
Liabilities	394,328,701,427	-	323,981,427,775
Net sales	810,692,887,465	-	651,701,838,541
Net income (loss)	(15,481,066,152)	-	8,252,267,577
PT Mega Mulia Servindo			
Assets	9,874,903,774	12,177,178,827	12,561,282,980
Liabilities	7,078,219,789	10,524,456,582	9,056,412,461
Net sales	7,108,084,047	9,584,284,258	19,393,184,749
Net income (loss)	(1,215,168,531)	1,109,794,111	1,504,870,519

For the six months ended June 30, 2011, the Company's share in net loss from MWI of Rp5,159,839,347. The Company recognized it's share in net loss from MWI of Rp3,750,755,858, while the Company's share in net loss from MWI of Rp1,409,083,489 was not recognized. The Company discontinued to recoqnize its share of further loss because the Company does not have incurred legal or constructive obligations or made payments on behalf of the associate.

(Expressed in Rupiah, unless otherwise stated)

13. FIXED ASSETS

This account consists of:

	June 30, 2011			
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**
Cost				
Direct ownership				
Land	21,455,580,000	14,840,570,587	-	36,296,150,587
Building and improvements	22,898,643,015	5,062,175,277	-	27,960,818,292
Vehicles	11,169,653,028	1,458,746,456	165,250,000	12,463,149,484
Office and outlet equipment	11,680,727,774	1,409,195,138	188,122,996	12,901,799,916
Furniture and fixtures	1,873,625,726	801,577,308	19,345,200	2,655,857,834
Total cost	69,078,229,543	23,572,264,766	372,718,196	92,277,776,113
Accumulated Depreciation				
Direct ownership				
Building and improvements	1,521,796,452	1,403,937,394	-	2,925,733,846
Vehicles	2,483,503,661	1,103,190,283	19,454,167	3,567,239,777
Office and outlet equipment	2,663,974,057	1,201,317,775	63,928,926	3,801,362,906
Furniture and fixtures	554,337,140	197,182,257	6,871,057	744,648,340
Total accumulated depreciation	7,223,611,310	3,905,627,709	90,254,150	11,038,984,869
Net book value	**61,854,618,233**			**81,238,791,244**

	June 30, 2010 (As restated, Notes 2 and 4)			
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**
Cost				
Direct ownership				
Land	685,950,000	-	-	685,950,000
Building and improvements	2,322,793,514	6,114,647,730	-	8,437,441,244
Vehicles	5,641,168,737	6,223,863,382	235,900,000	11,629,132,119
Office and outlet equipment	7,438,650,622	1,221,239,434	2,625,009,281	6,034,880,775
Furniture and fixtures	1,139,110,581	587,591,250	256,711,454	1,469,990,377
Total cost	17,227,673,454	14,147,341,796	3,117,620,735	28,257,394,515
Accumulated Depreciation				
Direct ownership				
Building and improvements	327,630,981	260,625,902	-	588,256,883
Vehicles	992,055,865	546,327,515	15,900,000	1,522,483,380
Office and outlet equipment	2,626,330,136	551,356,233	1,355,084,168	1,822,602,201
Furniture and fixtures	544,811,228	93,641,371	227,571,394	410,881,205
Total accumulated depreciation	4,490,828,210	1,451,951,021	1,598,555,562	4,344,223,669
Net book value	**12,736,845,244**			**23,913,170,846**

(Expressed in Rupiah, unless otherwise stated)

13. FIXED ASSETS (continued)

This account consists of: (continued)

	December 31, 2010 (As restated, Notes 2 and 4)			
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**
Cost				
Direct ownership				
Land	685,950,000	20,769,630,000	-	21,455,580,000
Building and improvements	2,322,793,514	20,690,576,774	114,727,273	22,898,643,015
Vehicles	5,641,168,737	6,868,384,291	1,339,900,000	11,169,653,028
Office and outlet equipment	7,438,650,622	6,885,686,433	2,643,609,281	11,680,727,774
Furniture and fixtures	1,139,110,581	997,061,650	262,546,505	1,873,625,726
Total cost	17,227,673,454	56,211,339,148	4,360,783,059	69,078,229,543
Accumulated Depreciation				
Direct ownership				
Building and improvements	327,630,981	1,194,165,471	-	1,521,796,452
Vehicles	992,055,865	1,619,309,671	127,861,875	2,483,503,661
Office and outlet equipment	2,626,330,136	1,393,458,089	1,355,814,168	2,663,974,057
Furniture and fixtures	544,811,228	242,852,089	233,326,177	554,337,140
Total accumulated depreciation	4,490,828,210	4,449,785,320	1,717,002,220	7,223,611,310
Net book value	**12,736,845,244**			**61,854,618,233**

	December 31, 2009 (As restated, Notes 2 and 4)			
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**
Cost				
Direct ownership				
Land	685,950,000	-	-	685,950,000
Building and improvements	1,311,780,491	1,011,013,023	-	2,322,793,514
Vehicles	2,754,781,093	3,252,336,819	365,949,175	5,641,168,737
Office and outlet equipment	4,092,454,310	3,529,896,167	183,699,855	7,438,650,622
Furniture and fixtures	639,814,942	530,117,044	30,821,405	1,139,110,581
Total cost	9,484,780,836	8,323,363,053	580,470,435	17,227,673,454
Accumulated Depreciation				
Direct ownership				
Building and improvements	221,629,446	106,001,535	-	327,630,981
Vehicles	328,998,843	736,246,857	73,189,835	992,055,865
Office and outlet equipment	1,570,683,256	1,080,655,868	25,008,988	2,626,330,136
Furniture and fixtures	428,019,710	121,356,824	4,565,306	544,811,228
Total accumulated depreciation	2,549,331,255	2,044,261,084	102,764,129	4,490,828,210
Net book value	**6,935,449,581**			**12,736,845,244**

(Expressed in Rupiah, unless otherwise stated)

13. FIXED ASSETS (continued)

This account consists of: (continued)

December 31, 2008 (As restated, Notes 2 and 4)

	Beginning Balance	Balance from Subsidiaries at Acquisition Date	Additions	Deductions	Ending Balance
Cost					
Direct ownership					
Land	685,950,000	-	-	-	685,950,000
Building and improvements	900,402,515	-	411,377,976	-	1,311,780,491
Vehicles	231,605,000	188,900,000	2,356,126,093	21,850,000	2,754,781,093
Office and outlet equipment	1,732,176,768	320,717,850	2,039,766,284	206,592	4,092,454,310
Furniture and fixtures	461,476,634	35,726,360	142,611,948	-	639,814,942
Total cost	4,011,610,917	545,344,210	4,949,882,301	22,056,592	9,484,780,836
Accumulated Depreciation					
Direct ownership					
Building and improvements	176,609,319	-	45,020,127	-	221,629,446
Vehicles	127,453,334	64,912,500	158,170,509	21,537,500	328,998,843
Office and outlet equipment	930,214,257	114,647,892	525,834,019	12,912	1,570,683,256
Furniture and fixtures	367,535,762	17,123,451	43,360,497	-	428,019,710
Total accumulated depreciation	1,601,812,672	196,683,843	772,385,152	21,550,412	2,549,331,255
Net book value	**2,409,798,245**				**6,935,449,581**

December 31, 2007 (As restated, Notes 2 and 4)

	Beginning Balance	Additions	Deductions	Ending Balance
Cost				
Direct ownership				
Land	685,950,000	-	-	685,950,000
Building and improvements	900,402,515	-	-	900,402,515
Vehicles	249,280,000	-	17,675,000	231,605,000
Office and outlet equipment	1,016,943,060	715,233,708	-	1,732,176,768
Furniture and fixtures	387,867,029	73,609,605	-	461,476,634
Total cost	3,240,442,604	788,843,313	17,675,000	4,011,610,917
Accumulated Depreciation				
Direct ownership				
Building and improvements	131,589,194	45,020,125	-	176,609,319
Vehicles	97,372,334	47,397,250	17,316,250	127,453,334
Office and outlet equipment	703,129,513	227,084,744	-	930,214,257
Furniture and fixtures	306,436,647	61,099,115	-	367,535,762
Total accumulated depreciation	1,238,527,688	380,601,234	17,316,250	1,601,812,672
Net book value	**2,001,914,916**			**2,409,798,245**

Depreciation expenses for the six months ended June 30, 2011 and 2010, and the years ended December 31, 2010, 2009, and 2008, amounting to Rp3,905,627,709, Rp1,451,951,021, Rp4,449,785,320, Rp2,044,261,084, and Rp772,385,152, were presented as "General and Administrative Expenses - Depreciation" in the consolidated statements of comprehensive income.

(Expressed in Rupiah, unless otherwise stated)

13. FIXED ASSETS (continued)

The details of gain (loss) on sale of fixed assets as of June 30, 2011 and 2010, and December 31, 2010, 2009 and 2008 are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Proceeds from sale of fixed assets	173,825,000	689,110,310	1,791,002,880	466,703,419	8,356,818
Net book value of fixed assets sold	(282,464,046)	(1,519,065,173)	(2,643,780,839)	(477,706,306)	(506,180)
Gain (loss) on sale of fixed assets - net	**(108,639,046)**	**(829,954,863)**	**(852,777,959)**	**(11,002,887)**	**7,850,638**

As of June 30, 2011, land and buildings of the Company and certain Subsidiaries with net book value amounting to Rp23,146,580,000 are pledged as collateral for bank loan facilities (Note 16).

As of June 30, 2011, land owned by the Company and certain Subsidiaries with total area of 8,917 square meters are located in Jakarta and were all in the form of Building Rights (“HGB”). The related HGBs where located in Indonesia will expire on various dates ranging from 2031 to 2040 and the Management believe that these rights can be renewed upon their expiry.

As of June 30, 2011, certain lands and buildings owned by the Company and certain Subsidiaries with acquisition cost of Rp17,640,878,500 are currently in process of transfering the ownership to the Company and certain Subsidiaries’ name.

As of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, the Company and Subsidiaries’ Management believe that there is no event or change in circumstances that may indicate any impairment of assets value.

As of June 30, 2011, the Company and Subsidiaries’ fixed assets are covered by insurance against fire and other risks under blanket policies of Rp55,776,700,744 with several insurance companies which are third parties, such as PT Asuransi Jasa Proteksi, PT Asuransi Central Asia and PT Asuransi Adira Dinamika. The Company and Subsidiaries’ Management believe that the insurance coverage is adequate to cover possible losses arising from such risks.

Certain vehicles owned by the Company and certain Subsidiaries are acquired through credit facility from PT BCA Finance and are pledged against the related obligations. The related payables are presented as “Long-term Debt” in the consolidated statements of financial position as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007.

14. ADVANCES FOR PURCHASE OF FIXED ASSETS

As of June 30, 2011, advances for purchase of fixed assets mainly represent advance purchase of PT Era Sukses Abadi ("ESA"), a Subsidiary, from PT Bank Artha Graha Internasional Tbk. ("BAG") amounted to Rp30,000,000,000. Based on the agreement No. 020/Perj./Div.SAM/III/2011 dated March 23, 2011, BAG agreed to sell land and buildings to ESA where located in Kuta and Denpasar, Bali, with total area of 9,100 and 7,700 square meters, respectively. As of the completion of the consolidated financial statements as of June 30, 2011, “*Akta Jual Beli*” (“AJB”) of this transaction is still in process.

On April 1, 2011, the above transaction has been paid by ESA with loans from BAG (Note 16).

(Expressed in Rupiah, unless otherwise stated)

15. GOODWILL AND NEGATIVE GOODWILL

The movements of goodwill are as follow:

Goodwill

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Beginning balance of period	270,846,533	386,923,620	386,923,620	503,000,707	-	-
Addition during the period	-	-	-	-	580,385,435	-
Amortization during the period	-	(58,038,543)	(116,077,087)	(116,077,087)	(77,384,728)	-
Loss on impairment (Note 29)	(270,846,533)	-	-	-	-	-
Ending balance of period	**-**	**328,885,077**	**270,846,533**	**386,923,620**	**503,000,707**	**-**

Negative Goodwill

	30 June,		31 December,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Beginning balance of period	3,514,466,745	3,717,185,785	3,717,185,786	3,919,904,827	-	-
Impact of applying PSAK No. 22 (Revised 2010)	(3,514,466,745)	-	-	-	-	-
Addition during the period	-	-	-	-	4,054,380,844	-
Amortization during the period	-	(101,359,521)	(202,719,041)	(202,719,041)	(134,476,017)	-
Ending balance of period	**-**	**3,615,826,264**	**3,514,466,745**	**3,717,185,786**	**3,919,904,827**	**-**

As of June 30, 2011, the Company's Management impaired its goodwill which arising from the acquisition of PT Data Citra Mandiri ("DCM") by PT Erafone Artha Retailindo, a Subsidiary. The impairment of goodwill was due to the decreasing in DCM's scale of operation during the six months ended June 30, 2011. The impairment loss of Rp270,846,533 was charged as part of "Other Operating Expenses" in the consolidated statement of comprehensive income for the six months ended June 30, 2011.

16. SHORT-TERM BANK LOANS

This account consists of:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Revolving loans						
Company						
PT Bank Central Asia Tbk.	-	-	100,000,000,000	20,000,000,000	-	-
PT Bank Artha Graha Internasional Tbk.	-	-	-	-	32,000,000,000	150,000,000,000
Subsidiary						
PT Bank Artha Graha Internasional Tbk.	30,000,000,000	-	-	-	-	-
Subtotal	**30,000,000,000**	**-**	**100,000,000,000**	**20,000,000,000**	**32,000,000,000**	**150,000,000,000**

(Expressed in Rupiah, unless otherwise stated)

16. SHORT-TERM BANK LOANS (continued)

This account consists of: (continued)

	June 30,		December 30,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Overdrafts						
Company						
PT Bank Central Asia Tbk.	19,123,316,566	-	55,245,030,000	82,800,030,000	-	-
Subsidiary						
PT Bank Central Asia Tbk.	49,529,237,679	-	25,095,030,000	-	-	-
Subtotal	**68,652,554,245**	**-**	**80,340,060,000**	**82,800,030,000**	**-**	**-**
Total	**98,652,554,245**	**-**	**180,340,060,000**	**102,800,030,000**	**32,000,000,000**	**150,000,000,000**

On December 14, 2009, the Company and PT Erafone Artha Retailindo (“EAR”), a Subsidiary, entered into a loan agreement with PT Bank Central Asia Tbk. (“BCA”). Based on the loan agreement, the Company obtained overdraft, revolving loan and forex line facilities with maximum credit limit amounting to Rp100,000,000,000, Rp350,000,000,000 and US$5,000,000, respectively. In addition, EAR obtained overdraft facility with maximum credit limit of Rp50,000,000,000. The overdraft and revolving loan facilities bear interest at rates ranging from 10.00% to 11.25% per annum in 2010 and 11.25% per annum in 2009. As of June 30, 2010, and December 31, 2010 and 2009, the Company has not yet utilized the forex line facility. These facilities have maturity period of 1 (one) year. On December 14, 2010, BCA agreed to extend the credit facilities until March 14, 2011.

Based on the Notarial Deed No. 9 of Veronica Sandra Irawaty Purnadi, S.H., dated March 11, 2011, BCA agreed to extend the Company and EAR’s credit facilities. Under the deed, the Company’s overdraft facility is maintained at the maximum credit limit of Rp100,000,000,000 and revolving loan facility is decreased from maximum credit limit of Rp350,000,000,000 to Rp50,000,000,000 and the forex line facility is terminated. In addition, EAR’s overdraft facility is maintained at the maximum credit limit of Rp50,000,000,000.

Based on the Amendment of Loan Agreement No. 059/ADD-KCK/2011 dated March 24, 2011, BCA agreed to increase the maximum credit limit of the Company’s revolving loan facility from Rp50,000,000,000 to Rp200,000,000,000.

All of these loan facilities bear interest at 10% per annum and will be expired on December 14, 2011.

As of June 30, 2011, these facilities are secured by accounts receivable - trade (Note 7) and inventories (Note 9) with minimum lump sum of Rp750,000,000,000, certain fixed assets (Note 13) and personal guarantee of Ardy Hady Wijaya, Budiarto Halim and Lareina Kusuma.

16. SHORT-TERM BANK LOANS (continued)

Based on the above loan agreement, the Company and certain Subsidiary must obtain written approval from BCA before entering certain transactions, among others, as follows:

- Obtain new loan from other party, and/or pledge of Company's assets as collateral to other party.
- Give loans to third party or affiliate, except if it is related with the Company's operational purposes.
- Conduct transaction with any parties with uncommon practice.
- Invest in or establish new business.
- Sell or dispose fixed assets or other core assets used in the business, except for operational purposes.
- Conduct merger, acquisition and declaration of bankruptcy.
- Make a change in the Company's status, Articles of Association, and the composition of the Boards of Commissioners, Directors and Shareholders.
- Declare and pay dividends.

In addition, the Company and certain Subsidiary should maintain the following financial ratios, as defined in the loan agreement:

- Current ratio at above of 100%.
- Income ratio before income tax benefit (expense), depreciation and amortization to interest expense ratio at the minimum two times.
- Sum of accounts receivable - trade and inventories to outstanding loans at more than 1.5 times.

As of June 30, 2011, the Company and certain Subsidiary have complied with all covenants which were stated in the loan agreements above, except the Company increased its issued and fully paid share capital through the capitalization of retained earnings (Notes 21 and 22), increasing the investments in PT Sinar Eka Selaras ("SES") (Note 1b), change in the shareholders (Note 21), and change in the composition of the Boards of Commissioners and Directors (Note 1c).

On July 22, 2011 and August 12, 2011, the Company received letters No. 20282/GBK/2011 and No. 20209/GBK/2011 from BCA regarding the waiver for the increase in issued and fully paid share capital through the capitalization of retained earnings and increasing the investment in SES.

On May 26, 2011, the Company has submitted a letter to obtain approval from BCA related to the changes of the shareholders, and changes in the composition of the Boards of Commissioners and Directors. As of the date of completion of these consolidated financial statements, the Company has not yet received the waiver for the related change of the shareholders, and changes in the composition of the Boards of Commissioners and Directors. The Company's management believes that it will not affect to the status of the credit/loan.

On April 6, 2011, the Company has received a letter No. 20130/GBK/2011 from BCA regarding the waiver for the establishment of PT Era Sukses Abadi ("ESA") (Note 1b) and the acquisition of SES (Note 1b).

16. SHORT-TERM BANK LOANS (continued)

On June 22, 2011, the Company and certain Subsidiary have received a letter No. 20240/GBK/2011 from BCA regarding the waiver of transactions that require approval from BCA in relation with the conduction and proceed from the Initial Public Offering , among others, as follows:

- Give loans to third party or affiliate.
- Conduct transaction with any parties with uncommon practice.
- Invest in or establish new business.
- Conduct acquisitions.
- Make a change in the Company’s Articles of Association, and the composition of the Boards of Commissioners, Directors and Shareholders.
- Declare and pay dividends.

As of December 31, 2010 and 2009, the Company and certain Subsidiary have complied with all covenants which were stated in the loan agreements above, except for distribution of cash dividends (Note 22), the restructuring of entities under common control (Note 4) and the changes in the compositions of the Company and certain Subsidiary’s Boards of Commissioners and Directors.

On September 8, 2010, the Company received a letter No. 20277/GBK/2010 from BCA regarding the waiver for distribution of cash dividends of Rp50,000,000,000.

On January 17, 2011, the Company received a letter No. 20027/GBK/2011 from BCA regarding the waiver for the restructuring of entities under common control (Note 4) and the changes of the compositions of the Company and certain Subsidiary’s Boards of Commissioners and Directors.

Based on the Notarial Deed No. 6 of Sinta Susikto, S.H., dated November 1, 2007, the Company signed a loan agreement with PT Bank Artha Graha Internasional Tbk. ("BAG"). Under this agreement, the Company obtained revolving loan facilities I and II with a maximum credit limit of Rp80,000,000,000 and Rp70,000,000,000, respectively. The revolving loan facilities I and II bear interest rate at 17% per annum. These revolving loan facilities will be expired on December 22, 2008 and November 1, 2008, respectively.

On November 6, 2008, the Company obtained revolving loan facilities I and II from BAG with maximum credit limit of Rp75,000,000,000 and Rp70,000,000,000, respectively. These loans facilities bear interest rate at 18.5% per annum and expired on November 1, 2009. These loans are secured by accounts receivable - trade, inventories, certain fixed assets and personal guarantee of the Company's shareholders. These loans were fully paid on December 14, 2009.

Based on the Credit Agreement dated March 23, 2011, PT Era Sukses Abadi ("ESA"), a Subsidiary, signed a loan agreement with PT Bank Artha Graha Internasional Tbk. ("BAG"). Based on the loan agreement, ESA obtained a revolving loan with a maximum credit limit of Rp30,000,000,000. This revolving loan facility bear interest rate at 10% per annum. The revolving loan facility will be expired on March 23, 2012.

These loans are used as payment for purchase of land and buildings from BAG (Note 14). In addition, if the requirements for the completion of *“Akta Jual Beli”* (“AJB”) has not yet been fullfilled, ESA agreed to make placement of deposit of Rp32,000,000,000 as collateral (Note 6). If AJB is completed, both parties will change the revolving loan to become commercial loan which is secured by the related land and buildings.

(Expressed in Rupiah, unless otherwise stated)

16. SHORT-TERM BANK LOANS (continued)

Based on the above loan agreement, ESA must obtain approval from BAG before entering certain transactions, among others, as follows:

- Obtain new loan from other party, and/or pledge of company's assets as collateral to other party.
- Give loans to third party or affiliate, except if it is related with the company's operational purposes.
- Sell or dispose fixed assets or other core assets used in the business, except for operational purposes.
- Transfer to other parties all or part of rights or obligations under the Credit Agreement.
- Invest in or establish new business.
- Conduct merger and acquisitions and declaration of bankruptcy.
- Transfer the company in any form or any name and any purpose to third parties.
- Rent the company to third parties.
- Make a change in the company's status, Articles of Association, and the composition of the Boards of Commissioners, Directors and Shareholders.
- Declare and pay dividends.
- Make technical assistance agreement or management services to other parties.
- Issue new shares.

On June 30, 2011, this facility is secured by time deposit of Rp32,000,000,000 which is covered in Agreement No. 020/Perj./Div.SAM/III/2011 dated March 23, 2011. The deposit is valid from March 23, 2011 until April 23, 2011 and will be rolled over automatically every month with interest rate at 8% per annum.

The related interest expense of short-term bank loan for the six months ended June 30, 2011 and 2010, and the years ended December 31, 2010, 2009, 2008 and 2007 of Rp7,460,934,065, Rp905,676,913, Rp2,586,733,879, Rp6,131,394,016, Rp20,778,018,607 and Rp8,472,840,719, respectively, were presented as part of the "Finance Costs" in the consolidated statements of comprehensive income for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009, 2008 and 2007.

17. ACCOUNTS PAYABLE

a. The details of accounts payable - trade per suppliers are as follows:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Third parties:						
Indonesian Rupiah						
PT Teletama Artha Mandiri*)	44,597,407,598	-	-	-	124,414,988,800	10,374,105,000
PT Dinamika Agung	3,365,767,236	2,435,395,990	17,776,638,379	-	-	-
PT Centrin Teknologi Indonesia	-	-	29,581,612,000	-	-	-
PT Trikomsel Oke Tbk.	-	-	3,267,120,000	-	-	-
PT XL Axiata Tbk. (formerly PT Excelcomindo Pratama Tbk.)	-	-	-	-	10,712,865,316	-
Alextel	-	11,618,259	-	3,857,794,598	-	-
Omega	-	1,389,309,589	-	3,164,906,675	-	-
Link Celullar	-	-	-	2,994,520,441	-	-
Panca Cell	-	-	-	2,270,489,319	-	-
Mitra Ponsel	-	-	-	1,980,968,817	-	-
JR Creative	-	-	-	1,562,571,053	-	-
Rebecca Phone	-	5,349,326	-	1,536,376,927	-	-
Anthony Phone	-	-	-	1,103,969,457	-	-
Lautan Phone	-	22,564,413	-	1,039,133,163	-	-
Others (below Rp1 billion each)	252,560,587	417,124,847	1,037,391,517	3,966,462,976	2,672,772,095	2,135,054,486

(Expressed in Rupiah, unless otherwise stated)

17. ACCOUNTS PAYABLE (continued)

a. The details of accounts payable - trade per suppliers are as follows: (continued)

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Third parties: (continued)						
United States Dollar						
Apple South Asia Pte. Ltd., Singapore (US$1,483,928)	12,757,329,016	-	-	-	-	-
Fairways Capital Resources Ltd., Singapore (US$9,514,291 as of December 31, 2009, and US$36,849,271 as of December 31, 2008)	-	-	-	89,434,335,400	403,499,517,450	-
Comstar Mobile Pte. Ltd., Singapore (US$7,627,626 as of December 31, 2009, and US$535,600 as of December 31, 2008)	-	-	-	71,699,684,400	5,864,820,000	-
Woodlands Distribution Singapore (US$1,566,134)	-	-	-	14,721,664,770	-	-
Global Universe International Ltd., Singapore (US$57,616,654 as of December 31, 2008 and US$6,335,150 as of December 31, 2007)	-	-	-	-	630,902,361,300	59,670,777,850
Nokia Corporation, Singapore (US$7,574,763)	-	-	-	-	82,943,663,720	-
Others (below Rp1 billion each) (US$2,522)	-	-	-	23,708,680	-	-
Total third parties	60,973,064,437	4,281,362,424	51,662,761,896	199,356,586,676	1,261,010,988,681	72,179,937,336
Related parties: (Note 8b)						
PT Teletama Artha Mandiri *)	-	36,612,223,327	1,089,000,000	21,200,549,682	-	-
PT Mega Mulia Servindo	-	2,445,000	-	-	-	-
Total related parties	-	36,614,668,327	1,089,000,000	21,200,549,682	-	-
Total	**60,973,064,437**	**40,896,030,751**	**52,751,761,896**	**220,557,136,358**	**1,261,010,988,681**	**72,179,937,336**

*) PT Teletama Artha Mandiri is a company which has a Director and a Commissioner who also hold the position as director of certain Subsidiaries, effective April 7, 2009 until January 1, 2011.

Accounts payable - trade to related parties represent 30.91%, 0.40%, 5.51% from the total of consolidated liabilities as of June 30, 2010 and December 31, 2010 and 2009.

On June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, there was no collateral provided by the Company and Subsidiaries for the accounts payable - trade.

b. The aging analysis of accounts payable - trade is as follows:

	June 30,		December 31,			Januari 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As Restated, Notes 2 and 4
Current	58,651,977,260	36,574,676,903	43,864,169,991	85,973,643,292	106,150,390,052	6,666,982,875
Overdue:						
1 day - 30 days	2,234,846,117	3,615,810,215	8,548,365,580	6,588,289,966	215,433,934,462	3,717,645,000
31 days - 60 days	-	632,782,021	288,172,367	1,456,311,902	304,397,737,867	14,542,936,000
61 days - 90 days	-	18,632,155	-	4,502,893,947	294,586,089,800	8,246,334,500
More than 90 days	86,241,060	54,129,457	51,053,958	122,035,997,251	340,442,836,500	39,006,038,961
Total	**60,973,064,437**	**40,896,030,751**	**52,751,761,896**	**220,557,136,358**	**1,261,010,988,681**	**72,179,937,336**

(Expressed in Rupiah, unless otherwise stated)

17. ACCOUNTS PAYABLE (continued)

c. The detail of accounts payable - others are as follows:

	June 30,		December 31,			Januari 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Third parties:						
Indonesian Rupiah						
Credit Card	2,099,014,096	1,724,407,184	859,785,397	1,043,514,672	-	-
PT Daya Maha Berkarya	1,266,968,112	-	-	-	-	-
Promotion Fund	1,070,428,927	810,443,170	616,498,287	1,055,511,474	2,725,610,303	-
PT Multimarilin Permata Nusantara	685,575,181	1,934,725,645	1,177,025,079	1,039,838,343	-	-
PT Erafone Retailindo Mandiri	-	-	-	1,792,189,700	-	-
Relief Advertising	-	-	-	1,246,700,000	-	-
Astha Advertising	-	-	-	657,000,000	3,293,431,758	-
Rudi Irawan	-	-	-	-	7,080,000,000	-
PT Nusa Gemilang Abadi	-	-	-	-	3,465,000,000	-
Divisi Impor	-	-	-	-	2,220,133,999	-
Eugenia Etty	-	-	-	-	1,939,000,000	-
Others (below Rp1 billion each)	1,277,079,829	946,847,918	205,881,444	2,656,107,612	337,878,374	32,545,016
United States Dollar						
KSO Sucofindo (US$48,153 as of June 30, 2011, US$177,073 as of June 30, 2010, US$215,664 as of December 31, 2010, US$127,647 as of December 31, 2009)	413,969,450	1,608,358,420	1,939,031,158	1,199,886,312	-	-
Others (below Rp1 billion each) (US$66,430)	-	-	-	624,438,992	-	-
Total third parties	6,813,035,595	7,024,782,337	4,798,221,365	11,315,187,105	21,061,054,434	32,545,016
Related parties: (Notes 8n, 8o,8p and 8q)						
PT Teletama Artha Mandiri*)	-	4,631,877,562	-	6,085,977,562	-	-
PT Mega Mulia Servindo	-	450,000,000	-	-	-	-
Elly	-	-	264,060,000	-	-	-
Total related parties	-	5,081,877,562	264,060,000	6,085,977,562	-	-
Total	**6,813,035,595**	**12,106,659,899**	**5,062,281,365**	**17,401,164,667**	**21,061,054,434**	**32,545,016**

*) PT Teletama Artha Mandiri is a company which has a Director and a Commissioner who also hold the position as director of certain Subsidiaries, effective April 7, 2009 until January 1, 2011.

As of June 30, 2011 and 2010, and December 31 2010 and 2009, other payables - credit card represent payables to banks in relation with credit card charges arising from certain Subsidiary's joint promotion programs with those banks.

As of June 30, 2011 and December 31, 2009 and 2008, other payables to PT Daya Maha Berkarya, Relief Advertising and Astha Advertising represent payables related to purchase of promotion merchandise by certain Subsidiaries for promotion purposes.

As of June 30, 2011 and 2010, and December 31 2010, 2009 and 2008, other payables - promotion fund mainly represent funds received by certain Subsidiary from suppliers which will be distributed to the dealers for promotion purpose.

(Expressed in Rupiah, unless otherwise stated)

17. ACCOUNTS PAYABLE (continued)

c. The detail of accounts payable - others are as follows: (continued)

As of June 30, 2011 and 2010, and December 31 2010, 2009 and 2008, other payables to PT Multimarilin Permata Nusantara and Divisi Impor, represent payable related to import activity, such as handling and shipment.

As of December 31, 2009, other payables to PT Erafone Retailindo Mandiri was related to sales return made by certain Subsidiary.

As of December 31, 2008, other payables to Rudy Irawan, a former shareholder of certain Subsidiary (until April 4, 2008) represent non-interest bearing loans for working capital.

As of December 31, 2008, other payables to PT Nusa Gemilang Abadi (“NGA”) represents payables arising from acquisitions of certain Subsidiaries from NGA.

As of December 31, 2008, other payables to Eugenia Etty, a former shareholder of PT Teletama Artha Mandiri (until December 1, 2008) represents non-interest bearing loans obtained by certain Subsidiary for working capital.

As of June 30, 2011 and 2010, and December 31, 2010 and 2009, other payables to KSO Sucofindo represents payables related to inspection service expense on the imported cellular.

