COMPANY UPDATE INFORMATION

The following discussion contains the most recent update on operating and financial performance of PT Indoritel Makmur Internasional Tbk (the "Company") as of June 30, 2013.

This document does not constitute and is not an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy securities (the "Securities") of the Company in the Republic of Indonesia or elsewhere, the Company has not registered and does not intend to register the securities under the US Securities Act of 1933, as amended (the "Securities Act") and the Securities may not be offered or sold in the United States absent registration under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration. The Company does not intend to make any public offering of the Securities in the United States, Republic of Indonesia, or in any other jurisdiction.

Certain data in this document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

This presentation includes forward-looking statements. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect", "plan" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of the Company for future operations (including development plans and objectives relating to the Company's business and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate, and must be read together with those assumptions. These forward-looking statements speak only as at the date of this presentation. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of the Company. Past performance is not necessarily indicative of future performance. The future financial performance of the Company is not guaranteed. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of the Company on future events. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions, except as required by law, to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this document speak only as of the date of this document. The Company, and its affiliates and representatives expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law or regulation.

FINANCIAL DISCUSSION

OVERVIEW

We are a listed investment holding company (IDX: DNET), formerly known as PT Dyviacom Intrabumi Tbk, focused primarily on the consumer and retail industries in Indonesia. In June 2013, we conducted a rights offering in Indonesia and raised Rp.7.0 trillion (U.S.$705.0 million) by offering new shares in the amount of 14.0 billion new shares or 98.7% of our total enlarged paid-up capital at an exercise price of Rp.500 per share. Following the Rights Offering and the Acquisitions, we changed our name to PT Indoritel Makmur Internasional Tbk to reflect the Acquisitions and the change in our business focus from the provision of internet services to become an investment holding company focused primarily on the consumer and retail industries in Indonesia. Prior to the Rights Offering, our controlling shareholder was PTL, which was controlled directly and indirectly by Mr. Pieter Tanuri and subsequent to the Rights Offering, our controlling shareholder is PT Megah Eraraharja, which is controlled by the Salim Group.

In June 2013, we used the proceeds from the Rights Offering and acquired strategic interests in the following public and private companies operating in the Indonesian consumer retail and food industries:

- ***Indomaret***: We acquired a 40.0% interest in Indomaret for Rp.2.6 trillion (U.S.$261.9 million) by subscribing for an aggregate of Rp.738,720,000 new shares issued by Indomaret. Indomaret is Indonesia's largest minimarket operator by number of stores. As of June 30, 2013, it had 8,039 stores throughout Indonesia, consisting of 5,202 stores which it owns and operates and 2,837 stores under its franchise program. According to Frost & Sullivan, Indomaret has a market share of 35.5% of the minimarket sector as of December 31, 2012 based on sales revenue and a 32.4% market share based on number of stores. Indomaret has also enjoyed robust growth in terms of sales, with gross sales growing at a CAGR of 31.8% from 2010 to 2012 and daily sales per store growing at a CAGR of 13.9% from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, Indomaret's gross sales were Rp.14,919.1 billion, Rp.19,248.0 billion, Rp.25,927.9 billion (U.S.$2,611.3 million) and Rp.15,265.6 billion (U.S.$1,537.5 million), respectively.

- ***ROTI***: We acquired a 31.5% interest in ROTI for Rp.2.1 trillion (U.S.$211.5 million) from Treasure East Investment Limited, who is now also a shareholder of the Company. ROTI is the largest bread manufacturer in Indonesia, with approximately 92% market share of the mass bread market in Indonesia as of December 31, 2012, according to Frost & Sullivan. In 2010, 2011, 2012 and the six months ended June 30, 2013, ROTI's sales were Rp.612.2 billion, Rp.813.3 billion, Rp.1,190.8 billion (U.S.$119.9 million) and Rp.706.9 billion (U.S.$71.2 million), respectively. As of June 30, 2013, ROTI had a diversified portfolio of 40 different products on offer. Since the launch of two production lines in its first production plant in Cikarang in 1996, it has grown from 11 production lines in three production plants as of December 31, 2010, to 24 production lines in eight production plants as of June 30, 2013. From 2011 to 2012, it increased its plant capacity by approximately 20% from approximately 2.5 million pieces of bread per day to approximately 3.0 million pieces of bread per day in 2012. ROTI's extensive distribution and logistics network includes modern retail channels and traditional general trade channels. Its products are distributed daily to approximately 38,000 outlets. As of June 30, 2013, ROTI's market capitalization was approximately Rp.7.9 trillion (U.S.$795.6 million).

- ***FAST***: We acquired a 35.8% interest in FAST for Rp.2.0 trillion (U.S.$201.4 million) from PT Megah Eraraharja, who is now also a controlling shareholder of the Company. FAST has the exclusive rights to operate KFC restaurants in Indonesia. FAST operates KFC restaurants under the Franchise Agreements with YUM! as the franchisor. YUM! is one of the world's largest restaurant chains in terms of system restaurants and is the global owner and franchisor of the KFC brand. FAST is Indonesia's largest QSR chain with more than 50% customers' share of visits according to BITS conducted by a research firm commissioned by YUM! and had a 28.8% market share in the chained QSR market in 2012 based on sales revenue according to Frost & Sullivan. According to the same research firm commissioned by YUM!, FAST also has the largest restaurant network in the QSR sector in Indonesia, with 446 outlets throughout Indonesia as of June 30, 2013. FAST's restaurants can be found in 33 out of the 34 Indonesian provinces and are spread across 103 cities and municipalities. FAST had 398, 421, 441 and 446 restaurants as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively, showing a CAGR of 3.5% in the number of restaurants in operation from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, FAST's revenues were Rp.2,826.9 billion, Rp.3,183.8 billion, Rp.3,559.5 billion (U.S.$358.5 million) and Rp.1,849.2 billion (U.S.$186.2 million), respectively. As of June 30, FAST's market capitalization was approximately Rp.6.1 trillion (U.S.$614.4 million).

In addition to our investments in the Associate Companies, we continue to engage in internet-related businesses, consisting of information technology consulting services relating to internet infrastructure networks and network security systems and management of an online business portal, Ogahrugi.com, which provides our users with various products and services at attractive discounts.

BASIS OF PRESENTATION

General

The financial statements of the Company and the Associate Companies included in this document have been prepared and presented in accordance with IFAS. The financial statements have been prepared on the accrual basis, except for the statements of cash flows, and using the historical cost concept of accounting, except as disclosed in the relevant notes to the financial statements included elsewhere in this document. The statements of cash flows present the receipts and payments of cash and cash equivalent classified into operating, investing and financing activities, with cash flows from operating activities presented using the direct method.

The reporting currency used in the preparation of the Company's and the Associate Companies' financial statements is the Rupiah, which is also the Company's and the Associate Companies' functional currency. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted into Rupiah using Bank Indonesia's middle rate to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to profit or loss.

Accounting Treatment of Associate Companies in the Company's Financial Statements

As a company that holds non-controlling interests in our Associate Companies, we do not consolidate the results of Indomaret, ROTI or FAST in our financial statements. The financial performance of our Associate Companies, which are entities in which we hold between 20% and 50% of the voting rights, or have significant influence but not control, is reflected primarily in our statement of income as a share in net profit (loss) of associates and share in other comprehensive income of associates under the equity method of accounting. Based on this method, we recognize our proportionate share of such Associate Companies' net profit or loss and other comprehensive income for the period in our statement of comprehensive income. Dividends received from our Associate Companies are recognized as a deduction to our carrying value of investments in these associates. Accordingly, our income before tax and net income will largely depend on the results of operations of the Associate Companies. Our financial statements will only reflect the results of each of our Associate Companies in the manner described above for the period we held such company as an associate.

Restatements and Reclassifications

Restatements and Reclassifications of the Company's Financial Statements

As disclosed in Note 30 to the Company's annual audited financial statements as of and for the year ended December 31, 2012, certain restatement adjustments were applied to restate the financial statements of the Company as of and for the years ended December 31, 2010 and 2011, which have been restated and reclassified to conform with the presentation in the 2012 financial statements, in order to present them on a comparative basis. The restatement adjustments for the financial statements as of and for the years ended December 31, 2010 and 2011 have been audited by Purwantono, Suherman & Surja.

In addition, the Company's interim financial statements as of and for the six months ended June 30, 2012 have been restated to reflect certain adjustments and have been reclassified to conform with the presentation in the Company's interim financial statements as of and for the six months ended June 30, 2013. See Note 31 to the Company's interim financial statements as of and for the six months ended June 30, 2013.

Reclassifications of FAST's Financial Statements

As disclosed in Note 36 to FAST's annual audited financial statements as of and for the year ended December 31, 2012, the statement of comprehensive income for the year ended December 31, 2011 has been reclassified to conform to the presentation of accounts in the statements of comprehensive income for the year ended December 31, 2012, in order to present them on a comparative basis.

FACTORS AFFECTING COMPARABILITY OF THE COMPANY'S FINANCIAL STATEMENTS

The Company's historical audited financial statements as of and for the years ended December 31, 2010, 2011 and 2012 contain financial information that relate to the Company under different ownership prior to

the Rights Offering, when the Company had a materially different corporate purpose and operated in a different line of business, and prior to giving effect to the Acquisitions. As a result of the Salim Group's acquisition of the Company, and the Acquisitions, which are only reflected in the financial statements as of and for the six months ended June 30, 2013, the discussion of our historical results of operations is of limited value to a prospective investor in evaluating the Company's prospects or deciding whether to purchase the Offer Shares, because we currently have no subsidiaries with revenue, and we have no historic track record for our investments in the Associate Companies, and accordingly we have no meaningful comparative financial data between periods. This document must be considered in light of the risks and uncertainties inherent in relatively new business undertakings.

FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Factors Affecting the Company's and our Associate Companies' Financial Condition and Results of Operations

The operational and financial performance of our Associate Companies

Substantially all of our assets comprise our investments in our Associate Companies, each of which has its own operations, and we expect our profit before tax and net profit also will depend almost entirely on the results of operations of our Associate Companies in future periods. As such, our financial performance is directly linked to the financial performance of our Associate Companies, which are in turn affected by a variety of different factors that are specific to their businesses and industries. Fluctuations in the financial performance of the companies in which we invest are reflected in a number of ways, depending on our level of investment, and influence, which determine whether we account for companies we invest in as a subsidiary, as an associate company or as an available for sale financial asset.

In addition, our business, financial condition, results of operations, cash flows and prospects going forward will be largely dependent on receiving dividends from our Associate Companies. Under Indonesian law, our Associate Companies may not make any distribution of dividends with respect to any particular year unless it has a net profit for that year. Such dividends are recommended by the board of directors of the respective Associate Companies and approved by a resolution of a majority of the Associate Companies' shareholders, all of which are not within our control.

The state of the Indonesian consumer and retail market and general economic conditions

Our Associate Companies operate consumer focused businesses that are highly dependent on the state of the Indonesian economy. Demand for our Associate Companies' products depends upon the size and disposable income levels of Indonesia's residents, which in turn depends primarily upon the state of the Indonesian economy. As the economy grows, more consumers have sufficient disposable income and existing customers are able to spend more on our Associate Companies' products, both of which potentially increase the size of our Associate Companies' target consumer market and demand for their products. However, the performance of our Associate Companies may decline during recessionary periods or in other periods where one or more macro-economic factors, or potential macro-economic factors, negatively affect the level of consumer confidence and spending, especially discretionary spending.

According to the World Economic Report published by the IMF, Indonesia's GDP growth rate was 6.2% in 2010, 6.5% in 2011, and 6.2% in 2012 and is forecasted to grow at 6.3% in 2013.

Additionally, our Associate Companies are particularly dependent on the retail market in the Greater Jakarta and Java as a significant percentage of our Associate Companies' sales are made in the Greater Jakarta and Java. If there is an economic downturn or other adverse events which specifically impact on the economy of the Greater Jakarta and Java, net sales of our Associate Companies will be disproportionately affected.

Sales and Productivity

The financial results of Indomaret and FAST are dependent on the productivity of their stores and restaurants, respectively. The productivity of Indomaret's stores is measured by sales per store per day, which measure each store's productivity on a day to day basis. The productivity of FAST's restaurants is measured by reference to "same store sales" growth. Same store sales represents the total sales generation of all stores operating from January 1 to December 31 for two consecutive calendar years and primarily measures the growth

of the FAST's existing business as opposed to growth due to new restaurant expansion. As new stores or restaurants, as the case may be, open within proximity of other existing stores or restaurants, thereby increasing competition for existing outlets, sales per store per day and same store sales will generally decrease. As the number of stores increases and additional stores move under the "same store" category, same store sales will represent a higher percentage of the growth in FAST's total revenues than in prior years.

In the case of ROTI, its results of operations are directly affected by sales volume, which in turn is a function of its production capacity, capacity utilization and market demand. In recent years, ROTI has been significantly increasing its bread production capacity. As new production lines in existing and newly built factories come into operation, ROTI tends to experience an initial decrease in production capacity utilization until its products gain market penetration and demand increases, thereby absorbing such increase in capacity. Once capacity utilization begins to peak, ROTI undertakes further expansion of its production and the cycle continues. To the extent demand for ROTI's products remain strong, its sales volume will be driven by its production capacity and ability to fully utilize such capacity. To maintain its competitive position, it is also important for ROTI to make efficiency gains in order to reduce the per unit cost of products.

Store and manufacturing productivity is also affected by the state of the Indonesian economy and competition. In addition, store productivity depends on effective marketing, merchandise and price point mix, the attractiveness of the Associate Companies products and in the case of FAST and Indomaret, the overall attractiveness and operation of a store or restaurant, as the case may be. Any adverse publicity may also cause a decline in our Associate Companies sales.

Expansion Program and Capital Expenditures

The level of our and our Associate Companies' capital expenditures affects the level of debt that we or they may have to incur for such capital expenditures and related interest expense. Our Associate Companies are in the process of expanding, or plan to expand, various parts of the operations, including increasing the number of outlets by three to five new minimarkets per day for Indomaret and 30 new restaurants per year for FAST and five to 10 new production plants for ROTI per year. Such expansion will require significant additional capital expenditures. As Indomaret and FAST open new stores or restaurants and increase the total number of stores or restaurants that they operate, their gross sales, net revenue and cost of revenue or cost of goods sold will increase. Although Indomaret and FAST capitalize the cost of fitting-out new stores or restaurants, opening new stores or restaurants increases their overall operating expenses, such as additional rent, salary and wages, depreciation, energy, distribution and insurance expenses.