18. TAXES PAYABLE

Taxes payable consists of:

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4		As restated, Notes 2 and 4		As restated, Notes 2 and 4
Income taxes:						
Article 4(2)	580,687,210	312,236,454	461,446,673	238,467,146	152,146,306	36,536,626
Article 21	487,073,298	277,422,631	804,609,269	1,051,057,860	136,787,629	30,012,859
Article 23	918,016,111	164,811,207	234,114,095	266,945,576	270,773,283	3,137,752
Article 25	253,442,575	417,690,267	213,647,446	190,426,055	175,478,906	-
Article 29 (Note 31)						
2011	258,893,063	-	-	-	-	-
2010	-	478,589,297	561,386,606	-	-	-
2009	-	353,570,280	94,234,280	1,361,128,939	-	-
2008	-	-	-	-	479,998,051	-
2007	-	-	-	-	-	1,576,318,400
Value added tax	51,471,459	1,107,177,337	397,969,910	588,105,514	374,766,509	895,909,334
Total	**2,549,583,716**	**3,111,497,473**	**2,767,408,279**	**3,696,131,090**	**1,589,950,684**	**2,541,914,971**

(Expressed in Rupiah, unless otherwise stated)

19. ACCRUED EXPENSES

This account consists of:

	June 30,		December 31,			Januari 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Professional fees	35,878,439,815	1,480,682,000	1,734,600,000	1,229,802,000	-	-
Interest expenses	689,536,345	-	694,946,157	1,172,494,437	7,243,462,827	641,666,667
Rental	420,157,541	1,308,184,046	1,162,408,334	1,191,353,193	620,560,863	-
Commissions	164,506,658	2,130,591,180	703,814,913	650,182,180	-	-
Insurance	161,492,522	-	571,346,500	-	-	-
Salaries and bonus	6,431,500	14,871,358	75,360,800	2,561,736,124	-	-
Telecommunication, water and electricity	1,560,946	-	362,017,766	121,945,312	55,183,082	-
Others	1,840,807,706	1,197,772,143	942,573,330	535,534,659	528,802,330	1,915,863,896
Total	**39,162,933,033**	**6,132,100,727**	**6,247,067,800**	**7,463,047,905**	**8,448,009,102**	**2,557,530,563**

20. ADVANCES FROM CUSTOMERS

The details of advances from customers are as follows:

	June 30,		December 31,			Januari 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
PT Erajaya Artha Mandiri	2,000,000,000	-	2,000,005,018	-	-	-
Super Girl	-	3,943,942,047	-	-	-	-
Trijaya	-	1,981,738,131	-	1,981,738,131	-	-
PT Cahaya Mulia Glassindo Lestari	-	1,354,919,426	-	-	-	-
Mutiara	-	1,311,818,263	-	1,311,818,263	-	-
PT Eratama Media Seluler	-	1,098,422,048	1,098,421,920	-	-	-
Others (below Rp1billion each)	3,487,608,098	35,279,529,961	4,646,972,399	19,544,047,827	2,142,439,077	156,802,613
Total	**5,487,608,098**	**44,970,369,876**	**7,745,399,337**	**22,837,604,221**	**2,142,439,077**	**156,802,613**

21. SHARE CAPITAL

The details of the Company's share ownership as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007 are as follows:

	June 30, 2011		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Eralink International	989,998	99.99	989,998,020,000
Ardy Hady Wijaya	2	0.01	1,980,000
Total	**990,000**	**100.00**	**990,000,000,000**

(Expressed in Rupiah, unless otherwise stated)

21. SHARE CAPITAL (continued)

The details of the Company's share ownership as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007 are as follows: (continued)

	June 30, 2010		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Eralink International	499,999	99.99	499,999,000,000
Go Haryono Gozal	1	0.01	1,000,000
Total	**500,000**	**100.00**	**500,000,000,000**

	December 31, 2010		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Eralink International	499,999	99.99	499,999,000,000
Go Haryono Gozal	1	0.01	1,000,000
Total	**500,000**	**100.00**	**500,000,000,000**

	December 31, 2009, 2008, and 2007		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Amount**
PT Eralink International	1,999,999	99.99	1,999,999,000
Go Haryono Gozal	1	0.01	1,000
Total	**2,000,000**	**100.00**	**2,000,000,000**

Based on the Minutes of Annual Shareholders' General Meeting dated June 24, 2011, the Company's shareholders approved the appropriation of general reserve of Rp1,000,000,000 and increasing the issued and fully paid share capital from Rp500,000,000,000 which consists of 500,000 shares with par value of Rp1,000,000 per share to become Rp990,000,000,000 which consists of 990,000 shares with par value Rp1,000,000 per share through the capitalization of retained earnings of Rp490,000,000,000 from retained earnings in 1996 until 2010 (Note 38b).

Based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 3 of Myra Yuwono, S.H., dated June 1, 2011, the Company's shareholders approved the sale of the Company's share capital owned by Go Haryono Gozal to Ardy Hady Wijaya.

Based on the Sale and Purchase Agreement which was notarized by Notarial Deed No. 4 of Myra Yuwono, S.H., dated June 1, 2011, the Company's share capital which owned by Go Haryono Gozal of Rp1,000,000 was sold to Ardy Hady Wijaya at transfer price of Rp10,000,000.

(Expressed in Rupiah, unless otherwise stated)

21. SHARE CAPITAL (continued)

Based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 24 of Rosliana S. Hendarto, S.H., dated January 27, 2010, the Company's shareholders approved the following:

- Change in par value of shares from Rp1,000 per share to Rp1,000,000 per share.
- Increase in the Company's authorized share capital from Rp3,800,000,000 which consists of 3,800,000 shares, to Rp1,000,000,000,000 which consists of 1,000,000 shares.
- Increase in issued and fully paid share capital from Rp2,000,000,000 to Rp500,000,000,000.

As of December 31, 2009, the deposits made by shareholders for the increase in issued and fully paid share capital of Rp498,000,000,000 and recorded as "Deposits for Future Stock Subscription" since the Company has not obtained an approval for the changes of the Articles of Association from the Ministry of Law and Human Rights of the Republic of Indonesia.

The changes of the related Articles of Association were approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-06506.AH.01.02 Year 2010 dated February 8, 2010. Accordingly, the deposits for future stock subscription has been reclassified to become issued and fully paid share capital of Rp498,000,000,000 in 2010.

22. CASH DIVIDENDS

Based on the Minutes of Extraordinary Shareholders' General Meeting dated October 18, 2010, the Company's shareholders approved to distribute cash dividends of Rp49,999,900,000 and Rp100,000 to PT Eralink International and Go Haryono Gozal, respectively. The cash dividends were paid on October 20, 2010.

23. BASIC EARNINGS PER SHARE

Basic earnings per share computed by dividing the net income by the weighted-average number of shares outstanding during the period after considering the retroactive effect of stock dividend through capitalization of retained earnings, the change in par value to become Rp500 per share and deposits for future stock subscription (Notes 21 and 38):

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Net income attributable to the equity holders of the parent company	66,964,070,032	81,564,138,284	217,711,572,472	203,249,796,172	78,955,679,637
Weighted average number of outstanding shares	1,980,000,000	1,980,000,000	1,980,000,000	541,954,751	7,920,000
Earnings per share	**34**	**41**	**110**	**375**	**9,969**

(Expressed in Rupiah, unless otherwise stated)

24. NET SALES

The details of net sales are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Cellular phones	1,638,961,034,389	1,930,271,722,576	3,948,144,050,433	4,409,595,000,886	2,739,152,903,111
Electronic vouchers	341,471,286,965	249,549,048,335	430,937,219,142	353,856,122,509	376,370,553,447
Physical vouchers	45,974,167,115	76,887,542,124	236,441,579,127	208,020,090,136	263,147,087,827
Starter packs	5,466,125,832	10,693,943,114	16,242,550,626	22,007,024,215	26,524,430,396
Accessories	3,847,619,315	1,824,045,172	2,376,594,893	21,392,588,667	3,916,647,466
Spareparts	-	4,154,580,016	4,154,580,016	13,666,186,615	6,061,792,900
Others	265,919	-	217,690,478	191,473,842	-
Total	**2,035,720,499,535**	**2,273,380,881,337**	**4,638,514,264,715**	**5,028,728,486,870**	**3,415,173,415,147**

For the six months ended June 30, 2011 and 2010, and the years December 31, 2010 and 2009, sales to related parties of Rp221,696,980,274, Rp15,861,662,086, Rp342,024,598,741 and Rp49,243,141,297, respectively. There were no sales to related parties for the year ended December 31, 2008.

For the six months ended June 30, 2011, sales to customers with annual cumulative individual amount exceeds 10% of consolidated net sales were sales to PT Mobile World Indonesia, a related party, amounted to Rp221,690,737,218. There were no sales made to customer with annual cumulative individual amounts exceeding 10% of consolidated net sales for the six months ended June 30, 2010 and for the years ended December 31, 2010, 2009 and 2008.

25. COST OF GOODS SOLD

The details of cost of goods sold are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Beginning balance of inventories	400,951,352,975	298,048,352,189	298,048,352,178	383,913,875,282	61,283,415,833
Net purchases (Note 8b)	1,869,095,502,760	2,020,592,937,905	4,221,072,581,295	4,639,324,038,793	3,378,929,430,667
Inventories available for sale	2,270,046,855,735	2,318,641,290,094	4,519,120,933,473	5,023,237,914,075	3,440,212,846,500
Ending balance of inventories	(459,693,409,551)	(240,108,086,042)	(400,951,352,975)	(298,048,352,178)	(383,913,875,282)
Total	**1,810,353,446,184**	**2,078,533,204,052**	**4,118,169,580,498**	**4,725,189,561,897**	**3,056,298,971,218**

(Expressed in Rupiah, unless otherwise stated)

25. COST OF GOODS SOLD (continued)

The details of suppliers from which annual cumulative individual amounts of purchases exceeded 10% of consolidated net sales are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Nokia Corporation, Singapore (US$126,041,330 as of June 30, 2011, US$188,367,241 as of June 30, 2010, US$393,590,571 as of December 31, 2010, US$341,362,930 as of December 31, 2009 and US$132,152,183 as of December 31, 2008)	1,110,015,924,716	1,733,486,079,487	3,613,343,838,495	3,442,644,904,343	1,280,946,562,787
PT Indosat Tbk.	225,203,787,287	-	-	-	-
Global Universe International Ltd., Singapore (US$93,176,374)	-	-	-	-	860,171,230,976
Fairways Capital Resources Ltd., Singapore (US$39,049,271)	-	-	-	-	408,289,928,861
Total	**1,335,219,712,003**	**1,733,486,079,487**	**3,613,343,838,495**	**3,442,644,904,343**	**2,549,407,722,624**

	Percentage to Consolidated Net Sales				
	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Nokia Corporation, Singapore	54.53%	76.25%	77.89%	68.46%	37.51%
PT Indosat Tbk.	11.06%	-	-	-	-
Global Universe International Ltd., Singapore	-	-	-	-	25.19%
Fairways Capital Resources Ltd., Singapore	-	-	-	-	11.95%
Total	**65.59%**	**76.25%**	**77.89%**	**68.46%**	**74.65%**

The Company and Subsidiaries obtained various type of purchase discounts determined by the suppliers.

(Expressed in Rupiah, unless otherwise stated)

26. SELLING AND DISTRIBUTIONS EXPENSES

The details of selling and distributions expenses are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Advertising and promotion	9,789,217,836	15,411,218,122	52,287,207,184	9,211,134,060	8,536,823,944
Salaries	7,863,483,925	5,416,219,970	11,641,246,005	10,201,249,560	3,253,050,000
Rental and service charge	7,575,145,756	7,844,025,210	15,052,464,856	13,429,360,309	9,575,807,930
Credit card	6,587,366,640	4,158,137,778	7,073,000,968	7,849,170,200	146,218,085
Distribution	5,444,904,722	4,642,539,232	8,646,196,316	2,410,853,888	-
Sales commission	2,779,330,610	-	6,795,167,116	5,547,972,389	702,817,925
Packaging	421,471,293	1,187,187,200	1,433,617,850	1,151,588,243	-
Management fee (Note 8p)	-	-	-	4,288,775,520	-
Others	153,018,498	274,806,321	309,770,190	1,384,367,986	60,494,000
Total	**40,613,939,280**	**38,934,133,833**	**103,238,670,485**	**55,474,472,155**	**22,275,211,884**

27. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Salaries and employee benefits (Note 30)	39,402,889,828	25,154,342,981	61,617,083,723	35,590,696,495	9,047,862,928
Professional fee	4,929,250,561	953,648,999	2,711,772,715	1,776,397,556	259,339,000
Tax expenses (Note 31)	4,749,424,253	344,464,904	1,274,129,813	1,619,711,217	1,262,513,608
Depreciation (Note 13)	3,905,627,709	1,451,951,021	4,449,785,320	2,044,261,084	772,385,152
Inspection	3,781,259,542	5,375,958,606	12,552,317,326	9,447,013,944	-
Donation	3,691,437,284	3,450,473,325	6,800,728,021	4,771,745,608	69,450,547
Provision for obsolescence and decline in value of inventories - net (Note 9)	3,637,528,561	2,425,319,114	3,776,424,360	1,595,355,038	-
Transportation	2,559,039,729	1,049,836,547	2,545,175,691	1,817,295,009	478,252,605
Telecommunication, water and electricity	2,363,612,150	2,339,883,456	5,190,490,350	3,901,068,138	2,300,775,544
Office supplies, printing, and photocopy	1,506,864,232	1,317,076,623	2,181,723,294	1,721,008,142	785,302,143
Repair and maintenance	837,694,758	861,790,767	1,424,427,519	1,953,198,623	375,397,406
Licenses	397,027,965	415,957,366	1,161,150,192	1,058,591,068	-
Provision for impairment of trade receivables (Note 7)	128,938,975	-	5,828,630,711	-	-
Rental and service charge	118,707,775	347,541,121	868,581,270	1,172,226,571	205,323,454
Others	1,596,892,696	1,457,011,024	2,642,357,911	1,631,031,805	503,229,438
Total	**73,606,196,018**	**46,945,255,854**	**115,024,778,216**	**70,099,600,298**	**16,059,831,825**

(Expressed in Rupiah, unless otherwise stated)

28. OTHER OPERATING INCOME

The details of other operating income are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As Restated, Notes 2 and 4	As Restated, Notes 2 and 4		
Rental income	232,666,667	650,404,689	2,219,136,013	1,536,840,006	1,664,099,999
Promotion support	-	1,403,566,241	1,586,759,592	145,322,204	-
Amortization of goodwill (Note 15)	-	43,320,978	86,641,954	86,641,954	57,091,289
Net gain on foreign exchange of operating activities	-	-	-	117,697,178,320	-
Gain from sales of fixed assets (Note 13)	-	-	-	-	7,850,638
Others	706,033,412	769,080,282	1,815,314,366	1,403,000,676	1,042,455,360
Total	**938,700,079**	**2,866,372,190**	**5,707,851,925**	**120,868,983,160**	**2,771,497,286**

29. OTHER OPERATING EXPENSES

The details of other operating expenses are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As Restated, Notes 2 and 4	As Restated, Notes 2 and 4		
Loss from sale of short-term investment (Note 6)	1,473,928,546	-	-	-	-
Net losses on foreign exchange of operating activities	1,447,041,972	1,817,995,395	4,368,644,812	-	180,863,218,134
Loss on impairment of goodwill (Note 15)	270,846,533	-	-	-	-
Loss from sale of fixed assets (Note 13)	108,639,046	829,954,863	852,777,959	11,002,887	-
Penalty expenses to supplier	-	8,178,258,916	8,178,258,916	-	-
Others	300,251,817	282,630,734	780,310,497	10,201,506	682,268,852
Total	**3,600,707,914**	**11,108,839,908**	**14,179,992,184**	**21,204,393**	**181,545,486,986**

(Expressed in Rupiah, unless otherwise stated)

30. LIABILITIES FOR EMPLOYEE BENEFITS

As of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007, the Company and Subsidiaries recognized liabilities for employee benefits of Rp11,658,644,000, Rp5,638,726,500, Rp8,529,564,000, Rp3,629,059,000, Rp1,562,917,124 and Rp758,429,619, respectively, which are presented as “Liabilities for Employee Benefits” in the consolidated statement of financial position as of June 30, 2011 and 2010, and December 31, 2010, 2009, 2008 and 2007. The related expenses of Rp3,129,080,000, Rp2,009,667,500, Rp4,900,505,000, Rp2,444,050,000 and Rp562,343,982, respectively, were presented as part of "General and Administrative Expenses - Salaries and Employee Benefits" in the consolidated statements comprehensive income for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009 and 2008 (Note 27). The liabilities for employee benefits were determined through actuarial valuations performed by PT Sentra Jasa Aktuaria, an independent actuary, based on its reports dated July 29, 2011 for June 30, 2011, October 25, 2010 for June 30, 2010, March 31, 2011 for December 31, 2010, and May 10, 2010 for December 31, 2009 and 2008.

The liabilities for employee benefits are calculated using the “Projected Unit Credit” method and based on the following assumptions:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Discount rate	8% per annum	9% per annum	9% per annum	11% per annum	12% per annum
Salary increase rate	9% per annum	6% per annum	10% per annum	10% per annum	10% per annum
Retirement age	55 years	55 years	55 years	55 years	55 years
Mortality rate	TMI’99	TMI’99	TMI’99	TMI’99	TMI’99

The related expenses recognized in the consolidated statements of comprehensive income are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Current service cost	3,464,784,000	1,693,799,000	4,220,944,000	2,285,061,000	482,160,982
Interest cost	764,795,000	271,522,000	543,031,000	147,672,000	76,357,000
Past service cost due to curtailment	15,065,000	-	-	-	-
Amortization of past service cost - non-vested	1,972,000	2,116,500	4,232,000	3,367,000	4,232,000
Gain on curtailment and settlement	(6,112,729,000)	-	-	-	-
Net actuarial gain (loss)	4,995,193,000	42,230,000	132,298,000	7,950,000	(406,000)
Total	**3,129,080,000**	**2,009,667,500**	**4,900,505,000**	**2,444,050,000**	**562,343,982**

(Expressed in Rupiah, unless otherwise stated)

30. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

The liabilities for employee benefits consists of:

	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4,
Present value of benefit obligation	25,270,253,000	7,662,760,500	17,319,997,000	4,936,647,000	1,608,500,124	758,429,619
Unrecognized past service cost - non-vested benefits	(1,924,980,000)	(68,475,500)	(66,360,000)	(70,592,000)	(74,824,000)	-
Unrecognized actuarial gain (loss)	(11,686,629,000)	(1,955,558,500)	(8,724,073,000)	(1,236,996,000)	29,241,000	-
Total	**11,658,644,000**	**5,638,726,500**	**8,529,564,000**	**3,629,059,000**	**1,562,917,124**	**758,429,619**

The changes of liabilities for employee benefits for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009, 2008 and 2007 are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	January 1, 2008/ December 31, 2007
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4,
Balance at beginning of period	8,529,564,000	3,629,059,000	3,629,059,000	1,562,917,124	758,429,619	407,413,502
Beginning balance:						
PT Multi Media Selular	-	-	-	-	199,346,601	-
PT Data Citra Mandiri	-	-	-	-	42,796,922	-
Adjustment of beginning balance	-	-	-	(377,908,124)	-	-
Addition during period	3,129,080,000	2,009,667,500	4,900,505,000	2,444,050,000	562,343,982	351,016,117
Balance at end of period	**11,658,644,000**	**5,638,726,500**	**8,529,564,000**	**3,629,059,000**	**1,562,917,124**	**758,429,619**

31. TAXATION

The Company and Subsidiaries' income tax benefit (expense) are as follows:

	June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008
		As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Income tax expense - current					
Company	(25,552,996,250)	(29,183,358,000)	(76,605,290,750)	(80,890,279,680)	(33,546,904,700)
Subsidiaries	(4,486,368,250)	(1,009,127,000)	(3,095,754,313)	(3,072,310,360)	(2,358,377,000)
Consolidated income tax expense - current	**(30,039,364,500)**	**(30,192,485,000)**	**(79,701,045,063)**	**(83,962,590,040)**	**(35,905,281,700)**
Income tax benefit (expense) - deferred					
Company	1,220,435,739	855,686,546	2,612,790,369	428,854,318	30,516,933
Subsidiaries	580,296,232	3,062,340,663	1,080,243,340	441,369,003	(20,889,206)
Consolidated income tax benefit - deferred	**1,800,731,971**	**3,918,027,209**	**3,693,033,709**	**870,223,321**	**9,627,727**
Income tax benefit (expense)					
Company	(24,332,560,511)	(28,327,671,454)	(73,992,500,381)	(80,461,425,362)	(33,516,387,767)
Subsidiaries	(3,906,072,018)	2,053,213,663	(2,015,510,973)	(2,630,941,357)	(2,379,266,206)

(Expressed in Rupiah, unless otherwise stated)

31. TAXATION (continued)

The Company and Subsidiaries' income tax benefit (expense) are as follows: (continued)

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Consolidated income tax expense - net	**(28,238,632,529)**	**(26,274,457,791)**	**(76,008,011,354)**	**(83,092,366,719)**	**(35,895,653,973)**

The reconciliation between income before income tax as shown in the consolidated statements of comprehensive income with taxable income for the six months ended June 30, 2011 and 2010 and for years ended December 31, 2010, 2009 and 2008 are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Income before income tax expense per consolidated statements of comprehensive income	96,008,324,554	100,949,079,799	296,718,471,086	292,441,436,539	119,949,927,805
Deduct:					
Loss (income) before income tax of consolidated Subsidiaries	(11,456,118,331)	8,942,729,934	(5,014,398,232)	(8,730,215,002)	(7,477,860,401)
Income before income tax expense attributable to the Company	84,552,206,223	109,891,809,733	291,704,072,854	283,711,221,537	112,472,067,404
Temporary differences:					
Provision for obsolescence and decline in value of inventories	2,600,872,190	2,296,459,209	2,136,556,509	1,420,736,152	-
Provision for employee benefits	2,038,722,000	1,066,512,500	2,133,025,000	441,447,525	188,476,939
Depreciation	242,148,764	59,774,475	352,949,257	29,163,491	(34,494,016)
Provision for impairment of trade receivables	-	-	5,828,630,711	-	-
Permanent differences:					
Tax expense	4,536,159,653	265,721,707	1,210,643,231	1,483,658,017	1,092,957,220
Loss (income) from associated companies	4,115,306,418	(332,938,233)	(3,202,217,015)	-	-
Donations	3,051,761,300	3,018,294,200	6,062,134,200	4,039,733,312	-
Write-off of receivables	816,878,036	631,415,000	914,530,404	-	-
Employees' benefits in kind	323,396,882	673,583,020	524,306,090	534,852,775	-
Representations and entertainment	277,376,184	235,295,417	384,247,827	107,160,569	-
Interest expense	53,934,234	595,238,900	1,622,202,759	588,380,924	-
Others	-	-	-	105,014,903	13,921,718
Income subjected to final tax:					
Rent	(262,666,667)	(848,756,476)	(1,211,271,466)	(1,536,840,006)	(1,664,100,000)
Interest	(134,110,115)	(818,977,370)	(2,038,646,529)	(2,030,672,752)	(187,479,486)
Taxable income	**102,211,985,102**	**116,733,432,082**	**306,421,163,832**	**288,893,856,447**	**111,881,349,779**
Taxable income - rounded - off	102,211,985,000	116,733,432,000	306,421,163,000	288,893,856,000	111,881,349,000
Income tax expense - current					
Company	(25,552,996,250)	(29,183,358,000)	(76,605,290,750)	(80,890,279,680)	(33,546,904,700)
Subsidiaries	(4,486,368,250)	(1,009,127,000)	(3,095,754,313)	(3,072,310,360)	(2,358,377,000)
Consolidated income tax expense - current	**(30,039,364,500)**	**(30,192,485,000)**	**(79,701,045,063)**	**(83,962,590,040)**	**(35,905,281,700)**

(Expressed in Rupiah, unless otherwise stated)

31. TAXATION (continued)

The reconciliation between income before income tax as shown in the consolidated statements of comprehensive income with taxable income for the six months ended June 30, 2011 and 2010 and for years ended December 31, 2010, 2009 and 2008 are as follows: (continued)

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Income tax benefit (expense) - deferred					
Company					
Provision for obsolescence and decline in value of inventories	650,218,048	574,114,802	534,139,127	397,806,123	-
Provision for employee benefits	509,680,500	266,628,125	533,256,250	123,605,307	56,543,082
Depreciation	60,537,191	14,943,619	88,237,314	8,165,778	(10,348,205)
Provision for impairment of trade receivables	-	-	1,457,157,678	-	-
Effect of reduction in tax rate	-	-	-	(100,722,890)	(15,677,944)
Total	1,220,435,739	855,686,546	2,612,790,369	428,854,318	30,516,933
Subsidiaries	580,296,232	3,062,340,663	1,080,243,340	441,369,003	(20,889,206)
Consolidated income tax benefit - deferred	**1,800,731,971**	**3,918,027,209**	**3,693,033,709**	**870,223,321**	**9,627,727**
Consolidated income tax benefit (expense)					
Current	(30,039,364,500)	(30,192,485,000)	(79,701,045,063)	(83,962,590,040)	(35,905,281,700)
Deferred	1,800,731,971	3,918,027,209	3,693,033,709	870,223,321	9,627,727
Consolidated income tax expense - net	**(28,238,632,529)**	**(26,274,457,791)**	**(76,008,011,354)**	**(83,092,366,719)**	**(35,895,653,973)**

The reconciliation between income tax expense as calculated using the applicable tax rate from income before income tax and income tax expense as presented in the consolidated statements of comprehensive income for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009 and 2008 are as follows:

	June 30,		December 31,		
	2011	2010	2010	2009	2008
		As restated, Notes 2 and 4		As restated, Notes 2 and 4	
Income before income tax expense per consolidated statements of comprehensive income	96,008,324,554	100,949,079,799	296,718,471,086	292,441,436,539	119,949,927,805
Deduct:					
Loss (income) before income tax expenses of consolidated Subsidiaries	(11,456,118,331)	8,942,729,934	(5,014,398,232)	(8,730,215,002)	(7,477,860,401)
Income before income tax expense attributable to the Company	84,552,206,223	109,891,809,733	291,704,072,854	283,711,221,537	112,472,067,404
Income tax expense at applicable tax rate	(21,138,051,556)	(27,472,952,433)	(72,926,018,213)	(79,439,142,030)	(33,741,620,221)
Effect on income tax at applicable tax rate	-	-	-	-	17,500,000

(Expressed in Rupiah, unless otherwise stated)

31. TAXATION (continued)

The reconciliation between income tax expense as calculated using the applicable tax rate from income before income tax and income tax expense as presented in the consolidated statements of comprehensive income for the six months ended June 30, 2011 and 2010, and for the years ended December 31, 2010, 2009 and 2008 are as follows: (continued)

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
		As restated, Notes 2 and 4		**As restated, Notes 2 and 4**	
Tax effect of permanent differences:					
Tax expense	(1,134,039,913)	(66,430,427)	(302,660,808)	(415,424,245)	(327,887,166)
Income (loss) from associated companies	(1,028,826,605)	83,234,558	800,554,254	-	-
Donations	(762,940,299)	(754,573,550)	(1,515,533,341)	(1,131,125,327)	-
Write-off of receivables	(204,219,509)	(157,853,750)	(228,632,601)	-	-
Employees' benefit in kind	(80,849,220)	(168,395,734)	(131,076,523)	(149,758,777)	-
Representations and entertainment	(69,344,046)	(58,823,854)	(96,061,957)	(30,004,959)	-
Interest expense	(13,483,559)	(148,809,725)	(405,550,690)	(164,746,659)	-
Others	-	-	-	(29,404,048)	(4,176,282)
Income subject to final tax:					
Rent	65,666,667	212,189,119	302,817,866	430,315,202	499,230,000
Interest	33,527,529	204,744,342	509,661,632	568,588,371	56,243,846
Effect of reduction in tax rate	-	-	-	(100,722,890)	(15,677,944)
Income tax expense					
Company	(24,332,560,511)	(28,327,671,454)	(73,992,500,381)	(80,461,425,362)	(33,516,387,767)
Subsidiaries	(3,906,072,018)	2,053,213,663	(2,015,510,973)	(2,630,941,357)	(2,379,266,206)
Consolidated income tax expense - net	**(28,238,632,529)**	**(26,274,457,791)**	**(76,008,011,354)**	**(83,092,366,719)**	**(35,895,653,973)**

In September 2008, Law No. 7 Year 1983 regarding "Income Tax" has been revised for the fourth time with Law No. 36 Year 2008. The revised Law stipulates changes in corporate tax rate from a progressive tax rate to a single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards. In 2009 and 2008, the Company recorded the impact of the changes in tax rates which amounted to Rp100,722,890 and Rp15,677,944 as part of "Income Tax Benefit (Expense) - Deferred" in the consolidated statements of comprehensive income for the years ended December 31, 2009 and 2008, respectively.

The income tax expense - current and the calculation of income tax payable and estimated claims for income tax refund are as follows:

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
		As restated, Notes 2 and 4		**As restated, Notes 2 and 4**	
Income tax expense - current					
Company	(25,552,996,250)	(29,183,358,000)	(76,605,290,750)	(80,890,279,680)	(33,546,904,700)
Subsidiaries	(4,486,368,250)	(1,009,127,000)	(3,095,754,313)	(3,072,310,360)	(2,358,377,000)
Consolidated income tax expense - current	(30,039,364,500)	(30,192,485,000)	(79,701,045,063)	(83,962,590,040)	(35,905,281,700)

(Expressed in Rupiah, unless otherwise stated)

31. TAXATION (continued)

The income tax expense - current and the calculation of income tax payable and estimated claims for income tax refund are as follows: (continued)

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
		As restated, Notes 2 and 4	**As restated, Notes 2 and 4**		
Prepayments of income taxes:					
Company					
Article 22	27,311,194,000	43,470,133,477	89,831,870,477	104,128,744,232	63,143,303,297
Article 23	681,231,717	-	165,879,344	-	3,237,995
Total	27,992,425,717	43,470,133,477	89,997,749,821	104,128,744,232	63,146,541,292
Subsidiaries					
Article 22	4,057,611,000	15,945,074	1,039,772	1,629,771	204,545
Article 23	580,967,102	161,553,818	424,928,592	65,452,275	86,207,664
Article 25	1,321,679,805	1,304,527,030	2,592,288,754	1,771,666,641	1,791,966,740
Total	5,960,257,907	1,482,025,922	3,018,257,118	1,838,748,687	1,878,378,949
Consolidated prepayments of income taxes	33,952,683,624	44,952,159,399	93,016,006,939	105,967,492,919	65,024,920,241
Income tax payable					
Subsidiaries	258,893,063	478,589,297	561,386,606	1,361,128,939	479,998,051
Estimated claims for tax refund					
Company	2,439,429,467	14,286,775,477	13,392,459,071	23,238,464,552	29,599,636,592
Subsidiaries	1,732,782,720	951,488,219	483,889,411	127,567,266	-
Consolidated estimated claims for tax refund	**4,172,212,187**	**15,238,263,696**	**13,876,348,482**	**23,366,031,818**	**29,599,636,592**

The detail of estimated claims for tax refund are as follows:

	June 30,		December 31,			
	2011	**2010**	**2010**	**2009**	**2008**	**January 1, 2008/ December 31, 2007**
		As restated Notes 2 and 4	**As restated, Notes 2 and 4**			**As restated, Notes 2 and 4**
Company						
2011	2,439,429,467	-	-	-	-	-
2010	13,392,459,071	14,286,775,477	13,392,459,071	-	-	-
2009	22,580,323,546	23,238,464,552	23,238,464,552	23,238,464,552	-	-
2008	5,728,515,900	9,337,806,000	9,337,806,000	29,599,636,592	29,599,636,592	-
2007	-	-	-	-	2,078,278,402	2,078,278,402
2006	-	-	-	-	-	1,342,185,266
Total	44,140,727,984	46,863,046,029	45,968,729,623	52,838,101,144	31,677,914,994	3,420,463,668
Subsidiaries						
2011	1,732,782,720	-	-	-	-	-
2010	483,889,411	951,488,219	483,889,411	-	-	-
2009	451,691,520	579,258,786	451,691,520	127,567,266	-	-
Total	2,668,363,651	1,530,747,005	935,580,931	127,567,266	-	-
Consolidated estimated claims for tax refund	**46,809,091,635**	**48,393,793,034**	**46,904,310,554**	**52,965,668,410**	**31,677,914,994**	**3,420,463,668**

(Expressed in Rupiah, unless otherwise stated)

31. TAXATION (continued)

Certain Subsidiary has paid 2009 fiscal year corporate income tax amounting to Rp1,129,167,760 before the completion of its financial statements. Based on the financial statements (audited) of the Subsidiary, its corporate income tax for tax year 2009 should be Rp677,476,240. The related overpayment of Rp451,691,520 was recorded as part of “Estimated Claims for Tax Refund” in the consolidated statement of financial position as of December 31, 2010.