In the case of Indomaret, a new store typically generates net profit after operating for nine to 12 months, and the amount invested in such new store is generally recoverable within three to three and a half years of operation. In the case of FAST, a new restaurant will typically earn operating profit within three to six months and FAST typically earns back its investment in the new restaurant within two and a half to three and a half years after opening. Only after six months, a new restaurant's productivity, net revenue and EBITDA margin typically stabilize on their respective averages for restaurants of similar formats. As such, new stores and restaurants tend to be less profitable than more mature stores and restaurants. For any given period, the opening of new stores and restaurants will tend to reduce gross profit margins until the new store or restaurant matures and its gross profit margin converges on the average gross profit margin.

The success of a new store or restaurant is dependent on a number of factors, of which some are within Indomaret's or FAST's control, respectively, including the successful integration of the new stores or restaurants, as the case may be, with existing operations and the achievement of related synergies, and in the case of Indomaret, the successful introduction of an optimal mix of products which successfully meets target local consumer preferences or tastes at attractive prices.

ROTI also intends to continue to expand its business by increasing its operational capabilities and sales volume and growing geographically, in particular by implementing its strategy of regional expansion into new, untapped regions of Indonesia. Such expansion plans will require significant additional capital expenditure for new production lines and factories. For example, ROTI incurred capital expenditures of Rp.388.9 billion (U.S.$39.2 million) and Rp.211.8 billion (U.S.$21.3 million) in 2012 and the six months ended June 30, 2013, respectively. However, ROTI will incur capital expenditures only when anticipated demand is projected to be strong; and there is no similar concept of a payback period that is applied by ROTI's management.

Operating expenses

The primary operating expenses of our Associate Companies include the cost of raw materials (such as flour and chocolate for ROTI, chicken products and other raw materials for FAST and merchandise purchased from suppliers for Indomaret), staff costs, fuel costs and property rentals. As we and our Associate Companies increase our respective businesses, expand operations (whether by opening new stores or restaurants, in the case of Indomaret and FAST, or increasing production by adding new production lines or factories in the case of ROTI) and hire more people, operating costs increase. Fuel cost is also expected to increase in the future as the Government has decreased the amount of fuel subsidy. As we and our Associate Companies continue to grow, other expenses will also increase, but may decline as a percentage of revenue. Indomaret and ROTI have historically on some occasions been able to pass increased costs of raw materials to their customers, at least in part. FAST's general approach is not to directly pass along cost increases in raw materials prices to its customers, so long as FAST can still sustain the increasing cost. FAST will also attempt other efficiency measures to sustain its profitability despite increasing raw material costs and will only increase its prices when pressures from such rising costs are too high.

Wages and other compensation paid to employees is also a significant operating cost, and an increase in the wages or employee benefit costs will significantly increase the operating costs of the Associate Companies. Furthermore, in order to grow their respective business operations, Indomaret, FAST and ROTI must identify suitable and available store, restaurant and factory and distribution center locations and successfully negotiate and finalize the terms of leases at these locations. Their inability to identify suitable store, restaurant or factory and distribution center locations at reasonable rentals, or a general increase in commercial real estate rentals in Indonesia, particularly in cities where they have significant operations, would negatively impact the growth of their revenue and profits.

Effectiveness marketing strategy

Our Associate Companies devote significant attention to their brand-building efforts. Our Associate Companies utilize national and regional marketing campaigns as well as store or restaurant level marketing in the case of Indomaret and FAST. By communicating common brand messages at the national, regional, local market and store or restaurant levels, they create and reinforce a powerful, consistent marketing message to consumers. We expect our Associate Companies will continue to invest significant amounts in the advertising and marketing of their brands.

Inflation

The results of operations of our Associate Companies are affected by inflation through increases in the costs of their raw materials, merchandise, staff costs and other costs. Although significant inflation can dampen overall demand for our Associate Companies' products, as consumers have less discretionary income to spend, inflation at manageable levels, while increasing their costs, may actually benefit their businesses, as inflation-led consumer price increases have a positive impact on their margins. Consumers in the middle class segment generally have more disposable income so they can typically absorb a portion of consumer price increases. According to the Indonesian Bureau of Statistics, Indonesia's annual inflation rate, as measured by changes in Indonesia's consumer price index, was 6.7% in 2010, 7.0% in 2011 and 4.3% in 2012.

Seasonality

FAST and Indomaret experience sales seasonality throughout the year. FAST and Indomaret promote and advertise based on key events and holidays such as Lebaran, the June-July period covering school holidays, Chinese New Year and Christmas. As a result of these promotional and advertising efforts in these key periods, our Associate Companies experience increased sales. Indomaret's and FAST's sales generally increase significantly during the periods around Lebaran. In the month prior to Lebaran, all employees in Indonesia receive an allowance of a month's salary in accordance with Indonesian labor laws. This increases customers' disposable income immediately prior to Lebaran and has a positive impact on sales. The mandated allowance also increases the FAST's and Indomaret's general and administrative expenses, specifically salaries and allowances, in the quarter in which the payment occurs, but those increased expenses are small relative to the increase in sales and net revenue during the period. The date of Lebaran changes from year to year and the peak in sales may span different quarters in different years.

FAST and Indomaret also see increases around Christmas and Chinese New Year. Following Christmas and Chinese New Year, their sales return to average levels, where no boost from such peak periods occurs. Each of these peak periods has a positive impact on their results.

As several holidays throughout the year, including Lebaran and Chinese New Year, do not occur on fixed dates, the results of a given interim financial period may or may not be directly comparable to results from the preceding interim period or to the corresponding period in prior years. To the extent that any of these peak sales periods overlap in a particular year, sales may suffer in that particular period relative to years in which the peak sales periods did not overlap as consumers generally spend less as a total in one peak period than two separate peak periods. Sales can also be impacted by the number of pay periods spanned by a particular peak season. If more pay periods than usual are spanned, FAST and Indomaret may experience increased sales. Likewise, a smaller than usual number of pay periods during the peak season can have a negative impact.

Competition

The Indonesian minimarket and QSR industry is highly competitive, particularly with respect to merchandise mix and quality, store location, design and ambiance, inventory, price, customer service and advertising. Indomaret and FAST face increased competition from existing minimarket and QSR operators, respectively, and from new entrants to the markets in which they operate. Furthermore, barriers to entry in the minimarket and QSR sectors are relatively low and actions taken by Indomaret's and FAST's competitors and actions taken by Indomaret and FAST both proactively and in response to competitive pressures may impact their results of operations.

In the case of ROTI, competition in the baked goods industry is based on product quality, taste, price, customer service, brand recognition and loyalty, product innovation, effective promotional activities, access to retail outlets and sufficient shelf space, as well as the ability to identify and satisfy consumer preferences. ROTI's products that are sold through retailers accounted for more than 69% and 68% of its sales in 2012 and the six months ended June 30, 2013, respectively. These retailers carry products that directly compete with ROTI's products in terms of retail space and consumer purchases. There is a growing trend of retailers that produce and sell their own baked goods under their own private label brands. Additionally, ROTI also faces competition from boutique bakeries and home/small bakeries. In the mass produced baked goods segment, ROTI face competition from Yamazaki Baking, the leading bread producer in Japan, which has formed a joint venture with Alfamart, the second largest chain of minimarkets in Indonesia, through which ROTI distributed 23.2% and 22.9% of its products in 2012 and in the six months ended June 30, 2013, respectively.

Changes in regulatory environment and government policies

The financial condition and results of operations of our Associate Companies are affected by regulatory trends in consumer retail and food industries, including those regulations and governmental policies governing the conduct of franchise businesses in Indonesia. See "Regulations and Supervision".

Foreign exchange

Indomaret and FAST have no significant foreign exchange risk as their transactions are predominantly in Rupiah. However, currency rate fluctuations could have a negative impact on ROTI's profitability as some of its key raw materials, such as flour, cocoa, sugar and yeast, as well as spare parts for machinery and packaging materials to the extent they are purchased in foreign currencies, are affected, directly and indirectly, by currency fluctuations, or their price is significantly affected by their benchmark price movements in foreign currencies (mainly U.S. dollar and Japanese yen) as quoted in the international markets.

Interest Expense and Other Financing Charges

Our Associate Companies' interest expense and other financing charges are dependent on the amount of debt they have, interest rates and the amount of U.S. dollar loans and Rupiah to U.S. dollar exchange rate. To the extent bank borrowings and other indebtedness carry variable interest rates, creditors may periodically adjust the rates in accordance with prevailing market interest rates. In September 2013, Bank Indonesia raised its benchmark rate by a quarter percentage point to 7.25%, just two weeks after raising it by a half percentage point to 7.0%. This marked the fourth rate increases by Bank Indonesia in 2013, when rates stood at 5.75% in January 2013. It also raised the overnight deposit facility rates, known as the Fasbi rate, by a quarter percentage point to

5.5%. Such rate increases will increase our and our Associate Companies' cost of financing and other interest related expenses.

Cost and availability of funding

As part of our ongoing operations, we and our Associate Companies may need to borrow from banks or the debt capital markets or to access the equity markets, through share placements, rights offerings or otherwise. Additionally, changes in our cost of borrowing will impact our financial performance through increased or decreased finance costs. Any changes in the cost or availability of funding could affect our ability to grow our portfolio as planned and, consequently, have an impact on our expected financial performance.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company's and the Associate Companies' financial statements require 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 accounting policies are those that we believe are or will be the most critical to a full understanding and evaluation of the reported and future financial results of the Company, as well as Indomaret, ROTI and FAST because they involve estimates and judgments of matters that are inherently uncertain.

Fair Value Financial Instruments

The Company and the Associated Companies record certain financial assets and financial liabilities at fair value, including financial assets and financial liabilities held for trading if they are acquired for the purpose of being sold in the near term or for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial assets and liabilities classified as held for trading are recorded at fair value are carried in the statement of financial position at fair value with unrealized gains or losses are recognized in the consolidated statement of comprehensive income.

When the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but when observable market data is not available, management's judgment is required to establish fair values. Management's judgments include considerations of liquidity risk, credit risk and model inputs such as the volatility of long term derivatives and discount rates, early payment rates and default rate assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Liability for Post-Employment Benefits

Indomaret and ROTI provide post-employment benefits to its employees in conformity with the requirements of Labor Law No.13/2003 dated March 25, 2003 (the "Labor Law"). The determination of liability for post-employment benefits is dependent on the selection of certain assumptions used by the independent actuaries in calculating such accounts. Those assumptions include among others, discount rate, annual salary increase rate, annual employee turn-over rate, disability rate because of work, retirement age and mortality rate.

Provisions for current service costs are charged directly to operations of the current period. Actuarial gains or losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed 10% of defined benefit obligation at that date. These gains or losses in excess of the 10% threshold are recognized on a straight-line basis over the expected average remaining working lives of the employees.

While Indomaret and ROTI believe that the assumptions are reasonable and appropriate, significant differences in actual results or significant changes in the assumptions may materially affect the estimated liability for post-employment benefits and net employment benefits expense.

Employee Benefits

The determination of employee benefits liabilities is dependent on the Company's and the Associated Companies' selection of certain assumptions used by the independent actuaries and the management in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate.

Actual results that differ from the assumption which has influenced exceeded 10% from the 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 the Associated Companies believe that their assumptions are reasonable and appropriate, significant differences in our actual result or significant changes in their assumptions may materially affect the estimated liabilities for employee benefits.

Depreciation of Fixed Assets and Property and Equipment, Amortization of Rented Buildings, Prepaid Expenses and Deferred Charges

Fixed assets and property and equipment are stated at cost less accumulated depreciation and impairment costs, if any. The cost of fixed assets and property and equipment include the purchase price, and where relevant, any costs directly attributable to bringing the asset or property and equipment to its present location and condition and the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. The costs of fixed assets and property and equipment, and in the case of FAST, renovation costs of rented buildings and deferred charges, are depreciated on the straight-line method over their estimated useful lives. Prepaid expenses are amortized using the straight-line method over the periods benefited. Management properly estimates the useful lives of these property and equipment ranging from four to 10 years for Indomaret, four to eight for the Company, two to 25 years for ROTI and five to 30 years for FAST. These are common life expectancies applied in the respective industries in which the Company and the Associated Companies conducts businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

Deferred Tax

Income tax is computed on the basis of taxable income for the period. Deferred income tax is provided by management for the timing differences in the recognition of income and expenses for financial reporting and income tax purposes. The accounting treatment is in conformity with SFAS No. 46, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between carrying amounts of assets and liabilities according to the consolidated statements of financial position with the tax bases of assets and liabilities. Deferred tax is accounted for using the current tax tariff or other applicable tariff at the consolidated statement of financial position date. Deferred tax is charged or credited to the consolidated statement of comprehensive income in the current year.

Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing on level of future taxable profits together with future strategic tax planning.

Income Tax

Income tax expense represents the sum of the corporate income tax currently payable and deferred tax. Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date. Taxable income differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are nontaxable or nondeductible.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income, which could necessitate future adjustments to tax income and expenses already recorded. Significant estimates are involved in determining provision for corporate income tax. There are certain transactions and computation for which the ultimate determination is uncertain during the ordinary course of business. The Company and the Associated Companies recognize liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will become due.

Allowance for Obsolescence of Inventories

Inventory is recorded at the lower of cost of net realizable value, whichever is lower. Merchandise inventory are recorded at cost determined by the average method. Such cost includes the costs incurred to acquire the stock and to bring it to the present location and condition. Net realizable value is the estimated selling price less the reasonable estimated cost to complete and sell the inventory of goods produced. Losses arising from the damage and loss of merchandise inventory is determined by observation and carried out on a regular basis and charged to the consolidated statement of comprehensive income.

Allowance for obsolescence or decline in market value, if any, of inventories is estimated based on 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 be incurred for their sales. The provision is re-evaluated and adjusted as additional inventory received affects the amount estimated.

Impairment of Non-Financial Assets

Management is required to make estimates and assumptions that affect the amounts of assets and liabilities reported at the date of the financial statements as well as the amounts of revenues and expenses during the reported period. Actual results may differ from the estimates.

An impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

Allowance for Impairment of Trade Receivables

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

Sales Promotion Revenue

Indomaret's franchise revenues and income from joint promotions are recognized on an accrual basis and the amount is in accordance with the agreement between Indomaret, Indomaret's franchisees and Indomaret's suppliers. Indomaret evaluates the appropriateness of marketing promotion accruals, such as sales incentives, sales rebates and discounts at every end of reporting period based on actual and forecast of sales performance achievement and historical experience.