The deferred tax assets (liabilities) as of June 30, 2011 and 2010, December 31, 2010, 2009 and 2008, and 2007 are as follows:

	June 30,		December 31,			Januari 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
		As restated, Notes 2 and 4	As restated, Notes 2 and 4			As restated, Notes 2 and 4
Company						
Inventories	1,539,541,213	929,298,840	889,323,165	355,184,038	-	-
Accounts receivable	1,457,157,678	-	1,457,157,678	-	-	-
Estimated liabilities for employee benefits	1,337,941,500	561,632,875	828,261,000	295,004,750	206,800,013	165,028,360
Fixed assets	146,931,263	13,100,377	86,394,072	(1,843,242)	12,691,215	23,945,935
Total	4,481,571,654	1,504,032,092	3,261,135,915	648,345,546	219,491,228	188,974,295
Subsidiaries						
Estimated liabilities for employee benefits	1,576,719,500	848,048,750	1,304,130,000	612,260,000	230,816,780	62,500,525
Inventories	712,785,777	75,869,698	440,941,410	43,654,721	-	-
Accounts receivable	32,234,744	-	-	-	-	-
Fixed assets	(7,023,544)	(23,805,531)	(10,651,165)	(1,737,816)	(18,008,878)	(11,346,725)
Fiscal loss	-	2,816,404,651	-	-	-	-
Total	2,314,716,477	3,716,517,568	1,734,420,245	654,176,905	212,807,902	51,153,800
Consolidated deferred tax assets - net	**6,796,288,131**	**5,220,549,660**	**4,995,556,160**	**1,302,522,451**	**432,299,130**	**240,128,095**

Tax Assessment Letters

On July 5, 2011, the Company received Tax Assessment Letter for Tax Overpayment (“SKPLB”) for Corporate Income Tax for fiscal year 2009 of Rp22,580,323,546 related to the Company’s claim for tax refund for fiscal year 2009 of Rp23,238,464,552. The difference between the Company’s claim for tax refund and SKPLB of Rp658,141,006 are charged to “General and Administrative Expenses - Tax Expense” in the consolidated statements of comprehensive income for the six months ended June 30, 2011 (Note 27).

During 2010, the Company received several SKPKB for Income Tax Article 21, Income Tax Article 23, Income Tax Article 4(2), Value Added Tax and Tax Correction Letters (“STP”) for fiscal years 2010, 2009 and 2008 totaling to Rp1,210,643,231. The above underpayment and correction are charged to “General and Administrative Expenses - Tax Expense” in the consolidated statement of comprehensive income for the year ended December 31, 2010 (Note 27).

31. TAXATION (continued)

Tax Assessment Letters (continued)

On April 29, 2010, the Company also received SKPLB Corporate Income Tax for fiscal year 2008 of Rp20,261,830,592 related to the Company's claim for tax refund for fiscal year 2008 of Rp29,599,636,592. Since the Company has submitted an objection to the Tax Office through its Letter No.001/S.EX/ERA PAJAK.VII/2010 dated July 12, 2010. The difference between the Company's claim for tax refund and SKPLB of Rp9,337,806,000 is still recorded as part of "Estimated Claims for Tax Refund" in the consolidated statement of financial position as of December 31, 2010. On July 12, 2011, the Company received a Decision Letter from the Director of Tax (*Direktorat Jenderal Pajak*) No. KEP.449 WPJ.05/2011 related to the Company's claim for tax refund for fiscal year 2008 of Rp9,337,806,000. Based on this decision, the Company's claim for tax refund amounted of Rp5,728,515,900. The difference between Company's claim for tax refund which still recorded and the approved claim for tax refund of Rp3,609,290,100 and charged to "General and Administrative Expenses - Tax Expense" in the consolidated statement of comprehensive income for the six months ended June 30, 2011 (Note 27).

On March 2009, the Company received several SKPKB Income Tax Article 21, Income Tax Article 23, Value Added Tax and STP for fiscal year 2007 totaling to Rp507,312,427. In addition, the Company also received SKPLB Corporate Income Tax for fiscal year 2007 of Rp1,101,932,812 related to the Company's claim for tax refund for fiscal year 2007 of Rp2,078,278,402. The above underpayment and correction of claim for tax refund are charged to "General and Administrative Expenses - Tax Expense" in the consolidated statement of comprehensive income for the year ended December 31, 2009 (Note 27).

During 2008, the Company received several SKPKB Income Tax Article 21, Income Tax Article 23, Income Tax Article 4(2), Value Added Tax and STP for fiscal year 2006 totaling to Rp837,799,372. The above underpayment and correction are charged to "General and Administrative Expenses - Tax Expense" in the consolidated statement of comprehensive income for the year ended December 31, 2008 (Note 27).

The Company's taxable income for the years ended December 31, 2010, 2009 and 2008 were consistent with the Annual Income Tax Return (SPT) Corporate Income Tax as reported to the Tax Office.

32. SIGNIFICANT AGREEMENTS

a. On April 13, 2011, the Company entered into an agreement with SanDisk International Limited, Ireland (“SanDisk”), whereby the Company was appointed as a non-exclusive distributor for SanDisk’s products and software in Indonesia. This agreement is valid until December 31, 2012. This agreement can be extended by written agreement by both parties, unless terminated upon written agreement by one of the party.

b. On March 31, 2009, the Company entered into an Appointed Buyer Agreement with Research In Motion Singapore Pte. Ltd., Singapore (“RIM”), whereby the Company as an Appointed Buyer wishes to purchase Products in order to promote, market and sell the products in Indonesia (Appointed Buyer territory) to Carrier (PT XL Axiata Tbk. (formerly PT Excelcomindo Pratama Tbk.)) (“XL”) to be distributed to the customers in the Appointed Buyer territory. As of the completion of these consolidated financial statements, this agreement has not been officially terminated, although the Company has no transaction with RIM since April 2010.

c. On June 1, 2005, the Company entered into an agreement with Nokia Pte. Ltd., Singapore, (“Nokia”), whereby the Company was appointed as a non-exclusive distributor for Nokia’s products in Indonesia. This agreement was valid from the date of agreement until December 31, 2007. This agreement has been extended several times, most recently through an Addendum Agreement No. 7 dated January 1, 2010 which valid from January 1, 2010 until December 31, 2011.

d. On June 14, 2011, PT Sinar Eka Selaras (“SES”) entered into a cooperation agreement with Dell Global B.V. (Singapore Branch) (“Dell”), whereby SES was appointed as non-exclusive distributor for Dell’s products in Indonesia. The agreement is valid for one year from June 9, 2011 and will be automatically renewed for another year.

   On April 1, 2011, SES and XL entered into a cooperation agreement for sales of bundled handset between Apple’s product and XL Products which will be sold in XL Center and SES outlets. This agreement is valid from April 1, 2011 until December 1, 2013 and will be renewed upon written agreement by both parties.

   On March 3, 2011, SES, Apple South Asia Pte. Ltd., (“Apple“) and XL entered into a cooperation agreement “iPhone Contract of Adherence”, which was part of “iPhone Agreement” between XL and Apple. XL appoints SES for purchase of iPhone and accessories from Apple in order to sell and distribute to the end users in Indonesia. This agreement is effective from March 3, 2011 until the date of termination of iPhone Agreement (dated December 1, 2013).

e. In 2009, PT Erafone Artha Retailindo (“EAR”), a Subsidiary, entered into agreements with PT Lotte Shopping Indonesia, PT Best Denki Indonesia, PT Carrefour Indonesia, PT Electronic City Indonesia, PT Electronic Solution Indonesia and PT Matahari Putra Prima Tbk. Based on the agreements, EAR will provide the merchandise inventories on consignment basis to those companies and based on the terms agreed in the contract. The agreements are valid from the date of agreement and will be expired on various dates within 2011 and 2012, unless terminated upon written agreement by both parties.

32. SIGNIFICANT AGREEMENTS (continued)

f. On February 1, 2008, PT Multi Media Selular ("MMS"), a Subsidiary through EAR, and PT Indosat Tbk. ("Indosat") entered into a cooperation agreement to distribute Indosat's products as the main dealer through MMS's distribution channels, based on specific areas determined by Indosat. This agreement is effective from the date of agreement until December 31, 2009. The agreement has been renewed on January 14, 2010 of which valid from January 1, 2010 until December 31, 2010. Under this agreement, Indosat agreed to support 50% of the promotion expenses requested by MMS or maximum 5% of the total sales of starter packs. This agreement has been extended on April 11, 2011 and valid from April 1, 2011 until March 31, 2014.

g. On July 8, 2011, PT Data Media Telekomunikasi ("DMT"), a Subsidiary through EAR, and PT Bakrie Telecom Tbk. ("Bakrietel") entered into a cooperation agreement whereby the DMT was appointed as dealer for sale and distributed Bakrietel's products. This agreement is valid from July 8, 2011 and will be automatically renewed, unless terminated upon written agreement by both parties.

   On September 17, 2010, DMT and XL entered into a cooperation agreement for distribution of XL's products in student community through DMT's distribution channels determined by XL. This agreement is valid for 6 (six) months and will be renewed upon written agreement by both parties. As of the completion of these consolidated financial statements, this agreement has not been extended.

   On March 18, 2008, DMT and PT Natrindo Telepon Selular ("AXIS") entered into a cooperation agreement for distribution of the AXIS's products through DMT's distribution channels for area Bandung. This agreement is effective from the date of agreement until Maret 17, 2009 and will be renewed upon written agreement of the parties. The agreement has been renewed on August 18, 2010 and will be automatically renewed, unless terminated upon written agreement by both parties.

   On January 1, 2008, DMT and XL entered into a cooperation agreement for distribution of XL's products through DMT's distribution channels, based on specific areas determined by XL. The agreement is valid for 12 (twelve) months from the date of the agreement and will be renewed upon written agreement by both parties. The agreement has been renewed on June 1, 2009 and will be automatically renewed unless terminated upon written agreement by both parties. Under this agreement, XL agreed to give discount and incentive based on certain key performance indicator determined by XL.

h. On April 2, 2009, PT Data Citra Mandiri ("DCM"), a Subsidiary through EAR, and PT Bakrie Telecom Tbk. ("Bakrietel") entered into a cooperation agreement (*Layanan Isi Esia*), whereby DCM was appointed as dealer for sale and distribute Bakrietel's products (Talk Time Esia). This agreement is valid for 1 (one) year from the date of first deposit made by DCM and will be automatically renewed, unless terminated upon written agreement by both parties.

   On June 4, 2008, DCM and Bakrietel entered into a cooperation agreement (*Pengoperasian Gerai Mitra Esia*), whereby Bakrietel will utilize DCM's outlet for sales of Bakrietel's products. This agreement is valid for 2 (two) years from July 2, 2008 until July 1, 2010 and will be renewed upon written agreement of the parties. Under this agreement, Bakrietel agreed to give incentive based on certain key performance indicator determined by Bakrietel. This agreement has been amended on January 23, 2009, pertaining to the changes in certain key performance indicator. This agreement has not been extended.

32. SIGNIFICANT AGREEMENTS (continued)

On April 9, 2008, DCM and Bakrietel entered into a cooperation agreement for distribution of the Bakrietel's products through DCM's distribution channels for Jadetabek areas. This agreement is valid for 2 (two) years and will be renewed upon written agreement by both parties. Under this agreement, Bakrietel agreed to give incentive based on certain key performance indicator determined by Bakrietel. This agreement has been amended several times, most recently dated on November 6, 2009 of which valid until May 31, 2010. As of the completion of these consolidated financial statements, this agreement has not been extended.

On July 18, 2007, DCM and Bakrietel entered into a cooperation agreement, whereby DCM was appointed as authorized outlet for sale and distribute Bakrietel's products (CDMA Esia Cards). This agreement is effective from the date of agreement and will be automatically renewed, unless terminated upon written agreement by both parties.

On November 24, 2008, DCM and PT Smart Telecom ("Smart") entered into a cooperation agreement, whereby DCM was appointed as Smart's distributor for specific areas determined by Smart. This agreement is effective from January 1, 2009 until July 1, 2010. Under this agreement, Smart agreed to give incentive related to the top up made by the customers for 6 (six) months period starting from the fourth month of the activation of the starter pack sold by DCM. This agreement has not extended.

On April 15, 2008, DCM and PT Mobile 8 Telecom Tbk ("Mobile-8") entered into a cooperation agreement, whereby DCM was appointed as Mobile-8's dealer for Jakarta area. This agreement is valid for 2 (two) years and will be automatically renewed, unless terminated upon written agreement by both parties. Under this agreement, Mobile-8 agreed to give incentive based on the program in certain period.

i. On January 18, 2011, PT Prakarsa Prima Sentosa ("PPS"), a Subsidiary through EAR, and PT Gramedia Asri Media ("Gramedia") entered into a cooperation agreement for distribution of PPS's products through Gramedia's distribution channels. This agreement is valid for 1 (one) year and will be renewed upon written agreement by both parties.

On December 15, 2010, PPS and PT Indomog ("Indomog") entered into a cooperation agreement for distribution of Indomog's products through PPS distribution channels. This agreement is valid for 1 (one) year and will be renewed upon notification by one of the party.

On July 6, 2010, PPS and Indomog entered into a cooperation agreement for distribution for PPS products through Indomog's distribution channels. This agreement is valid for 1 (one) year and will be renewed upon written agreement by both parties.

On November 23, 2010, PPS and PT Trimetal Indonesia ("Trimetal") entered into a cooperation agreement for distribution of PPS products through Trimetal's distribution channels. This agreement is valid for 1 (one) year and will be renewed upon written agreement by both parties. Under this agreement, PPS agreed to give commission based on certain method of calculation. The cooperation agreement has been amended on January 3, 2011, pertaining to the changes in PPS rights and obligations as stipulated in Article 5 of the agreement.

(Expressed in Rupiah, unless otherwise stated)

32. SIGNIFICANT AGREEMENTS (continued)

On September 6, 2010, PPS and PT AMX Motor (“AMX”) entered into a cooperation agreement for distribution of the PPS products through AMX’s distribution channels. This agreement is valid for 1 (one) year and will be renewed upon written agreement by both parties. Under this agreement, PPS agreed to give commission based on certain method of calculation.

On July 1, 2010, PPS and XL entered into a cooperation agreement for distribution of XL’s products through PPS distribution channels which were approved by XL. This agreement is valid for 1 (one) year and will be renewed upon written agreement by the parties. Under this agreement, XL agreed to give discount and commission based on certain key performance indicator determined by XL.

On November 30, 2009, PPS and PT Telekomunikasi Selular (“Telkomsel”) entered into a cooperation agreement for distribution of Telkomsel’s products through PPS distribution channels. This agreement is valid from December 1, 2009 until June 30, 2012 and will be renewed upon written agreement by both parties.

33. SUPLEMENTARY CASH FLOWS INFORMATION

Significant non-cash transactions

		June 30,		December 31,		
	Notes	2011	2010	2010	2009	2008
			As restated, Notes 2 and 4	As restated, Notes 2 and 4		
Acquisitions of vehicles through long-term debt	13	301,920,000	709,040,000	709,040,000	2,499,400,000	2,199,152,911
Distribution of stock dividends through capitalization of retained earnings	21	490,000,000,000	-	-	-	-

34. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

As of June 30, 2011 and 2010 and December 31, 2010, 2009, 2008 and 2007, the Company and Subsidiaries have significant monetary assets and liabilities denominated in foreign currency as follows (in millions Rupiah):

	June 30,				December 31,						January 1, 2008/ December 31, 2007	
	2011		2010		2010		2009		2008			
			As restated, Notes 2 and 4		As restated, Notes 2 and 4						As restated, Notes 2 and 4	
	US$	Equivalent in Rupiah	US$	Equivalent in Rupiah	US$	Equivalent in Rupiah	US$	Equivalent in Rupiah	US$	Equivalent in Rupiah	US$	Equivalent in Rupiah
United States Dollar												
Assets												
Cash and cash equivalents	1,920,661	16,512	5,853,741	53,170	3,741,357	33,639	419,071	3,939	110,025	1,205	-	-
Short-term investments	7,506,110	64,530	4,001,001	36,427	4,002,686	35,988	4,005,000	37,647	-	-	-	-
Trade receivables	1,596,450	13,725	-	-	-	-	-	-	-	-	-	-
Other receivables	161,144	1,385	219,135	2,041	156,713	1,409	-	-	-	-	-	-
Sub-total	11,184,365	96,152	10,073,877	91,638	7,900,756	71,036	4,424,071	41,586	110,025	1,205	-	-
Liabilities												
Trade payables	1,483,928	12,757	-	-	-	-	18,710,573	175,879	102,576,288	1,123,210	6,335,150	59,671
Other payables	48,153	414	177,073	1,608	215,664	1,939	194,077	1,824	-	-	-	-
Sub-total	1,532,081	13,171	177,073	1,608	215,664	1,939	18,904,650	177,703	102,576,288	1,123,210	6,335,150	59,671
Aset (Liabilites) in United States Dollar, net	9,652,284	82,981	9,896,804	90,030	7,685,092	69,097	(14,480,579)	(136,117)	(102,466,263)	(1,122,005)	(6,335,150)	(59,671)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial liabilities of the Company and Subsidiaries consist of short-term bank loans, trade payables, other payables, accrued expenses, and long-term debt. The main purpose of these financial liabilities is to raise funds for the operations of the Company and Subsidiaries. The Company and Subsidiaries also has various financial assets such as cash and cash equivalents, short-term investment, trade receivables, other receivables, loan to employees and security deposits which arise directly from its operations.

The main risks arising from the Company and Subsidiaries' financial instruments are fair value and cash flow interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's and Subsidiaries' Directors reviews and approves the policies for managing these risks which are summarized below:

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and Subsidiaries are exposed to the risk of changes in market interest rates relating primarily to its loans and overdrafts. Loan with fluctuations interest rate make the Company and Subsidiaries influenced by fair value interest rate. There are no loans of the Company and Subsidiaries' which bear fixed interest rate.

Currently, the Company and Subsidiaries do not have a formal hedging policy for interest rate exposures. For working capital and overdrafts, the Company and Subsidiaries may seek to mitigate its interest rate risk by passing it on to its customers.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange rate risk

As a result of transactions made with the seller from abroad, consolidated statements of financial position of the Company and Subsidiaries may be affected significantly by changes in exchange rate US Dollar/Rupiah. Currently, the Company and Subsidiaries do not have any formal hedging policy for foreign exchange exposure. However, the Company and Subsidiaries had time deposit denominated in United States Dollars currency which provide limited hedging naturally in dealing with the impact of fluctuations of Rupiah towards foreign currencies.

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company and Subsidiaries' exposure to exchange rate fluctuations results primarily from cash and cash equivalents, short-term investments, trade receivables, other receivables, trade payables and other payables denominated in United States Dollar.

Monetary assets and liabilities of the Company and Subsidiaries denominated in foreign currencies as of June 30, 2011 and 2010 and December 31, 2010, 2009, 2008 and 2007 are presented in Note 34.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge its obligation and will result in a financial loss to the other party. The Company and Subsidiaries are exposed to credit risk arising from the credit granted to its customers. The Company and Subsidiaries trade only with recognized and creditworthy third parties. It is the Company and Subsidiaries' policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

Liquidity risk

In the management of liquidity risk, the Company and Subsidiaries monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Company and Subsidiaries' operations and to mitigate the effects of fluctuation in cash flows. The Company and Subsidiaries also regularly evaluates the projected and actual cash flows, including its long-term loan maturity profiles, and continuously assesses conditions in the financial markets to maintain flexibility in funding by keeping committed credit facilities available.

(Expressed in Rupiah, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company and Subsidiaries' financial liabilities based on contractual payments as of June 30, 2011:

	< 1 year	1 - 2 years	3 - 5 years	> 5 years	Total
Short-term bank loans	98,652,554,245	-	-	-	98,652,554,245
Trade payables	60,973,064,437	-	-	-	60,973,064,437
Other payables	6,813,035,595	-	-	-	6,813,035,595
Accrued expenses	39,162,933,033	-	-	-	39,162,933,033
Long-term debt	609,521,436	113,220,000	-	-	722,741,436
Total	**206,211,108,746**	**113,220,000**	**-**	**-**	**206,324,328,746**

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following are the methods and assumptions used to estimate the fair value of each class of the Company and Subsidiaries' financial instruments:

1. Cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accrued expenses approximate their carrying values due to the short-term maturities.

2. The carrying values of short-term bank loans and other long-term loans approximate their fair values due to the floating rate interests on these instruments which are subject to adjustments by the banks.

3. The fair value of short-term investment - time deposits, loans to employees and security deposits is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risks and remaining maturities.

4. Short-term investment - investment in shares - available for sale was recorded at cost due to its fair value can not be measured reliably.

(Expressed in Rupiah, unless otherwise stated)

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following tables set the fair values, which approximate their carrying amounts, of financial assets and financial liabilities of the Company and Subsidiaries:

	June 30, 2011	June 30, 2010	December 31, 2010
Financial Assets			
Loan and receivables			
Cash and cash equivalents	44,774,174,507	103,870,547,823	59,262,159,225
Short-term investment - time deposits	96,703,974,480	36,426,726,572	35,988,155,723
Trade receivables	204,740,010,516	532,225,689,089	502,446,917,740
Other receivables	211,685,979,125	6,678,388,449	12,943,552,391
Loans to employees	552,688,195	1,042,991,617	691,526,961
Security deposits	2,245,566,852	1,851,868,215	2,238,664,600
Financial assets available for sale			
Short-term investment - investment in shares - available for sale	-	1,681,575,000	1,632,575,000
Total Financial Assets	**560,702,393,675**	**683,777,786,765**	**615,203,551,640**
Financial liabilities			
Liabilities at fair value or amortized cost			
Short-term bank loans	98,652,554,245	-	180,340,060,000
Trade payables	60,973,064,437	40,896,030,751	52,751,761,896
Other payables	6,813,035,595	12,106,659,899	5,062,281,365
Accrued expenses	39,162,933,033	6,132,100,727	6,247,067,800
Other long-term debt	722,741,436	1,952,869,779	1,134,471,714
Total Financial Liabilities	**206,324,328,746**	**61,087,661,156**	**245,535,642,775**

37. SEGMENT INFORMATION

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources.

	June 30, 2011				
	Celullar Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Segment sales					
External sales	1,638,961,034,389	392,911,579,912	3,847,885,234	-	2,035,720,499,535
Inter-segment sales	163,106,312,381	83,564,118	-	(163,189,876,499)	-
Net sales	**1,802,067,346,770**	**392,995,144,030**	**3,847,885,234**	**(163,189,876,499)**	**2,035,720,499,535**
Segmented result	**258,479,673,204**	**10,106,796,329**	**(1,054,365,148)**	**(42,165,051,034)**	**225,367,053,351**
Unallocated operating expenses					(116,882,143,133)
Income from operations					**108,484,910,218**
Finance income					934,255,757
Finance cost					(9,295,535,003)
Shares in net income (loss) from associated companies - net					(4,115,306,418)
Income before income tax expense					**96,008,324,554**
Income tax expense - net					(28,238,632,529)
Net income after effect of pro forma adjustments					**67,769,692,025**

(Expressed in Rupiah, unless otherwise stated)

37. SEGMENT INFORMATION (continued)

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources. (continued)

	June 30, 2011 (continued)				
	Celullar Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Effect of pro forma adjustments					-
Net income					**67,769,692,025**
Segment assets					**1,317,710,900,281**
Segment liabilities					**226,020,164,560**

	June 30, 2010 (As restated, Notes 2 and 4)				
	Celullar Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Segment sales					
External sales	1,930,271,722,575	337,130,533,574	5,978,625,188	-	2,273,380,881,337
Inter-segment sales	132,318,235,838	4,515,454	-	(132,322,751,292)	-
Net sales	**2,062,589,958,413**	**337,135,049,028**	**5,978,625,188**	**(132,322,751,292)**	**2,273,380,881,337**
Segmented result	**211,090,331,666**	**8,598,645,306**	**(2,642,788,975)**	**(22,198,510,712)**	**194,847,677,285**
Unallocated operating expenses					(94,121,857,405)
Income from operations					**100,725,819,880**
Finance income					1,256,504,352
Finance cost					(1,366,182,666)
Shares in net income from associated companies - net					332,938,233
Income before income tax expense					**100,949,079,779**
Income tax expense - net					(26,274,457,791)
Net income after effect of pro forma adjustments					**74,674,622,088**
Effect of pro forma adjustments					4,835,077,034
Net income					**79,509,699,042**
Segment assets					**1,062,247,309,774**
Segment liabilities					**118,424,081,269**

	December 31, 2010 (As restated, Notes 2 and 4)				
	Celullar Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Segment sales					
External sales	3,948,144,050,433	683,621,348,895	6,748,865,387	-	4,638,514,264,715
Inter-segment sales	289,068,919,276	-	-	(289,068,919,276)	-
Net sales	**4,237,212,969,709**	**683,621,348,895**	**6,748,865,387**	**(289,068,919,276)**	**4,638,514,264,715**
Segmented result	**516,633,179,483**	**7,098,848,490**	**(2,338,243,530)**	**(1,049,100,226)**	**520,344,684,217**
Unallocated operating expenses					(226,735,588,960)
Income from operations					**293,609,095,257**

(Expressed in Rupiah, unless otherwise stated)

37. SEGMENT INFORMATION (continued)

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources. (continued)

	December 31, 2010 (As restated, Notes 2 and 4) (continued)				
	Celullar Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Finance income					2,691,468,002
Finance cost					(2,784,309,188)
Shares in net income from associated companies - net					3,202,217,015
Income before income tax expense					**296,718,471,086**
Income tax expense - net					(76,008,011,354)
Net income after effect of pro forma adjustments					**220,710,459,732**
Effect of pro forma adjustments					(2,079,768,730)
Net income					**218,630,691,002**
Segment assets					**1,284,991,547,365**
Segment liabilities					**268,092,481,136**

	December 31, 2009 (As restated, Notes 2 and 4)				
	Cellular Phones	Vouchers	Accessories and Others	Elimination	Consolidated
Segment sales					
External sales	4,409,595,000,886	583,883,236,860	35,250,249,124	-	5,028,728,486,870
Inter-segment sales	493,618,189,426	-	-	(493,618,189,426)	-
Net sales	**4,903,213,190,312**	**583,883,236,860**	**35,250,249,124**	**(493,618,189,426)**	**5,028,728,486,870**
Segmented result	**294,201,380,575**	**18,310,468,624**	**6,104,862,261**	**(15,077,786,487)**	**303,538,924,973**
Unallocated operating expenses					(4,726,293,686)
Income from operations					**298,812,631,287**
Finance income					2,409,920,754
Finance cost					(8,781,115,502)
Share in net income from associated companies - net					-
Income before income tax expense					**292,441,436,539**
Income tax expense - net					(83,092,366,719)
Net income after effect of pro forma adjustments					**209,349,069,820**
Effect of pro forma adjustments					(4,249,225,728)
Net income					**205,099,844,092**
Segment assets					**1,253,514,646,831**
Segment liabilities					**384,576,040,334**

(Expressed in Rupiah, unless otherwise stated)

37. SEGMENT INFORMATION (continued)

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources. (continued)

	December 31, 2008 (As restated, Notes 2 and 4)				
	Cellular Phones	**Voucher**	**Accessories and Others**	**Elimination**	**Consolidated**
Segment sales					
External sales	2,739,152,903,111	666,042,071,670	9,978,440,366	-	3,415,173,415,147
Inter-segment sales	474,246,892,727	-	-	(474,246,892,727)	-
Net sales	**3,213,399,795,838**	**666,042,071,670**	**9,978,440,366**	**(474,246,892,727)**	**3,415,173,415,147**
Segmented result	**341,082,888,229**	**13,135,838,570**	**4,655,717,130**	**-**	**358,874,443,929**
Unallocated operating expenses					(217,109,033,409)
Income from operations					**141,765,410,520**
Finance income					350,035,892
Finance cost					(22,165,518,607)
Shares in net income from associated companies - net					-
Income before income tax expense					**119,949,927,805**
Income tax expense - net					(35,895,653,973)
Net income after effect of pro forma adjustments					**84,054,273,832**
Effect of pro forma adjustments					(3,088,512,230)
Net income					**80,965,761,602**
Segment assets					**1,494,954,807,740**
Segment liabilities					**1,333,390,271,062**

The Company and Subsidiaries primarily classify geographical segment based on customer location which consist of West Area (Sumatera and Java), Central Area (Jabodetabek and Kalimantan) and East Area (outside West and Central Area) as follows:

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
		As restated, Notes 2 and 4		**As restated, Notes 2 and 4**	
Net sales					
West	146,159,864,570	357,259,809,850	636,273,985,060	470,731,957,153	184,665,846,824
Central	954,108,057,665	1,556,497,827,586	3,086,374,308,705	4,055,764,076,191	3,053,604,931,344
East	935,452,577,300	359,623,243,901	915,865,970,950	502,232,453,526	176,902,636,979
Total net sales	**2,035,720,499,535**	**2,273,380,881,337**	**4,638,514,264,715**	**5,028,728,486,870**	**3,415,173,415,147**

(Expressed in Rupiah, unless otherwise stated)

38. SUBSEQUENT EVENTS

a. Based on the Sale and Purchase Agreement dated August 11, 2011 between the Company and Dexter Financial Equities Ltd. ("DFE"), British Virgin Islands, the Company purchased a non-interest bearing convertible bond of US$700,000 issued by West Swan Overseas Ltd. ("WSO"), British Virgin Islands, from DFE at the price of US$85,000,000. On August 9, 2011, the Company has prepaid the amount of US$850,000 and for the remaining balance of US$84,150,000, the Company issued a non-interest bearing promissory note which will be due in 2 (two) months after the Company's listing in Indonesia Stock Exchange or 12 (twelve) months after the date of this Sales and Purchase Agreement, whichever is earlier. The fair value of the related promissory note on the transaction date amounted to US$83,152,174.

On the same date, the related convertible bond was converted into 700.000 shares of WSO with par value of US$1 per share, which resulted to the Company's share ownership of 99.99% in WSO.