THE COMPANY

Principal Income Statement Line Items for the Company

The following table sets forth our results of operations for the periods indicated:

Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
2010[1]	2011[1]	2012	2012	2012	2013	2013
Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
(Rp. in billions, U.S.$ in millions, except as otherwise indicated)						

Revenues	16.4	18.4	13.9	1.4	6.1	5.9	0.6
Cost of revenues	11.6	13.6	8.6	0.9	(3.8)	(4.3)	(0.4)
Gross profit	4.8	4.8	5.4	0.5	2.3	1.6	0.2
Selling expenses	(0.0)[(2)]	(0.1)	(0.1)	(0.0)[(2)]	(0.1)	(0.0)[(2)]	(0.0)[(2)]
General and administrative expenses	(4.3)	(3.9)	(4.7)	(0.5)	(2.4)	(2.1)	(0.2)
Other operating income	0.1	0.1	0.0	0.0[(2)]	(0.0)[(2)]	0.3	0.0[(2)]
Other operating expenses	(0.0)[(2)]	(0.2)	(0.3)	(0.0)[(2)]	(0.1)	(0.0)[(2)]	(0.0)[(2)]
Share of profit of associates	—	—	—	—	—	11.6	1.2
Income (Loss) from operations	0.6	0.7	0.4	0.0[(2)]	(0.2)	11.3	1.1
Finance income	—	—	—	—	—	2.3	0.2
Finance costs	(0.0)[(2)]	(0.0)[(2)]	(0.0)[(2)]	(0.0)[(2)]	(0.0)[(2)]	(0.0)[(2)]	(0.0)[(2)]
Income (Loss) before income tax	0.6	0.7	0.3	0.0[(2)]	(0.2)	13.5	1.4
Income tax benefit - deferred	(0.2)	(0.3)	(0.1)	(0.0)[(2)]	0.0[(2)]	0.0[(2)]	0.0[(2)]
Income (Loss) for the period	0.4	0.5	0.2	0.0[(2)]	(0.2)	13.6	1.4
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income (loss) for the period	0.4	0.5	0.2	0.0[(2)]	(0.2)	13.6	1.4

(1) Restated.

(2) Amount represents less than Rp.0.1 billion and U.S.$0.1 million.

Revenues

Historically, we generated revenue from the provision of internet access and various internet-related services through a network operating center ("NOC") and IT Solutions, which includes revenues from the website, Ogahrugi.com. Internet-related services include internet access through digital dial-ups, leased lines, wireless access, telnet access and transfers, POP web mail accounts, web hosting, satellite and fiber optic connections and domain registrations. IT Solutions include web design, web advertising and development, online marketing services and applications and systems designs. From 2013, the Company discontinued its internet access and NOC Segment, and reclassified other revenues previously recorded in this segment to IT Solutions.

The following table sets forth each revenue contributor for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010[1]	2011[1]	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
IT Solutions	15.7	17.1	10.1	1.0	4.2	5.9	0.6
Internet access and N.O.C.[2]	0.8	1.3	3.8	0.4	1.9	—	—
Total	16.4	18.4	13.9	1.4	6.1	5.9	0.6

(1) Restated.

(2) Discontinued segment.

Cost of revenues

Cost of revenues primarily represents the cost of internet access and data processing. The following table shows a breakdown of our cost of revenues for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010[1]	2011[1]	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
IT Solutions	8.6	11.2	5.7	0.6	0.9	4.3	0.4
Internet access and N.O.C[2]	3.0	2.4	2.9	0.3	2.9	—	—
Total	11.6	13.6	8.6	0.9	3.8	4.3	0.4

(1) Restated.

(2) Discontinued segment.

Operating expenses

Operating expenses consist of selling expenses which primarily comprise promotion and advertisement expenses, general and administrative expenses which primarily comprise salaries and employee benefits, depreciation, professional fees and telecommunication, water and electricity expenses and other operating expenses which primarily comprise tax expenses and fines.

Results of Operations of the Company

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenues

Revenues in the six months ended June 30, 2013 decreased by 2.7% to Rp.5.9 billion (U.S.$0.6 million) from Rp.6.1 billion in the six months ended June 30, 2012. The decrease in revenues was mainly a result of the Company discontinuing its internet access and N.O.C segment in the six months ended June 30, 2013.

IT Solution. Revenues from the IT Solutions segment increased by 42.2% to Rp.5.9 billion (U.S.$0.6 million) in the six months ended June 30, 2013 from Rp.4.2 billion in the six months ended June 30, 2012. The increase was mainly due to the reclassification of revenues from the Company's internet access and NOC segment to its IT Solution segment in line with the Company's plan to discontinue its internet access and NOC segment and, to a lesser extent, an increase in purchases from registered members of Ogahrugi.com. The number of active members of Ogahrugi.com increased from 11,633 as of June 30, 2012 to 22,428 as of June 30, 2013.

Internet Access and NOC. The Company discontinued its internet access and N.O.C segment in the six months ended June 30, 2013.

Cost of Revenues

Cost of revenues in the six months ended June 30, 2013 increased by 13.4% to Rp.4.3 billion (U.S.$0.4 million) from Rp.3.8 billion in the six months ended June 30, 2012. This increase was primarily driven by an increase in the Company's cost of revenues from the IT solution business in the six months ended June 30, 2013 as the Company expanded its business capabilities, as well as due to a reclassification of certain cost of revenues from the Company's internet access and NOC segment to its IT solution segment in line with the Company's plan to discontinue its internet access and NOC segment.

Gross Profit

As a result of the foregoing, gross profit in the six months ended June 30, 2013 decreased by 29.7% to Rp.1.6 billion (U.S.$0.2 million) from Rp.2.3 billion in the six months ended June 30, 2012.

Operating Expenses

Operating expenses in the six months ended June 30, 2013 decreased by 23.8% to Rp.1.9 billion (U.S.$0.2 million) from Rp.2.5 billion in the six months ended June 30, 2012. This decrease was primarily due to a decrease in general and administrative expenses due to lower salaries and employee benefits by Rp.0.3 billion and professional fees by Rp.0.1 billion. Such decreases were due to reductions in costs from the discontinuance of the Company's internet access and NOC segment.

Share of Profit of Associate Companies

The Company recorded a share of profit of Associate Companies in the amount of Rp.11.6 billion (U.S.$1.2 million) for the six months ended June 30, 2013. It did not hold any interest in the Associate Companies in the six months ended June 30, 2012.

Finance Income (Cost)

The Company did not have any material finance costs in the six months ended June 30, 2013 or the six months ended June 30, 2012. In the six months ended June 30, 2013, the Company recorded finance income of Rp.2.3 billion (U.S.$0.2 million), which was attributable to interest income earned on the proceeds of the Rights Offering, which were placed in time deposit accounts pending investment in the Associate Companies.

Income Tax Benefit - Deferred

Income tax benefit - deferred in the six months ended June 30, 2013 and June 30, 2012 remained minimal.

Other Comprehensive Income

The Company did not record other comprehensive income in the six months ended June 30, 2013 and the six months ended June 30, 2012.

Total Comprehensive Income for the Year

As a result of the foregoing, the Company recorded total comprehensive income in the six months ended June 30, 2013 of Rp.13.6 billion (U.S.$1.4 million) whereas it recorded total comprehensive loss of Rp.0.2 billion in the six months ended June 30, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

Revenues in 2012 decreased by 24.2% to Rp.13.9 billion (U.S.$1.4 million) from Rp.18.4 billion in 2011. The decrease in revenues was primarily a result of a decrease in revenues from the IT Solution segment.

IT Solution. Revenues from the IT Solution segment in 2012 decreased by Rp.7.0 billion (U.S.$0.7 million) or 41.0% to Rp.10.1 billion from Rp.17.1 billion in 2011. The significant decrease was due to a decrease in demand for the Company's IT solution services from its key customer, PT Multistrada Arah Sarana, Tbk, in 2012 compared to 2011, the intense competition in the information technology sector and because the Company did not conduct optimal promotional efforts during the period, which caused its subscriber base to stagnate.

*Internet access and NOC. R*evenues from the Internet Access and NOC segment in 2012 increased by 200.0% to Rp.3.8 billion (U.S.$0.4 million) from Rp.1.3 billion in 2011. This increase was primarily due to more network services being offered.

Cost of Revenues

Cost of revenues in 2012 decreased by 37.1% to Rp.8.6 billion (U.S.$0.9 million) from Rp.13.6 billion in 2011. This decrease was primarily driven by a decrease in the Company's cost of revenues from the IT Solution segment in 2012 which decreased by 49.5% to Rp.5.7 billion (U.S.$0.6 million) from Rp.11.2 billion in 2011, consistent with the decrease in the revenues from the IT Solution segment. This decrease was partially offset by an increase in cost of revenues from the internet access and NOC segment in 2012. Cost of revenues for internet access and NOC segment increased by 20.3% to Rp.2.9 billion (U.S.$0.3 million) from Rp.2.4 in 2011, consistent with the increase in revenues from the internet access and NOC segment.

Gross Profit

As a result of the foregoing, gross profit in 2012 increased by 12.9% to Rp.5.4 billion (U.S.$0.5 million) from Rp.4.8 billion in 2011.

Operating Expenses

Operating expenses in 2012 increased by 24.7% to Rp.5.0 billion (U.S.$0.5 million) from Rp.4.0 billion in 2011. This increase was primarily due to an increase in general and administrative expenses due to an increase in salaries and employee benefits by Rp.0.5 billion and professional fees by Rp.0.2 billion. Such increases were consistent with the Company's strategy to increase revenues generated by its internet access and NOC segment.

Finance Cost

Finance cost, net, in 2012 remained constant at Rp.0.0 billion (U.S.$0.0 million) from Rp.0.0 billion in 2011.

Income Tax Expense, net

Income tax expense, net in 2012 decreased by 49.6% to Rp.0.1 billion (U.S.$0.0 million) from Rp.0.3 billion in 2011. This decrease was due to a decrease in the Company's revenues.

Total Comprehensive Income for the Year

As a result of the foregoing, total comprehensive income in 2012 decreased by 53.2% to Rp.0.2 billion (U.S.$0.0 million) from Rp.0.5 billion in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenues

Revenues in 2011 increased by 12.2% to Rp.18.4 billion from Rp.16.4 billion in 2010. The increase in revenues was primarily a result of an increase in revenues from the IT Solution segment.

IT Solution. Revenues from the IT Solution segment in 2011 increased by 8.9% to Rp.17.1 billion from Rp.15.7 billion in 2010. The increase was due to increased revenues generated from web design and web development services.

Internet access and NOC. Revenues from the internet access and NOC segment in 2011 increased by 62.5% to Rp.1.3 billion from Rp.0.8 billion in 2010. This increase was primarily due to an increase in the provision of internet access-based services.

Cost of Revenues

Cost of revenues in 2011 increased by 17.2% to Rp.13.6 billion from Rp.11.6 billion in 2010. The increase was primarily driven by an increase in cost of revenues from the IT Solution segment which increased by 30.2% to Rp.11.2 billion from Rp.8.6 billion in 2010 due to an increase in the volume of IT Solution services provided. This increase was partially offset by a decrease in cost of revenues from the internet access and NOC segment which decreased by 20.0% to Rp.2.4 billion from Rp.3.0 billion in 2010.

Gross Profit

As a result of the foregoing, gross profit remained relatively constant from 2010 to 2011.

Operating Expenses

Operating expenses in 2011 decreased by 4.8% to Rp.4.0 billion from Rp.4.2 billion in 2010. This slight decrease is primarily due to a decrease in cash payments to suppliers.

Finance Cost

Finance cost remained constant from 2010 to 2011 at Rp.0.0 billion.

Income Tax Expense, net

Income tax expense, net in 2011 increased by 52.9% to Rp.0.3 billion from Rp.0.2 billion in 2010. This increase is due to an increase in revenues.

Total Comprehensive Income for the Year

As a result of the foregoing, total comprehensive income in 2011 increased by 4.4% to Rp.0.5 billion from Rp.0.5 billion in 2010.

Liquidity and Capital Resources of the Company

Liquidity

Liquidity represents our ability to generate sufficient cash flows from operating activities to meet our obligations as well as our ability to obtain appropriate financing. Our liquidity needs arise primarily from working capital requirements, capital expenditures, capital contributions and other needs. In order to satisfy our liquidity and capital requirements, we have historically relied on paid-in capital, receipts from customers and shareholders' loans.

Going forward, we expect dividends and other distributions from Associated Companies will be the primary source for our cash flow. Under Indonesian law, our Associate Companies may not make any distribution of dividends with respect to any particular year unless it has a net profit for that year. In addition, the ability of our Associate Companies to pay dividends may be restricted by financial covenants in loan or other agreements. See "Risk Factors—We will depend substantially on the receipt of dividends from the Associate Companies for our cash flow and ability to make dividend payments". Moreover, such dividends are recommended solely by the board directors of the respective Associate Companies and approved by a resolution of a majority of the Associate Companies' shareholders, all of which are not within our control. See "Risk Factors—Risks Relating to an Investment in the Offer Shares—The Company's ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures".

We also derive funding from issuances of equity. In June, 2013, we raised Rp.7.0 trillion (U.S.$705.0 million) by offering new shares in the amount of 98.7% of our total enlarged paid-up capital, the proceeds of which were used to fund the Acquisitions.

Cash Flows

The following table sets out a summary of our cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented.

	As of and for the Year Ended December 31,				As of and for the Six Months Ended June 30,		
	2010[1]	2011[1]	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Net cash provided by operating activities	0.5	0.0[2]	0.4	0.0	0.4	1.4	0.1
Net cash used in investing activities	(0.3)	(0.0)[2]	(0.0)[2]	(0.0)[2]	(0.0)[2]	(6,731.8)	(678.0)
Net cash provided by (used in) financing activities	0.3	0.2	(0.0)[2]	(0.0)[2]	(0.0)[2]	6,998.0	704.8
Net increase in cash and cash equivalents	0.5	0.2	0.3	0.0[2]	0.4	267.7	27.0
Cash and cash equivalents at beginning of period	0.1	0.6	0.8	0.0	0.8	1.1	0.0
Cash and cash equivalents at end of period	0.6	0.8	1.1	0.0	1.2	268.8	27.0

(1) Restated.

(2) Amount represents less than Rp.0.1 billion or U.S.$0.1 million.

Cash and cash equivalents was Rp.268.8 billion (U.S.$27.1 million) as of June 30, 2013, compared to Rp.1.1 billion (U.S.$0.1 million), Rp.0.8 billion and Rp.0.6 billion as of December 31, 2012, December 31, 2011 and December 31, 2010, respectively.

Net Cash Provided by Operating Activities

In the six months ended June 30, 2013, net cash provided by operating activities increased to Rp.1.4 billion (U.S.$0.1 million) as compared to Rp.0.4 billion in the six months ended June 30, 2012 as a result of an increase in transactions with customers and cash receipts from interest income in relation to the proceeds of the Rights Offering, which were placed in time deposit accounts pending investment in the Associate Companies.

In 2012, net cash provided by operating activities increased significantly to Rp.0.4 billion (U.S.$0.0 million) as compared to Rp.0.0 billion for in 2011. This increase was due to an increase in the amount of the Company's cash transactions.

In 2011, net cash provided by operating activities decreased by 93.1% to Rp.0.0 billion from Rp.0.5 billion in 2010. This decrease was due to an increase in the amount of cash payments to suppliers.

Net Cash Used in Investing Activities

For the six months ended June 30, 2013, net cash used in investing activities increased to Rp.6,731.8 billion (U.S.$678.0 million) as compared to Rp.0.0 billion for the six months ended June 30, 2012 as a result of the Company's investment in the Associate Companies.

In 2012, net cash used in investing activities remained relatively constant as compared to 2011. Cash used in investing activities was associated with the purchase of computers and office equipment.

In 2011, net cash used in investing activities decreased by 85.6% to Rp.0.0 billion from Rp.0.3 billion in 2010 as we did not purchase additional fixed assets in 2011.

Net Cash Provided by (used in) Financing Activities

In the six months ended June 30, 2013, net cash provided by financing activities increased to Rp.6,998.0 billion (U.S.$704.8 million) as compared to Rp.0.0 billion in the six months ended June 30, 2012 due to the net proceeds received from the Rights Offering.

In 2012, net cash used in financing activities was Rp.0.0 billion (U.S.$0.0 million) as compared to net cash provided by financing activities in 2011 of Rp.0.2 billion. The decrease in cash flow from financing activities was due to a decrease in receipts of funds from related parties as we increased loans from third parties.

In 2011, net cash provided by financing activities decreased by 18.1% to Rp.0.2 billion from Rp.0.3 billion in 2010. This decrease was due to a decrease in receipts of funds from related parties.

Capital Expenditures of the Company

Historically, due to the nature of our business, we have incurred minimal capital expenditures for 2010, 2011 and 2012 and the six months ended June 30, 2013.

In the future, we may be expected to make capital contributions to our Associate Companies in order to finance their capital expenditures. Although we do not anticipate any material contribution will be required in the next few years, such capital contributions may be required over the longer term. To the extent such capital contributions are required over the longer-term, if at all, we would expect to fund such contributions through any dividends we receive from the Associate Companies and future debt and equity financings.

Indebtedness of the Company

Our main financial liabilities include amounts due to related parties, trade payables, other payables, accrued expenses and other long term debts. The main purpose of incurring such liabilities is to raise funds for our operations. Aside from such indebtedness, we also own various financial assets such as cash and cash equivalents, trade receivables and other receivables.

The table below sets out the composition of our liabilities for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)	
	2010[(1)]	2011[(1)]	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)					
Current liabilities						
Trade payables – third parties	—	0.8	1.4	0.1	0.3	0.0[(2)]
Other payables – third parties	0.2	0.0[(2)]	0.0[(2)]	0.0[(2)]	1.9	0.2
Accrued expenses	—	0.0[(2)]	0.4	0.0[(2)]	13.7	1.4
Taxes payable	2.4	1.4	0.1	0.0[(2)]	0.1	0.0[(2)]
Unearned revenue	—	0.0[(2)]	—	—	—	—
Short-term employee benefit liabilities	0.2	0.0[(2)]	0.0[(2)]	0.0[(2)]	0.1	0.0[(2)]
Due to a related party	1.2	1.4	1.4	0.1	—	—
Current maturities of long-term debt	0.0[(2)]	0.0[(2)]	0.0[(2)]	0.0[(2)]	—	—
Total current liabilities	4.0	3.6	3.3	0.3	16.0	1.6
Non-current liabilities						
Other long-term debt, net of current maturities	0.0[(2)]	0.0[(2)]	—	—	—	—
Long-term employee benefit liabilities	0.4	0.6	0.8	0.1	0.8	0.1
Total non-current liabilities	0.5	0.6	0.8	0.1	0.8	0.1
Total liabilities	4.5	4.2	4.1	0.4	16.8	1.7

(1) Restated.

(2) Amount represents less than Rp.0.1 billion or U.S.$0.1 million.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our total current liabilities amounted to Rp.4.0 billion, Rp.3.6 billion, Rp.3.3 billion (U.S.$0.3 million) and Rp.16.0 billion (U.S.$1.6 million), respectively, of which Rp.1.2 billion, Rp.1.4 billion, Rp.1.4 billion (U.S.$0.1 million) and nil were attributable to amounts due to related parties arising from the normal course of business, and nil, Rp.0.8 billion, Rp.1.4 billion (U.S.$0.1 million), and Rp.0.3 billion (U.S.$0.0 million) were attributable to trade payables to third-party suppliers mainly arising from purchases from our suppliers. In the six months ended June 30, 2013, we recorded accrued expenses of Rp.13.7 billion (U.S.$1.4 million), relating to professional fees incurred in connection with the Rights Offering and Acquisitions.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-current liabilities amounted to Rp.0.5 billion, Rp.0.6 billion, Rp.0.8 billion (U.S.$0.1 million), and Rp.0.8 billion (U.S.$0.1 million), respectively, of which Rp.0.4 billion, Rp.0.6 billion, Rp.0.8 billion (U.S.$0.1 million) and Rp.0.8 billion (U.S.$0.1 million) were attributable to long-term employee benefit liabilities.

Contractual Obligations and Contingent Liabilities of the Company

Contractual Obligations

We have entered into various contractual obligations under which we are obligated to make future payments. The following table summarizes our contractual obligations by maturity as set out in our financial statements for the six months ended June 30, 2013.

	Payment Due by Period			
	Total	Less than 1 Year	1 to 5 Years	More than 5 Years
	(Rp. in billions)			
Description of Contractual Obligations:				
Trade payables	0.3	0.3	—	—
Other payables	1.9	1.9	—	—
Accrued expenses	13.7	13.7	—	—
Short-term employee benefits liabilities	0.1	0.1	—	—
Total	16.0	16.0	—	—

Contingent Liabilities of the Company

As a shareholder of FAST, we are obligated to enter into a franchisee shareholders' agreement with YUM!, pursuant to which the principal shareholders' of FAST, including us, are required to provide an indemnity to YUM! in connection with the Franchise Agreements for, among others, any losses caused by any breaches to the Franchise Agreements. Currently, we have not yet entered into this franchisee shareholders' agreement, although YUM! did consent to the change in shareholding of FAST, as indicated in its letter to us, FAST and PT Megah Eraraharja dated May 22, 2013. For more information, see "Business—FAST—Relationship and Franchise Arrangements with YUM!".

INDOMARET

Explanation of Principal Income Statement Line Items for Indomaret

The following table sets forth Indomaret's results of operations for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30,		
	2010	2011	2012 (restated)	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						

Net revenues	14,919.1	19,248.0	25,927.9	2,611.3	11,501.2	15,265.6	1,537.5
Cost of revenues	(12,355.2)	(15,799.5)	(21,132.9)	(2,128.4)	(9,475.8)	(12,331.7)	(1,242.0)
Gross profit	2,563.9	3,448.6	4,795.1	482.9	2,025.4	2,933.8	295.5
Operating expenses	(2,305.4)	(2,947.1)	(4,081.3)	(411.0)	(1,782.6)	(2,701.6)	(272.1)
Income from operations	258.6	501.4	713.8	71.9	242.8	232.2	23.4
Other income (charges) - net	(92.1)	(158.8)	(156.7)	(15.8)	(58.1)	(70.4)	(7.1)
Income before provision for income tax	166.4	342.6	557.1	56.1	184.7	161.9	16.3
Provision for income tax							
Current	—	—	(48.7)	(4.9)	—	(44.4)	4.5
Deferred	(29.1)	(30.8)	39.0	3.9	22.9	32.9	3.3
Total provision for income tax	(29.1)	(30.8)	(9.7)	(1.0)	22.9	(11.5)	1.2
Net income for the period	137.3	311.8	547.4	55.1	207.7	150.4	15.1
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the period	137.3	311.8	547.4	55.1	207.7	150.4	15.1

Net revenues. Net revenues principally comprise revenues from the sale of merchandise and other non-merchandise items, such as display rental income, joint promotion income, royalty income from franchisees, rebate income, labor procurement services for franchisees and other income. The table below shows a breakdown of Indomaret's net revenues for the periods shown.

	Year Ended December 31,				**Six Months Ended June 30,**		
	2010	**2011**	**2012 (restated)**	**2012**	**2012**	**2013**	**2013**
	Rp.	**Rp.**	**Rp.**	**U.S.$**	**Rp.**	**Rp.**	**U.S.$**
			(Rp. in billions, U.S.$ in millions)				
Merchandise sales	13,778.0	17,830.2	24,050.4	2,422.2	10,759.4	14,094.0	141.9
Other operating income:							
Joint promotion income	185.1	195.5	390.6	39.3	110.6	190.6	19.2
Rebate income	95.5	156.8	176.4	17.8	55.7	165.0	16.6
Labor procurement services	114.8	150.4	195.8	19.7	92.4	143.5	14.5
Royalty income	101.2	107.6	155.9	15.7	60.9	89.0	9.0
Display rental income	415.1	514.2	458.3	46.2	218.0	257.6	25.9
Other income (accounts with balances below Rp.100,000,000 each)	229.5	293.4	500.6	50.4	204.3	326.0	32.8
Sub-total	1,141.1	1,417.9	1,877.5	189.1	741.9	1,171.6	118.0

Total	14,919.1	19,248.1	25,927.9	2,611.3	11,501.2	15,265.6	1,537.5

Cost of revenues. Cost of revenues primarily consists of cost of purchases, less purchase discounts, returns to suppliers and other adjustments, and provision for damaged and lost inventories, less inventories held at the end of the year. The following table shows a breakdown of Indomaret's cost of revenues for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30,		
	2010	2011	2012 (restated)	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Inventories at beginning of the year	811.3	1,031.8	1,445.2	145.6	1,445.2	2,114.7	213.0
Purchases	13,105.2	16,763.8	22,982.1	2,283.3	—	13,758.5	1,385.7
Purchase discounts	(149.7)	(196.1)	(274.1)	(27.6)	(126.5)	(187.1)	(18.8)
Purchase returns	(287.9)	(242.5)	(717.6)	(72.3)	133.7	162.4	16.4
Adjustments	(11.5)	(33.6)	(74.0)	(7.5)	(201.5)	(53.9)	(5.4)
Difference in cost of revenues	(9.1)	(8.8)	(9.6)	(1.0)	(42.8)	(4.4)	(0.4)
Provision for damaged and lost inventories	(71.4)	(69.9)	(104.4)	(10.5)	(5.9)	(80.1)	(8.1)
Returns to supplier	—	—	—	—	(38.8)	(248.4)	(25.0)
Goods available for sale	13,386.9	17,244.7	23,247.5	2,341.4	11,765.7	15,461.7	1,557.2
Inventories at end of the year	(1,031.8)	(1,445.2)	(2,114.7)	(213.0)	(2,289.9)	(3,130.0)	(315.2)
Cost of revenues	12,355.2	15,799.5	21,132.9	2,128.4	9,475.8	12,331.7	1,242.0

Operating expenses. Operating expenses principally consist of salaries, wages and allowances, electricity and power, depreciation, building rentals, amortization of renovation and insurance, outlet equipment, maintenance and repairs, equipment rentals, damaged and lost inventories and other operating expenses. Other operating expenses include expenses paid to franchisees in respect of the net book value of assets acquired. The following table shows a breakdown of Indomaret's operating expenses for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30,		
	2010	2011	2012 (restated)	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Salaries, wages and allowances	845.0	988.1	1,253.0	126.2	593.5	884.2	89.1

Electricity and power	216.6	291.5	382.4	38.5	175.1	242.0	24.4
Depreciation	133.0	182.6	215.8	21.7	102.6	126.1	12.7
Building rentals	163.4	189.2	274.2	27.6	120.6	181.5	18.3
Amortization of renovation and insurance	83.7	141.5	195.0	19.6	83.0	109.9	11.1
Outlet equipment	115.0	147.4	212.4	21.4	68.2	113.7	11.5
Maintenance and repairs	61.7	78.3	96.3	9.7	45.5	59.8	6.0
Equipment rentals	24.9	77.2	121.7	12.3	50.7	66.7	6.7
Damaged and lost inventories	54.3	51.8	76.8	7.7	28.4	55.4	5.6
Post-employment benefits	22.8	36.8	41.8	4.2	20.9	24.8	2.5
Office equipment	33.4	36.5	41.2	4.1	18.5	26.9	2.7
Equipment amortization	17.3	34.6	53.4	5.4	21.2	33.2	3.3
Insurance	32.9	29.4	36.1	3.6	17.0	26.2	2.6
Pension funds	22.0	28.0	37.0	3.7	16.9	25.1	2.5
Travelling	28.9	24.3	45.1	4.5	15.4	23.2	2.3
Telephone, telex and postage	20.7	21.4	24.4	2.5	11.6	14.3	1.4
Donations and contributions	16.6	18.6	31.2	3.1	12.4	15.0	1.5
Land and building taxes and vehicle	5.4	7.1	8.2	0.8	3.4	4.4	0.4
Business licences and trademarks	23.9	38.7	58.1	5.8	12.2	16.1	1.6
Advertising and promotion	2.0	2.7	2.9	0.3	1.2	1.9	0.2
Honorariums	7.6	5.3	4.3	0.4	1.5	2.5	0.3
IT Development expense	—	—	9.6	1.0	7.9	12.0	1.2
Management fee	0.7	82.2	254.1	25.6	102.3	367.6	37.0
Internship	93.8	134.8	162.7	16.4	82.7	8.0	0.8
Final income tax	67.9	90.0	101.7	10.2	47.5	63.8	6.4
Others	212.1	209.1	342.2	34.5	122.5	197.1	19.9
Total	2,305.4	2,947.1	4,081.3	411.0	1,782.6	2,701.6	272.1

Other income (charges) - Net. Other income includes interest income, office rentals, electricity and water management income, security service management, space rentals and building maintenance, subsidiary income and other income items. Other expenses principally comprise interest expense.

Results of Operations

Six months Ended June 30, 2013 Compared to Six months Ended June 30, 2012

Net Revenues

Indomaret's net revenues for the six months ended June 30, 2013 increased by 32.7%, to Rp.15,265.6 billion (U.S.$1,537.5 million) from Rp.11,501.2 billion for the six months ended June 30, 2012. The increase in

net revenues was primarily a result of an increase in Indomaret's sales per store per day growth, sales from the new opening of stores and contribution from other operating income, mainly comprising display income, joint promotions, rebates and royalty fees paid by franchisees. Sales per store per day increased by 7.8% to Rp.11.0 million (U.S.$1,107.9) per day in the six months ended June 30, 2013 from Rp.10.2 million per day in the six months ended June 30, 2012. Sales per store per day remained strong due to better product mix, resulting in higher sales, enhanced customer service, and an increase in value added services on offer at stores. New store openings also contributed to net revenue growth, increasing by 21.7% in the six months ended June 30, 2013 to 8,039 stores from 6,605 stores in the six months ended June 30, 2012.