The fair value of the identifiable assets and liabilities of WSO at the date of acquisition are as follows:

	Fair Value on Acquisition	Carrying Value August 31, 2011 (Unaudited)
Cash and cash equivalents	59,607,645,910	59,607,645,910
Time deposit	17,534,406,375	17,534,406,375
Trade receivables	303,618,116,439	303,618,116,439
Other receivables	24,133,727,078	24,133,727,078
Inventories - net	201,603,031,061	201,603,031,061
Advances	49,630,893,160	49,630,893,160
Current portion of prepaid expenses	3,449,098,881	3,449,098,881
Deferred tax assets - net	3,102,763,430	3,102,763,430
Prepaid expenses - net of current portion	2,567,140,442	2,567,140,442
Advances for purchase fixed assets	33,000,000	33,000,000
Fixed assets - net*)	17,900,919,586	12,411,112,263
Estimated claims for tax refund	13,964,716,530	13,964,716,530
Security deposits	312,009,994	312,009,994
Total assets	**697,457,468,886**	**691,967,661,563**
Short-term bank loans	207,175,000,000	207,175,000,000
Trade payables	246,270,142,623	246,270,142,623
Other payables	3,092,658,441	3,092,658,441
Taxes payable	2,245,364,409	2,245,364,409
Accrued expenses	8,642,006,619	8,642,006,619
Advances from customers	5,950,669,326	5,950,669,326
Current maturies of long-term debt	254,223,605	254,223,605
Long-term debt - net of current portion	267,601,670	267,601,670
Liabilities for employee benefits	1,295,897,864	1,295,897,864
Non-controlling interest - subsidiary	213,646,977	213,646,977
Total liabilities	**475,407,211,534**	**475,407,211,534**
Net assets as of August 31, 2011	**222,050,257,352**	**216,560,450,029**
Less: Net income (August 12, 2011 - August 31, 2011)	707,453,987	
Net assets as of August 11, 2011	**221,342,803,365**	
Non-controlling interest (1 share out of 700,001 shares)	(316,204)	
Net assets acquired	221,342,487,161	
Goodwill arising on acquisition	496,456,088,926	
Total consideration	**717,798,576,087**	

*) The fair value of WSO's fixed assets which mainly represent the fixed assets owned by the Subsidiary of WSO have been appraised by Martokoesoemo, Prasetyo & Rekan, an independent appraisal, based on its report dated August 9, 2011.

If the acqusition had taken place at the beginning of the year 2011, the consolidated net sales and consolidated net income become Rp3,155,198,032,860 and Rp96,724,911,320, respectively.

(Expressed in Rupiah, unless otherwise stated)

38. SUBSEQUENT EVENTS (continued)

The acquisition of WSO will provide additional distribution channels and infrastructures, complementary brands for the Company’s portofolio, and also increase the Company's market share.

The goodwill of Rp496,456,088,926, comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized.

b. Based on the Minutes of Extraordinary Shareholders’ General Meeting dated July 4, 2011, which was notarized by Notarial Deed No. 2 of Fathiah Helmi, S.H., dated August 3, 2011, the shareholders of the Company approved as follows:

- Changes in the Company’s Articles of Association to conform with Capital Market Regulation.
- Change in the status of the Company from private company to public company.
- Increase in the Company’s issued and fully paid share capital to become Rp990,000,000,000 in accordance with the Minutes of Annual Shareholders’ General Meeting dated June 24, 2011 (Note 21).
- Change in the Company’s par value of shares from Rp1,000,000 per share to Rp500 per share.
- Increase in the Company’s authorized share capital to become Rp3,900,000,000,000 which consists of 7,800,000,000 shares with par value of Rp500 per share.
- Conduct the Initial Public Offering of the Company’s shares up to 1,320,000,000 shares with a par value of Rp500 (five hundred) per share.
- Change in the composition of the Company’s Boards of Commissioners and Directors as follows:

Board of Commissioners		Board of Directors	
President Commissioner	- Ardy Hady Wijaya	President Director	- Budiarto Halim
Commissioner	- Richard Halim Kusuma	Non-affiliated Director	- Jodi Rasjidgandha
Independent Commissioner	- Lim Bing Tjay	Director	- Elly
			- Sintawati Halim
			- Andreas Harun Djumadi
			- Sim Chee Ping
			- Lee Sang Bong
			- Michael Chung Sing Wu

The changes of the related Articles of Association were approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-43208.AH.01.02 Year 2011 dated August 25, 2011.

c. Based on the Minutes of Extraordinary Shareholders’ General Meeting of PT Erafone Artha Retailindo (“EAR”), a Subsidiary, which was notarized by Notarial Deed No. 36 of Fathiah Helmi, S.H., dated July 27, 2011, the shareholders of EAR approved to increase in the authorized share capital from Rp92,000,000,000 which consists of 92,000,000 shares with par value of Rp1,000 per share to become Rp400,000,000,000 which consists of 400,000,000 shares with par value of Rp1,000, and increase in issued and fully paid share capital from Rp30,000,000,000 which consist of 30,000,000 shares, to become Rp100,000,000,000 which consists of 100,000,000 shares. The increase in issued and fully paid share capital of 70,000,000 shares was taken by the Company with acquisiton cost of Rp70,000,000,000 which increased the Company’s share ownership from 21,000,000 shares or 70% to become 91,000,000 shares or 91%.

The changes of the Articles of Association were approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No.AHU-41474.AH.01.02 Year 2011 dated August 16, 2011.

38. SUBSEQUENT EVENTS (continued)

Based on the Minutes of Extraordinary Shareholders' General Meeting of EAR which was notarized by Notarial Deed No. 40 of Fathiah Helmi, S.H., dated August 18, 2011, the shareholders of EAR approved the sale of EAR share capital owned by Ardy Hady Wijaya and Budiarto Halim of 5,500,000 shares and 2,500,000 shares, respectively, to the Company, which increased the Company's share ownership to become 99,000,000 shares or 99%.

d. Based on the Minutes of Extraordinary Shareholders' General Meeting of PT Sinar Eka Selaras ("SES"), a Subsidiary, which was notarized by Notarial Deed No. 41 of Fathiah Helmi, S.H., dated August 18, 2011, the shareholders of SES approved the sale of SES share capital owned by Jemmy Hady Wijaya and Frans Gosal of 2,250 shares and 750 shares, respectively, to the Company, which increased the Company's share ownership from 46,500 shares or 93% to become 49,500 shares or 99%.

e. On September 16, 2011, SES, a Subsidiary, entered into an agreement with Motorola Mobility Singapore Pte. Ltd., Singapore ("Motorola"), whereby SES was appointed as a non-exclusive distributor for Motorola's products in Indonesia. This agreement is valid for 12 months and automatically renewed for another next 12 months, unless terminated upon written agreement by one of the party.

f. Based on the Statement of Shareholders' Decision of PT Multi Media Selular ("MMS") which was notarized by Notarial Deed No. 4 of Myra Yuwono, S.H., dated August 4, 2011, EAR sold it share ownership in MMS of 190,000 shares to Rina Dewi, which decreased EAR's share ownership in MMS to become 800,000 shares or 80%.

g. Based on the Statement of Shareholders' Decision of PT Prakarsa Prima Sentosa ("PPS") which was notarized by Notarial Deed No. 7 of Myra Yuwono, S.H., dated August 4, 2011, the shareholders of PPS approved the following:

   - Sale of PPS's shares owned by Rina Dewi to EAR of 250 shares, which increased EAR's share ownership in PPS to become 2,000 shares or 80%.
   - Increase in PPS's authorized share capital from Rp10,000,000,000 which consists of 10,000 shares to become Rp25,000,000,000 which consists of 25,000 shares.
   - Increase in PPS's issued and fully paid share capital from Rp2,500,000,000 to become Rp7,300,000,000.

h. Based on the Statement of Shareholders' Decision of PT Data Media Telekomunikasi ("DMT") which was notarized by Notarial Deed No. 1 of Myra Yuwono, S.H., dated August 4, 2011, EAR sold its share ownership in DMT of 95,000 shares to Rina Dewi, which decreased EAR's share ownership to become 400,000 shares or 80%.

i. On August 1, 2011, SES entered into an authorized distributor agreement with PT Acer Indonesia ("Acer"), whereby SES was appointed as a distributor with a non-exclusive and non-transferable right to market, sell and distribute Acer's products in Indonesia. The agreement is valid for twelve (12) months from August 1, 2011, unless terminated upon written agreement by one of the party.

(Expressed in Rupiah, unless otherwise stated)

39. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements as of June 30, 2010 and December 31, 2010, 2009, 2008 and 2007 have been reclassified to conform with the presentation in the June 30, 2011 consolidated financial statements:

As Previously Reported	As Reclassified	June 30, 2010	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007/ January 1, 2008	Explanation
Selling and Distribution Expenses: Sales Commission	Cost of Goods Sold: Rebate	12,639,191,337	-	15,077,786,487	-	-	Reclassification to conform with the 2011 presentation
Other Income (Expenses): Others - Net	General and Administrative Expenses: Others	-	-	687,784,325	-	-	Reclassification to conform with the 2011 presentation
Other Income (Expenses): Others - Net	Cost of Goods Sold: Rebate	-	-	-	75,368,704,270	-	Reclassification to conform with the 2011 presentation
Current Assets: Due From Related Partiy	Current Assets : Accounts Receivable - Others - Related Parties	2,293,312,250	-	-	-	-	Reclassification to conform with the 2011 presentation
Current Assets: Prepaid Rent	Non-current Assets: Prepaid Rent - Net of Current Portion	3,977,398,340	3,506,534,600	4,213,218,920	4,859,236,966	3,622,001,846	Reclassification to conform with the 2011 presentation
Current Liabilities: Accrued Expense - Management Fee	Current Liabilities: Accounts Payable - Others - Related Parties	4,631,877,562	-	-	-	-	Reclassification to conform with the 2011 presentation

40. PARENT COMPANY ONLY FINANCIAL INFORMATION

Statements of financial position

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	13,034,518,579	94,962,511,850	40,046,100,149	7,456,531,896	3,346,121,177	7,513,165,546
Short-term investments	34,434,212,004	36,475,726,571	35,988,155,723	37,696,000,000	12,632,575,000	-
Accounts receivable						
Trade						
Third parties - net of allowance for impairment of Rp5,828,630,711 as of June 30, 2011 and December 31, 2010	59,992,390,429	486,579,054,430	325,658,506,279	547,221,002,683	698,624,892,650	45,623,998,400
Related parties	144,604,940,071	54,785,791,420	182,744,983,270	72,015,060,930	193,249,139,500	-
Others						
Third parties	30,055,235	310,723,863	407,784,589	479,041,534	310,898,089	368,290,260
Related parties	197,705,312,075	3,256,099,175	1,938,849,769	-	-	75,605,015,500
Inventories - net of allowance for obsolescence and decline in value of inventories of Rp6,158,164,851 as of June 30, 2011, Rp3,717,195,361 as of June 30, 2010, Rp3,557,292,661 as of December 31, 2010 and Rp1,420,736,152 as of December 31, 2009	274,914,353,908	182,659,487,240	319,513,622,381	242,915,958,618	320,098,083,179	37,345,629,297
Advances and prepaid expenses	37,977,218,153	17,198,434,287	119,256,836,201	172,536,510,742	27,005,568,205	86,358,412,662
Current portion of prepaid rent	1,198,365,716	1,639,323,418	1,281,302,982	3,055,011,261	799,132,205	809,980,031
Prepaid value added tax	4,044,514,990	2,292,568,292	15,549,236,566	-	501,505,237	1,388,443
Due from related parties	139,445,250,000	-	-	-	-	-
TOTAL CURRENT ASSETS	**907,381,131,162**	**880,159,720,546**	**1,042,385,377,909**	**1,083,375,117,664**	**1,256,567,915,242**	**253,625,880,139**

(Expressed in Rupiah, unless otherwise stated)

40. PARENT COMPANY ONLY FINANCIAL INFORMATION (continued)

Statements of financial position (continued)

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
NON-CURRENT ASSETS						
Deferred tax assets - net	4,481,571,654	1,504,032,093	3,261,135,915	648,345,546	219,491,228	188,974,295
Loans to employees	28,576,839	338,307,588	120,937,644	319,945,900	-	-
Investments in associated companies	81,840,000,000	600,000,000	25,350,000,000	-	-	-
Fixed assets - net of accumulated depreciation of Rp5,125,509,221 as of June 30, 2011, Rp1,619,459,751 as of June 30, 2010, Rp3,078,727,038 as of December 31, 2010, Rp2,738,674,115 as of December 31, 2009, Rp1,578,581,486 as of December 31, 2008 and Rp1,194,912,821 as of December 31, 2007	50,906,751,556	11,194,764,800	48,753,677,932	7,152,255,492	3,599,545,314	1,568,048,099
Advances for purchase fixed assets	-	25,495,654,400	-	20,000,000,000	-	-
Prepaid rent - net of current potion	916,767,544	1,613,007,659	328,434,102	1,666,364,644	2,332,238,249	2,496,924,198
Estimated claims for tax refund	44,140,727,984	46,863,046,029	45,968,729,623	52,838,101,144	31,677,914,994	3,420,463,670
Security deposits	956,138,650	1,118,804,457	1,121,495,400	1,114,535,400	1,011,231,400	670,202,850
Deferred charges - net	35,819,915,345	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	**219,090,449,572**	**88,727,617,026**	**124,904,410,616**	**83,739,548,126**	**38,840,421,185**	**8,344,613,112**
TOTAL ASSETS	**1,126,471,580,733**	**968,887,337,572**	**1,167,289,788,525**	**1,167,114,665,790**	**1,295,408,336,427**	**261,970,493,251**
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term bank loans	19,123,316,569	-	155,245,030,000	102,800,030,000	32,000,000,000	150,000,000,000
Accounts payable						
Trade - third parties	33,319,750	1,431,693,479	33,338,263	198,274,756,428	1,123,561,303,698	59,681,300,725
Others						
Third parties	1,135,647,060	3,596,163,450	3,125,144,097	3,563,940,075	2,283,345,011	-
Related parties	570,000,000	450,000,000	264,060,000	1,146,518,000	-	-
Taxes payable	384,079,627	1,216,147,689	507,008,060	1,117,042,097	327,496,958	849,217,131
Accrued expenses	36,876,562,795	2,871,983,173	3,235,528,111	5,149,661,107	7,588,731,347	1,387,735,900
Advances from customers	3,828,388,796	44,832,360,774	6,551,359,743	22,603,808,298	-	89,169,991
Current maturities of long-term debt	559,449,936	1,392,806,679	787,306,681	1,227,653,341	276,600,000	-
TOTAL CURRENT LIABILITIES	**62,510,764,533**	**55,791,155,244**	**169,748,774,955**	**335,883,409,346**	**1,166,037,477,014**	**212,007,423,747**
NON-CURRENT LIABILITIES						
Long-term debt - net of current maturities	113,220,000	-	100,163,333	432,786,667	263,633,333	-
Liabilities for employee benefits	5,351,766,000	2,246,531,500	3,313,044,000	1,180,019,000	738,571,475	550,094,536
TOTAL NON-CURRENT LIABILITIES	5,464,986,000	2,246,531,500	**3,413,207,333**	**1,612,805,667**	**1,002,204,808**	**550,094,536**
TOTAL LIABILITIES	**67,975,750,533**	**58,037,686,744**	**173,161,982,288**	**337,496,215,013**	**1,167,039,681,822**	**212,557,518,283**

(Expressed in Rupiah, unless otherwise stated)

40. PARENT COMPANY ONLY FINANCIAL INFORMATION (continued)

Statements of financial position (continued)

	June 30,		December 31,			January 1, 2008/ December 31, 2007
	2011	2010	2010	2009	2008	
EQUITY						
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY						
Share capital - Rp1,000,000 par value as of June 30, 2011 and 2010, and December 31, 2010, Rp1,000 par value as of December 31, 2009, 2008 and 2007 Authorized - 1,000,000 shares as of June 30, 2011 and 2010, and December 31, 2010, 3,800,000 shares as of December 31, 2009, 2008 and 2007 Issued and fully paid - 990,000 shares as of June 30, 2011, 500,000 shares as of June 30, 2010, and December 31, 2010, and 2,000,000 shares as of December 31, 2009 2008 and 2007	990,000,000,000	500,000,000,000	500,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Deposits for future stock subscription	-	-	-	498,000,000,000	-	-
Retained earnings						
Appropriated	1,000,000,000	-	-	-	-	-
Unappropriated	607,495,830,200	410,849,650,828	544,127,806,237	329,618,450,777	126,368,654,605	47,412,974,968
TOTAL EQUITY	**1,058,495,830,200**	**910,849,650,828**	**994,127,806,237**	**829,618,450,777**	**128,368,654,605**	**49,412,974,968**
TOTAL LIABILITIES AND EQUITY	**1,126,471,580,733**	**968,887,337,572**	**1,167,289,788,525**	**1,167,114,665,790**	**1,295,408,336,427**	**261,970,493,251**

Statements of comprehensive income

	June 30,		December 31,		
	2011	2010	2010	2009	2008
NET SALES	1,225,198,073,605	1,791,879,407,109	3,622,627,996,896	4,184,707,610,558	2,537,064,273,944
COST OF GOODS SOLD	1,034,442,347,176	1,604,123,943,563	3,182,990,175,714	3,943,388,328,571	2,208,174,163,132
GROSS PROFIT	**190,755,726,429**	**187,755,463,546**	**439,637,821,182**	**241,319,281,987**	**328,890,110,812**
Selling and distribution expenses	(53,970,889,681)	(38,855,141,125)	(68,380,370,638)	(28,526,887,672)	(8,832,293,905)
General and administrative expenses	(46,456,816,467)	(31,025,246,423)	(73,682,360,476)	(40,743,214,107)	(6,613,077,458)
Other operating income	1,031,633,173	1,397,467,828	4,181,209,700	118,594,424,970	2,551,011,358
Other operating expenses	(1,519,479,837)	(9,769,560,157)	(13,047,407,979)	(236,763,496)	(181,545,644,282)
INCOME FROM OPERATIONS	**89,840,173,617**	**109,502,983,669**	**288,708,891,789**	**290,406,841,682**	**134,450,106,525**
Finance income	4,763,397,308	837,109,446	2,038,646,529	2,030,672,752	187,479,486
Finance costs	(5,902,986,451)	(781,221,611)	(2,245,682,477)	(8,726,292,900)	(22,165,518,607)
INCOME BEFORE INCOME TAX	**88,700,584,474**	**109,558,871,504**	**288,501,855,841**	**283,711,221,534**	**112,472,067,404**
Income tax expense - net	(24,332,560,511)	(28,327,671,453)	(73,992,500,381)	(80,461,425,362)	(33,516,387,767)
NET INCOME	**64,368,023,963**	**81,231,200,051**	**214,509,355,460**	**203,249,796,172**	**78,955,679,637**
OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**64,368,023,963**	**81,231,200,051**	**214,509,355,460**	**203,249,796,172**	**78,955,679,637**

(Expressed in Rupiah, unless otherwise stated)

40. PARENT COMPANY ONLY FINANCIAL INFORMATION (continued)

Statements of changes in equity

	Issued and Fully Paid Share Capital	Deposits for Future Stock Subscription	Retained Earnings		Total Equity
			Appropriated	Unappropriated	
Balance, January 1, 2008/ December 31, 2007	**2,000,000,000**	**-**	**-**	**47,412,974,968**	**49,412,974,968**
Net income for the year ended December 31, 2008	-	-	-	78,955,679,637	78,955,679,637
Balance, December 31, 2008	**2,000,000,000**	**-**	**-**	**126,368,654,605**	**128,368,654,605**
Deposits for future stock subscription	-	498,000,000,000	-	-	498,000,000,000
Net income for the year ended December 31, 2009	-	-	-	203,249,796,172	203,249,796,172
Balance, December 31, 2009	**2,000,000,000**	498,000,000,000	**-**	**329,618,450,777**	**829,618,450,777**
Additional share capital - issued and fully paid	498,000,000,000	(498,000,000,000)	-	-	-
Net income for the six months ended June 30, 2010	-	-	-	81,231,200,051	81,231,200,051
Balance, June 30, 2010	**500,000,000,000**	**-**	**-**	**410,849,650,828**	**910,849,650,828**
Balance, December 31, 2009	**2,000,000,000**	498,000,000,000	**-**	**329,618,450,777**	**829,618,450,777**
Additional share capital - issued and fully paid	498,000,000,000	(498,000,000,000)	-	-	-
Net income for the year ended December 31, 2010	-	-	-	214,509,355,460	214,509,355,460
Cash dividends	**-**	**-**	**-**	(50,000,000,000)	(50,000,000,000)
Balance, December 31, 2010	**500,000,000,000**	**-**	**-**	**494,127,806,237**	**994,127,806,237**
Stock dividends	490,000,000,000	-	-	(490,000,000,000)	-
Appropriation for general reserve	-	-	1,000,000,000	(1,000,000,000)	-
Net income for the six months ended June 30, 2011	-	-	-	64,368,023,963	64,368,023,963
Balance, June 30, 2011	**990,000,000,000**	**-**	**1,000,000,000**	**67,495,830,200**	**1,058,495,830,200**

Statements of cash flows

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	1,329,380,302,494	1,891,347,762,347	3,710,664,961,290	4,479,949,387,393	1,690,725,070,204
Cash payments to suppliers	(908,744,669,306)	(1,594,174,335,172)	(3,416,666,234,812)	(4,820,201,408,020)	(1,548,439,548,857)
Cash payments to employees	(19,957,220,300)	(12,722,147,251)	(29,985,463,766)	(16,129,957,350)	(2,663,237,539)
Payments for operating expenses	(30,578,354,659)	(57,615,848,563)	(115,964,519,118)	(55,085,926,064)	(6,972,879,207)
Net cash provided by (used in) operating	370,100,058,229	226,835,431,361	148,048,743,594	(411,467,904,041)	132,649,404,601
Cash receipts from (payments for):					
Interest income	4,763,397,308	837,109,446	2,038,646,529	2,030,672,752	187,479,485
Income taxes	(23,724,994,612)	(23,208,302,884)	(69,735,919,228)	(102,050,465,830)	(61,804,356,026)
Interest expenses	(5,902,986,452)	(781,221,612)	(2,245,682,477)	(8,726,292,900)	(22,165,518,607)
Other operating activities	(35,668,922,527)	(1,531,220,385)	974,153,967	4,056,831,468	79,473,178,500
Net Cash Provided by (Used in) Operating Activities	**309,566,551,946**	**202,151,795,926**	**79,079,942,385**	**(516,157,158,551)**	**128,340,187,953**

(Expressed in Rupiah, unless otherwise stated)

40. PARENT COMPANY ONLY FINANCIAL INFORMATION (continued)

Statements of cash flows (continued)

	June 30,		December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of fixed assets	95,325,000	688,110,310	1,385,002,880	16,014,383	481,818
Proceeds from sale (placement) of short-term investment	-	-	49,000,000	1,583,575,000	(1,632,575,000)
Additional investment in Subsidiary	(56,490,000,000)	-	(23,750,000,000)	-	-
Acquisitions of fixed assets and advances for purchase of fixed assets	(4,401,695,004)	(11,666,262,954)	(25,905,251,296)	(24,605,256,787)	(2,415,372,473)
Additional investment in associated companies	-	(600,000,000)	(1,600,000,000)	-	-
Placement of short-term investments	-	-	1,658,844,277	(37,647,000,000)	-
Net Cash Used in Investing Activities	**(60,796,370,004)**	**(11,578,152,644)**	**(48,162,404,139)**	**(60,652,667,404)**	**(4,047,465,655)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from:					
Short-term bank loans	280,000,000,000	-	150,000,000,000	772,536,000,000	-
Deposits for future stock subscription	-	-	-	498,000,000,000	-
Payments of:					
Short-term bank loans	(380,000,000,000)	(20,000,000,000)	(70,000,000,000)	(784,536,000,000)	(118,000,000,000)
Loan to third parties	(139,445,250,000)	-	-	-	-
Cash dividends	-	-	(50,000,000,000)	-	-
Long-term debt	(214,800,078)	(267,633,328)	(772,969,993)	(1,120,206,674)	540,233,333
Net Cash Provided by (Used in) Financing Activities	**(239,660,050,078)**	**(20,267,633,328)**	**29,227,030,007**	**487,120,206,674**	**(117,459,766,667)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,110,131,864**	**170,306,009,954**	**60,144,568,253**	**(89,689,619,281)**	**6,832,955,631**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**(15,198,929,851)**	**(75,343,498,104)**	**(75,343,498,104)**	**14,346,121,177**	**7,513,165,546**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(6,088,797,987)**	**94,962,511,850**	**(15,198,929,851)**	**(75,343,498,104)**	**14,346,121,177**
CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSISTS OF:					
Cash and cash equivalents	13,034,518,579	94,962,511,850	40,046,100,149	7,456,531,896	14,346,121,177
Overdrafts	(19,123,316,566)	-	(55,245,030,000)	(82,800,030,000)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(6,088,797,987)**	**94,962,511,850**	**(15,198,929,851)**	**(75,343,498,104)**	**14,346,121,177**

41. REISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

In relation to the company's plan to conduct Initial Public Offering, the Company has reissued its consolidated financial statements as of June 30, 2011 and 2010, and December 31, 2010 and 2009 and for the six-month periods ended June 30, 2011 and 2010, and the year ended December 31, 2010 and 2009, with comparative figures as of December 31, 2008 and January 1, 2008/December 31, 2007 and the year ended December 31, 2008. The related consolidated financial statements were audited by Public Accounting Firm Purwantono, Suherman & Surja in its report No. RPC-1514/PSS/2011 dated August 22, 2011. The consolidated financial statements were reissued includes certain changes in the consolidated financial statements and notes 1a, 1b, 1c, 2a, 2g, 2k, 2l, 2t, 6, 8c, 8h, 9, 11, 13, 16, 17b, 38a, 38b, 38e, 38f, 38g, 38h, 38i, 40 and 41 to the consolidated financial statements to comply with BAPEPAM-LK requirements in connection with the Company's initial public offering.

42. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were completed and authorized for issuance by the Company's Board of Directors on October 12, 2011.

Arsyad & Rekan

Registered Public Accountant
Lisence No. KEP-181/KM.6/2004

INDEPENDENT AUDITORS' REPORT

Report No. ARS-013/09

The Stockholders and Commissioner and Board of Directors
PT Erajaya Swasembada

We have audited the balance sheets of PT Erajaya Swasembada as of December 31, 2008 and 2007 the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Erajaya Swasembada as of December 31, 2008 and 2007, and the results of its operations, changes in its stockholders' equity and its cash flows for the years ended in conformity with generally accepted accounting principles in Indonesia.

ARSYAD & REKAN
Business Lisence No. KEP-181/KM.6/2004

Drs. S. Arsyad
Lisence No. 99.1.0568

April 8, 2009

NOTICE TO READERS

The accompanying financial statements are intended to present the financial position and results of operations and changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdiction. The standarts, procedures and practices applied to audit such financial statements are those generally accepted and applied in Indonesia.

Sudirman Plaza, Plaza Marein 17th Floor, Jl. Jenderal Sudirman Kav. 76 - 78, Jakarta 12910
Telp: (62-21) 5793 5980 (Hunting), Fax (62-21) 5793 5990

Registered Public Accountants
Richard Risambessy & Rekan
Audit, Accounting Services, Management Services & Tax Services

INDEPENDENT AUDITORS' REPORT

Report No. J.104/AI/KAP/IV/2009

The Stockholders, Board of Commissioners and Directors
PT Erafone Artha Retailindo

We have audited the consolidated balance sheet of PT Erafone Artha Retailindo and Subsidiaries as of December 31, 2008 and the related consolidated statement of income, changes in stockholders' equity and cash flows for the year ended. 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 audit. We did not audit the financial statements of the subsidiaries that represent 56% of total consolidated asset and 73% of total consolidated net sales for the year ended December 31, 2008. These financial statements were audited by other independent auditor whose report has been provided to us, and our opinion, in so far as it relates to amounts included this subsidiaries, is based solely on the report of the other independent auditor. The financial statements of PT PT Erafone Artha Retailindo for the year ended December 31, 2007 was audited by other independent auditor whose report No. ARS-021/08 dated May 16, 2008 expressed an unqualified opinion on those statements.

We conducted our audit 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 statements presentation. We believe that our audit provide a reasonable basis for our opinion.

As explained in Note 21, the Company's management has restated consolidated financial statement year 2007 to represent revision of Corporate Annual Tax Return year 2006 related with program "Sunset Policy".

In our opinion, based on our audit and other independent auditor's report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Erafone Artha Retailindo and Subsidiary as of December 31, 2008 and the results of their operations, changes in their stockholders' equity and their cash flows for the years ended December 31, 2008 in conformity with generally accepted accounting principles in Indonesia.

RICHARD RISAMBESSY & REKAN
Firm License No: 376/KM.1/2008

Drs. SALMON, MM.
Public Accountant
License No: 98.1.0070

April 30, 2009

NOTICE TO READERS

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

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Arsyad & Rekan

Registered Public Accountant
Lisence No. KEP-181/KM.6/2004

INDEPENDENT AUDITORS' REPORT

Report No. ARS-021/08

The Stockholders, Commissioner and Director
PT Erafone Artha Retailindo

We have audited the balance sheets of PT Erafone Artha Retailindo as of December 31, 2007 and 2006 the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Erafone Artha Retailindo as of December 31, 2007 and 2006, and the results of its operations, changes in its stockholders' equity and its cash flows for the year ended in conformity with generally accepted accounting principles in Indonesia.

ARSYAD & REKAN
Business Lisence No. KEP-181/KM.6/2004

Drs. S. Arsyad
Lisence No. 99.1.0568

May 16, 2008

NOTICE TO READERS

The accompanying financial statements are intended to present the financial position and results of operations and changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdiction. The standarts, procedures and practices applied to audit such financial statements are those generally accepted and applied in Indonesia

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West Swan Overseas Ltd

Independent Auditors' Report
To the Member of West Swan Overseas Ltd

Report on the financial statements

We have audited the accompanying financial statements of West Swan Overseas Ltd (the Company) which comprise the balance sheet of the Company as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company for the period from 26 May 2011 (date of incorporation) to 30 June 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants
Singapore
14 September 2011

Partner-in-Charge : Toong Weng Sum, Vincent

West Swan Overseas Ltd

Statement of Comprehensive Income for the financial period ended 30 June 2011

	Note	26.5.2011 to 30.6.2011 US$
Administrative expenses		(2,000)
Loss before taxation		(2,000)
Tax expense	4	–
Loss after taxation and total comprehensive income for the year		(2,000)

The accounting policies and explanatory notes form an integral part of the financial statements.

West Swan Overseas Ltd

Balance Sheet as at 30 June 2011

	Note	30.6.2011 US$
ASSETS		
Current assets		
Cash and cash equivalents		1
Total assets		1
LIABILITIES		
Current liabilities		
Accrued operating expenses	5	2,000
Total liabilities		2,000
Net liabilities		(1,999)
EQUITY		
Share capital	6	1
Accumulated losses		(2,000)
Total equity		(1,999)

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity for the financial period ended 30 June 2011

	Share capital US$	Accumulated losses US$	Total US$
2011			
At date of incorporation	1	–	1
Loss after taxation and total comprehensive income	–	(2,000)	(2,000)
At 30 June 2011	1	(2,000)	(1,999)

The accounting policies and explanatory notes form an integral part of the financial statements.

West Swan Overseas Ltd

Cash Flow Statement for the financial period ended 30 June 2011

	26.5.2011 to 30.6.2011 US$
Operating activities	
Loss before taxation	(2,000)
Operating cash flows before changes in working capital	(2,000)
Increase in accrued operating expenses	2,000
Net cash flows used in operating activity	–
Financing activities	
Issue of share capital	1
Net cash flows generated from financing activity	1
Net increase in cash and cash equivalents	1
Cash and cash equivalents at end of period	1

The accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

West Swan Overseas Ltd (the Company) is a private limited liability company incorporated and domiciled in the British Virgin Islands. As at 30 June 2011, the immediate and ultimate holding company is Boswell Investments Pte. Ltd..

The registered office and principal place of business of the Company is located at Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is investment holding. The Company is dormant.