Cost of Revenues

Indomaret's cost of revenues for the six months ended June 30, 2013 increased by 30.1% to Rp.12,331.7 billion (U.S.$1,242.0 million) from Rp.9,475.8 billion for the six months ended June 30, 2012, primarily as a result of increases in cost of goods purchased, in line with the increase in sales.

Gross Profit

As a result of the foregoing, Indomaret's gross profit for the six months ended June 30, 2013 increased by 44.9% to Rp.2,933.8 billion (U.S.$295.5 million) from Rp.2,025.4 billion for the six months ended June 30, 2012. Gross margins improved in the six months ended June 30, 2013, increasing to 19.2% from 17.6% in the six months ended June 30, 2012, due to improvements in Indomaret's product mix and increases in other incomes such as display rental income, promotional income from suppliers, income from the provision of "B2B System" (as described under "Business—Indomaret—Information Technology and Inventory Management") to supplier and profit from franchisee's take over of existing Indomaret's stores.

Operating Expenses

Indomaret's operating expenses for the six months ended June 30, 2013 increased by 51.6%, to Rp.2,701.6 billion (U.S.$272.1 million) from Rp.1,782.6 billion for the six months ended June 30, 2012, due principally to increases in salaries, wages and allowances, management fee, building rentals and other expenses as a result of new store openings. Salaries, wages and allowances increased by 50.0% mainly due to an increase in minimum wages and, to a lesser extent, increased headcount in line with the increase in the number of new stores. Management fee expense, which represents payments made to independent training companies which supplied trained store attendants for Indomaret's stores, increased by 259.3% due to Indomaret's store expansion. Building rental expense increased by 50.5% and other expenses increased by 60.9%, offset partially by a 90.3% decrease in internship expense in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Income From Operations

As a result of the foregoing, Indomaret's income from operations for the six months ended June 30, 2013 decreased by 4.4%, to Rp.232.2 billion (U.S.$23.4 million) from Rp.242.8 billion for the six months ended June 30, 2012.

Other Income (Charges) - Net

Other income (charges) – net, for the six months ended June 30, 2013 increased by 21.2%, to a net expense of Rp.70.4 billion (U.S.$7.1 million) from a net expense of Rp.58.1 billion for the six months ended June 30, 2012, principally due to higher interest expense as a result of an increase in debt outstanding.

Provision for Income Tax

Indomaret recorded tax expense for the six months ended June 30, 2013 of Rp.11.5 billion (U.S.$1.2 million) compared to a credit for income tax of Rp.22.9 billion for the six months ended June 30, 2012. Indomaret did not make a provision for current income tax in the six months ended June 30, 2012 as a result of carry forward losses offsetting income tax, and accordingly, did not record any tax expense for this period.

Net Income for the Year

As a result of the foregoing, Indomaret's income for the year for the six months ended June 30, 2013 decreased by 27.6%, to Rp.150.4 billion (U.S.$15.1 million) from Rp.207.7 billion for the six months ended June 30, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net Revenues

Indomaret's net revenues for the year ended December 31, 2012 increased by 34.7%, to Rp.25,927.9 billion (U.S.$2,611.3 million) from Rp.19,248.0 billion for the year ended December 31, 2011. The increase in net revenues was primarily a result of an increase in Indomaret's sales per store per day growth, sales from the new opening of stores and contribution from other operating income, mainly comprising display income, joint promotions, rebates and royalty fees paid by franchisees. Sales per store per day increased by 20.4% to Rp.11,665,457 (U.S.$1,174.9) per day in 2012 from Rp.9,692,609 per day in 2011. Sales per store per day remained strong due to better product mix, resulting in higher sales, enhanced customer service, and an increase in value added services on offer at stores. New store openings also contributed to net revenue growth, increasing by 20.7% in 2012 to 7,245 stores from 6,003 stores in 2011.

Cost of Revenues

Indomaret's cost of revenues for the year ended December 31, 2012 increased by 33.8% to Rp.21,132.9 billion (U.S.$2,128.4 million) from Rp.15,799.5 billion for the year ended December 31, 2011, primarily as a result of the increase in cost of goods purchased, in line with the increase in sales.

Gross Profit

As a result of the foregoing, Indomaret's gross profit for the year ended December 31, 2012 increased by 39.0% to Rp.4,795.1 billion (U.S.$482.9 million) from Rp.3,448.6 billion for the year ended December 31, 2011. Gross margins improved in 2012, increasing to 18.5% from 17.9% in 2011, reflecting a change in Indomaret's product mix, with a shift to higher margin products, offset in part by increases in cost of revenues.

Operating Expenses

Indomaret's operating expenses for the year ended December 31, 2012 increased by 38.5%, to Rp.4,081.3 billion (U.S.$411.0 million) from Rp.2,947.1 billion for the year ended December 31, 2011, mainly due to an increase in salaries, wages and allowances, management fee expenses and other operating expenses as a result of new store openings. Salaries, wages and allowances increased by 26.8% mainly due to an increase in minimum wages and increased headcount in line with the increase in the number of new stores. Management fee expenses, which represent payments made to independent training companies that supplied trained store attendants for Indomaret's stores, increased by 209.1% due to Indomaret's store expansion. Electricity and power expense increased by 31.2%, depreciation expense increased by 18.2%, amortization of renovation and insurance expense increased by 11.0% and outlet equipment expense increased by 44.1%, offset in part by a 18.9% decrease in honorarium expense in 2012 as compared to 2011. Such increases were due to the increased number of stores opened.

Income From Operations

For the reasons discussed above, Indomaret's income from operations for the year ended December 31, 2012 increased by 42.4%, to Rp.713.8 billion (U.S.$71.9 million) from Rp.501.4 billion for the year ended December 31, 2011.

Other Income (Charges) - Net

Other income (charges) – net, remained relatively constant at a net expense of Rp.156.7 billion (U.S.$15.8 million) for the year ended December 31, 2012 compared to net expense of Rp.158.8 billion for the year ended December 31, 2011. Other income increased by 23.2% to Rp.48.9 billion (U.S.$4.9 million) for the year ended December 31, 2012 from Rp.39.7 billion for the year ended December 31, 2011, mainly due to new franchise store openings. Other charges, consisting of interest expense, increased by 3.6% to Rp.205.6 billion

(U.S.$20.7 million) for the year ended December 31, 2012 from Rp.198.5 billion for the year ended December 31, 2011.

Provision for Income Tax

Indomaret's provision for income tax for the year ended December 31, 2012 decreased by 68.5%, to Rp.9.7 billion (U.S.$1.0 million) from Rp.30.8 billion for the year ended December 31, 2011 as a result of changes in the fiscal depreciation policy, which in turn affected the calculation of deferred income taxes commencing in 2012 and resulted in Indomaret recording deferred tax income in 2012, as compared to a deferred tax expense in 2011. Indomaret changed its fiscal depreciation policy, from a straight line method to an accelerated double declining method, thereby increasing amortization expense in 2012, as compared to 2011, and resulting in a reversal of deferred income tax payable. Indomaret intends to maintain this fiscal depreciation policy going forward.

Net Income for the Year

As a result of the foregoing, Indomaret's income for the year ended December 31, 2012 increased by 75.6%, to Rp.547.4 billion (U.S.$55.1 million) from Rp.311.8 billion for the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Revenues

Indomaret's net revenues for the year ended December 31, 2011 increased by 39.7%, to Rp.19,248.0 billion from Rp.14,919.1 billion for the year ended December 31, 2010. Consistent with the growth in 2012, the increase in net revenues in 2011 was primarily a result of an increase in Indomaret's sales per store per day growth, sales from new store openings and contribution from other operating income. Sales per store per day increased by 34.9% in 2011 from 2010, and sales productivity of same store sales, based on average sales, per store, per day, increased by 7.8% to Rp.9,692,609 per day in 2011 from Rp.8,987,969 per day in 2010. Improved sales productivity of existing stores remained strong due to better product mix, resulting in higher sales, enhanced customer service, and an increase in value added services on offer at stores. New store openings also contributed to net revenue growth, increasing by 20.2% in 2011 to 6,003 stores from 4,995 stores in 2010.

Cost of Revenues

Indomaret's cost of revenues for the year ended December 31, 2011 increased by 27.9% to Rp.15,799.5 billion from Rp.12,355.2 billion for the year ended December 31, 2010, primarily as a result of the increase in cost of goods purchased, in line with the increase in sales.

Gross Profit

As a result of the foregoing, Indomaret's gross profit for the year ended December 31, 2011 increased by 34.5% to Rp.3,448.6 billion from Rp.2,563.9 billion for the year ended December 31, 2010. Gross margins decreased from 18.6% in 2010 to 17.9% in 2011 principally due to increases in cost of revenues, offset in part by a change in Indomaret's product mix, with a shift to higher margin products.

Operating Expenses

Indomaret's operating expenses for the year ended December 31, 2011 increased by 27.8%, to Rp.2,947.1 billion from Rp.2,305.4 billion for the year ended December 31, 2010, mainly due to an increase in salaries, wages and allowances, management fee expenses and other operating expenses as a result of new store openings. Salaries, wages and allowances increased by 16.9% mainly due to an increase in minimum wages and increased headcount due to an increase in the number of new stores opened. Management fee expenses, which represent payments made to independent training companies that supplied trained store attendants for Indomaret's stores, increased significantly due to Indomaret's store expansion. Electricity and power expense increased by 34.6%, depreciation expense increased by 37.3%, amortization of renovation and insurance expense increased by 109.8% and outlet equipment expense increased by 28.2%, as compared to 2010. Such increases were mainly due to new store openings.

Income From Operations

For the reasons discussed above, Indomaret's income from operations for the year ended December 31, 2011 increased by 93.9%, to Rp.501.4 billion from Rp.258.6 billion for the year ended December 31, 2010.

Other Income (Charges) - Net

Other income (charges) – net, increased in 2011 to a net expense of Rp.158.8 billion for the year ended December 31, 2011 compared to a net expense of Rp.92.1 billion for the year ended December 31, 2010, mainly due to higher interest expense as a result of debt incurred to finance the construction of a new distribution center. Other income remained relatively constant at Rp.39.7 billion (U.S.$4.0 million) for the year ended December 31, 2011 from Rp.41.4 billion for the year ended December 31, 2010. Other charges, consisting of interest expense, increased by 48.6% to Rp.198.5 billion (U.S.$20.0 million) for the year ended December 31, 2011 from Rp.133.5 billion for the year ended December 31, 2010, mainly due to an increase in outstanding indebtedness.

Provision for Income Tax

Indomaret's provision for income tax for the year ended December 31, 2011 increased by 5.8%, to Rp.30.8 billion from Rp.29.1 billion for the year ended December 31, 2010 as a result of the increase in income from operations.

Net Income for the Year

As a result of the foregoing, Indomaret's income for the year ended December 31, 2011 increased by 127.1%, to Rp.311.8 billion from Rp.137.3 billion for the year ended December 31, 2010.

Liquidity and Capital Resources of Indomaret

Liquidity

Indomaret's liquidity needs arise primarily from working capital requirements, capital expenditures to fund expansion of its business, debt service payments and dividend payments. In order to satisfy its liquidity and capital requirements, Indomaret primarily has relied on cash generated from operations and bank loans and other indebtedness.

On June 26, 2013, Indomaret received Rp.2.6 trillion in equity funding from IMI. Indomaret plans to use a majority of the proceeds to fund the opening of new stores and distribution centers and the rest as its working capital.

Indomaret believes that its cash from operations, equity funding and other indebtedness will provide sufficient liquidity to meet its working capital needs, planned capital expenditures, including the opening of new stores, future contractual obligations and payment of dividends.

Cash Flows

The following table sets out a summary of Indomaret's cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented:

	Year Ended December 31,				Six Months Ended June 30,		
	2010 (restated)	2011 (restated)	2012 (restated)	2012	2012	2013 (restated)	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						

Net cash provided by operating activities............	253.4	364.9	367.7	37.0	22.8	58.7	5.9
Net cash used in investing activities....................	(1,034.0)	(640.4)	(752.5)	(75.8)	(357.2)	(610.4)	(61.5)
Net cash provided by financing activities............	818.4	408.5	940.7	94.7	590.8	1,990.5	200.5
Cash and cash equivalents, beginning	436.0	473.8	606.8	61.1	606.8	1,162.7	117.1
Cash and cash equivalents, ending	473.8	606.8	1,162.7	117.1	863.2	2,601.5	262.0

Cash and cash equivalents stood at Rp.2,601.5 billion (U.S.$272.1 million) as of June 30, 2013, compared to Rp.1,162.7 billion (U.S.$117.1 million), Rp.606.8 billion and Rp.473.8 billion as of December 31, 2012, December 31, 2011 and December 31, 2010, respectively.

Net Cash Provided by Operating Activities

For the six months ended June 30, 2013, net cash provided by operating activities increased to Rp.58.7 billion (U.S.$5.9 million) as compared to Rp.22.8 billion for the six months ended June 30, 2012 primarily as a result of increased net revenues due to an increase in revenues in the six months ended June 30, 2013.

For the year ended December 31, 2012, net cash provided by operating activities increased to Rp.367.7 billion (U.S.$37.0 million) as compared to Rp.364.9 billion for the year ended December 31, 2011, and Rp.253.4 billion for the year ended December 31, 2010, primarily as a result of increased net revenues due to an increase in sales in 2011 and 2012.

Net Cash Used in Investment Activities

For the six months ended June 30, 2013, net cash used in investment activities increased to Rp.610.4 billion (U.S.$61.5 million) as compared to Rp.357.2 billion for the six months ended June 30, 2012 as a result of an increase in capital expenditures to fund the acquisition of property and equipment for its store network expansion as well as an increase in rental expense and deferred store renovation expense.

For the year ended December 31, 2012, net cash used in investment activities increased to Rp.752.5 billion (U.S.$75.8 million) as compared to Rp.640.4 billion for the year ended December 31, 2011, primarily as a result of an increase in capital expenditures to fund the acquisition of property and equipment for its store network expansion. Net cash used in investment activities decreased to Rp.640.4 billion for the year ended December 31, 2011 from Rp.1,034.0 billion for the year ended December 31, 2010, as a result of a decrease in investment in bonds.

Net Cash Provided by Financing Activities

For the six months ended June 30, 2013, net cash provided by financing activities increased to Rp.1,990.5 billion (U.S.$200.5 million) as compared to Rp.590.8 billion for the six months ended June 30, 2012 as a result of a new capital injection of Rp.2.6 trillion from the Company after it became a shareholder of Indomaret.

For the year ended December 31, 2012, net cash provided by financing activities increased to Rp.940.7 billion (U.S.$94.7 million) as compared to Rp.408.5 billion for the year ended December 31, 2011, primarily as a result of proceeds from long-term debt incurred in 2012. Net cash provided by financing activities decreased to Rp.408.5 billion for the year ended December 31, 2011 from Rp.818.4 billion for the year ended December 31, 2010, due to a reduction in the amount of proceeds from bank loans in 2011.