2. Fundamental accounting concept

The Company incurred a net loss of US$2,000 during the financial period ended 30 June 2011 and as at that date, the Company's liabilities exceeded its assets by US$1,999. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared on a going concern basis as the holding company has given an undertaking to provide financial support to the Company to enable it to meet its liabilities as and when they fall due.

3. Summary of significant accounting policies

3.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis and are presented in United States Dollars (USD or US$), which is the Company's functional currency.

3.2 *Adoption of accounting policies*

The Company has adopted all the new and revised standards and Interpretations of IFRS (INT IFRS) that are effective for annual periods beginning on or after 1 January 2011.

3.3 *Foreign currency*

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. Summary of significant accounting policies (cont'd)

3.4 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

3. Summary of significant accounting policies (cont'd)

3.5 ***Impairment of financial assets***

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics a nd collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. Summary of significant accounting policies (cont'd)

3.6 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash and bank balances which are subject to an insignificant risk of changes in value.

3.7 ***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.8 ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. Summary of significant accounting policies (cont'd)

3.9 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the country where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. Summary of significant accounting policies (cont'd)

3.9 *Taxes (continued)*

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

3.10 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.11 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Summary of significant accounting policies (cont'd)

3.12 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies :

- (i) The entity and the Company are members of the same group (which means that each parent, 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 Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (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).

4. Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The Company measures foreign currency transactions in the functional currency of the Company. In determining the functional currency of the Company, judgement is required to determine the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. The functional currency of the company is determined based on management's assessment of the economic environment in which the Company operates and the currency in which funds from financing activities are generated.

5. Tax expense

No corporate income tax is applicable to the company as it is domiciled in the British Virgin Islands for the financial period.

6. Share capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

7. Classification of financial instruments

	30 June 2011 US$
Financial asset	
Cash and cash equivalents	1
Loans and receivables	1
Financial liability	
Accrued operating expenses	2,000
Financial liability carried at amortised cost	2,000

8. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risk is liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As part of the overall liquidity management, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial asset and liability as at 30 June 2011 based on contractual undiscounted payments.

	One year or less US$
Financial asset	
Cash and cash equivalents	1
Financial liability	
Accrued operating expenses	(2,000)
Total net undiscounted financial liability	(1,999)

9. Fair values of financial instruments

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents, accrued operating expenses

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values either due to their short-term nature or that they are floating instruments that are frequently repriced to market interest rates on or near the balance sheet date.

10. Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern. The Company maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations. The Company relies on funding from the holding company to meet its financial obligations.

11. Subsequent event

a. Issue of convertible bonds

On 29 July 2011, the Company issued zero-coupon convertible bonds ("Bonds") with face value of US$700,000 convertible to ordinary shares of the company of US$1 per share. The Bonds are due on 29 July 2016.

On 11 August 2011, the bond holder exercised its rights under the Bonds and converted into 700,000 ordinary shares in the Company equaling to 99.9% of the outstanding share capital of the Company.

b. Acquisition of PT Nusa Gemilang Abadi ("NGA")

On 1 August 2011, the Company was allotted 5,000,000 ordinary shares with nominal amount of Rp 1,000 each in PT Nusa Gemilang Abadi for total consideration of Rp 5,000 million (equivalent to US$591,017). Subsequent to the allotment, the Company holds 99.95% ownership interests in NGA. The principal activity of NGA is investment holding.

The fair values of the identifiable assets and liabilities of NGA and its subsidiaries as at the date of acquisition were:

	IDR
Net assets as at date of acquisition of NGA	98,401,788,700
Net assets accquired (99.95%)	198,302,587,805
Premium paid on acquisition of subsidiary under common control	193,302,587,805
Consideration paid	(5,000,000,000)

12. Authorisation of financial statements

The financial statements of the Company for the financial period ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 14 September 2011.

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ERNST & YOUNG

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Independent Auditors' Report

Report No. RPC-1639/PSS/2011

The Shareholders, Commissioner and Director
PT Nusa Gemilang Abadi

We have audited the consolidated statements of financial position of PT Nusa Gemilang Abadi (the "Company") and its subsidiaries as of June 30, 2011 and December 31, 2010, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month periods ended June 30, 2011 and the year ended December 31, 2010. 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. The consolidated financial statements of the Company as of December 31, 2009 and 2008, and for the years then ended (before the restatement as disclosed in Note 31 to the consolidated financial statements) were audited by other independent auditors, whose report dated December 30, 2010 expressed an unqualified opinion on those statements.

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 audits 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 statements 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 Nusa Gemilang Abadi and its subsidiaries as of June 30, 2011 and December 31, 2010, and the consolidated results of their operations and their cash flows for the six-month periods ended June 30, 2011 and the year ended December 31, 2010, in conformity with Indonesian Financial Accounting Standards.

As disclosed in Notes 2 and 31 to the consolidated financial statements, the Company and its subsidiaries have implemented certain Statements of Financial Accounting Standards ("PSAK 2011"), which became effective as of January 1, 2011 and are applied prospectively and retrospectively. In addition, as disclosed in Note 31 to the consolidated financial statements, there were adjustments that were applied to the consolidated financial statements of the Company as of December 31, 2009 and 2008, and for the years then ended, with respect to the acquisition of PT Teletama Artha Mandiri ("TAM") by the Company from a third party in 2008. Accordingly, the consolidated financial statements of the Company as of December 31, 2009 and 2008, and for the years then ended, have been restated. We have audited the restatement adjustments that are applied to: (i) the consolidated financial statements of the Company as of December 31, 2009 and for the year then ended and (ii) the consolidated statement of financial position of the Company as of January 1, 2009/December 31, 2008, to retrospectively apply the PSAK 2011 and to properly account for the acquisition of TAM by the Company from a third party in 2008. In our opinion, such restatement adjustments and reclassifications are appropriate and have been properly applied.

Purwantono, Suherman & Surja
Registered Public Accountants KMK No. 301/KM.1/2010
A member firm of Ernst & Young Global Limited

The consolidated financial statements of PT Nusa Gemilang Abadi and its subsidiaries as of June 30, 2010 and for the six-month periods then ended, were reviewed by us in accordance with standards established by the Indonesian Institute of Certified Public Accountants. A review of financial statements is substantially less in scope than an audit conducted in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants, the objective of which is the expression of an opinion regarding the financial statements taken as a whole; accordingly, we do not expresses such an opinion. Based on our review, we are not aware of any indications of material modifications that should be made to the consolidated financial statements of PT Nusa Gemilang Abadi and its subsidiaries as of June 30, 2010 and for the six-month periods then ended in order for them to be in conformity with Indonesian Financial Accounting Standards.

We have previously issued Independent Auditors' Report No. RPC-1547/PSS/2011 dated August 22, 2011 on the consolidated financial statements of PT Nusa Gemilang Abadi and its subsidiaries as of June 30, 2011 and for the six-month periods then ended and as of December 31, 2010 and for the year then ended. In relation to the inclusion of its consolidated financial statements as of December 31, 2009 and for the year then ended and its consolidated statement of financial position as of January 1, 2009/December 31, 2008 as comparatives to its consolidated financial statements as of June 30, 2011 and for the six-month periods then ended and as of December 31, 2010 and for the year then ended, the Company reissued its consolidated financial statements as of June 30, 2011 and for the six-month periods then ended and as of December 31, 2010 and for the year then ended.

Purwantono, Suherman & Surja

Peter Surja
Public Accountant License No. 05.1.0976

November 4, 2011

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

PT NUSA GEMILANG ABADI AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2011 and December 31, 2010
with comparative figures as of December 31, 2009
and January 1, 2009/December 31, 2008
(Expressed in Rupiah, Unless Otherwise Stated)

	Notes	June 30, 2011	December 31, 2010	December 31, 2009 (As restated, Note 31)	January 1, 2009/ December 31, 2008 (As restated, Note 31)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	2d,4,12,26	16,330,198,909	6,602,754,068	22,653,380,346	30,360,223,025
Time deposit	2e,5,26	17,572,014,474	17,982,000,000	37,600,000,000	43,800,000,000
Accounts receivable	2f,6				
Trade	12				
Third parties - net		186,753,340,290	36,318,218,437	440,546,241,245	608,339,042,962
Related parties	2g,7a	7,418,836,650	232,763,897,332	29,489,810,260	124,414,988,800
Others	26				
Third parties - net		50,212,680,065	80,077,587,376	75,999,330,377	5,835,578,471
Related parties	2g,7d,7g,7i	-	3,437,437,921	4,297,506,196	-
Inventories - net	2h,8,12	175,786,893,811	158,266,239,113	144,135,865,251	267,868,149,166
Advances	9	23,330,242,354	57,025,510,343	31,666,298,537	37,336,655,024
Current portion of prepaid expenses	2i,2k,10	2,955,450,806	2,302,824,649	3,505,126,109	1,022,424,094
Prepaid Value Added Tax		1,359,667,208	-	1,691,389,083	9,547,757,049
TOTAL CURRENT ASSETS		**481,719,324,567**	**594,776,469,239**	**791,584,947,404**	**1,128,524,818,591**
NON-CURRENT ASSETS					
Deferred tax assets - net	2o,14f	2,973,011,591	2,361,589,352	280,609,922	180,147,949
Advances for purchase of fixed assets		33,000,000	3,493,667,294	-	-
Prepaid expenses - net of current portion	2i,2k,10	2,542,620,041	808,026,005	922,476,591	926,132,843
Fixed assets - net	2j,11, 22,23,25	12,070,053,451	8,192,045,298	5,162,374,856	2,519,907,584
Estimated claims for tax refund	14d	10,352,652,630	-	18,450,246,304	20,154,765,135
Security deposits		344,444,994	714,500,520	1,063,996,334	1,087,439,138
TOTAL NON-CURRENT ASSETS		**28,315,782,707**	**15,569,828,469**	**25,879,704,007**	**24,868,392,649**
TOTAL ASSETS		**510,035,107,274**	**610,346,297,708**	**817,464,651,411**	**1,153,393,211,240**

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

PT NUSA GEMILANG ABADI AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of June 30, 2011 and December 31, 2010
with comparative figures as of December 31, 2009
and January 1, 2009/December 31, 2008
(Expressed in Rupiah, Unless Otherwise Stated)

	Notes	June 30, 2011	December 31, 2010	December 31, 2009 (As restated, Note 31)	January 1, 2009/ December 31, 2008 (As restated, Note 31)
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Bank loans	12,15	187,767,500,000	184,885,000,000	58,200,000,000	-
Accounts payable	13,26				
Trade					
Third parties		103,212,014,058	207,511,817,475	621,946,327,893	1,045,358,829,343
Related parties	2g,7b	-	23,060,654,560	10,455,418,491	-
Others					
Third parties		5,080,413,019	2,114,677,398	10,617,982,465	50,858,391,744
Related party	2g,7e	-	7,109,082,715	612,324,960	-
Taxes payable	14a	1,086,660,188	4,376,865,845	931,413,600	148,743,037
Accrued expenses	12,15	9,560,734,743	3,508,239,295	1,984,049,510	2,004,595,339
Advances from customers	16	6,562,632,993	6,103,671,465	1,137,781,730	-
Current maturities of long-term debts	11	254,450,062	544,255,388	646,708,534	41,855,000
Due to related parties	2g,7f,7h	2,300,000,000	5,543,704,759	2,300,000,000	-
TOTAL CURRENT LIABILITIES		**315,824,405,063**	**444,757,968,900**	**708,832,007,183**	**1,098,412,414,463**
NON-CURRENT LIABILITIES					
Long-term debts - net of current maturities	11	20,150,000	24,541,667	511,414,768	41,855,000
Liabilities for employee benefits	2p,17	1,017,862,611	1,325,200,311	898,170,704	452,652,541
Negative goodwill - net	18	-	18,726,157,571	19,801,343,652	20,876,529,732
TOTAL NON-CURRENT LIABILITIES		**1,038,012,611**	**20,075,899,549**	**21,210,929,124**	**21,371,037,273**
EQUITY					
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
Share capital - Rp1,000,000 par value Authorized - 5,000 shares Issued and fully paid - 2,500 shares	19	2,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000
Retained earnings		190,576,129,672	142,892,766,992	84,818,398,438	31,082,715,494
Sub-total		193,076,129,672	145,392,766,992	87,318,398,438	33,582,715,494
Non-controlling Interests	2b	**96,559,928**	**119,662,267**	**103,316,666**	**27,044,010**
TOTAL EQUITY		**193,172,689,600**	**145,512,429,259**	**87,421,715,104**	**33,609,759,504**
TOTAL LIABILITIES AND EQUITY		**510,035,107,274**	**610,346,297,708**	**817,464,651,411**	**1,153,393,211,240**

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

PT NUSA GEMILANG ABADI AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the six-month periods ended June 30, 2011 and 2010 (unaudited) and for the year ended December 31, 2010 with comparative figure for the year ended December 31, 2009
(Expressed in Rupiah, Unless Otherwise Stated)

	Notes	June 30, 2011	June 30, 2010 (unaudited)	December 31, 2010	December 31, 2009 (As restated, Note 31)
NET SALES	2g,2m,7a,20	1,239,232,398,467	737,320,015,361	1,745,074,277,958	1,338,205,009,173
COST OF GOODS SOLD	2g,2m,7b,21	1,130,162,210,861	687,658,245,488	1,586,066,430,467	1,328,723,418,747
GROSS PROFIT		**109,070,187,606**	**49,661,769,873**	**159,007,847,491**	**9,481,590,426**
Selling expenses	2g,2m,7a,11,22	(36,028,282,977)	(15,583,578,587)	(36,880,334,798)	(22,547,976,041)
General and administrative expenses	2f,2h,2m,6d,8, 11,17,23	(22,436,040,776)	(22,595,385,072)	(50,364,249,247)	(20,868,018,680)
Other operating income	2m,2n,24	6,518,326,890	14,727,738,354	22,444,705,272	114,040,471,782
Other operating expenses	2m,2n,11,25	(3,522,983,017)	(2,619,956)	(188,066,580)	(71,237,794)
INCOME FROM OPERATIONS		**53,601,207,726**	**26,207,924,612**	**94,019,902,138**	**80,034,829,693**
Finance income	5	364,695,222	497,206,119	927,436,332	686,879,420
Finance cost	2g,7f,12	(13,878,560,488)	(7,237,672,033)	(14,559,135,745)	(3,007,868,100)
INCOME BEFORE INCOME TAX		**40,087,342,460**	**19,467,458,698**	**80,388,202,725**	**77,713,841,013**
INCOME TAX BENEFIT (EXPENSES)	2o,14b				
Current		(11,737,907,750)	(7,236,037,250)	(24,378,468,000)	(24,027,347,386)
Deferred	14e	622,978,584	1,736,159,013	2,080,979,430	100,461,973
Income tax expense - net		(11,114,929,166)	(5,499,878,237)	(22,297,488,570)	(23,926,885,413)
NET INCOME		**28,972,413,294**	**13,967,580,461**	**58,090,714,155**	**53,786,955,600**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**28,972,413,294**	**13,967,580,461**	**58,090,714,155**	**53,786,955,600**
Net income/total comprehensive income attributable to:					
Equity holders of the parent company		28,957,205,109	13,953,690,263	58,074,368,554	53,735,682,944
Non-controlling interests	2b	15,208,185	13,890,198	16,345,601	51,272,656
TOTAL		**28,972,413,294**	**13,967,580,461**	**58,090,714,155**	**53,786,955,600**

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

PT NUSA GEMILANG ABADI AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six-month periods ended June 30, 2011 and 2010 (unaudited) and for the year ended December 31, 2010 with comparative figure for the year ended December 31, 2009 (Expressed in Rupiah, Unless Otherwise Stated)

	Note	Equity Attributable to the Equity Holders of the Company: Issued and Fully Paid Share Capital	Equity Attributable to the Equity Holders of the Company: Retained Earnings	Non-controlling Interest	Total Equity
Balance, January 1, 2009/December 31, 2008 (As restated, Note 31)		**2,500,000,000**	**31,082,715,494**	**27,044,010**	**33,609,759,504**
Net income for the year ended December 31, 2009		-	53,735,682,944	51,272,656	53,786,955,600
Acquisition of a Subsidiary		-	-	25,000,000	25,000,000
Balance, December 31, 2009 (As restated, Note 31)		**2,500,000,000**	**84,818,398,438**	**103,316,666**	**87,421,715,104**
Net income for the six-month periods ended June 30, 2010		-	13,953,690,263	13,890,198	13,967,580,461
Balance, June 30, 2010 (unaudited)		**2,500,000,000**	**98,772,088,701**	**117,206,864**	**101,389,295,565**
Balance, December 31, 2009 (As restated, Note 31)		**2,500,000,000**	**84,818,398,438**	**103,316,666**	**87,421,715,104**
Net income for the year ended December 31, 2010		-	58,074,368,554	16,345,601	58,090,714,155
Balance, December 31, 2010		**2,500,000,000**	**142,892,766,992**	**119,662,267**	**145,512,429,259**
Net income for the six-month periods ended June 30, 2011		-	28,957,205,109	15,208,185	28,972,413,294
Effect of applying Statement of Accounting Standard No. 22 (Revised 2010) "Accounting for Business Combinations"	18	-	18,726,157,571	-	18,726,157,571
Disposal of a Subsidiary		-	-	(38,310,524)	(38,310,524)
Balance, June 30, 2011		**2,500,000,000**	**190,576,129,672**	**96,559,928**	**193,172,689,600**

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

PT NUSA GEMILANG ABADI AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2011 and 2010 (unaudited) and for the year ended December 31, 2010 with comparative figure for the year ended December 31, 2009 (Expressed in Rupiah, Unless Otherwise Stated)

		June 30,		December 31,	
	Notes	2011	2010 (unaudited)	2010	2009 (As restated, Note 31)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		1,312,236,829,159	1,045,016,081,679	1,949,588,515,383	1,602,060,771,161
Cash payments to suppliers		(1,257,192,895,145)	(1,066,000,767,449)	(2,045,399,804,293)	(1,538,362,592,108)
Cash payments to employees		(10,333,862,874)	(10,294,485,120)	(25,125,651,740)	(10,914,227,001)
Cash payments for operating expenses		(32,353,062,405)	(21,062,894,732)	(24,122,419,151)	(11,136,483,735)
Cash provided by (used in) from operations		12,357,008,735	(52,342,065,622)	(145,059,359,801)	41,647,468,317
Receipts from (payments for):					
Interest income		48,509,058	497,206,119	225,980,259	683,641,837
Income taxes		(22,413,981,763)	(6,143,850,139)	(5,809,984,999)	(23,719,448,809)
Interest expense		(14,011,388,090)	(4,599,693,266)	(15,876,268,587)	(908,712,810)
Other operating activities		5,028,045,320	16,626,091,256	1,939,303,523	7,739,492,337
Net Cash Provided by (Used in) Operating Activities		**(18,991,806,740)**	**(45,962,311,652)**	**(164,580,329,605)**	**25,442,440,872**
CASH FLOWS FROM INVESTING ACTIVITIES					
Withdrawal of time deposit		1,215,309,907	2,132,072,576	20,436,000,000	12,400,000,000
Proceeds from sale of fixed assets	11	5,000,000	-	-	-
Acquisitions of fixed assets and advances for purchase of fixed assets		(2,102,157,607)	(6,679,930,332)	(7,973,115,396)	(2,184,587,483)
Proceeds from sale of shares of subsidiary net with its cash and cash equivalents at end period		(323,557,063)	-	-	-
Net Cash Provided by (Used in) Investing Activities		**(1,205,404,763)**	**(4,547,857,756)**	**12,462,884,604**	**10,215,412,517**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank loans		400,135,000,000	436,196,006,500	724,947,565,476	70,600,000,000
Proceeds from loan to a third party		28,995,382,555	2,392,228,754	6,878,072,935	(59,801,906,694)
Increase in due to related parties		-	-	3,243,704,759	2,300,000,000
Decrease in due to a third party		(1,255,319,302)	-	-	(43,528,272,000)
Payments of:					
Bank loans		(397,252,500,000)	(396,180,500,000)	(598,262,565,476)	(12,400,000,000)
Long term debts		(378,357,829)	(340,918,717)	(736,576,247)	(525,786,698)
Increase in loans from employees		(319,549,080)	(33,682,724)	(3,382,724)	(8,730,676)
Net Cash Provided by (Used in) Financing Activities		**29,924,656,344**	**42,033,133,813**	**136,066,818,723**	**(43,364,696,068)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,727,444,841**	**(8,477,035,595)**	**(16,050,626,278)**	**(7,706,842,679)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		6,602,754,068	22,653,380,346	22,653,380,346	30,360,223,025
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	**16,330,198,909**	**14,176,344,751**	**6,602,754,068**	**22,653,380,346**

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

(Expressed in Rupiah, Unless Otherwise Stated)

1. GENERAL

a. Establishment of the Company

PT Nusa Gemilang Abadi ("the Company") was established in Indonesia based on Notarial Deed No. 59 dated April 25, 2006 of Myra Yuwono, S.H. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C-21104 HT.01.01.TH.2006 dated July 19, 2006 and was published in Supplement No. 10598 of State Gazette No. 79 dated October 3, 2006. The Company's Articles of Association has been amended several times, most recently by Notarial Deed No. 64 dated October 15, 2009 of Robert Purba, S.H., pertaining to the changes in the Company's shareholders. The latest amendment of the Articles of Association was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0069338.AH.01.09 dated October 22, 2009.

According to the Company's Articles of Association, the Company is engaged in trading and services of telecommunication equipment.

The Company is domiciled at Ruko Mangga Dua Square Blok H No. 12, Jalan Gunung Sahari Raya No. 1, Central Jakarta, and started its operations in July 2006.

b. Subsidiaries' Structure

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are the Company are owned more than 50%, directly or indirectly, as follows:

			Percentage of Ownership			
				December 31,		
Subsidiaries	Domicile	Start of Commercial Operations	June 30, 2011	2010	2009	January 1, 2009/ December 31, 2008
Direct ownership						
PT Teletama Artha Mandiri ("TAM")	Jakarta	2005	99.95	99.95	99.95	99.95
PT Dinamika Agung ("DA")	Jakarta	2009	-	99.00	99.00	-

			Total Assets			
				December 31,		
Subsidiaries	Domicile	Start of Commercial Operations	June 30, 2011	2010	2009	January 1, 2009/ December 31, 2008
Direct ownership						
PT Teletama Artha Mandiri ("TAM")	Jakarta	2005	507,481,823,326	585,899,727,872	819,947,126,488	1,147,629,905,546
PT Dinamika Agung ("DA")	Jakarta	2009	-	29,592,771,594	31,877,237,649	-

In the Extraordinary Shareholders' General Meeting held on March 2, 2011, which it results was covered under Notarial Deed No. 13 dated March 4, 2011 of Myra Yuwono, S.H., PT Dinamika Agung ("DA")'s shareholders approved the sale of the DA's 2,475 shares (representing 99% share ownership) owned by the Company to Mr. Lexy Yapri and Mr. Sun Lie, totaling to 1,250 shares and 1,225 shares, respectively.

Based on Transfer of Rights on Shares of DA Agreements dated March 2, 2011, the Company sold its shares at price of Rp1,000,000 per shares to Mr. Lexy Yapri and Mr. Sun Lie. The agreements were covered under Notarial Deed No. 13 and 14 of Myra Yuwono, S.H., dated March 4, 2011.

TAM and DA are engaged in trading and services of telecommunication equipment.

(Expressed in Rupiah, Unless Otherwise Stated)

1. GENERAL (continued)

c. Commissioner, Director and Employees

As of June 30, 2011, December 31, 2010 and 2009 the composition of the Company's Commissioner and Director based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 32 of Robert Purba, S.H., dated May 11, 2009 is as follows:

Commissioner		Director	
Commissioner	- Hasanoeddin Solichin	Director	- Billy Ching

As of December 31, 2008, the composition of the Company's Commissioner and Director based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 89 of Robert Purba, S.H., dated May 22, 2008 is as follows:

Commissioner		Director	
Commissioner	- Hasanoeddin Solichin	Director	- Elly

As of June 30, 2011, December 31, 2010, 2009 and 2008, the Company and Subsidiaries have 569, 178, 338 and 118 permanent employees (unaudited), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting and reporting policies consistently applied by the Company and Subsidiaries in the preparation of the consolidated financial statements for the six-month periods ended June 30, 2011 and 2010 and for the years ended December 31, 2010, 2009 and 2008 are as follows:

a. Basis of Presentation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements of Financial Accounting Standards ("PSAKs") and Interpretations to Financial Acccounting Standards ("ISAKs") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants. As disclosed further in the relevant succeeding notes, several amended and published accounting standards were adopted effective January 1, 2011, prospectively or retrospectively. Accordingly, the consolidated financial statements of the Company and Subsidiaries as of December 31, 2010 and 2009 and for the years then ended, and the consolidated statement of financial position of the Company and Subsidiaries as of January 1, 2009/December 31, 2008 have been restated due to reclassifications of certain accounts.

The consolidated financial statements are prepared in accordance with PSAK No. 1 (Revised 2009), "Presentation of Financial Statements", and PSAK No. 3 (Revised 2010), "Interim Financial Statements" (both adopted on January 1, 2011).

PSAK No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, components of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and liabilities, comparative information and consistency, and introduces new disclosures, such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

PSAK No. 3 (Revised 2010) regulates the minimum presentation of interim financial statements, and also the principles of recognition and measurement in the complete or condensed interim financial statements.

The adoption of PSAK No. 1 (Revised 2009) and PSAK No. 3 (Revised 2010) have significant impacts on the related presentation and disclosures in the consolidated financial statements.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those made in the preparation of the Company's and Subsidiaries' consolidated financial statements for the year ended December 31, 2010, except for the adoption of several amended SAKs effective January 1, 2011 as disclosed in this note.

The consolidated financial statements have been prepared using the accrual basis, and the measurement basis used is historical cost, except for certain accounts which are measured on the basis as described in the relevant notes herein.

The consolidated statements of cash flows present the receipts and payments of cash and cash equivalents classified into operating, investing and financing activities using the direct method.

Effective January 1, 2011, the Company has adopted PSAK No. 2 (Revised 2009), "Statement of Cash Flows", which superseded PSAK No. 2 with the same title. The implementation of PSAK No. 2 (Revised 2009) does not have significant impact on the consolidated financial statements.

The financial reporting period of the Company and Subsidiaries is January 1 - December 31.

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

b. Principles of Consolidation

From January 1, 2011

Effective January 1, 2011, the Company and Subsidiaries retrospectively adopted PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements", except for the following items that were applied prospectively: (i) losses of a subsidiary that result in a deficit balance to non-controlling interests ("NCI"); (ii) loss of control over a subsidiary; (iii) change in the ownership interest in a subsidiary that does not result in a loss of control; (iv) potential voting rights in determining the existence of control; and (v) consolidation of a subsidiary that is subject to long-term restriction.

PSAK No. 4 (Revised 2009) provides for the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and the accounting for investments in subsidiaries, jointly controlled entities and associated entities when separate financial statements are presented as additional information.

As described herein, the adoption of PSAK No. 4 (Revised 2009) has a significant impact on the financial reporting, including the related disclosures, in the consolidated financial statements.

The consolidated financial statements include the financial statements of Subsidiaries as mentioned in Note 1b, in which the Company owns more than 50% share ownership, either directly or indirectly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

From January 1, 2011 (continued)

All material intercompany accounts and transactions, including unrealized gains or losses, if any, are eliminated to reflect the financial position and the results of operations of the Company and Subsidiaries as one business entity.

Subsidiaries are fully consolidated from the dates of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date such control ceases. Control is presumed to exist if the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

Losses of a non-wholly owned subsidiary are attributed to the NCI even if such losses result in a deficit balance for the NCI.

In case of loss of control over a subsidiary, the Company and Subsidiaries:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences, recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss in statements of comprehensive income; and,
- reclassifies the parent's share of components previously recognized in other comprehensive income to statements of comprehensive income or retained earnings, as appropriate.

NCI represents the portion of the profit or loss and net assets of the subsidiaries attributable to equity interests that are not owned directly or indirectly by the Company, which are presented in the consolidated statements of comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the Parent Company.

Prior to January 1, 2011

The proportionate shares of minority shareholders in net assets and net income or loss of the consolidated subsidiaries were previously presented as "Minority Interest in Net Assets of Consolidated Subsidiaries" in the consolidated statements of financial position and as "Minority Interest in Net Income (Loss) of Consolidated Subsidiaries" in the consolidated statements of comprehensive income.

The losses applicable to the minority interests in a subsidiary may have exceeded the minority interests in the equity of the subsidiary. The excess and any further losses applicable to the minority interests were absorbed by the Company as the majority shareholder, except to the extent that minority interests had other long-term interest in the related subsidiary or had binding obligations for, and were able to make good of, the losses. If the subsidiary subsequently reported profits, all such profits were allocated to the majority interest holder, in this case, the Company, until the minority interests' share of losses previously absorbed by the Company were recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations

From January 1, 2011

Effective January 1, 2011, the Company and Subsidiaries prospectively adopted PSAK No. 22 (Revised 2010), “Business Combinations”, applicable for business combinations that occur on or after the beginning of a financial year/period commencing on or after January 1, 2011.

PSAK No. 22 (Revised 2010) stipulates the nature of a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

In accordance with the transitional provision of PSAK No. 22 (Revised 2010), starting January 1, 2011, the Company and Subsidiaries:
- ceased the goodwill amortization;
- eliminated the carrying amount of the related accumulated amortization of goodwill; and
- performed an impairment test of goodwill in accordance with PSAK No. 48 (Revised 2009), “Impairment of Assets”.

As described herein, the adoption of PSAK No. 22 (Revised 2010) has an impact on the financial reporting, including the related disclosures, in the consolidated financial statements.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Transaction costs incurred are directly expensed and included in administrative expenses.

When the Company and Subsidiaries acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PSAK No. 55 (Revised 2006) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business combinations (continued)

From January 1, 2011 (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date, to each of the Company and Subsidiaries' Cash-Generating Units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Prior to January 1, 2011

In comparison to the above, the following were the accounting policies applied on business combination prior to January 1, 2011:

i. Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The NCI (formerly known as minority interest) was measured at the book value of the proportionate share of the acquiree's identifiable net assets;

ii. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired equity interest did not affect previously recognized goodwill;

iii. When the Company and Subsidiaries acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract;

iv. Contingent consideration was recognized if, and only if, the Company and Subsidiaries had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

d. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks and time deposits with maturities of 3 (three) months or less at the time of placement and not pledged as collateral and without any restrictions in the usage.

e. Time Deposit

Time deposit with maturity more than 3 (three) months but not exceeding 1 (one) year at the time of placement or pledged as collateral, or restricted in the usage, is stated at nominal value and presented as part of "Time Deposit" account in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Allowance for Impairment

Prior to January 1, 2010, allowance for impairment is provided based on a review on the collectability of accounts receivable at the end of the period. Effective January 1, 2010, the Company and Subsidiaries provide allowance for impairment losses in accordance with the provisions of PSAK No. 55 (Revised 2006).

g. Transactions with Related Parties

Effective January 1, 2011, the Company and Subsidiaries have adopted PSAK No. 7 (Revised 2010), “Related Party Disclosures”. This revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated financial statements. The adoption of the revised PSAK has a significant impact on the related disclosures in the consolidated financial statements.

A party is considered to be related to the Company and Subsidiaries if the party:

a. has control or joint control over the Company and Subsidiaries;
b. has significant influence over the Company and Subsidiaries;
c. is a member of the key management personnel of the Company and Subsidiaries or of Company and Subsidiaries;
d. is a member of the same group with the Company (which means that each parent, subsidiary and fellow subsidiary is related to each others);
e. is an associate or joint venture of the Company and Subsidiaries (or an associate or joint venture of a member of a group of which the Company and Subsidiaries are a member);
f. together with the Company and Subsidiaries, is a joint venture of the same third party;
g. is a joint venture of an associate of the Company and Subsidiaries or is an associate of a joint venture of the Company and Subsidiaries;
h. is a post-employment benefit plan for the benefit of employees of either the Company and Subsidiaries or an entity related to the Company and Subsidiaries;
i. is controlled or jointly controlled by the person identified in (a-c above); and
j. has significant influence by the person identified in (a above).

The transactions are made based on terms agreed by the parties, in which such terms may not be the same as those of the transactions between unrelated parties.

All significant transactions and balances with related parties are disclosed in the notes to the consolidated financial statements.

h. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. The costs of the Subsidiaries’ inventories are determined by the specific identification method, except for the costs of accessories which are determined using the “first-in, first-out” (“FIFO”) method.

The Company and Subsidiaries provide allowance for obsolescence and/or decline in market values of inventories based on periodic reviews of the physical condition and net realizable values of the inventories.

(Expressed in Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Prepaid Expenses

Prepaid expenses including prepaid rent are amortized and charged to operations over the periods benefited. The long-term portion of prepaid expense is presented as part of “Prepaid Expenses - Net of Current Portion” in the consolidated statements of financial position.

j. Fixed Assets

Fixed assets, except for land, are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized as gain or loss when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Type of Fixed Assets	Method	Estimated Useful Lives (Years)	Rate
Building	Straight-line	20	5%
Renovation	Straight-line	3 - 5	20% - 33%
Office equipment	Straight-line	4 - 5	20 - 25%
Service equipment	Straight-line	4 and 8	12.5% and 25%
Vehicles	Straight-line	4 and 8	12.5% and 25%
Furniture and fixtures	Straight-line	4 - 8	12.5% - 25%

Land is stated at cost and not amortized.

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed, their costs and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current period operations.

The carrying value of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized as profit or loss in the period the asset is derecognized.

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial period end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Leases

The Company and Subsidiaries has applied PSAK No. 30 (Revised 2007), “Leases” replaces PSAK No. 30 (1990) “Accounting for Leases”. Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Company and Subsidiaries as lessee

i) Based on PSAK No. 30 (Revised 2007), under a finance lease, the Company and Subsidiaries shall recognize assets and liabilities in its consolidated statements of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred. Finance charges are recognized through profit or loss.

ii) Leased asset (presented as a part of the “fixed assets”) is depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term.

iii) Under an operating lease, the Company and Subsidiaries recognize lease payments as an expense on a straight-line basis over the lease term.

l. Impairment of Non-financial Assets

Effective January 1, 2011, the Company and Subsidiaries prospectively adopted PSAK No. 48 (Revised 2009), “Impairment of Assets”, including goodwill and assets acquired from business combinations before January 1, 2011.

PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this revised PSAK requires the entity to recognize an impairment loss. This revised PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company and Subsidiaries assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Company and Subsidiaries make an estimate of the asset’s recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Impairment of Non-financial Assets (continued)

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income as "Impairment Losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. The calculations are corroborated by valuation multiples or other available fair value indicators.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the consolidated statement of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment in each reporting period and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Management believes that there is no event or change in circumstances that may indicate any impairment assets value as of June 30, 2011, December 31, 2010, 2009 and 2008.

m. Revenue and Expense Recognition

Effective January 1, 2011, the Company and Subsidiaries adopted PSAK No. 23 (Revised 2010), "Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. The adoption of this revised PSAK has no significant impact in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Revenue and Expense Recognition (continued)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and Subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized for sale of goods are revenue from sales arising from physical delivery of the Company and Subsidiaries' products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincide with their delivery and acceptance.

Expenses are recognized when incurred.

n. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the consolidated statement of financial position date, assets and liabilities denominated in foreign currency are adjusted to Rupiah to reflect the last published prevailing rate of exchange by Bank Indonesia for the period. The resulting gains or losses are credited or charged to operations of the current year.

As of June 30, 2011, December 31, 2010, 2009 and 2008, the rates of exchange used are Rp8,597 per US$1, Rp8,991 per US$1, Rp9,400 per US$1 and Rp10,950 per US$1, respectively.

The rates of exchange used were computed by taking the average of the last published buying and selling rates for bank notes and/or transaction exchange rate by Bank Indonesia as of June 30, 2011, December 31, 2010, 2009 and 2008, respectively.

o. Taxation

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax base of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realizations of such benefits are probable.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the end of reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Amendments to tax obligations are recorded when an assessment letter is received or, if appealed against by the Company and Subsidiaries, when the result of the appeal is determined.

p. Liabilities for Employee Benefits

The Company and Subsidiaries apply PSAK No. 24 (Revised 2004), "Accounting for Employee Benefits" effective January 1, 2005, to provide post employment benefits under Law No. 13/2003 dated March 25, 2003. Under this revised PSAK, provides the accounting and disclosures of employee benefits including, among others, post-employment benefits and termination benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Liabilities for Employee Benefits (continued)

Under the Revised PSAK No. 24, the calculation of liability of employees benefits based on the Labor Law No. 13/2003 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 at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation at that date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees.

q. Provisions

Effective January 1, 2011, the Company and Subsidiaries adopted PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities, and Contingent Assets”. This revised PSAK is to be applied prospectively and provides that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information. There has no significant impact of this revised PSAK in the consolidated financial statements.

Provisions are recognized when the Company and Subsidiaries has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

r. Financial Instruments

Effective January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosure”, and PSAK No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”, which superseded PSAK No. 50, “Accounting for Investments in Certain Securities”, and PSAK No. 55 (Revised 1999), “Accounting for Derivative Instruments and Hedging Activities”.

PSAK No. 50 (Revised 2006) prescribes the requirements for the presentation of financial instruments and information that should be disclosed in the financial statements, whereas PSAK No. 55 (Revised 2006) prescribes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Financial Instruments (continued)

The initial adoption of the above revised PSAK did not result in transition adjustment that should be recorded in the consolidated financial statements as of January 1, 2010.

i. Financial Assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge.

On January 1, 2010, the Company and Subsidiaries did not have financial assets other than cash and cash equivalents, time deposit, accounts receivable, and security deposits. The Company and Subsidiaries determine the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the classification of those assets at the end of each financial period.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classifications which are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company and Subsidiaries have cash and cash equivalents, time deposit, accounts receivable and security deposits are classified under this category.

Derecognition of financial assets

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

i. the contractual rights to receive cash flows from the asset have expired; or

ii. The Company and Subsidiaries have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) substantially transferred all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Financial Instruments (continued)

i. Financial Assets (continued)

Derecognition of financial assets (continued)

When the Company and Subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's and Subsidiaries' continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and Subsidiaries could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new assets obtained less any new liabilities assumed, and (ii) any cumulative gain or loss which had been recognized in the shareholders' equity, should be recognized as profit or loss.

Impairment of financial assets

At each consolidated statement of financial position date, the Company and Subsidiaries assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Company and Subsidiaries first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

  If the Company and Subsidiaries determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the Company and Subsidiaries are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of financial assets (continued)

- Financial assets carried at amortized cost (continued)

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

  The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a "loans and receivables" financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized through profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company and Subsidiaries.

  If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance account. The recovery should not lead to the carrying amount of the asset exceeding its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized as profit or loss. If a future write-off is later recovered, the recovery is recognized as profit or loss.

- Financial assets carried at cost

  If there is objective evidence that an impairment has occurred over equity instruments that do not have the quotation and is not carried at fair value because fair value can not be measured reliably, then the amount of any impairment loss is measured as the difference between the carrying value of financial assets and the present value of estimated future cash flows discounted at the prevailing rate of return on the market for a similar financial asset. Impairment losses may not be reversed in succeeding periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Financial Instruments (continued)

ii. Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company and Subsidiaries determine the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company's and Subsidiaries' financial liabilities include bank loans, accounts payable, accrued expenses, due to related parties and long-term debts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized as profit or loss.

- Loan and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At consolidated statement of financial position date, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains or losses are recognized through profit or loss when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Financial Instruments (continued)

ii. Financial Liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized as profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

v. Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

s. Adoption of other revised accounting standards

Other than the revised accounting standards previously mentioned above, the Company and Subsidiaries also adopted the following revised accounting standards on January 1, 2011, which are considered relevant to the consolidated financial statements but did not have significant impact except for the related disclosures:

- PSAK No. 8 (Revised 2009), "Events after the Reporting Period"
- PSAK No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors"

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Standards issued but not yet effective

Accounting standard revised and issued but not yet effective on January 1, 2011 which considered relevant to the Company's and Subsidiaries' consolidated financial statements as follows:

Effective on or after January 1, 2012:

- PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates". The revised PSAK prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK No. 24 (Revised 2010), "Employee Benefits". The revised PSAK establish the accounting and disclosures for employee benefits.

- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes". The revised PSAK prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery/(settlement) of the carrying amount of assets/(liabilities) that are recognized in the statement of financial position; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation". The revised PSAK establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- PSAK No. 60, "Financial Instruments: Disclosures". The revised PSAK requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

- ISAK No. 15, "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This ISAK provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".

- ISAK No. 20, "Income Taxes - Changes in the Tax Status of an Entity or its Shareholders". This ISAK prescribes how an entity should account for the current and deferred tax consequences of a change in tax status of entities or its shareholders.

The Company and Subsidiaries are presently evaluating and has not yet determined the effects of these amended accounting standards on its consolidated financial statements.

3. SOURCE OF ESTIMATION UNCERTAINTY

Judgments

The preparation of the Company's and Subsidiaries' consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

The following judgments are made by management in the process of applying the Company's and Subsidiaries' accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements:

Classification of Financial Assets and Financial Liabilities

The Company and Subsidiaries determine the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2006). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's and Subsidiaries' accounting policies disclosed in Note 2r.

Allowance for Impairment of Receivables

The Company and Subsidiaries evaluate specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company and Subsidiaries use judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company and Subsidiaries expect to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of receivables. The carrying amount of the Company's and Subsidiaries' receivables before allowance for impairment of Rp247,176,019,353 and Rp357,018,891,459, Rp550,332,888,078 and Rp738,589,610,233 as of June 30, 2011, December 31, 2010, 2009 and 2008, respectively. Further details are presented in Note 6.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are disclosed below. The Company and Subsidiaries based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company and Subsidiaries. Such changes are reflected in the assumptions when they occur.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Employee Benefits

The determination of the Company and Subsidiaries' liabilities for employee benefits is dependent on its selection of certain assumptions used by the independent actuaries and the Company's and Subsidiaries' management in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's and Subsidiaries' assumptions which has influence exceeded 10% from defined benefit obligation is deferred and amortized on a straight line basis over the expected average remaining working lives of the employee. While the Company and Subsidiaries believe that its assumptions are reasonable and appropriate, significant differences in the Company and Subsidiaries' actual result or significant changes in the Company and Subsidiaries' assumptions may materially affect its liabilities for employee benefits of Rp1,017,862,611, Rp1,325,200,311, Rp898,170,704 and Rp452,652,541 as of June 30, 2011, December 31, 2010, 2009 and 2008, respectively. Further details are disclosed in Note 17.

Depreciation of Fixed Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 3 to 20 years. These are common life expectancies applied in the industries where the Company and Subsidiaries conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company's and Subsidiaries' fixed assets of Rp12,070,053,451, Rp8,192,045,298, Rp5,162,374,856 and Rp2,519,907,584 as of June 30, 2011, December 31, 2010, 2009 and 2008, respectively. Further details are disclosed in Note 11.

Income Tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and Subsidiaries recognize liabilities for corporate income tax issues based on estimates of whether additional corporate income tax will be due.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(Expressed in Rupiah, Unless Otherwise Stated)

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Allowance for Decline in Values and Obsolescence of Inventories

Allowance for obsolescence and decline in values of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company and Subsidiaries' inventories before allowance for obsolescence and decline in values of Rp183,869,915,215, Rp163,596,233,863, Rp144,135,865,251 and Rp267,868,149,166 as of June 30, 2011, December 31, 2010, 2009 and 2008, respectively. Further details are disclosed in Note 8.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Cash on hands	54,230,150	28,618,295	60,212,530	8,772,225
Cash in banks				
Indonesian Rupiah				
PT Bank Central Asia Tbk	14,916,159,917	2,461,289,176	10,481,198,342	996,737,304
PT Bank Artha Graha Internasional Tbk (Note 12)	14,878,424	57,383,430	3,318,578	162,238,000
PT Bank Permata Tbk	2,954,777	3,140,777	1,786,477	-
PT Bank Mandiri (Persero) Tbk	2,572,842	18,311,850	121,713,780	-
PT Bank Negara Indonesia (Persero) Tbk	-	3,602,923	16,215,991	-
United States Dollar				
PT Bank Central Asia Tbk (US$153,176 as of June 30, 2011, US$397,695 as of December 31, 2010 and US$1,270,620 as of December 31, 2009)	1,316,854,760	3,575,676,194	11,943,829,410	-
PT Bank Artha Graha Internasional Tbk (US$2,623 as of June 30, 2011, US$2,639 as of December 31, 2010, US$2,670 as of December 31, 2009 and US$819 as of December 31, 2008)	22,548,039	23,726,170	25,105,238	8,975,496
J.P. Morgan International Bank Ltd., Belgium (US$47,937)	-	431,005,253	-	-
Total Cash and Banks	**16,330,198,909**	**6,602,754,068**	**22,653,380,346**	**1,176,723,025**
Cash Equivalents				
Time deposits placed in:				
Indonesian Rupiah				
PT Bank Artha Graha Internasional Tbk	-	-	-	19,000,000,000
United States Dollar				
PT Bank Artha Graha Internasional Tbk (US$930,000)	-	-	-	10,183,500,000
Total Cash Equivalents	**-**	**-**	**-**	**29,183,500,000**
Total	**16,330,198,909**	**6,602,754,068**	**22,653,380,346**	**30,360,223,025**

Annual interest rates for time deposits are 11% for Rupiah and 5% for United States Dollar.

There was no placement of cash and cash equivalents with related party

5. TIME DEPOSIT

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Time deposit placed in:				
J.P. Morgan International Bank Ltd., Belgium ("JPM") (US$2,044,009 as of June 30, 2011 and US$2,000,000 as of December 31, 2010)	17,572,014,474	17,982,000,000	-	-
Merrill Lynch International Bank Ltd., Singapore ("MLI") (US$4,000,000 as of December 31, 2009 and 2008)	-	-	37,600,000,000	43,800,000,000
Total	**17,572,014,474**	**17,982,000,000**	**37,600,000,000**	**43,800,000,000**

As of June 30, 2011, December 31, 2010, 2009 and 2008, time deposit of US$2,044,009, US$2,000,000, US$4,000,000 and US$4,000,000 or equivalent to Rp17,572,014,474, Rp17,982,000,000, Rp37,600,000,000 and Rp43,800,000,000, respectively, represents deposit denominated in United States Dollar placed with JPM and MLI, respectively. The time deposit is used as collateral for obtaining Standby Letter of Credit facility from JPM and MLI in amount of US$2,000,000 and US$4,000,000, respectively, to comply with the requirement of Sony Ericsson Mobile Communications AB, ("Sony Ericsson") for the term of payment on purchase of goods (Note 28g). As of June 30, 2011 and December 31, 2010, the interest rate for time deposit was 0.04% and 0.07% per annum, respectively. The deposit bore no interest in 2009 and 2008.

6. ACCOUNTS RECEIVABLE

a. The details of accounts receivable - trade per customers are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties:				
Indonesian Rupiah				
PT Erafone Artha Retailindo	44,597,407,598	-	-	-
Super Girl	10,814,344,998	1,275,265,000	116,275,011	-
MJM	9,422,541,855	1,246,074,952	3,717,226,719	-
Jaya Raya	6,484,952,458	-	-	-
PT Rukun Handal Swakarya Dinamik	5,773,156,247	-	-	-
JJ Selular	5,668,515,000	896,415,000	-	-
PT Bakrie Telecom Tbk	3,893,999,997	-	-	-
H2 Cellular	3,431,950,000	250,165,000	-	-
Matrix Cell	3,244,789,997	-	-	-
PT Putra Tjiluhur Teknologi	2,676,534,450	28,500,000	3,835,380,000	-
PT Informasi Teknologi Indonesia	2,076,000,000	-	5,239,050,000	-
Pondok HP	-	188,065,000	3,250,681,328	-
PT Era Point Globalindo	-	316,920	2,904,030,000	-
PT Erafone Retailindo Mandiri	-	-	3,176,495,062	-
Putra Jaya	-	-	3,154,896,776	-
Primas	-	-	3,027,165,495	-
Panca	-	-	3,007,866,688	-
Jaya Phone	-	-	2,821,357,205	4,507,345,000
Bima Sakti	-	-	2,673,333,212	4,483,849,974
Megaphone	-	-	2,356,040,020	4,825,730,048
PT XL Axiata Tbk (formerly PT Excelcomindo Pratama Tbk)	-	-	-	25,176,446,520
Gunung Selamat	-	-	-	4,750,030,000
Bintang Timur	-	-	-	4,314,065,000
Cikari Ponsel	-	-	-	4,207,385,000
Others (below Rp2.5 billion each)	88,669,147,690	14,091,266,615	385,974,190,905	556,074,191,420

(Expressed in Rupiah, Unless Otherwise Stated)

6. ACCOUNTS RECEIVABLE (continued)

a. The details of accounts receivable - trade per customers are as follows: (continued)

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties: (continued)				
United States Dollar				
Comstar Mobile Pte., Ltd. (US$2,196,390 as of December 31, 2010 and US$1,366,505 as of December 31, 2009)	-	19,747,737,995	15,292,252,824	-
Total third parties	186,753,340,290	37,723,806,482	440,546,241,245	608,339,042,962
Allowance for impairment of receivables	-	(1,405,588,045)	-	-
Net	186,753,340,290	36,318,218,437	440,546,241,245	608,339,042,962
Related parties (Note 7a):				
Boswell Investment Pte., Ltd.	7,418,836,650	1,310,077,830	-	-
PT Centrin Teknologi Indonesia	-	212,588,181,125	-	-
PT Erafone Artha Retailindo	-	17,776,638,377	24,875,625,260	38,147,983,800
PT Star Mobile Group	-	1,089,000,000	4,614,185,000	-
PT Multi Media Selular	-	-	-	58,700,955,000
PT Data Media Telekomunikasi	-	-	-	27,566,050,000
Total related parties	7,418,836,650	232,763,897,332	29,489,810,260	124,414,988,800
Total	**194,172,176,940**	**269,082,115,769**	**470,036,051,505**	**732,754,031,762**

As of June 30, 2011, December 31, 2010, 2009 and 2008, all accounts receivable - trade of PT Teletama Artha Mandiri ("TAM"), a subsidiary, are pledged as collateral for bank loans facilities (Note 12).

b. The aging analysis accounts receivable - trade is as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Current	142,409,515,499	230,203,057,885	408,473,638,787	201,536,818,892
Overdue:				
1 day - 30 days	12,139,841,574	11,045,398,256	4,379,972,154	344,157,376,914
31 days - 60 days	19,511,472,963	2,526,791,098	3,615,735,266	53,445,646,064
61 days - 90 days	12,847,911,013	816,720,388	5,732,292,524	100,675,986,512
More than 90 days	7,263,435,891	25,895,736,187	47,834,412,774	32,938,203,380
Total	194,172,176,940	270,487,703,814	470,036,051,505	732,754,031,762
Allowance for impairment of receivables	-	(1,405,588,045)	-	-
Net	**194,172,176,940**	**269,082,115,769**	**470,036,051,505**	**732,754,031,762**

c. The details of accounts receivable - others are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties:				
Indonesian Rupiah				
PT XL Axiata Tbk (formerly PT Excelcomindo Pratama Tbk)	1,750,000,000	-	-	-
Lexy Yapri	1,250,000,000	-	-	-
Sun Lie	1,225,000,000	-	-	-
PT Samsung Electronics Indonesia	-	3,911,943,926	-	-
PT Kalista Indonesia	-	2,371,050,000	2,371,050,000	-
Others (below Rp1 million each)	2,232,131,792	3,107,031,987	2,018,372,933	5,835,578,471

6. ACCOUNTS RECEIVABLE (continued)

c. The details of accounts receivable - others are as follows: (continued)

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties: (continued)				
United States Dollar				
Global Universe International Limited (US$4,860,547 as of June 30, 2011, US$7,624,480 as of December 31, 2010 and US$7,618,065 as of December 31, 2009)	41,786,121,871	68,551,703,311	71,609,907,444	-
Mmax Technology Pte., Ltd. (US$553,750 as of June 30, 2011 and December 31, 2010)	4,760,588,750	5,152,020,500	-	-
Total third parties	53,003,842,413	83,093,749,724	75,999,330,377	5,835,578,471
Allowance for impairment of receivables	(2,791,162,348)	(3,016,162,348)	-	-
Total third parties - net	50,212,680,065	80,077,587,376	75,999,330,377	5,835,578,471
Related parties:				
PT Centrin Teknologi Indonesia (Note 7d)	-	3,425,324,521	-	-
Employees (Note 7i)	-	12,113,400	8,730,676	-
PT Star Mobile Group (Note 7g)	-	-	4,288,775,520	-
Total related parties	-	3,437,437,921	4,297,506,196	-
Total	**50,212,680,065**	**83,515,025,297**	**80,296,836,573**	**5,835,578,471**

TAM, a subsidiary, provided an unsecured loan to Global Universe International Limited denominated in United States Dollar based on an agreement dated December 22, 2009 which term is extended until December 22, 2011. The loan bears interest at 0.81% per annum in 2011 and at rates ranging between 0.81 and 0.9993% per annum in 2010.

As of June 30, 2011, December 31, 2010 and 2009, the outstanding principal and interest receivable were US$4,746,463 and US$114,084 (equivalent to Rp40,805,340,864 and Rp980,781,007), US$7,546,463 and US$78,017 (equivalent to Rp67,850,247,238 and Rp701,456,073) and US$7,618,065 and Nil (equivalent to Rp71,609,907,444 and Nil), respectively and were presented as part of "Accounts Receivable - Others - Third Parties" in the consolidated statements of financial position as of June 30, 2011, December 31, 2010 and 2009.

d. The movements of allowance for impairment of receivables are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Balance at beginning of period	4,421,750,393	-	-	-
Additions during the period	-	4,421,750,393	-	-
Disposal of a Subsidiary	(1,630,588,045)	-	-	-
Balance at ending	**2,791,162,348**	**4,421,750,393**	**-**	**-**

The accounts receivable from related parties represent 1.45%, 38.70%, 4.13% and 10.79% from the total assets as of June 30, 2011, December 31, 2010, 2009 and 2008.

Based on the review of the status of accounts receivable at the end of the period, the Company's and Subsidiaries' management believes that no provision for impairment is required for these accounts receivable.

(Expressed in Rupiah, Unless Otherwise Stated)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Nature of relationship with related parties:

(i) PT Erajaya Swasembada ("Erajaya") and Subsidiaries are related parties because their director in certain subsidiaries hold also the position as director and a commissioner of the Subsidiary for April 7, 2009 until January 1, 2011. Erajaya's subsidiaries consist of PT Erafone Artha Retailindo ("EAR"), PT Star Mobile Group ("SMG"), PT Multi Media Selular ("MMS"), PT Data Citra Mandiri ("DCM"), PT Prakarsa Prima Sentosa ("PPS") and PT Data Media Telekomunikasi ("DMT").

(ii) PT Centrin Teknologi Indonesia ("CTI") is a company which has a commissioner who also hold the position as a director of the Subsidiary for November 10, 2010 until January 1, 2011.

(iii) Boswell Investment Pte., Ltd. ("Boswell") is the Company's majority shareholder until July 22, 2011.

(iv) PT Teletama Artha Mandiri ("TAM") and PT Dinamika Agung ("DA") are the Company's subsidiaries. DA is the Company's subsidiary from January 6, 2009 until March 4, 2011.

Details of balances with related parties:

	June 30, 2011		December 31, 2010		December 31, 2009		January 1, 2009/ December 31, 2008	
	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)	Total	Percentage (%)*)
Parent entity								
Accounts receivable - trade								
Boswell Investment Pte., Ltd. (a)	7,418,836,650	1.45	1,310,077,830	0.21	-	-	-	-
Accounts payable - trade								
Boswell Investment Pte., Ltd. (b)	-	-	18,810,026,145	3.08	-	-	-	-
Due to related parties								
Boswell Investment Pte., Ltd. (h)	2,300,000,000	0.45	2,300,000,000	0.38	2,300,000,000	0.28	-	-
Other related party								
Accounts receivable - trade								
PT Centrin Teknologi Indonesia (a)	-	-	212,588,181,125	34.83	-	-	-	-
PT Erafone Artha Retailindo (a)	-	-	17,776,638,377	2.91	24,875,625,260	3.04	38,147,983,800	3.31
PT Star Mobile Group (a)	-	-	1,089,000,000	0.18	4,614,185,000	0.56	-	-
PT Multi Media Seluler (a)	-	-	-	-	-	-	58,700,955,000	5.09
PT Data Media Telekomunikasi (a)	-	-	-	-	-	-	27,566,050,000	2.39
Accounts receivable - others								
PT Centrin Teknologi Indonesia (d)	-	-	3,425,324,521	0.56	-	-	-	-
PT Star Mobile Group (g)	-	-	-	-	4,288,775,520	0.52	-	-
Employees (i)	-	-	12,113,400	0.00	8,730,676	0.00	-	-
Accounts payable - trade								
PT Erajaya Swasembada (b)	-	-	4,054,378,413	0.66	3,257,134,100	0.40	-	-
PT Erafone Artha Retailindo (b)	-	-	196,250,002	0.03	-	-	-	-
PT Star Mobile Group (b)	-	-	-	-	7,198,284,391	0.88	-	-
Accounts payable - others								
PT Erafone Artha Retailindo (e)	-	-	7,109,082,715	1.16	612,324,960	0.07	-	-
Due to related parties								
PT Star Mobile Group (f)	-	-	3,243,704,759	0.53	-	-	-	-

*) percentage to total assets/liabilities

(Expressed in Rupiah, Unless Otherwise Stated)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Details of transactions with related parties:

	June 30, 2011		June 30, 2010 (unaudited)		December 31, 2010		December 31, 2009	
	Total	Percentage (%)**)	Total	Percentage (%)**)	Total	Percentage (%)**)	Total	Percentage (%)**)
Parent entity								
Net sales								
Boswell Investment Pte., Ltd. (a)	6,139,448,255	0.50	-	-	4,128,878,500	0.24	-	-
Purchase								
Boswell Investment Pte., Ltd. (b)	7,471,613,663	0.65	-	-	18,863,293,932	1.17	-	-
Key management personnel from entity or parent entity								
Net sales								
PT Erafone Artha Retailindo (a)	-	-	137,648,721,786	18.67	270,237,514,107	15.49	183,054,609,917	13.60
PT Star Mobile Group (a)	-	-	1,784,079,936	0.24	6,953,657,209	0.40	8,694,713,636	0.65
PT Erajaya Swasembada (a)	-	-	150,909,091	0.02	-	-	-	-
PT Centrin Teknologi Indonesia (a)	-	-	-	-	278,257,438,673	15.95	-	-
PT Multi Media Selular (a)	-	-	-	-	-	-	172,136,364	0.01
Sales commission								
PT Erafone Artha Retailindo (a)	-	-	2,189,234,646	91.93	2,648,893,012	72.57	7,542,243,161	94.78
Purchase								
PT Erajaya Swasembada (b)	-	-	11,905,907,372	1.84	11,905,907,372	0.74	42,519,375,900	3.53
PT Prakarsa Prima Sentosa (b)	-	-	29,236,364	0.00	120,600,000	0.01	-	-
PT Data Citra Mandiri (b)	-	-	393,636	0.00	1,936,818	0.00	70,699,542	0.00
PT Erafone Artha Retailindo (b)	-	-	-	-	1,200,909,105	0.07	103,295,455	0.00
PT Multi Media Selular (b)	-	-	-	-	933,548,864	0.06	5,875,500	0.00
PT Star Mobile Group (b)	-	-	-	-	210,750,000	0.01	6,543,894,901	0.54
Finance cost								
PT Star Mobile Group (f)	-	-	284,472,054	3.93	370,964,570	2.31	-	-

**) percentage to total net sales/net purchases/income/related expenses

Transactions with related parties

In the normal course of business, the Company and Subsidiaries have engaged in transactions with related parties, which are conducted based on the agreed terms and conditions.

a. In the six-month periods ended June 30, 2011, sales of products to related party of Rp6,139,448,255 was made to Boswell. In the six-month periods ended June 30, 2010, sales of products to related parties of Rp137,648,721,786, Rp1,784,079,936 and Rp150,909,091 were made to EAR, SMG and Erajaya, respectively. In the year ended December 31, 2010, sales of products to related parties of Rp278,257,438,673, Rp270,237,514,107, Rp6,953,657,209 and Rp4,128,878,500 were made to CTI, EAR, SMG and Boswell, respectively. In the year ended December 31, 2009, sales of products to related parties of Rp183,054,609,917, Rp8,694,713,636 and Rp172,136,364, were made to EAR, SMG and MMS, respectively (Note 20).

   As of June 30, 2011, the related trade receivables of Rp7,418,836,650 was due from Boswell. As of December 31, 2010, trade receivables of Rp212,588,181,125, Rp17,776,638,377, Rp1,310,077,830 and Rp1,089,000,000 were due from CTI, EAR, Boswell and SMG, respectively. As of December 31, 2009, the related trade receivables of Rp24,875,625,260 and Rp4,614,185,000 were due from EAR and SMG, respectively. As of December 31, 2008, the related trade receivables of Rp58,700,955,000, Rp38,147,983,800 and Rp27,566,050,000 was due from MMS, EAR and DMT. These trade receivables were presented as “Accounts Receivable - Trade - Related Parties” in the consolidated statements of financial position (Note 6a).

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Transactions with related parties (continued)

In connection with the sales made, TAM provided sales commission to EAR which amounted to Rp2,189,234,646, Rp2,648,893,012 and Rp7,542,243,161 for the six-month periods ended June 30, 2010 and for the years ended December 31, 2010 and 2009. These sales commission were presented as part of “Selling Expenses - Sales Commission” in the consolidated statement of comprehensive income for the six-month periods ended June 30, 2010 and for the years ended December 31, 2010 and 2009.

b. In the six-month periods ended June 30, 2011, purchase of inventories from related party of Rp7,471,613,663 were made from Boswell. In the six-month periods ended June 30, 2010, purchases of inventories from related parties of Rp11,905,907,372, Rp29,236,364 and Rp393,636 were made from Erajaya, PPS, and DCM, respectively. In the year ended December 31, 2010, purchases of inventories from related parties of Rp18,863,293,932, Rp11,905,907,372, Rp1,200,909,105, Rp933,548,864, Rp210,750,000, Rp120,600,000 and Rp1,936,818 were made from Boswell, Erajaya, EAR, MMS, SMG, PPS and DCM, respectively. In the year ended December 31, 2009, purchases of inventories from related parties of Rp42,519,375,900, Rp6,543,894,901, Rp103,295,455, Rp70,699,542 and Rp5,875,500 were made from Erajaya, SMG, EAR, DCM and MMS, respectively.