Capital Expenditures of Indomaret

Indomaret has been expanding its operations and expects to continue to make significant investments to further expand its business. Between 2010 and the six months ended June 30, 2013, it has invested in a new

distribution center and new store roll-outs. Indomaret spends around Rp.400 million to Rp.3 billion for the opening of each new store, depending on the store's size, location and format and around Rp.150 million to Rp.500 million for each store renovation. Indomaret spends around Rp.100 billion to Rp.150 billion for the construction of each distribution center.

The following table sets forth details of Indomaret's actual capital expenditures as of the periods indicated:

	As of December 31,				As of June 30,		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Equipment	223.4	226.6	286.2	28.8	141.1	185.0	18.6
Vehicle	97.8	22.8	82.4	8.3	8.7	66.0	0.6
Land and building	21.1	3.2	12.5	1.3	8.5	3.9	0.4
Rent	310.1	506.6	710.6	71.6	317.3	582.1	58.6
Renovation	240.7	252.4	287.3	28.9	132.6	253.0	25.5
Others	0.0	0.0	1.5	0.2	0.3	37.6	3.8
Total	893.2	1,011.6	1,380.5	139.0	608.4	1,127.7	113.6

Indomaret expects to incur capital expenditures of approximately Rp.2,150 billion in 2013 and Rp.2,530 billion in 2014 for new store openings and existing store renovations, new distributions centers and delivery vehicle purhases. It intends to fund such capital expenditures with proceeds it received from equity funding provided by the Company in June 2013 in the amount of Rp.2.6 trillion

Indebtedness

As of December 31, 2010, 2011 and 2012 and June 30, 2013, Indomaret's total current liabilities amounted to Rp.1,953.3 billion, Rp.3,100.1 billion, Rp.4,910.4 billion (U.S.$494.6 million) and Rp.7,087.5 billion (U.S.$713.8 million), respectively, of which (i) Rp.1,379.0 billion, Rp.1,755.0 billion, Rp.2,428.9 billion (U.S.$244.6 million) and Rp.3,784.2 million (U.S.$381.1 million) were attributable to trade payables to third-party suppliers mainly arising from the purchases of goods, and (ii) Rp.374.8 billion, Rp.1,049.9 billion, Rp.1,891.6 billion (U.S.$190.5 million), and Rp.2,430.6 million (U.S.$24.5 million) were attributable to the current maturities of long-term bank loans.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, Indomaret's non-current liabilities amounted to Rp.1,325.6 billion, Rp.1,147.3 billion, Rp.1,290.0 billion (U.S.$129.9 million), and Rp.297.2 billion (U.S.$30.0 million), respectively, which were mainly attributable to long-term bank loans (net of current maturities).

As of June 30, 2013, Indomaret had total outstanding bank loans of Rp.1,763.6 billion (U.S.$177.6 million), Rp.367.0 billion (U.S.$37.0 million) and Rp.300.0 billion (U.S.$30.2 million) with PT Bank Mandiri (Persero) Tbk, PT Bank CIMB Niaga and PT Bank of Tokyo, respectively, which mainly consists of various secured credit facilities. For more information, see Note 19 to Indomaret's standalone financial statements as of and for the six months ended June 30, 2013.

Contractual Obligations and Contingent Liabilities of Indomaret

Contractual Obligations

Indomaret has entered into various contractual obligations under which it is obligated to make future payments.

The following table summarizes its contractual obligations, other than liabilities for insurance policies, as of June 30, 2013.

	Total
	(Rp. in billions)
Description of Contractual Obligations(1):	
Bank loans	2,430.6
Trade payables	3,784.2
Due to Franchisees	68.6
Other Payables	350.6
Accrued Expenses	239.0
Consumer Financing Loans	47.9
Total	6,920.8

(1) Indomaret did not have any long-term bank loans as of June 30, 2013. The consumer financing loans are available under facilities which expire between 36 to 48 months. See Note 20 to Indomaret's parent-only standalone financial statement.

Contingent Liabilities

As of June 30, 2013, Indomaret did not have any contingent liabilities or off-balance sheet arrangements.

Others

Between 2009 and 2010, Indomaret made several purchases of non-interesting bearing convertible bonds in the aggregate amount of Rp. 428.0 billion, issued by PT. Andhika Wahana Putra ("AWP"), a company engaged in palm oil plantation business. The convertible bonds mature between 2014 and 2015, and will be convertible into shares of AWP, representing 50% of its share capital. Such convertible bonds are in the process of being redeemed and such redemption is expected to take place in the fourth quarter of 2013. See also Note 8 to the financial statements of Indomaret.

ROTI

Explanation of Principal Income Statement Line Items for ROTI

The following table sets forth ROTI's results of operations for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Net sales	612.2	813.3	1,190.8	119.9	570.4	706.9	71.2
Cost of goods sold	323.2	433.9	634.4	63.9	308.4	379.9	38.3
Gross profit	289.0	379.4	556.4	56.0	261.9	327.0	32.9
Operating expenses	(163.3)	(232.9)	(370.3)	(37.3)	(171.0)	(223.0)	(22.5)
Other operating income	10.3	10.1	13.6	1.4	7.2	10.1	1.0
Other operating expenses – net	(0.3)	(3.4)	(0.3)	(0.0)	(1.6)	(1.0)	0.1
Income from operations	135.7	153.2	199.4	20.1	96.5	113.1	11.4
Finance income	(4.1)	1.7	0.4	0.0	0.2	0.7	0.1
Finance expenses	(5.1)	—	—	—	—	(11.4)	(1.1)
Income before income tax	134.8	155.0	199.8	20.1	96.7	102.3	10.3
Income tax expense	34.9	39.0	50.6	5.1	24.6	26.6	2.7
Income for the year	99.8	115.9	149.2	15.0	72.1	75.7	7.6
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	99.8	115.9	149.2	15.0	72.1	75.7	7.6

Net sales. Net sales principally comprise sales of sweet bread products, white bread products and to a lesser extent, cakes and other products, such as white bread trimmings and breadcrumbs, less sales returns from modern retail customers, namely Indomaret and Alfamart. The table below shows the breakdown of ROTI's net sales based on product categories for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Sweet Bread Sari Roti	394.2	573.7	862.2	86.8	413.3	398.0	40.1
White Bread Sari Roti	271.4	357.6	471.4	47.5	233.1	392.4	39.5
Sari Cake	6.8	7.4	4.2	0.4	2.4	2.3	0.2
Sweet Bread Boti	6.9	—	—	—	—	—	—
White Bread Boti	4.0	—	—	—	—	—	—

Others	3.0	3.7	5.0	0.5	3.0	2.8	0.3
Sub-total	686.4	942.4	1,342.8	135.2	651.7	795.6	80.1
Sales return	(74.2)	(129.1)	(152.0)	(15.3)	(81.4)	(88.7)	(8.9)
Net sales	612.2	813.3	1,190.8	119.9	570.4	706.9	71.2

Cost of goods sold. Cost of goods sold comprise raw material costs, principally wheat, packaging materials used, direct labor costs, and manufacturing overhead, including utility costs, depreciation, repairs and maintenance, professional fees, and royalty fees payable to Shikishima for technical guidance and training provided to ROTI.

The following table shows a breakdown of ROTI's cost of goods sold for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Raw materials and packaging materials used	248.0	333.8	473.3	47.7	229.6	270.7	27.3
Direct labor	15.0	24.0	42.0	4.2	18.7	42.1	4.2
Manufacturing overhead							
Utilities	13.3	19.0	32.5	3.3	15.0	22.2	2.2
Depreciation	17.0	19.0	31.4	3.2	14.8	23.4	2.4
Professional fees	11.1	15.7	20.7	2.1	13.2	0.4	0.0
Repairs and maintenance	8.1	9.7	17.5	1.8	8.6	10.5	1.1
Royalty	6.2	8.1	10.7	1.1	5.2	6.4	0.6
Others	4.5	5.0	7.3	0.7	2.5	1.0	0.1
Total manufacturing overhead	60.1	76.6	120.2	12.1	61.7	66.3	6.7
Total manufacturing cost	323.1	434.4	635.5	64.0	310.0	379.1	38.2
Finished goods inventory							
Balance at beginning of year	0.5	0.5	0.9	0.1	0.9	2.0	0.2
Balance at end of year	(0.5)	(0.9)	(2.0)	(0.2)	(2.5)	(1.2)	(0.1)
Cost of goods sold	323.2	433.9	634.4	63.9	308.4	379.9	38.3

Operating expenses. Operating expenses consist of (1) selling expenses, including advertising and promotional expenses, inventory write-offs, travel and transportation costs, distribution fees and other selling expenses and (2) general and administrative expenses, including salaries and employee benefits, rental expenses, repairs and maintenance and other general and administrative expenses.

The following table shows a breakdown of ROTI's operating expenses between selling and general and administrative expenses for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Selling expenses:							
Advertising and promotion	42.3	50.8	94.0	9.5	40.4	40.3	4.1
Expired/defective inventory	35.1	61.2	70.2	7.1	37.8	39.7	4.0
Travel and transportation	32.4	36.3	64.7	6.5	27.4	48.4	4.9
Distribution fees	8.2	13.0	24.7	2.5	12.4	12.8	1.3
Salaries and employee benefits	3.0	5.4	14.8	1.5	3.7	11.7	1.2
Professional fees	4.1	7.4	14.3	1.4	3.0	3.1	0.3
Depreciation	1.9	2.2	7.2	0.7	1.4	4.7	0.5
Utilities	0.3	0.4	2.2	0.2	0.2	1.4	0.1
Rental	1.3	1.7	2.2	0.2	0.9	1.6	0.2
Printing and photocopying	0.5	0.6	1.7	0.2	—	—	—
Fuel	0.6	0.6	1.1	0.1	0.4	0.6	0.1
Others (below Rp.500 million each)	4.1	3.6	6.3	0.6	3.4	3.9	0.4
Total selling expenses	133.8	183.2	303.5	30.6	131.3	169.0	17.0
General and administrative expenses:							
Salaries and employee benefits	17.7	25.4	36.3	3.7	19.6	34.1	3.4
Rental	1.5	4.0	6.0	0.6	3.0	4.2	0.4
Repairs and maintenance	1.6	2.8	4.6	0.5	2.3	2.4	0.2
Professional fees	1.6	4.8	4.4	0.4	5.5	4.2	0.4
Business travel and transportation	1.2	3.1	3.0	0.3	1.2	1.9	0.2
Utilities	2.1	2.8	2.9	0.3	2.1	1.9	0.2
Depreciation	1.4	2.7	2.5	0.3	2.2	1.7	0.2
License	0.6	0.8	1.6	0.2	0.8	0.6	0.1
Communication	0.7	0.9	1.1	0.1	0.5	0.7	0.1
Stationeries	0.6	0.9	0.9	0.1	0.9	0.4	0.0
Others (below Rp.500 million each)	0.6	1.7	3.5	0.4	1.4	1.9	0.2
Total general and administrative expenses	29.6	49.7	66.8	6.7	39.7	54.0	5.4

Total operating expenses....................................	163.3	232.9	370.3	37.3	171.0	223.0	22.5

Other operating income. Other operating income consists of sales of scrap products, gain on foreign exchange, net, and gain on sale of fixed assets.

Other operating expense. Other operating expenses comprise loss on foreign exchange, net, loss on sale of fixed assets and other expenses.

Finance income and expense. Finance income is attributable to interest income earned on cash deposits. Finance expense is attributable to interest expense on outstanding indebtedness.

Results of Operations

Six months Ended June 30, 2013 Compared to Six months Ended June 30, 2012

Net Sales

ROTI's net sales for the six months ended June 30, 2013 increased by 23.9% to Rp.706.9 billion (U.S.$71.2 million) from Rp.570.4 billion for the six months ended June 30, 2012. The increase in net sales was primarily a result of an increase in ROTI's sales volume mainly due to the expansion of its production capacity. Production capacity increased to approximately 3.4 million pieces of bread per day as of June 30, 2013, a 47.8% increase from 2.3 million pieces of bread per day as of June 30, 2012.

ROTI's sales comes from the sale of sweet bread and white bread, which represented 50.0% and 49.3%, respectively, of gross sales (before sales returns) for the six months ended June 30, 2013 and 63.4% and 35.8%, respectively, of net sales (before sales returns) for the six months ended June 30, 2012.

Cost of Goods Sold

ROTI's cost of goods sold for the six months ended June 30, 2013 increased by 23.2% to Rp.379.9 billion (U.S.$38.3 million) from Rp.308.4 billion for the six months ended June 30, 2012, primarily as a result of the increase in the raw materials and packaging materials used and direct labor costs, due to increased production volume.

Gross Profit

As a result of the foregoing, ROTI's gross profit for the six months ended June 30, 2013 increased by 24.9% to Rp.327.0 billion (U.S.$32.9 million) from Rp.261.9 billion for the six months ended June 30, 2012. Gross margins increased to 46.3% in the six months ended June 30, 2013 from 45.9% in the six months ended June 30, 2012.

Operating Expenses

ROTI's operating expenses for the six months ended June 30, 2013 increased by Rp.51.4 billion (U.S.$5.2 million), or 29.8%, to Rp.224.0 billion from Rp.172.6 billion for the six months ended June 30, 2012, due principally to increases in selling expenses and general and administrative expenses. Selling expenses increased to Rp.169.0 billion (U.S.$17.0 million) in the six months ended June 30, 2013, or 23.6% of net sales, from Rp.131.3 billion in the six months ended June 30, 2012, or 23.0% of net sales. The increase in selling expenses was primarily attributable to higher travel and transportation expenses. General and administrative expense increased to Rp.54.0 billion (U.S.$5.4 million), or 7.6% of net sales, in the six months ended June 30, 2013 from Rp.39.7 billion, or 7.0% of net sales, in the six months ended June 30, 2012.

Income From Operations

As a result of the foregoing, ROTI's income from operations for the six months ended June 30, 2013 increased by Rp.16.6 (U.S.$1.7 million), or 17.2%, to Rp.113.1 from Rp.96.5 for the six months ended June 30, 2012.

Finance Income

ROTI's finance income for the six months ended June 30, 2013 increased to Rp.0.7 billion (U.S.$0.1 million) from Rp.0.2 billion for the six months ended June 30, 2012.

Finance Costs

In June, 2013, ROTI issued Rp.500 billion in principal amount of five-year bonds with an interest rate of 8.0% per year. ROTI incurred finance costs of Rp.11.4 billion (U.S.$1.1 million) in the six months ended June 30, 2013 due to this bond issuance. ROTI did not incur any finance costs in the six months ended June 30, 2012.

Income Tax Expense

As a result of increased income before income tax, ROTI's income tax expense for the six months ended June 30, 2013 increased by 8.1%, to Rp.26.6 billion (U.S.$2.7 million) from Rp.24.6 billion for the six months ended June 30, 2012.