   As of December 31, 2010, trade payables of Rp18,810,026,145, Rp4,054,378,413 and Rp196,250,002 were due to Boswell, Erajaya and EAR, respectively. As of December 31, 2009, trade payables of Rp7,198,284,391 and Rp3,257,134,100 were due to SMG and Erajaya. These trade payables were presented as part of “Accounts Payable - Trade - Related Parties” in the consolidated statements of financial position as of December 31, 2010 and 2009 (Note 13a).

c. On December 1, 2010, TAM, a subsidiary, entered into a Co-operation Agreement with CTI. Based on the agreement, TAM supplies Venera, Blackberry, Sony Ericsson and Samsung to CTI which prices are determined when the transaction occurred. If the market price decreased, TAM will provide CTI price protection in form of credit note. The agreement is valid until May 31, 2011 and did not extended.

d. As of December 31, 2010, TAM, a subsidiary, has receivables of Rp3,425,324,521 from CTI, which represented payment of expenses on behalf of CTI. This receivables was presented as part of “Accounts Receivable - Others - Related Parties” in the consolidated statement of financial position as of December 31, 2010 (Note 6c).

e. As of December 31, 2010 and 2009, TAM, a subsidiary, has payables of Rp2,332,454,860 and Rp612,324,960 to EAR, which were arising from sales return and payment of promotion expenses by EAR on behalf of TAM. These payables were presented as part of “Accounts Payable - Others - Related Party” in the consolidated statements of financial position as of December 31, 2010 and 2009 (Note 13c).

   On November 1, 2010, DA, a former subsidiary, entered into a Cooperation Agreement of Sales and Marketing of LG and Samsung Products with EAR, whereby DA appointed EAR to conduct marketing and sales of LG and Samsung’s products in Indonesia. These payables were presented as part of “Accounts Payable - Others - Related Party” in the 2010 and 2009 consolidated statements of financial position. As of December 31, 2010, DA has payable of Rp4,776,627,855 to EAR, which were arising from claim of sales rebate related to sales of LG and Samsung products (Note 13c).

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Transactions with related parties (continued)

f. On March 5, 2010, TAM, a subsidiary, entered into a Loan Agreement with SMG with a maximum limit of Rp6,500,000,000 which bears interest at 14.5% per annum and is repayable on demand. As of December 31, 2010, the related loan payable and interest payable amounted of Rp1,600,000,000 and Rp234,695,389, respectively, were presented as part of “Due to Related Parties” in the consolidated statement of financial position as of December 31, 2010 (Note 13c). During the six-month periods ended June 30, 2010 and the year ended December 31, 2010, the related interest expenses of Rp240,278,904 and Rp276,112,222, respectively, were presented as part of “Finance Cost” in the consolidated statements of comprehensive income for the six-month periods ended June 30, 2010 and for the year ended December 31, 2010.

   On March 5, 2010, TAM entered into a Loan Agreement with SMG with a maximum limit of US$215,000 which bears interest at 7% per annum and is repayable on demand. As of December 31, 2010, the related loan payable and interest payable of US$147,800 (equivalent to Rp1,328,869,800) and US$8,913 (equivalent to Rp80,139,570), respectively, were presented as part of “Due to Related Parties” in the consolidated statement of financial position as of December 31, 2010. During the six-month periods ended June 30, 2010 and the year ended December 31, 2010, the related interest expense of US$4,975 (equivalent to Rp44,193,150) and US$10,486 (equivalent to Rp94,852,348), respectively, were presented as part of “Finance Cost” in the consolidated statements of comprehensive income for the six-month periods ended June 30, 2010 and for the year ended December 31, 2010. These loans have settled on July 11, 2011.

g. On July 27, 2009, TAM, a subsidiary, entered into a Management Service Agreement with SMG. Under this agreement, TAM will provide operational services in form of sales assistance for SMG’s products for 5 (five) months period from August 1, 2009 until December 31, 2009. As compensation, SMG will pay management fee at 6% of net sales. This agreement has not extended by both parties.

   As of December 31, 2009, the related receivable of Rp4,288,775,520, were presented as part of “Accounts Receivable - Others - Related Parties” in the consolidated statement of financial position as of December 31, 2009 (Note 6c).

h. On September 1, 2009, the Company entered into a non-interest bearing loan agreement with Boswell with maximum limit of Rp2,300,000,000. This loan is repayable on demand. As of June 30, 2011, December 31, 2010 and 2009, the related loan payable of Rp2,300,000,000, was presented as part of “Due to Related Parties” in the consolidated statement of financial position. This loan has settled on July 20, 2011.

i. TAM, a subsidiary, granted non-interest bearing loans to their employees which are collectible through monthly payroll deductions. As of December 31, 2010 and December 31, 2009, the related receivables amounted to Rp12,113,400 and Rp8,730,676, respectively, and were presented as “Accounts Receivable - Others - Related Parties - Employees” in the consolidated statements of financial position (Note 6c).

(Expressed in Rupiah, Unless Otherwise Stated)

8. INVENTORIES

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Cellular phones	176,540,129,854	156,583,777,470	132,843,699,103	265,823,317,108
Spare parts	5,114,552,955	1,870,407,882	1,507,760,265	27,483,123
Starter packs and accessories	2,215,232,406	5,142,048,511	9,784,405,883	2,017,348,935
Total	183,869,915,215	163,596,233,863	144,135,865,251	267,868,149,166
Allowance for obsolescence and decline in market values of inventories	(8,083,021,404)	(5,329,994,750)	-	-
Net	**175,786,893,811**	**158,266,239,113**	**144,135,865,251**	**267,868,149,166**

The changes in the allowance for inventory obsolescence and decline in values of inventories are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Balance at beginning of period	5,329,994,750	-	-	-
Provision during the period (Note 23)	2,793,723,574	5,329,994,750	-	-
Disposal of a Subsidiary	(40,696,920)	-	-	-
Balance at ending	**8,083,021,404**	**5,329,994,750**	**-**	**-**

The Company's and Subsidiaries' management believe that the allowance for obsolescence and decline in value of inventories are adequate to cover possible losses for related events.

Inventories are covered by insurance against lost, fire and other risks under blanket policies of Rp196,835,727,839 as of June 30, 2011 and December 31, 2010 and Rp369,099,693,347 as of December 31, 2009. Management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

Inventories of PT Teletama Artha Mandiri, a subsidiary, are pledged as collateral for bank loans facilities (Note 12).

9. ADVANCES

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Advances for purchase of:				
Cellular phones	22,513,833,001	56,630,307,315	29,738,972,236	37,336,655,024
Accessories	283,662,002	101,500,567	1,892,383,390	-
Spareparts	119,600,696	55,381,309	-	-
Advances for operational	413,146,655	238,321,152	34,942,911	-
Total	**23,330,242,354**	**57,025,510,343**	**31,666,298,537**	**37,336,655,024**

Advances for purchase of cellular phones were made to third parties suppliers, consisting of Everbest Network Technology Co., Limited, Shenzhen Konka Telecommunications Technology Co., Limited, Wittis International Communications Limited, Longmeng Group Company Limited, Huawei Technologies Co., Limited., TFone Limited, Skycom Telecommunications Co., Limited and Dell Global B.V.

(Expressed in Rupiah, Unless Otherwise Stated)

10. PREPAID EXPENSES

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Prepaid rent and service charge	4,880,751,081	2,755,675,867	3,816,033,653	1,947,416,637
Prepaid others	617,319,766	355,174,787	611,569,047	1,140,300
Total	5,498,070,847	3,110,850,654	4,427,602,700	1,948,556,937
Less: non-current portion	2,542,620,041	808,026,005	922,476,591	926,132,843
Current portion of prepaid expenses	**2,955,450,806**	**2,302,824,649**	**3,505,126,109**	**1,022,424,094**

Prepaid rent represents payments of rental of stores and buildings with rental period of 12 (twelve) months to 60 (sixty) months. Those leases will expire on various dates between 2011 until 2015 and certain agreements can be renewed at the expiration of the lease.

The related amortization expenses charged for the six-month periods ended June 30, 2011 and June 30, 2010 and for the year ended December 31, 2010 and 2009 amounted to Rp542,534,999, Rp1,632,684,460, Rp2,256,009,382 and Rp3,667,884,469 were presented as part of “Selling Expenses - Rental and Service Charge” in the consolidated statement of comprehensive income for the six-month periods ended June 30, 2011 and 2010 and for the year ended December 31, 2010 and 2009.

11. FIXED ASSETS

This account consists of:

	June 30, 2011				
	Beginning Balance	Additions	Deductions	Disposal of a Subsidiary	Ending Balance
Cost					
Land	-	1,996,338,145	-	-	1,996,338,145
Building	666,201,500	1,203,661,855	-	-	1,869,863,355
Renovation	2,005,290,374	-	-	331,400,000	1,673,890,374
Office Equipment	3,086,388,780	1,869,742,072	6,600,000	133,597,450	4,815,933,402
Service Equipment	1,560,004,125	-	-	-	1,560,004,125
Vehicles	4,628,639,091	210,271,044	-	-	4,838,910,135
Furniture and fixtures	106,276,300	69,674,405	-	-	175,950,705
Total Cost	12,052,800,170	5,349,687,521	6,600,000	464,997,450	16,930,890,241
Accumulated Depreciation					
Building	136,016,140	40,018,886	-	-	176,035,026
Renovation	1,495,228,639	125,355,465	-	121,143,755	1,499,440,349
Office Equipment	917,755,296	444,657,603	1,237,500	46,555,481	1,314,619,918
Service Equipment	793,361,799	196,991,669	-	-	990,353,468
Vehicles	500,226,614	346,259,588	-	-	846,486,202
Furniture and fixtures	18,166,384	15,735,443	-	-	33,901,827
Total Accumulated Depreciation	3,860,754,872	1,169,018,654	1,237,500	167,699,236	4,860,836,790
Net Book Value	**8,192,045,298**				**12,070,053,451**

(Expressed in Rupiah, Unless Otherwise Stated)

11. FIXED ASSETS (continued)

This account consists of: (continued)

	December 31, 2010				
	Beginning Balance	Additions	Deductions	Disposal of a Subsidiary	Ending Balance
Cost					
Building	666,201,500	-	-	-	666,201,500
Renovation	2,005,290,374	-	-	-	2,005,290,374
Office Equipment	1,321,757,288	1,764,631,492	-	-	3,086,388,780
Service Equipment	1,542,751,415	17,252,710	-	-	1,560,004,125
Vehicles	1,886,139,091	2,742,500,000	-	-	4,628,639,091
Furniture and fixtures	3,962,400	102,313,900	-	-	106,276,300
Total Cost	7,426,102,068	4,626,698,102	-	-	12,052,800,170
Accumulated Depreciation					
Building	102,706,065	33,310,075	-	-	136,016,140
Renovation	1,208,617,676	286,610,963	-	-	1,495,228,639
Office Equipment	434,388,345	483,366,951	-	-	917,755,296
Services Equipment	403,669,697	389,692,102	-	-	793,361,799
Vehicles	111,835,910	388,390,704	-	-	500,226,614
Furniture and fixtures	2,509,520	15,656,864	-	-	18,166,384
Total Accumulated Depreciation	2,263,727,213	1,597,027,659	-	-	3,860,754,872
Net Book Value	**5,162,374,855**				**8,192,045,298**

	December 31, 2009				
	Beginning Balance	Additions	Deductions	Disposal of a Subsidiary	Ending Balance
Cost					
Building	666,201,500	-	-	-	666,201,500
Renovation	1,550,087,000	455,203,374	-	-	2,005,290,374
Office Equipment	727,074,803	594,682,485	-	-	1,321,757,288
Service Equipment	442,738,882	1,100,012,533	-	-	1,542,751,415
Vehicles	251,250,000	1,634,889,091	-	-	1,886,139,091
Furniture and fixtures	3,962,400	-	-	-	3,962,400
Total Cost	3,641,314,585	3,784,787,483	-	-	7,426,102,068
Accumulated Depreciation					
Building	69,395,990	33,310,075	-	-	102,706,065
Renovation	716,370,676	492,247,000	-	-	1,208,617,676
Office Equipment	221,779,076	212,609,268	-	-	434,388,344
Services Equipment	79,331,719	324,337,978	-	-	403,669,697
Vehicles	32,812,500	79,023,410	-	-	111,835,910
Furniture and fixtures	1,717,040	792,480	-	-	2,509,520
Total Accumulated Depreciation	1,121,407,001	1,142,320,211	-	-	2,263,727,212
Net Book Value	**2,519,907,584**				**5,162,374,856**

(Expressed in Rupiah, Unless Otherwise Stated)

11. FIXED ASSETS (continued)

This account consists of: (continued)

	December 31, 2008				
	Beginning Balance	Additions	Acquisition of A Subsidiary	Deductions	Ending Balance
Cost					
Building	-	666,201,500	-	-	666,201,500
Renovation	-	1,095,000,000	455,087,000	-	1,550,087,000
Office Equipment	20,500,000	358,853,564	347,721,239	-	727,074,803
Service Equipment	-	236,398,200	206,340,682	-	442,738,882
Vehicles	-	150,000,000	101,250,000	-	251,250,000
Furniture and fixtures	3,962,400	-	-	-	3,962,400
Total Cost	24,462,400	2,506,453,264	1,110,398,921	-	3,641,314,585
Accumulated Depreciation					
Building	-	33,310,075	36,085,915	-	69,395,990
Renovation	-	477,528,571	238,842,105	-	716,370,676
Office Equipment	5,125,000	200,438,761	16,215,315	-	221,779,076
Services Equipment	-	-	79,331,719	-	79,331,719
Vehicles	-	18,750,000	14,062,500	-	32,812,500
Furniture and fixtures	990,600	726,440	-	-	1,717,040
Total Accumulated Depreciation	6,115,600	730,753,847	384,537,554	-	1,121,407,001
Net Book Value	**18,346,800**				**2,519,907,584**

During six-month periods ended June 30, 2011 and 2010, years ended December 31, 2010 and 2009, depreciation was charged to following accounts:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Selling expenses (Note 22)	111,547,134	184,679,495	203,760,956	467,761,581
General and administrative expenses (Note 23)	1,057,471,520	576,334,871	1,393,266,703	674,558,630
Total	**1,169,018,654**	**761,014,366**	**1,597,027,659**	**1,142,320,211**

The details of loss on sale of fixed assets for the six-month periods ended of June 30, 2011 are as follows:

Proceeds	5,000,000
Net book value	(5,362,500)
Loss on sale of fixed assets (Note 25)	**(362,500)**

As of June 30, 2011, December 31, 2010, 2009 and 2008, the Company's and Subsidiaries' management believes that there is no event or change in circumstances that may indicate any impairment of assets value.

The Company's and Subsidiaries' fixed assets are covered by insurance against all risks under blanket policies of Rp10,418,050,893 as of June 30, 2011 and December 31, 2010 and Rp10,175,000,000 as of December 31, 2009, respectively. The Company's and Subsidiaries' management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

(Expressed in Rupiah, Unless Otherwise Stated)

11. FIXED ASSETS (continued)

Certain vehicles owned by PT Teletama Artha Mandiri ("TAM"), a subsidiary, are acquired through credit facility from PT BCA Finance and are pledged against the related obligations. The related payables are presented as "Long-term Debts" in the consolidated statements of financial position as of June 30, 2011, December 31, 2010, 2009 and 2008.

12. BANK LOANS

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
PT Bank Artha Graha Internasional Tbk				
Revolving loan I	-	59,085,000,000	47,600,000,000	-
Revolving loan II	187,767,500,000	125,800,000,000	10,600,000,000	-
Total	**187,767,500,000**	**184,885,000,000**	**58,200,000,000**	**-**

Revolving Loan I and II

Based on Notarial Deed No. 23 dated December 11, 2008 of Sinta Susikto, S.H., PT Teletama Artha Mandiri ("TAM"), a subsidiary, obtained revolving loan facilities I from PT Bank Artha Graha Internasional Tbk ("BAG") with maximum credit limit of Rp60,000,000,000. Based on Notarial Deed No. 14 dated April 6, 2009 of Sinta Susikto, S.H., TAM obtained revolving loan facilities II from BAG with maximum credit limit of Rp75,000,000,000.

These loan agreements have been amended several times, the most recent amendment of which is based on Notarial Deed No. 18 dated December 15, 2010 of Myra Yuwono, S.H., concerning the changes in maximum credit limits of its revolving loan facilities I and II to become Rp60,000,000,000 and Rp215,000,000,000, respectively. These loans bear interest at 13% per annum and would be expired on December 9, 2011.

The related interest payable of Rp645,372,361, Rp778,784,865, Rp373,166,667 and Rp1,958,666,610, respectively were presented as part of "Accrued Expense - Interest Expenses - Bank Loans" in the consolidated statements of financial position as of June 30, 2011, December 31, 2010, 2009 and 2008 (Note 15). The related interest expense of Rp13,193,399,009, Rp5,553,579,221, Rp13,988,391,375 and Rp2,875,419,887, respectively were presented as part of "Finance Costs" in the consolidated statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010 and for the years ended December 31, 2010 and 2009.

Bank Overdraft

Based on Notarial Deed No. 22 dated December 11, 2008 of Sinta Susikto, S.H., TAM obtained bank overdraft facility from BAG with maximum credit limit of Rp20,000,000,000. As of June 30, 2011, December 31, 2010, 2009 and 2008, the related bank overdraft of Rp14,878,424, Rp57,383,430, Rp3,318,578 and Rp161,209,000, respectively, with positive balances were presented as "Cash and Cash Equivalents - Cash in Banks" in the consolidated statements of financial position. The related interest expense of Rp44,096,852, Rp73,773,780, Rp115,371,053 and Rp55,385,738, respectively were presented as part of "Finance Costs" in the consolidated statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010 and for the years ended December 31, 2010 and 2009.

(Expressed in Rupiah, Unless Otherwise Stated)

12. BANK LOANS (continued)

These revolving loans and bank overdraft facilities are secured by TAM's accounts receivable - trade and inventories (Notes 6 and 8). The loans are also secured by a corporate guarantee from PT Nusa Gemilang Abadi and personal guarantees from Billy Ching, TAM's shareholder, and all members of TAM's Commissioner and Board of Directors as of June 30, 2011.

Based on the Revolving Loan and Bank Overdraft agreements above, TAM, a subsidiary, should obtain written approval from BAG before entering into certain transactions, among others, as follows:

a. Obtain new loan from third parties, and/or provide loan to third parties.
b. Act as a guarantor in any name and form and/or pledge the Subsidiary's assets to other parties.
c. Sell and/or dispose a whole assets or in part, except conducted in connection with normal business.
d. Pledge of the Subsidiary's assets as collateral to other parties.
e. Transfer to other parties all or part of rights or obligations under the Credit Agreement.
f. Invest in or establish new business.
g. Perform merger and acquisitions and declare of bankruptcy.
h. Transfer the Subsidiary in any form or by any name and any purposes to third parties.
i. Rent the Subsidiary to third parties.
j. Make changes in the Subsidiary's status, Articles of Association, and the composition of the Boards of Commissioners, Directors and Shareholders.
k. Declare and pay dividends.
l. Make technical assistance agreement or management services to other parties.
m. Issue of new shares.

On June 14, 2011, TAM, a subsidiary, received a letter No. 100/BAGI/SDRM/MKT/VI/2011 from BAG regarding the waiver for the changes of TAM's Boards of Commissioners and Directors.

On August 5, 2011, TAM submitted a letter to BAG requesting BAG approval on TAM's corporate action. In this letter, TAM requested BAG, to waive certain restrictions in TAM's loan agreements with BAG among others:

a. Obtain new loan from third parties including but not limited to Erajaya or other entities within Erajaya Group.
b. Change the Subsidiary's articles of association, ownership structure, board of directors, commissioners and shareholders.
c. Pay the dividend and/or repay debt to shareholders.

This letter has been received and approved by BAG.

13. ACCOUNTS PAYABLE

a. The details of accounts payable - trade per suppliers are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties:				
Indonesian Rupiah				
PT Samsung Electronics Indonesia	55,969,513,748	72,837,529,849	64,243,957,839	-
PT Erajaya Swasembada	2,688,588,842	-	-	-
PT Dinamika Agung	2,344,999,996	-	-	-
PT LG Electronic Indonesia	-	2,299,849,254	-	-
Others (below Rp1 billion each)	139,151,814	1,794,834,167	6,185,409,132	5,343,173,797

(Expressed in Rupiah, Unless Otherwise Stated)

13. ACCOUNTS PAYABLE (continued)

a. The details of accounts payable - trade per suppliers are as follows: (continued)

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties: (continued)				
United States Dollar				
Executive Sales Limited (US$3,146,342 as of June 30, 2011, US$11,150,577 as of December 31, 2010 and US$36,168,865 as of December 31, 2009)	27,049,098,041	100,254,834,570	339,987,332,504	-
Sony Ericsson Mobile Communications AB, (US$1,747,198 as of June 30, 2011, US$2,204,491 as of December 31, 2010, US$2,439,384 as of December 31, 2009 and US$2,938,173 as of December 31, 2008)	15,020,661,617	19,820,582,537	22,930,211,138	32,172,991,394
Tfone Limited (US$383,501)	-	3,448,059,289	-	-
Skycom Telecomunication Co. Limited (US$272,673)	-	2,451,602,943	-	-
Longmeng Group Company Limited (US$191,741)	-	1,723,945,129	-	-
Samsung Electronics Co. Ltd. (US$161,500 as of December 31, 2010, 2009 and US$3,368,999 as of December 31, 2008)	-	1,452,046,500	1,518,100,000	36,890,542,335
TCT Mobile International Ltd. (US$122,500 as of December 31, 2010 and US$754,577 as of December 31, 2009)	-	1,101,397,500	7,093,020,000	-
Global Merchandising Concepts Limited (US$36,385 as of December 31, 2010 and 2009)	-	327,135,737	342,017,120	-
Global Universe International Limited (US$10,406,014 as of December 31, 2009 and US$60,314,349 as of December 31, 2008)	-	-	97,816,531,600	660,442,121,550
Fairways Capital Resources Ltd. (US$8,317,692 as of December 31, 2009 and US$28,357,077 as of December 31, 2008)	-	-	78,186,308,560	310,510,000,267
Huawei Communication Technologies Co. Ltd., (US$387,600)	-	-	3,643,440,000	-
Total third parties	103,212,014,058	207,511,817,475	621,946,327,893	1,045,358,829,343
Related parties: (Note 7b)				
Indonesian Rupiah				
PT Erajaya Swasembada	-	4,054,378,413	3,257,134,100	-
PT Erafone Artha Retailindo	-	196,250,002	-	-
PT Star Mobile Group	-	-	7,198,284,391	-
United States Dollar				
Boswell Investments Pte., Ltd. (US$2,092,095)	-	18,810,026,145	-	-
Total related parties	-	23,060,654,560	10,455,418,491	-
Total	**103,212,014,058**	**230,572,472,035**	**632,401,746,384**	**1,045,358,829,343**

(Expressed in Rupiah, Unless Otherwise Stated)

13. ACCOUNTS PAYABLE (continued)

b. The aging analysis of accounts payable - trade is as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Current	94,421,579,762	124,781,298,785	356,386,093,663	79,868,513,213
Overdue:				
1 day - 30 days	16,267,175	48,022,034,163	77,037,896,890	76,041,655,092
31 days - 60 days	253,717,612	6,116,949,013	130,561,728,903	189,432,336,873
61 days - 90 days	-	5,928,745,624	51,081,136,920	240,483,977,340
More than 90 days	8,520,449,509	45,723,444,450	17,334,890,008	459,532,346,825
Total	**103,212,014,058**	**230,572,472,035**	**632,401,746,384**	**1,045,358,829,343**

c. The details of accounts payable - others are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Third parties:				
Indonesian Rupiah				
PT Dinamika Agung	2,481,199,467	-	-	-
PT Star Mobile Group	741,133,930	-	-	-
PT Multimarilin Permata Nusantara	-	527,194,947	-	-
PT Samsung Electronics Indonesia	-	-	3,707,042,680	-
Eugenia Etty	-	-	1,722,751,040	43,528,272,000
Others (below Rp500 million each)	472,724,095	1,587,482,451	1,090,935,219	7,330,119,744
United States Dollar				
PT Star Mobile Group (US$161,144)	1,385,355,527	-	-	-
Sony Ericsson Mobile Communications AB, Sweden (US$426,389)	-	-	4,097,253,526	-
Total third parties	5,080,413,019	2,114,677,398	10,617,982,465	50,858,391,744
Related party:				
PT Erafone Artha Retailindo (Note 7e)	-	7,109,082,715	612,324,960	-
Total	**5,080,413,019**	**9,223,760,113**	**11,230,307,425**	**50,858,391,744**

The accounts payable from related parties represent 6.49% and 1.52% from the total liabilities as of December 31, 2010 and 2009, respectively.

On June 30, 2011, December 31, 2010, 2009 and 2008, there was no collateral provided by the Company and Subsidiaries for the above accounts payable.

As of June 30, 2011, other payable to PT Star Mobile Group ("SMG") represent loan from SMG (Note 7f). The related loan payable of US$147,800 (equivalent to Rp1,270,636,600) and Rp320,000,000 and the related interest payable of US$13,344 (equivalent to Rp114,718,927) and Rp283,029,930 were presented as a part of "Accounts Payable - Others - Third Parties" in the consolidated statement of financial position as of June 30, 2011. The related interest expense of US$5,202 (equivalent to Rp44,719,349) and Rp56,864,167 was presented as part of "Finance Costs" in the consolidated statement of comprehensive income for the six-month periods ended June 30, 2011.

(Expressed in Rupiah, Unless Otherwise Stated)

13. ACCOUNTS PAYABLE (continued)

c. The details of accounts payable - others are as follows: (continued)

As of June 30, 2011, other payable to PT Dinamika Agung ("DA") represent overpayment of loan settlement from DA. On August 11, 2009, TAM entered into a Loan Agreement with DA with a maximum limit of Rp25,000,000,000 which bears interest at 5% per annum. On August 10, 2010, the Company agreed not to charge interest based on previous agreement to DA.

As of December 31, 2010, other payable to PT Multimarilin Permata Nusantara represents payables in relation with import activities, such as warehouse rental, import handling and freight.

As of December 31, 2009, other payables to PT Samsung Electronics Indonesia and Sony Ericsson Mobile Communications AB represent marketing support advances obtained for marketing and promotion activities.

As of December 31, 2009, other payable to Eugenia Etty represent interest payable related to loan from a third party.

In 2008, PT Teletama Artha Mandiri, a subsidiary obtains credit facility from Eugenia Etty, with maximum amount Rp80,000,000,000 for working capital. The credit facility valid for one year and can be extended. The credit facility will be charged interest 6% per annum and guaranted by the Company Subsidiary's Commissioner and Director. As of December 31, 2008, the loan to a third party balance amounting to Rp43,528,272,000. This loan has been fully paid in 2009.

14. TAXATION

a. Taxes payable consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Income taxes:				
Article 4 (2)	295,280,205	17,912,952	35,601,164	31,229,991
Article 21	490,032,327	231,259,435	256,872,267	7,734,251
Article 23	150,855,290	401,286,170	15,550,097	108,388,945
Article 25	150,492,366	24,376,279	-	1,096,000
Article 29	-	402,854,995	308,994,577	-
Value Added Tax	-	3,299,176,014	314,395,495	293,850
Total	**1,086,660,188**	**4,376,865,845**	**931,413,600**	**148,743,037**

b. The Company's and Subsidiaries' income tax expense (benefit) are as follows:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Income tax expense - current				
Company	-	-	-	-
Subsidiaries	11,737,907,750	7,236,037,250	24,378,468,000	24,027,347,386
Consolidated income tax expense - current	11,737,907,750	7,236,037,250	24,378,468,000	24,027,347,386
Income tax expense (benefit) - deferred				
Company	-	-	-	-
Subsidiaries	(622,978,584)	(1,736,159,013)	(2,080,979,430)	(100,461,973)

(Expressed in Rupiah, Unless Otherwise Stated)

14. TAXATION (continued)

b. The Company's and Subsidiaries' income tax expense (benefit) are as follows: (continued)

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Consolidated income tax benefit - deferred	(622,978,584)	(1,736,159,013)	(2,080,979,430)	(100,461,973)
Income tax expense				
Company	-	-	-	-
Subsidiaries	11,114,929,166	5,499,878,237	22,297,488,570	23,926,885,413
Consolidated income tax expense - net	**11,114,929,166**	**5,499,878,237**	**22,297,488,570**	**23,926,885,413**

c. The reconciliation between income before income tax as shown in the consolidated statements of comprehensive income with (estimated claims for tax refund)/income tax payable are as follows:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Income before income tax per consolidated statements of comprehensive income	40,087,342,460	19,467,458,698	80,388,202,725	77,713,841,013
Deduct:				
Income before income tax of consolidated Subsidiaries	(41,531,300,048)	(18,944,398,869)	(79,429,371,347)	(76,741,520,346)
Negative goodwill	-	(537,593,040)	(1,075,186,081)	(1,075,186,081)
Income before income tax expense attributable to the Company	(1,443,957,588)	(14,533,211)	(116,354,703)	(102,865,414)
Permanent differences:				
Tax expenses	-	3,750,000	3,750,000	-
Income already subjected to final tax:				
Interest	(842,013)	(1,165,786)	(2,171,723)	(2,590,066)
Others	69,681	92,631	168,869	-
Tax loss	(1,444,729,920)	(11,856,366)	(114,607,557)	(105,455,480)
Tax loss carried forward	(282,460,565)	(167,853,008)	(167,853,008)	(62,397,528)
Accumulated fiscal loss	**(1,727,190,485)**	**(179,709,374)**	**(282,460,565)**	**(167,853,008)**

d. The movement of estimated claims for tax refund is as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
At beginning	-	18,450,246,304	20,154,765,135	-
Addition:				
Estimated claim for 2008 tax refund	-	-	-	20,154,765,135
Estimated claim for 2011 tax refund	10,352,652,630	-	-	-
Less:				
Adjustment in relation with tax assessment letter for tax overpayment	-	-	(1,704,518,831)	-
Refund from tax office	-	(18,450,246,304)	-	-
Total	**10,352,652,630**	**-**	**18,450,246,304**	**20,154,765,135**

(Expressed in Rupiah, Unless Otherwise Stated)

14. TAXATION (continued)

e. The computation of deferred income tax benefits are as follows:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Subsidiaries				
Deferred income tax benefits (expense) - effect of temporary differences:				
Allowance for obsolescence and decline in values of inventories	688,256,663	1,736,643,736	1,332,498,687	-
Valuation allowance	407,647,011	-	(407,647,011)	-
Reversal on deferred tax assets of disposed subsidiary	11,556,346	-	-	-
Allowance for impairment of receivables	(407,647,011)	-	1,105,437,598	-
Liabilities for employee benefits	(76,834,425)	55,582,522	106,757,401	92,010,207
Depreciation	-	(56,067,245)	(56,067,245)	8,451,766
Deferred income tax benefits - net	**622,978,584**	**1,736,159,013**	**2,080,979,430**	**100,461,973**

f. The details of deferred tax assets as of June 30, 2011, December 31, 2010, 2009 and 2008 are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
The Company:				
Tax loss carried forward	59,484,900	70,615,141	41,963,252	-
Less: valuation allowance	(59,484,900)	(70,615,141)	(41,963,252)	-
	-	-	-	-
The Subsidiaries:				
Allowance for obsolescence and decline in value of inventories	2,020,755,351	1,332,498,687	-	-
Allowance for impairment of receivables	697,790,587	1,105,437,598	-	-
Liabilities for employee benefits	254,465,653	331,300,078	224,542,677	126,742,712
Depreciation	-	-	56,067,245	53,405,237
Total	2,973,011,591	2,769,236,363	280,609,922	180,147,949
Less : valuation allowance	-	(407,647,011)	-	-
Total	**2,973,011,591**	**2,361,589,352**	**280,609,922**	**180,147,949**

g. Tax assessment letters

In 2011, PT Teletama Artha Mandiri ("TAM"), a subsidiary, received several Tax Collection Letter ("STP") for Value Added Tax ("VAT") for year 2009, 2010, and 2011 totaling to Rp555,160,671 which is recorded as a part of "General and Administrative Expense - Tax Expenses" in the consolidated statement of comprehensive income for the six-month periods ended June 30, 2011.