Income for the Year

As a result of the foregoing, ROTI's income for the year for the six months ended June 30, 2013 increased by 5.0%, to Rp.75.7 billion (U.S.$7.6 million) from Rp.72.1 billion for the six months ended June 30, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net Sales

ROTI's net sales for the year ended December 31, 2012 increased by 46.4%, to Rp.1,190.8 billion (U.S.$119.9 million) from Rp.813.3 billion for the year ended December 31, 2011. The increase in net sales was primarily a result of an increase in ROTI's sales volume due a substantial increase in market demand for ROTI's products, as well the increased selling prices for its bread products. Sales volume growth was driven by two new production plants in Palembang and Makassar, and three new production lines in existing plants becoming fully operational during 2012. Production capacity increased to approximately 3.4 million pieces of bread per day in 2012, a 88.0% increase from 1.8 million pieces of bread per day in 2011. ROTI also increased prices by approximately 10.0% in April 2012.

ROTI's net sales are derived from the sale of Sari Roti sweet bread and Sari Roti white bread, which represented 64.2% and 35.1%, respectively, of gross sales (before sales returns) for the year ended December 31, 2012 and 60.9% and 37.9%, respectively, of gross sales (before sales returns) for the year ended December 31, 2011.

Sales returns fell to 11.3% of gross sales in 2012, from 13.7% of gross sales in 2011, following implementation of operational improvements, mainly due to ROTI's training initiatives for its sales staff which resulted in better sales forecasting.

Cost of Goods Sold

ROTI's cost of goods sold for the year ended December 31, 2012 increased by 46.2% to Rp.634.4 billion (U.S.$63.9 million) from Rp.433.9 billion for the year ended December 31, 2011, primarily as a result of the increase in the raw materials and packaging materials used and direct labor costs, due to increased production volume.

Gross Profit

As a result of the foregoing, ROTI's gross profit for the year ended December 31, 2012 increased by 46.7% to Rp.556.4 billion (U.S.$56.0 million) from Rp.379.4 billion for the year ended December 31, 2011. Gross margins remained relatively constant at 46.6% in 2011 and 46.7% in 2012.

Operating Expenses

ROTI's operating expenses for the year ended December 31, 2012 increased by 59.0%, to Rp.370.3 billion (U.S.$37.3 million) from Rp.232.9 billion for the year ended December 31, 2011, mainly due to an increase in selling expenses. Selling expenses increased to Rp.303.5 billion (U.S.$30.6 million) in 2012, or 7.9% of net sales, from Rp.183.2 billion in 2011, or 6.3% of net sales. The increase in selling expenses was attributable to higher marketing and advertising campaigns in connection with ROTI's expansion into new regions, and to support the commissioning of new capacity. The increase in selling expenses was partially offset by a decline in write-offs for expired inventory, which fell to 5.9% of net sales in 2012 from 7.5% of net sales in 2011. General and administrative expense decreased as a percentage of net sales to 5.6% in 2012 from 6.1% in 2011, mainly due to increased economies of scale.

Income from Operations

ROTI's income from operations for the year ended December 31, 2012 increased by 30.2%, to Rp.199.4 billion (U.S.$20.1 million) from Rp.153.2 billion for the year ended December 31, 2011, reflecting higher other operating income due to an increase in scrap sales and a gain on foreign exchange, net.

Finance Income

ROTI's finance income for the year ended December 31, 2012 decreased by 77.3%, to Rp.0.4 billion (U.S.$0.0 million) from Rp.1.7 billion for the year ended December 31, 2011, due to a reduction in interest received from ROTI's time deposits.

Finance Costs

ROTI did not incur any finance costs in 2012 and 2011.

Income Tax Expense

As a result of increased income from operations, ROTI's income tax expense for the year ended December 31, 2012 increased by 29.7%, to Rp.50.6 billion (U.S.$5.1 million) from Rp.39.0 billion for the year ended December 31, 2011.

Income for the Year

ROTI's income for the year for the year ended December 31, 2012 increased by 28.7%, to Rp.149.2 billion (U.S.$15.0 million) from Rp.115.9 billion for the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Sales

ROTI's net sales for the year ended December 31, 2011 increased by 32.8%, to Rp.813.3 billion from Rp.612.2 billion for the year ended December 31, 2010. The increase in net sales was primarily a result of an increase in sales volume in line with the increased market demand for its products. Sales volume growth was driven by production capacity expansion, with the opening of three new production plants in Semarang, Central Java, Medan, North Sumatra, and Cibitung, West Java.

ROTI's net sales were principally attributable to sales of Sari Roti sweet bread and white bread, which accounted for 57.4% and 39.5%, respectively, of gross sales (before sales returns) for the year ended December 31, 2010.

Sales returns increased to 13.7% of gross sales in 2011, from 10.8% of gross sales in 2010, mainly due to expansion into new geographic regions with the commissioning of three new production plants in 2011, as ROTI implemented its distribution and logistics network in new markets.

Cost of Goods Sold

ROTI's cost of goods sold for the year ended December 31, 2011 increased by 34.3% to Rp.433.9 billion from Rp.323.2 billion for the year ended December 31, 2010, primarily as a result of the increase in the raw materials and packaging materials used and an increase in direct labor costs in line with increased product volume sales.

Gross Profit

As a result of the foregoing, ROTI's gross profit for the year ended December 31, 2011 increased by 31.3% to Rp.379.4 billion from Rp.289.0 billion for the year ended December 31, 2010. Gross margin declined slightly to 46.6% in 2011 from 47.2% in 2010. This was mainly due to the commissioning of new production plants in 2011.

Operating Expenses

ROTI's operating expenses for the year ended December 31, 2011 increased by 42.6%, to Rp.232.9 billion from Rp.163.3 billion for the year ended December 31, 2010, which was consistent with sales volume growth. Selling expenses increased to Rp.183.2 billion in 2011, or 22.5% of net sales, from Rp.133.8 billion in 2010, or 21.9% of net sales. The increase in selling expenses was attributable to higher marketing and advertising campaign costs in connection with ROTI's expansion into new regions. General and administrative expense increased as a percentage of net sales to 6.1% in 2011 from 4.8% in 2010, mainly due to the construction and commissioning of new factories.

Income from Operations

As a result of the foregoing, ROTI's income from operations for the year ended December 31, 2011 increased by 12.9%, to Rp.153.2 billion from Rp.135.7 billion for the year ended December 31, 2010.

Finance Income

ROTI's finance income for the year ended December 31, 2011 decreased by 57.7%, to Rp.1.7 billion (U.S.$0.2 million) from Rp.4.1 billion for the year ended December 31, 2010, due to a reduction in interest received from ROTI's time deposits.

Finance Costs

ROTI incurred finance costs of Rp.5.1 billion in 2010.

Income Tax Expense

ROTI's income tax expense for the year ended December 31, 2011 increased by 11.7%, to Rp.39.0 billion from Rp.34.9 billion for the year ended December 31, 2010.

Income for the Year

For the reasons discussed above, ROTI's income for the year ended December 31, 2011 increased by 16.1%, to Rp.115.9 billion from Rp.99.8 billion for the year ended December 31, 2010.

Liquidity and Capital Resources of ROTI

Liquidity

ROTI's liquidity needs arise primarily from working capital requirements, capital expenditures, debt service payments and dividend payments. In order to satisfy its liquidity and capital requirements, ROTI primarily has relied on its own capital, including cash generated from operations, bank loans and the proceeds from its 2013 bond issue.

ROTI believes that its cash from operations, the proceeds from its 2013 bond issue, and further debt issuances under its 2013 bond program, and other indebtedness will provide sufficient liquidity to meet its working capital needs, planned capital expenditures, including the opening of three new production plants with six new production lines in 2013, future contractual obligations and payment of dividends.

Cash Flows

The following table sets out a summary of ROTI's cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Net cash provided by operating activities	95.4	148.4	189.1	19.0	64.5	122.9	12.4
Net cash used in investing activities....................	(121.0)	(227.9)	(429.6)	(43.3)	(150.9)	(238.3)	(24.0)
Net cash provided by financing activities	89.0	7.2	229.6	23.1	57.7	570.5	57.5
Net effect of changes in exchange rates on cash and cash equivalents	(0.6)	(0.1)	0.4	0.0	(1.6)	0.4	0.0
Net increase (Decrease) in cash and cash equivalents	62.8	(72.3)	(10.5)	(1.1)	(30.3)	455.2	45.8
Cash and cash equivalents at beginning of year	58.0	120.7	48.4	4.9	48.4	37.9	3.8
Cash and cash equivalents at end of year	120.7	48.4	37.9	3.8	18.1	493.0	49.7

Cash and cash equivalents stood at Rp.493.0 (U.S.$49.7 million) as of June 30, 2013, compared to Rp.37.9 billion (U.S.$3.8 million), Rp.48.4 billion and Rp.120.7 billion as of December 31, 2012, December 31, 2011 and December 31, 2010, respectively.

Net Cash Provided by Operating Activities

For the six months ended June 30, 2013, net cash provided by operating activities increased to Rp.122.9 billion (U.S.$12.4 million) as compared to Rp.64.5 billion for the six months ended June 30, 2012.

For the year ended December 31, 2012, net cash provided by operating activities increased to Rp.189.1 billion (U.S.$19.0 million) as compared to Rp.148.4 billion for the year ended December 31, 2011, and Rp.95.4 billion for the year ended December 31, 2010, primarily as a result of increased net sales due to higher sales volumes in 2011 and 2012.

Net Cash Used in Investment Activities

For the six months ended June 30, 2013, net cash used in investment activities increased to Rp.238.3 (U.S.$24.0 million) as compared to Rp.150.9 billion for the six months ended June 30, 2012.

For the year ended December 31, 2012, net cash used in investment activities increased to Rp.429.6 billion (U.S.$43.3 million) as compared to Rp.227.9 billion for the year ended December 31, 2011, and Rp.121.0 billion for the year ended December 31, 2010, primarily as a result of an increase in capital expenditures to fund production capacity expansion.

Net Cash Provided by Financing Activities

For the six months ended June 30, 2013, net cash provided by financing activities increased to Rp.570.5 billion (U.S.$57.5 million) as compared to Rp.57.7 billion for the six months ended June 30, 2012 as a result of the issuance of Rp.500 billion in principal amount of five-year bonds in the first half of 2013.

For the year ended December 31, 2012, net cash provided by financing activities increased to Rp.229.6 billion (U.S.$23.1 million) as compared to Rp.7.2 billion for the year ended December 31, 2011 and Rp.89.0 billion for the year ended December 31, 2010, primarily as a result of proceeds from long-term debt incurred in 2012 and 2011, partially offset by dividend payments and payment of interest expense. In 2010, ROTI received proceeds of Rp.187.8 billion from its initial public offering, partially offset by repayment of long-term bank loans in the amount of Rp.93.8 billion.

Capital Expenditures

ROTI has been expanding its operations and expects to continue to make significant investments to further expand its business primarily by constructing new production plants. Between 2010 and the six months ended June 30, 2013, it constructed five new production plants and 13 new production lines at existing operations. ROTI spends around Rp.100.0 billion to Rp.200.0 billion for the construction of each new production plant, of which approximately 75% - 80% is financed with bank loans and other indebtedness and the remaining 20% - 25% through ROTI's own cash.

The following table sets forth details of ROTI's capital expenditures as of the periods indicated:

	As of December 31,				As of June 30,		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Land	15.7	0.2	1.3	0.1	1.0	0.1	0.0
Buildings and improvements	14.9	41.3	60.9	6.1	27.1	38.1	3.8
Machinery and equipment	54.6	88.7	87.9	8.9	23.6	53.6	5.4
Transportation and equipment	1.6	3.2	4.2	0.4	1.5	1.4	0.1
Furniture, fixtures and office equipment	3.2	14.9	21.3	2.1	7.8	15.5	1.6
Assets under construction	72.6	75.9	213.4	21.5	102.6	103.1	10.4
Total	162.6	224.2	388.9	39.2	163.6	211.8	21.3

Indebtedness

As of December 31, 2010, 2011 and 2012 and June 30, 2013, ROTI's total current liabilities amounted to Rp.92.6 billion, Rp.148.2 billion, Rp.195.5 billion (U.S.$19.7 million) and Rp.369.8 billion (U.S.$37.2 million), respectively, of which (i) Rp.19.2 billion, Rp.47.8 billion, Rp.59.5 billion (U.S.$6.0 million) and Rp.59.5 billion (U.S.$6.0 million) were attributable to trade payables to third-party suppliers mainly arising from the purchases of raw materials and packaging materials, and (ii) Rp.36.8 billion, Rp.65.9 billion, Rp.86.0 billion (U.S.$8.7 million), and Rp.41.9 billion (U.S.$4.2 million) were attributable to other payables to third-party suppliers mainly arising from transportation services, construction of new plants and purchases of machinery and equipment.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, ROTI's non-current liabilities amounted to Rp.20.2 billion, Rp.64.5 billion, Rp.342.9 billion (U.S.$34.5 million), and Rp.764.2 billion (U.S.$77.0 million), respectively, of which Rp.33.1 billion, Rp.296.8 billion (U.S.$29.9 million), and Rp.211.2 billion (U.S.$21.3 million) were attributable to long-term bank loans (net of current maturities) as of December 31,

2011 and 2012, and Rp.495.3 billion (U.S.$49.9 million) as of June 30, 2013 was attributable to the 2013 bond issue. ROTI had no long-term bank loans outstanding as of December 31, 2010.

ROTI has entered into certain facility agreements, including a bridging loan facility from PT Bank Central Asia Tbk dated July 19, 2011, with a maximum drawable amount of Rp.100 billion (U.S.$10.1 million), converted on November 2, 2011 into an investment credit facility to finance the construction of new plants with a maximum drawable amount of Rp.280.0 billion (U.S.$28.2 million) with interest at the annual rate of 9.0% (later changed to 8.25% in 2012). The repayment of the loan will be made in 48 consecutive monthly installments starting on December 2, 2013. ROTI is required to comply with certain covenants, such as maintaining certain financial ratios. ROTI has also entered into an investment credit facility from PT Bank Central Asia Tbk, dated December 14, 2012, with a maximum drawable amount of Rp.220 billion (U.S.$22.2 million) to finance the construction of new plants with the interest at the annual rate of 8.25%. The repayment of the loan will be made in 48 consecutive monthly installments starting on December 14, 2014. ROTI is required to comply with certain covenants, such as maintaining certain financial ratios. None of ROTI's assets are pledged in connection to these facilities as collateral.