On April 26, 2010, TAM received Tax Assessment Letter for Tax Overpayment ("SKPLB") of Corporate Income Tax for year 2008 of Rp19,178,114,535, which is less by Rp976,650,600 than the TAM's claim for tax refund of Rp20,154,765,135.

Furthermore, on the same day, TAM also received Tax Assessment Letters for Tax Underpayment ("SKPKB") of Income Tax Article 23, Income Tax Article 4 (2), Value Added Tax and Tax Collection Letters ("STP") for year 2008 totaling to Rp727,868,231.

(Expressed in Rupiah, Unless Otherwise Stated)

14. TAXATION (continued)

g. Tax assessment letters (continued)

TAM agreed on above Tax Assessments and has reflected them on its consolidated financial statements as of December 31, 2009 which were issued after April 26, 2010. On May 25, 2010, TAM received the refunds from the tax office for its 2008 claim for corporate income tax, after being compensated against other tax assessments. Claim portion declined by the tax office and other additional tax assessments totaling to Rp1,704,518,831 are presented as part of "General and Administrative Expenses - Tax Expenses" in the consolidated statement of comprehensive income for the year ended 2009.

TAM's taxable income for the years ended December 31, 2010 and 2009 were consistent with the Annual Income Tax Return as reported to the Tax Office.

15. ACCRUED EXPENSES

This account consists of accruals for:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Promotion and advertising	3,257,254,781	1,511,460,552	-	-
Commission	2,115,226,938	-	-	-
Import charges	1,008,254,863	-	-	-
Interest expenses - bank loans (Note 12)	645,372,361	778,784,865	373,166,667	1,958,666,610
Professional fees	800,000,000	575,000,000	-	-
Insurance	318,221,431	279,442,100	-	-
License fee	86,471,650	117,800,000	-	-
Handling fee	-	150,368,400	-	-
Bonus	-	-	1,513,105,066	-
Rental	-	-	97,777,777	-
Others	1,329,932,719	95,383,378	-	45,928,729
Total	**9,560,734,743**	**3,508,239,295**	**1,984,049,510**	**2,004,595,339**

16. ADVANCES FROM CUSTOMERS

This account consists of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Indonesian Rupiah				
Garden Cell	2,234,808,011	-	-	-
CV Tristar Globalindo	13,500,000	2,266,000,000	-	-
Others (below Rp1 billion each)	4,314,324,982	2,893,616,465	1,137,781,730	-
United States Dollar				
CV Tristar Globalindo (US$105,000)	-	944,055,000	-	-
Total	**6,562,632,993**	**6,103,671,465**	**1,137,781,730**	**-**

(Expressed in Rupiah, Unless Otherwise Stated)

17. LIABILITIES FOR EMPLOYEE BENEFITS

The Company and Subsidiaries recognized liabilities for employee benefits of Rp1,017,862,611, Rp1,325,200,311, Rp898,170,704 and Rp452,652,541, respectively, and were presented as “Liabilities for Employee Benefits” in the consolidated statements of financial position, as of June 30, 2011, December 31, 2010, 2009 and 2008. The related expenses of Rp834,105,759, Rp222,330,090, Rp992,379,232 and Rp827,058,067 were presented as “General and Administrative Expenses - Employee Benefits” in the consolidated statements of comprehensive income for the six-month periods ended June 30, 2011 and 2010 and for the years ended December 31, 2010 and 2009 (Note 23). The liabilities for employee benefits were determined through actuarial valuations performed by PT Dian Artha Tama, an independent actuary, based on its reports dated July 29, 2011, May 20, 2011 and October 4, 2010 for June 30, 2011, December 31, 2010 and 2009, respectively.

The liabilities for employee benefits are calculated using the “Projected Unit Credit” method based on the following assumptions:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Discount rate	7.5% per annum	8% per annum	8% per annum	8% per annum
Salary increment rate	8% per annum	5% - 8% per annum	5% - 8% per annum	10% per annum
Retirement age	55 years	55 years	55 years	55 years
Mortality rate	TMI'99	TMI'99	TMI'99	-

The related expenses recognized in the consolidated statements of comprehensive income are as follows:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Current service cost	701,574,031	214,065,381	410,500,190	799,707,089
Interest cost	87,546,004	38,713,540	77,427,079	14,579,501
Net actuarial loss	39,215,860	443,002,641	886,005,281	12,771,477
Amortization of past service cost - non vested benefits	5,769,864	14,336,315	28,672,630	-
Effect of curtailment and settlement	-	(487,787,787)	(410,225,948)	-
Total	**834,105,759**	**222,330,090**	**992,379,232**	**827,058,067**

The liabilities for employee benefits consist of:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Present value of benefit obligation	930,292,848	2,383,070,236	990,997,521	452,652,541
Unrecognized past service cost - non vested	(57,424,080)	(33,238,265)	(61,910,895)	-
Unrecognized actuarial gain (loss)	144,993,843	(1,024,631,660)	(30,915,922)	-
Total	**1,017,862,611**	**1,325,200,311**	**898,170,704**	**452,652,541**

(Expressed in Rupiah, Unless Otherwise Stated)

17. LIABILITIES FOR EMPLOYEE BENEFITS (continued)

The changes in the liabilities for employee benefits for the six-month periods ended June 30, 2011 and for the years ended December 31, 2010, 2009 and 2008 are as follows:

	June 30, 2011	December 31, 2010	December 31, 2009	January 1, 2009/ December 31, 2008
Balance at beginning of period	1,325,200,311	898,170,704	452,652,541	350,894,942
Adjustment of beginning balance	-	-	(381,539,904)	-
Addition during the period	834,105,759	992,379,232	827,058,067	101,757,599
Benefit payments	(1,141,443,459)	(565,349,625)	-	-
Balance at end of period	**1,017,862,611**	**1,325,200,311**	**898,170,704**	**452,652,541**

18. NEGATIVE GOODWILL

The movements of negative goodwill is as follows:

	June 30, 2011	December 31, 2010	December 31, 2009 (As restated, Note 31)	January 1, 2009/ December 31, 2008 (As restated, Note 31)
Beginning balance	18,726,157,571	19,801,343,652	20,876,529,733	21,503,721,613
Amortization during the period	-	(1,075,186,081)	(1,075,186,081)	(627,191,881)
Effect of applying Statement of Accounting Standard No. 22 (Revised 2010) "Accounting for Business Combinations"	(18,726,157,571)	-	-	-
Ending balance	**-**	**18,726,157,571**	**19,801,343,652**	**20,876,529,732**

19. SHARE CAPITAL

The details of share ownership as of June 30, 2011, December 31, 2010 and 2009 are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount
Boswell Investments Pte., Ltd.	2,475	99.00	2,475,000,000
Billy Ching	25	1.00	25,000,000
Total	**2,500**	**100.00**	**2,500,000,000**

The details of share ownership as of December 31, 2008 is as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount
Comstar Mobile Pte., Ltd.	2,475	99.00	2,475,000,000
Elly	25	1.00	25,000,000
Total	**2,500**	**100.00**	**2,500,000,000**

Based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 64 of Robert Purba, S.H., dated October 15, 2009, the Company's shareholders approved the sale of the Company's share capital owned by Comstar Mobile Pte., Ltd. to Boswell Investments Pte., Ltd.

(Expressed in Rupiah, Unless Otherwise Stated)

19. SHARE CAPITAL (continued)

Based on the Minutes of Extraordinary Shareholders' General Meeting which was notarized by Notarial Deed No. 32 of Robert Purba, S.H., dated May 11, 2009, the Company's shareholders approved the sale of the Company's share capital owned by Elly to Billy Ching.

20. NET SALES

This account consists of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Cellular phones	1,234,482,393,523	729,636,467,435	1,734,294,453,765	1,334,710,235,134
Spare parts	1,640,109,030	7,259,955,784	10,059,617,215	2,671,917,068
Service	3,109,895,914	423,592,142	720,206,978	822,856,971
Total	**1,239,232,398,467**	**737,320,015,361**	**1,745,074,277,958**	**1,338,205,009,173**

During six-month periods ended June 30, 2011 and 2010 and years ended December 31, 2010 and 2009, sales of Rp6,139,448,255, Rp139,583,710,813, Rp559,577,488,489 and Rp191,921,459,917 were made to related parties (Note 7a).

21. COST OF GOODS SOLD

This account consists of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Beginning balance of inventories	163,596,233,863	144,135,865,251	144,135,865,251	267,868,149,166
Net purchases	1,150,435,892,213	648,121,954,481	1,605,526,799,079	1,204,991,134,832
Inventories available for sale	1,314,032,126,076	792,257,819,732	1,749,662,664,330	1,472,859,283,998
Ending balance of inventories	(183,869,915,215)	(104,599,574,244)	(163,596,233,863)	(144,135,865,251)
Cost of goods sold	**1,130,162,210,861**	**687,658,245,488**	**1,586,066,430,467**	**1,328,723,418,747**

22. SELLING EXPENSES

This account consist of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Advertising and promotion	30,774,305,646	9,360,616,367	24,763,900,281	7,662,795,099
Sales commission	2,243,723,481	2,381,484,824	3,650,169,487	7,957,653,511
Export and expeditions	1,890,972,258	1,757,263,221	4,068,580,781	1,376,937,890
Rental and service charge	1,007,734,458	1,899,064,313	4,189,597,927	5,055,540,303
Depreciation (Note 11)	111,547,134	184,679,495	203,760,956	467,761,581
Others	-	470,367	4,325,366	27,287,657
Total	**36,028,282,977**	**15,583,578,587**	**36,880,334,798**	**22,547,976,041**

(Expressed in Rupiah, Unless Otherwise Stated)

23. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Salaries	10,353,403,640	10,294,485,120	25,125,651,740	9,581,843,463
Provision for obsolescence and decline in value of inventories (Note 8)	2,793,723,574	6,946,574,946	5,329,994,750	-
Professional fees	1,384,166,439	-	648,625,000	189,546,000
Office supplies, printing and photocopy	1,141,986,011	868,191,513	1,635,344,723	1,308,750,804
Depreciation (Note 11)	1,057,471,520	576,334,871	1,393,266,703	674,558,630
Transportation	960,867,001	544,333,705	1,185,443,071	251,298,782
Insurance	871,920,015	519,075,652	1,421,654,876	433,716,040
Employee benefits (Note 17)	834,105,759	222,330,090	992,379,232	445,518,163
Tax expenses	708,755,232	23,804,162	908,845,754	2,496,646,529
Telecommunication, water and electricity	628,745,056	835,042,298	1,733,734,854	1,067,937,263
Repair and maintenance	516,499,723	679,812,394	1,583,650,799	302,316,514
Licenses	489,479,214	499,267,539	1,100,992,539	1,040,560,500
Entertainment	472,372,608	382,905,796	1,012,370,571	141,680,335
Provision for impairment of receivable (Note 6d)	-	-	4,421,750,393	-
Provision and bank charges	-	-	1,494,591,485	1,691,112,522
Others	222,544,984	203,226,986	375,952,757	1,242,533,135
Total	**22,436,040,776**	**22,595,385,072**	**50,364,249,247**	**20,868,018,680**

24. OTHER OPERATING INCOME

This account consists of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009 (As restated, Note 31)
Promotions support	5,653,581,430	3,003,143,749	6,900,632,870	-
Net gains on foreign exchange from operating activities	-	8,862,240,829	9,669,180,335	106,345,651,059
Rental income	-	436,430,133	199,152,419	-
Amortization of negative goodwill	-	537,593,040	1,075,186,081	1,075,186,081
Others	864,745,460	1,888,330,603	4,600,553,567	6,619,634,642
Total	**6,518,326,890**	**14,727,738,354**	**22,444,705,272**	**114,040,471,782**

25. OTHER OPERATING EXPENSES

This account consists of:

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Net losses on foreign exchange from operating activities	1,566,558,400	-	-	-
Loss on disposal of a Subsidiary	1,489,551,706	-	-	-
Loss on sales of fixed assets (Note 11)	362,500	-	-	-
Others	466,510,411	2,619,956	188,066,580	71,237,794
Total	**3,522,983,017**	**2,619,956**	**188,066,580**	**71,237,794**

(Expressed in Rupiah, Unless Otherwise Stated)

26. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

As of June 30, 2011, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currency as follows:

Assets:	
Cash and cash equivalents (US$155,799)	1,339,402,799
Time deposit (US$2,044,009)	17,572,014,474
Accounts receivable - Others (US$5,414,297)	46,546,710,621
Total Assets	65,458,127,894
Liabilities:	
Accounts payable - Trade (US$4,893,540)	(42,069,759,658)
Accounts payable - Others (US$161,144)	(1,385,355,527)
Total liabilities	(43,455,115,185)
Net monetary assets	**22,003,012,709**

27. SUMPLEMENTARY CASH FLOW INFORMATION

Significant non-cash transactions

	June 30,		December 31,	
	2011	2010 (unaudited)	2010	2009
Acquisitions of fixed assets through the incurrence of long-term debts	84,160,835	147,250,000	147,250,000	1,600,200,000
Reclassification of advances for purchases of fixed assets to fixed assets	3,460,667,294	-	-	-

28. SIGNIFICANT AGREEMENTS

a. On May 6, 2011, PT Teletama Artha Mandiri ("TAM"), a subsidiary, entered into an agreement with PT XL Axiata Tbk ("XL") whereby TAM and XL agree to do Customization Handset Partner to promote XLGo to XL's customers. This agreement is valid for 1 (one) year and will be automatically renewed, unless terminated upon written agreement by both parties.

b. On April 1, 2011, TAM, a subsidiary, entered into a Fulfillment Support Agreement with PT Samsung Electronics Indonesia ("Samsung"), whereby TAM was appointed, on a non-exclusively basis, to provide fulfillment support services in Samsung's distribution activities. TAM shall provide fulfillment support services to Samsung in Central Java, East Java, Bali and Nusa Tenggara, which include issuing customer's purchase order to Samsung and maintaining customer's receivables. This agreement is valid for 1 (one) year and extendable upon agreement by both parties.

28. SIGNIFICANT AGREEMENTS (continued)

c. On November 1, 2010, PT Dinamika Agung ("DA"), a former subsidiary, entered into a Sales Cooperation Agreement with PT Samsung Electronics Indonesia ("Samsung"), whereby DA was appointed as a non-exclusive distributor to resell Samsung Mobile Phones and Accessories to sub-dealers and end-user customers. DA shall purchase the products for resale to retailers in Indonesia. This agreement has been extended with Sales Cooperation Agreement dated January 5, 2011. The Company did not make further extension upon expiration of the agreement.

d. On April 23, 2010, DA, a former subsidiary, entered into an agreement with PT LG Electronics Indonesia ("LG"), whereby DA was appointed as Master Dealer for LG's Mobile Phones in Indonesia. This agreement is valid within 1 (one) year and was not extended.

e. On February 28, 2010, TAM, a subsidiary, appointed Executive Sales Limited as the official forwarder for Brightpoint's products.

f. On February 16, 2010, TAM, a subsidiary, entered into a Purchase and Supply Agreement with Brightpoint International (Hong Kong) Limited ("Brightpoint"), whereby TAM was appointed as a non-exclusive distributor for products manufactured by Research In Motion ("RIM"), for Indonesia. This agreement is valid for 1 (one) year and will be automatically renewed, unless terminated upon written agreement by both parties.

g. On September 9, 2005, TAM, a subsidiary, entered into an agreement with Sony Ericsson Mobile Communication AB ("Sony Ericsson"), whereby TAM was appointed as non-exclusive distributor for Sony Ericsson's products in Indonesia. TAM will provide reasonable and adequate security for its payment obligations such as a bank guarantee, an irrevocable letter of credit or security interest in its assets, in form and substance satisfactory to Sony Ericsson (Note 5). This agreement is effective upon the date of signing by both parties and will be automatically renewed, unless terminated upon written agreement by both parties.

h. TAM, a subsidiary, entered into purchase agreements with Everbest Network Technology Co., Ltd., Longmeng International Trade Company Limited, TFone Limited, Skycom Telecommunications Co., Limited, Shenzhen Konka Telecommunications Technology Co., Ltd., Gowell Telecom Technology (Overseas) Ltd., Shunkia International Limited, Sagetel Mobiles (Ningbo) Co., Ltd., Huawofong Technology (HK) Limited, Premiere Network Technology Limited, Cosmo Electronics Technology Limited and Huawei Technologies Co., (the "Sellers") whereby TAM was appointed as buyer of the Sellers products. TAM has ordered the telecommunication devices from the Sellers and the Sellers have agreed to manufacture, sell and deliver the products to TAM. This agreement is valid for 1 (one) year and extendable upon agreement by both parties.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial liabilities of the Company and Subsidiaries consist of bank loans, accounts payable, accrued expenses, due to related parties and long-term debt. The main purpose of these financial liabilities is to raise funds for the operations of the Company and Subsidiaries. The Company and Subsidiaries also has various financial assets such as cash and cash equivalents, time deposit, accounts receivable and security deposits which arise directly from its operations.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Company's and Subsidiaries' financial instruments are fair value and cash flow interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's and Subsidiaries' Directors reviews and approves the policies for managing these risks which are summarized below:

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and Subsidiaries are exposed to the risk of changes in market interest rates relating primarily to its loans and overdrafts. Loan with fluctuations interest rate make the Company and Subsidiaries influenced by fair value interest rate. There are no loans of the Company's and Subsidiaries' which bear fixed interest rate.

Currently, the Company and Subsidiaries do not have a formal hedging policy for interest rate exposures. For working capital and overdrafts, the Company and Subsidiaries may seek to mitigate its interest rate risk by passing it on to its customers.

Foreign exchange rate risk

As a result of transactions made with the seller from abroad, consolidated statements of financial position of the Company and Subsidiaries may be affected significantly by changes in exchange rate US Dollar/Rupiah. Currently, the Company and Subsidiaries do not have any formal hedging policy for foreign exchange exposure. However, the Company and Subsidiaries had time deposit denominated in United States Dollars currency which provide limited hedging naturally in dealing with the impact of fluctuations of Rupiah towards foreign currencies.

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's and Subsidiaries' exposure to exchange rate fluctuations results primarily from cash and cash equivalents, time deposit, accounts receivable - others, accounts payable denominated in United States Dollar.

Monetary assets and liabilities of the Company and Subsidiaries denominated in foreign currencies as of June 30, 2011 is presented in Note 26.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge its obligation and will result in a financial loss to the other party. The Company and Subsidiaries are exposed to credit risk arising from the credit granted to its customers. The Company and Subsidiaries trade only with recognized and creditworthy third parties. It is the Company's and Subsidiaries' policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

(Expressed in Rupiah, Unless Otherwise Stated)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of liquidity risk, the Company and Subsidiaries monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Company's and Subsidiaries' operations and to mitigate the effects of fluctuation in cash flows. The Company and Subsidiaries also regularly evaluates the projected and actual cash flows, including its long-term loan maturity profiles, and continuously assesses conditions in the financial markets to maintain flexibility in funding by keeping committed credit facilities available.

The table below summarizes the maturity profile of the Company's and Subsidiaries' financial liabilities based on contractual payments as of June 30, 2011.

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
Bank loans	187,767,500,000	-	-	-	187,767,500,000
Accounts payable - trade	103,212,014,058	-	-	-	103,212,014,058
Accounts payable - others	5,080,413,019	-	-	-	5,080,413,019
Accrued expenses	9,560,734,743	-	-	-	9,560,734,743
Due to related parties	2,300,000,000	-	-	-	2,300,000,000
Long-term debts	254,450,062	20,150,000	-	-	274,600,062
Total	**308,175,111,882**	**20,150,000**	**-**	**-**	**308,195,261,882**

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following are the methods and assumptions used to estimate the fair value of each class of the Company's and Subsidiaries' financial instruments:

1. Cash and cash equivalents, time deposit, accounts receivable, security deposits, accounts payable, accrued expenses and due to related parties approximate their carrying values due to their short-term maturities.

2. The carrying values of bank loans and long-term debts approximate their fair values due to the floating rate interests on these instruments which are subject to adjustments by the banks.

The following tables set the fair values, which approximate their carrying amounts, of financial assets and financial liabilities of the Company and Subsidiaries:

	June 30, 2011	December 31, 2010	December 31, 2009 (As restated, Note 31)	January 1, 2009/ December 31, 2008 (As restated, Note 31)
Financial Assets:				
Loans and receivables				
Cash and cash equivalents	16,330,198,909	6,602,754,068	22,653,380,346	30,360,223,025
Time deposit	17,572,014,474	17,982,000,000	37,600,000,000	43,800,000,000
Accounts receivable - trade	194,172,176,940	269,082,115,769	470,036,051,505	732,754,031,762
Accounts receivable - others	50,212,680,065	83,515,025,297	80,296,836,573	5,835,578,471
Security deposits	344,444,994	714,500,520	1,063,996,334	1,087,439,138
Total Financial Assets	**278,631,515,382**	**377,896,395,654**	**611,650,264,758**	**813,837,272,396**

(Expressed in Rupiah, Unless Otherwise Stated)

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following tables set the fair values, which approximate their carrying amounts, of financial assets and financial liabilities of the Company and Subsidiaries: (continued)

	June 30, 2011	December 31, 2010	December 31, 2009 (As restated, Note 31)	January 1, 2009/ December 31, 2008 (As restated, Note 31)
Financial Liabilities:				
Liabilities at fair value or amortized cost				
Bank loans	187,767,500,000	184,885,000,000	58,200,000,000	-
Accounts payable - trade	103,212,014,058	230,572,472,035	632,401,746,384	1,045,358,829,343
Accounts payable - others	5,080,413,019	9,223,760,113	11,230,307,425	50,858,391,744
Accrued expenses	9,560,734,743	3,508,239,295	1,984,049,510	2,004,595,339
Due to related parties	2,300,000,000	5,543,704,759	2,300,000,000	-
Long-term debts	274,600,062	568,797,055	1,158,123,302	83,710,000
Total Financial Liabilities	**308,195,261,882**	**434,301,973,257**	**707,274,226,621**	**1,098,305,526,426**

31. RESTATEMENT AND RECLASSIFICATION OF DECEMBER 31, 2009 AND 2008 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the years ended December 31, 2009 and 2008 have been restated to reflect certain adjustments.

In addition, certain comparative figures as of December 31, 2009 and 2008 have been reclassified to conform to June 30, 2011 consolidated financial statements presentation.

The effect of the restatements was as follows:

	As Previously Reported	Adjustments	As Restated
Restatement 2008			
Negative goodwill - net (a)	-	(20,876,529,732)	(20,876,529,732)
Retained earnings - ending (a)	(51,959,245,228)	20,876,529,732	(31,082,715,494)
Restatement 2009			
Negative goodwill - net (a)	-	(19,801,343,652)	(19,801,343,652)
Retained earnings - beginning (a)	(51,959,245,228)	20,876,529,732	(31,082,715,494)
Retained earnings - ending (a)	(104,619,742,090)	19,801,343,652	(84,818,398,438)
Other operating income - amortization of negative goodwill (a)	-	(1,075,186,081)	(1,075,186,081)
Reclassification 2008			
Current portion of prepaid expenses (b)	1,948,556,937	(926,132,843)	1,022,424,094
Prepaid expenses - net of current portion (b)	-	926,132,843	926,132,843
Loan to third party (b)	(43,528,272,000)	43,528,272,000	-
Other current liabilities (b)	(125,010,000)	125,010,000	-
Accounts payable - others - third parties (b)	(7,205,109,744)	(43,653,282,000)	(50,858,391,744)
Reclassification 2009			
Current portion of prepaid expenses (b)	4,427,602,700	(922,476,591)	3,505,126,109
Prepaid expenses - net of current portion (b)	-	922,476,591	922,476,591
Accounts payable - others - related parties (b)	(2,912,324,960)	2,300,000,000	(612,324,960)
Due to related parties (b)	-	(2,300,000,000)	(2,300,000,000)
Cost of goods sold (b)	1,328,436,599,340	286,819,407	1,328,723,418,747
General and administrative expenses (b)	19,450,319,256	1,417,699,424	20,868,018,680
Other income - others, net (b)	(4,843,878,016)	4,843,878,016	-
Other operating income - others (b)	-	(6,619,634,642)	(6,619,634,642)
Other operating expenses - others (b)	-	71,237,794	71,237,794

(Expressed in Rupiah, Unless Otherwise Stated)

31. RESTATEMENT AND RECLASSIFICATION OF DECEMBER 31, 2009 AND 2008 CONSOLIDATED FINANCIAL STATEMENTS (continued)

(a) Negative goodwill of Rp21,503,721,613 arising from the purchase of shares of PT Teletama Artha Mandiri ("TAM"), a subsidiary, from third parties, which was previously recorded as part of "Other Income - Negative goodwill" in the 2008 consolidated financial statement, was restated to become negative goodwill in the consolidated statement of financial position, following the provision of PSAK No. 22 (Revised 1994), "Accounting for Business Combination". The negative goodwill is amortized into income using straight-line method over 20 years, with the amortization amounts of Rp627,191,881 in 2008 and Rp1,075,186,081 in 2009.

The balance of the negative goodwill of Rp20,876,529,732 is recorded as "Negative Goodwill" in 2008 consolidated statement of financial position and deducted to "Retained earnings - ending" of 2008. The 2008 amortization of Rp627,191,881 is recorded as "Other Income - Amortization of Negative Goodwill" in 2008 consolidated statement of comprehensive income. The 2009 amortization of Rp1,075,186,081 is recorded as "Other Income - Amortization of Negative Goodwill" in 2009 consolidated statement of comprehensive income.

(b) This is a reclassification to conform with the 2011 consolidated financial statement presentation.

32. SUBSEQUENT EVENTS

a) Based on Shareholders of PT Nusa Gemilang Abadi Circular Decision dated July 22, 2011 which were covered under Notarial Deed No. 3 dated August 1, 2011 of Humberg Lie, S.H., SE, Mkn, the Company's shareholders approve the following:
- Issue B series shares with par value of Rp1,000 per share and convert the existing common shares to become A series shares with par value of Rp1,000,000 per share.
- Increase the authorized share capital from Rp5,000,000,000 to Rp30,000,000,000.
- Increase the issued and paid up share capital from Rp2,500,000,000 to Rp7,500,000,000, which is taken by West Swan Overseas Ltd.

The Company obtained an approval by the Capital Investment Coordinating Board ("BKPM") by letter 1876/A.8/2011 dated August 1, 2011 pertaining to the change of the Company's status from Non Domestic Investment/Foreign Investment to Foreign Investment and the changes of the Company's authorized, issued and paid up share capital. The latest amendments were approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Letter No. AHU-39644.AH.01.02.Th.2011 dated August 5, 2011.

After the realization of matters discussed in above shareholders' circular decision, the Company's shareholders and the issued and fully paid shares composition are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Series A			
Boswell Investment Pte., Ltd.	2,475	0.0495	2,475,000,000
Billy Ching	25	0.0005	25,000,000
Series B			
West Swan Overseas Ltd.	5,000,000	99.95	5,000,000,000
Total	**5,002,500**	**100.00**	**7,500,000,000**

32. SUBSEQUENT EVENTS (continued)

b) On August 11, 2011, PT Teletama Artha Mandiri ("TAM"), a subsidiary, entered into a Co-operation Agreement with Huawei Device (Hong Kong) Co., Ltd., ("Huawei"), whereby TAM is appointed to carry out Huawei handset distribution. This agreement is valid for 1 (one) year.

33. REISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

In relation to the Company's plan to include disclosure of consolidated financial statements as of December 31, 2009 and for the year then ended and its consolidated statement of financial position as of January 1, 2009/December 31, 2008 as comparatives to its consolidated financial statements as of June 30, 2011 and for the six-month periods then ended and as of December 31, 2010 and for the year then ended, the Company has revised its consolidated financial statements as of June 30, 2011, December 31, 2010 and January 1, 2010/December 31, 2009 and for the six-month periods ended June 30, 2011 and 2010 (unaudited) and for the year ended December 31, 2010. That consolidated financial statements have been audited by Public Accounting Firm Purwantono, Suherman & Surja in its report No. RPC-1547/PSS/2011 dated August 22, 2011. That consolidated financial statements were reissued with amendments in the consolidated financial statements and Notes 1b, 1c, 2d, 2n, 3, 4, 5, 6, 7a, 7b, 8, 9, 10, 11, 12, 13, 14a, 14b, 14c, 14d, 14e, 14f, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 30, 31, 33 and 34 to the consolidated financial statements.

34. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were completed and authorized for issuance by the Company's Director on November 4, 2011.

This Report is Originally Issued In Indonesian Language.

Laporan Auditor Independen

Laporan No. ARS– 047/10

Pemegang Saham, Komisaris dan Direksi
PT Nusa Gemilang Abadi dan Anak Perusahaan

Kami telah mengaudit neraca konsolidasi PT Nusa Gemilang Abadi dan Anak Perusahaan tanggal 31 Desember 2009 and 2008, serta laporan laba rugi konsolidasi, laporan perubahan ekuitas konsolidasi dan laporan arus kas konsolidasi untuk tahun-tahun yang berakhir pada tanggal tersebut. Laporan keuangan konsolidasi adalah tanggung jawab manajemen Perusahaan. Tanggung jawab kami terletak pada pernyataan pendapat atas laporan keuangan berdasarkan audit kami. Laporan keuangan tahun 2009 PT Teletama Artha Mandiri, Anak Perusahaan, telah diaudit oleh auditor independen lain yang laporannya No. CJ.1.016/AI/KAP/I/2011 tanggal 26 Januari 2011 menyatakan pendapat wajar tanpa pengecualian pada laporan tersebut.

Kami melaksanakan audit berdasarkan standar auditing yang ditetapkan Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami merencanakan dan melaksanakan audit agar kami memperoleh keyakinan memadai bahwa laporan keuangan konsolidasi bebas dari salah saji material. Suatu audit meliputi pemeriksaan atas dasar pengujian, bukti-bukti yang mendukung jumlah-jumlah dan pengungkapan dalam laporan keuangan konsolidasi. Audit juga meliputi penilaian atas prinsip akuntansi yang digunakan dan estimasi signifikan yang dibuat oleh manajemen, serta penilaian terhadap penyajian laporan keuangan konsolidasi secara keseluruhan. Kami yakin bahwa audit kami memberikan dasar memadai untuk menyatakan pendapat.

Independent Auditors' Report

Report No. ARS-047/10

The Stockholders, Commissioner and Director
PT Nusa Gemilang Abadi and Subsidiary

We have audited the consolidated balance sheets of PT Nusa Gemilang Abadi and Subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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. The 2009 financial statements of PT Teletama Artha Mandiri, Subsidiary, were audited by other independent auditor whose report No. CJ.1.016/AI/KAP/I/2011 dated January 26, 2011 expressed an unqualified opinion on those statements.

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Menurut pendapat kami, laporan keuangan konsolidasi tersebut di atas menyajikan secara wajar, dalam semua hal yang material, posisi keuangan PT Nusa Gemilang Abadi dan Anak Perusahaan tanggal 31 Desember 2009 dan 2008, hasil usaha, perubahan ekuitas serta arus kas untuk tahun-tahun yang berakhir pada tanggal tersebut sesuai dengan prinsip akuntansi yang berlaku umum di Indonesia.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the PT Nusa Gemilang Abadi and Subsidiaries as of December 31, 2009 and 2008 and the results of its operations, changes in its stockholders' equity and cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

ARSYAD & REKAN
Izin Usaha/*License No.* KEP-181/KM.6/2004

Drs. S. Arsyad
NIAP/*License No.* 99.1.0568

Jakarta, 30 Desember 2010/*December 30, 2010*

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

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