In June 2013, ROTI established a Rp.1 trillion medium term bond program and issued Rp.500 billion in principal amount of five-year bonds with an interest rate of 8.00% per year. ROTI's bonds are subject to certain restrictive covenants such as, among others, restrictions on disposition of assets, mergers and consolidations, provision of corporate guarantees and limitations on lending. ROTI is also required, among others, to maintain certain financial ratios and maintain adequate insurance coverage over its assets. The bonds are secured against all of ROTI's present and future assets. ROTI also intends to draw down the balance under the bond program in 2014, subject to favorable market conditions.

Contractual Obligations and Contingent Liabilities of ROTI

Contractual Obligations

ROTI has entered into various contractual obligations under which it is obligated to make future payments.

The following table summarizes its contractual obligations by maturity, other than liabilities for insurance policies, as of June 30, 2013.

	Payment Due by Period			
	Total	Less than 1 Year	1 to 5 Years	More than 5 Years
	(Rp. in billions)			
Description of Contractual Obligations:				
Bonds payable	495.3	—	495.3	—
Long-term bank loans	431.2	220.0	211.2	—
Trade payables	70.7	70.7	—	—
Other payables	41.9	41.9	—	—
Accrued expenses	31.7	31.7	—	—
Customers' deposits	15.7	15.7	—	—
Total	1,086.6	380.0	706.6	—

Contingent Liabilities

As of June 30, 2013, ROTI did not have any contingent liabilities or off-balance sheet arrangements.

FAST

Explanation of Principal Income Statement Line Items for FAST

The following table sets forth FAST's consolidated results of operations for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Revenue	2,826.9	3,183.8	3,559.5	358.5	1,668.1	1,849.2	186.2
Cost of goods sold	(1,169.6)	(1,307.0)	(1,476.7)	(148.7)	(687.1)	(745.6)	(75.1)
Gross profit	1,657.4	1,876.8	2,082.8	209.8	981.0	1,103.6	111.1
Operating income (expenses)							
Selling and distribution expenses	(1,201.5)	(1,375.8)	(1,557.8)	(156.9)	(739.2)	(866.8)	(87.3)
General and administration expenses	(232.9)	(243.1)	(296.7)	(29.9)	(156.7)	(185.9)	(18.7)
Other operating expenses	(8.8)	(5.8)	(7.9)	(0.8)	(1.2)	(3.4)	(0.3)
Other operating income	33.5	35.8	50.1	5.0	17.8	15.4	1.6
Profit from operations	247.7	287.9	270.6	27.3	101.6	63.0	6.3
Finance income	14.2	20.3	19.2	1.9	9.3	9.5	1.0
Finance costs	(0.3)	(9.6)	(20.5)	(2.1)	(10.2)	(10.3)	(1.0)
Profit before income tax expenses	261.6	298.7	269.2	27.1	100.7	62.2	6.3
Income tax expense							
Current	(56.3)	(55.6)	(57.6)	(5.8)	(26.7)	(14.3)	(1.4)
Deferred	(5.7)	(14.0)	(5.6)	(0.6)	3.9	1.2	0.1
Total income tax expense	(62.0)	(69.6)	(63.2)	(6.4)	(22.8)	(13.1)	(1.3)
Profit for the year	199.6	229.1	206.0	20.7	77.9	49.0	4.9
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	199.6	229.1	206.0	20.7	77.9	49.0	4.9

Revenues. Revenues principally comprise revenues from the sale of food and beverages and other items, such as home delivery services, sales of compact discs (CDs) held on a consignment basis and sold at KFC outlets, birthday parties and catering, among others. The table below shows a breakdown of FAST's revenue for the periods shown.

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Third parties:							
Food and beverages	2,787.6	3,120.9	3,463.4	348.8	1,628.1	1,789.6	180.2
Others	39.3	63.0	96.1	9.7	40.0	60.0	6.0

Cost of goods sold. Cost of goods sold primarily consists of cost of raw materials purchased for food production, principally comprising chicken products, french fries, seasoning and vegetables, beverages, packing materials and other indirect costs.

Operating expenses. Operating expenses comprise selling and distribution expenses, general and administrative expenses and other operating expenses.

The following table shows a breakdown of FAST's selling and distribution expenses for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Salaries	258.0	307.1	359.7	36.2	169.0	216.4	21.8
Rent	244.5	264.7	287.0	28.9	139.0	149.0	15.0
Franchise fees	192.3	218.9	249.0	25.1	116.4	130.7	13.2
Promotion and sales	181.2	186.1	199.6	20.1	89.5	111.7	11.2
Electricity, telephone and water	109.6	129.9	138.2	13.9	68.3	75.5	7.6
Depreciation and amortization	54.9	83.5	99.1	10.0	47.0	58.7	5.9
Transportation	35.0	38.4	42.5	4.3	19.9	20.6	2.1
Repair and maintenance	25.7	31.3	30.7	3.1	15.4	16.3	1.6
Travelling	19.5	22.8	29.0	2.9	14.2	15.2	1.5
Employee benefits	13.3	4.9	22.8	2.3	13.3	18.7	1.9
Administration	7.9	8.6	10.8	1.1	5.3	5.3	0.5
Others	59.7	79.5	89.4	9.0	42.0	48.7	4.9
Total	1,201.5	1,375.8	1,557.8	156.9	739.2	866.8	87.3

The following table shows a breakdown of FAST's general and administrative expenses for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Salaries	125.3	131.8	160.0	16.1	86.5	102.5	10.3
Travelling	22.3	21.8	26.3	2.6	12.5	17.1	1.7
Transportation	18.8	20.7	23.3	2.3	11.7	11.3	1.1
Depreciation and amortization	12.5	12.9	17.3	1.7	8.7	9.1	0.9
Administration	12.1	13.0	16.3	1.6	8.3	14.8	1.5
Electricity, telephone and water	13.5	15.1	15.0	1.5	7.5	7.6	0.8
Repair and maintenance	13.7	14.3	13.3	1.3	7.4	6.8	0.7
Employee benefits	6.1	2.1	10.2	1.0	6.8	8.7	0.9
Others	8.6	11.4	15.1	1.5	7.2	7.8	0.8
Total	232.9	243.1	296.7	29.9	156.7	185.9	18.7

The following table shows details of other operating expenses for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Loss on disposal of fixed assets	0.3	0.1	6.2	0.6	0.3	0.1	0.0
Loss on disposal of renovation cost of rented buildings	5.0	3.9	0.8	0.1	0.3	1.7	0.2
Loss on disposal of long-term prepaid rents	1.9	—	0.1	0.0	—	0.1	0.0
Loss on disposal of initial and renewal fee	0.6	0.4	0.03	0.0	—	0.1	0.0
Loss on sale of assets	0.0	—	—	—	—	0.01	0.0
Operating foreign exchange loss, net	—	0.1	—	—	0.0	0.2	0.0
Others	1.0	1.3	0.8	0.1	0.6	1.2	0.1
Total	8.8	5.8	7.9	0.8	1.2	3.4	0.3

Other operating income. Other operating income includes incentives and discounts from suppliers, gain from joint investments (representing the difference between the funds provided by co-investors in restaurants against the total investment cost which is recognized as income at the end of the co-investment period of 10 years), income from the sale of used items, income from management services (representing the amount paid by FAST's affiliated companies for the provision of services to monitor and control of operations), income from the membership program (representing the amount paid by members of Chaki Club), gain on the sale of fixed assets and operating foreign exchange gain, net.

Finance Income and Finance Costs. Finance income principally comprises interest income from cash deposits. Finance costs principally comprise interest expense.

Results of Operations

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenues

FAST's revenues for the six months ended June 30, 2013 increased by 10.9%, to Rp.1,849.2 billion (U.S.$186.2 million) from Rp.1,668.1 billion for the six months ended June 30, 2012. The increase in revenues was primarily a result of an increase in sales from the new opening of restaurant outlets, and a minimal increase in FAST's same restaurant sales growth due to an unusual rainy season and flooding in January and February of 2013. Openings of new restaurants increased by 1.1% in the six months ended June 30, 2013, with five new restaurants, net, opened during this period, compared to 13 new restaurants, net, opened in the six months ended June 30, 2012. Same restaurant sales increased by 2.6% in in the six months ended June 30, 2013, compared to the same period in 2012, with the number of same restaurant transactions decreased by 8.6%, offset by a higher average transaction amount or ticket size per transaction due a price increase in January 2013. Improved sales productivity of existing restaurants remained strong due to price increases by approximately 4.6% in January 2013 and the shift from the sales of individual meals to combo meals, which increased the sales of combo meals by 9.8% in the six months ended June 30, 2013. The main reason for the decrease in the number of transactions was due to the cannibalization effect of new restaurant openings in certain regions as well as competition from other QSRs and other local culinary outlets.

Cost of Goods Sold

FAST's cost of goods sold in the six months ended June 30, 2013 increased by 8.5% to Rp.745.6 billion (U.S.$75.1 million) from Rp.687.1 billion in the six months ended June 30, 2012, primarily as a result of the increase in cost of goods purchased, in line with the increase in sales. As a percentage of revenues, cost of goods sold amounted to 40.3% in the six months ended June 30, 2013, compared to 41.2% in the six months ended June 30, 2012. This decrease was mainly due to the improvement in efficiency resulting from implementation of FAST's waste reduction policy on chicken parts by by purchasing seven-piece cut chickens instead of nine-piece cut chickens.

Gross Profit

As a result of the foregoing, FAST's gross profit for the six months ended June 30, 2013 increased by 12.5% to Rp.1,103.6 billion (U.S.$111.1 million) from Rp.981.0 billion for the six months ended June 30, 2012. Gross margin increased slightly from 58.8% in the six months ended June 30, 2012 to 59.7% in the six months ended June 30, 2013 due to the improvement in efficiency resulting from implementation of FAST's waste reduction policy on chicken parts by by purchasing seven-piece cut chickens instead of nine-piece cut chickens.

Operating Expenses

FAST's operating expenses for the six months ended June 30, 2013 increased by 17.7%, to Rp.1,056.1 billion (U.S.$106.4 million) from Rp.897.1 billion for the six months ended June 30, 2012. As a percentage of revenues, total operating expenses increased to 57.1% in the six months ended June 30, 2013 from 53.8% in the six months ended June 30, 2012, mainly due to cost pressures driven by inflation in 2013, with all categories of expenses increasing as a percentage of revenues in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

FAST's selling and distribution expenses for the six months ended June 30, 2013 increased by 17.2%, to Rp.866.8 billion (U.S.$87.3 million) from Rp.739.2 billion for the six months ended June 30, 2012, due principally to increases in salaries and benefits, rental expense and franchise fees. Salary expenses increased 28.0% in the six months ended June 30, 2013 compared to the six months ended June 30, 2012, mainly due to the increase in minimum wage, which averaged 32.4% on a nationwide basis, as well as new restaurant openings. Rental expense and franchise fees increased, as well as promotional expenses, mainly due to new restaurant openings.

FAST's general and administrative expenses for the six months ended June 30, 2013 increased by 18.6%, to Rp.185.9 billion (U.S.$18.7 million) from Rp.156.7 billion for the six months ended June 30, 2012, due principally to increases in salary expenses as discussed above, as well as an increase in the travelling expenses due to the increase in the number of restaurants in operation.

FAST's other operating expenses for the six months ended June 30, 2013 increased significantly, to Rp.3.4 billion (U.S.$0.3 million) from Rp.1.2 billion for the six months ended June 30, 2012, due principally to the loss on disposal of renovation costs for five stores that were closed down during the period.

Other Operating Income

FAST's other operating income for the six months ended June 30, 2013 decreased by 13.2%, to Rp.15.4 billion (U.S.$1.6 million) from Rp.17.8 billion for the six months ended June 30, 2012, due principally to decreases in gain from joint investment, incentives and discounts paid by suppliers and income from the membership program, offset partially by an increase in other miscellaneous income.

Profit From Operations

As a result of the foregoing, FAST's profit from operations for the six months ended June 30, 2013 decreased by 38.7%, to Rp.63.0 billion from Rp.101.6 billion for the six months ended June 30, 2012.

Finance Income (Cost)

FAST's finance income for the six months ended June 30, 2013 remained relatively constant at Rp.9.5 billion (U.S.$1.0 million) compared to Rp.9.3 billion for the six months ended June 30, 2012. FAST's finance costs for the six months ended June 30, 2013 also remained relatively constant at Rp.10.3 billion (U.S.$1.0 million) compared to Rp.10.2 billion for the six months ended June 30, 2012.

Income Tax Expense

As a result of decreased income before income tax, FAST's income tax expense for the six months ended June 30, 2013 decreased by 42.5%, to Rp.13.1 billion (U.S.$1.3 million) from Rp.22.8 billion for the six months ended June 30, 2012.

Profit for the Year

As a result of the foregoing, FAST's profit for the six months ended June 30, 2013 decreased by 37.1%, to Rp.49.0 billion (U.S.$4.9 million) from Rp.77.9 billion for the six months ended June 30, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

FAST's revenues for the year ended December 31, 2012 increased by 11.8%, to Rp.3,559.5 billion (U.S.$358.5 million) from Rp.3,183.8 billion for the year ended December 31, 2011. The increase in revenues was primarily a result of an increase in sales from the new opening of restaurant outlets, and an increase in FAST's same restaurant sales growth. Openings of new restaurants increased by 4.8% in 2012 to 441 restaurants from 421 restaurants in 2011. Same restaurant sales increased by 7.9% in 2012 from the same period in 2011, although the number of same restaurant transactions decreased by 5.3% offset by a higher average transaction amount or ticket size per transaction. Improved sales productivity of existing restaurants remained strong due to price increases in July and October, 2012 and new menu and service offerings such as sales from home delivery,

birthday parties, catering and KFC Coffee, which increased by 5.8% in 2012. The main reason for the decrease in the number of transactions was due to the cannibalization effect of new restaurant openings in certain regions.

Cost of Goods Sold

FAST's cost of goods sold for the year ended December 31, 2012 increased by 13.0% to Rp.1,476.7 billion (U.S.$148.7 million) from Rp.1,307.0 billion for the year ended December 31, 2011, primarily as a result of the increase in cost of goods purchased, in line with the increase in sales. As a percentage of revenues, cost of goods sold amounted to 41.5% in 2012, compared to 41.1% in 2011.

Gross Profit

As a result of the foregoing, FAST's gross profit for the year ended December 31, 2012 increased by 11.0% to Rp.2,082.8 billion (U.S.$209.8 million) from Rp.1,876.8 billion for the year ended December 31, 2011.

Gross margin declined slightly from 58.9% in 2011 to 58.5% in 2012 due to raw material cost increases which were not fully absorbed in the selling price increases.

Operating Expense.

FAST's operating expenses in 2012 increased by 15.0%, to Rp.1,862.3 billion (U.S.$187.6 million) from Rp.1,624.6 billion for 2011. As a percentage of revenues, total operating expenses increased to 52.3% in 2012 from 51.0% in 2011, mainly due to cost pressures driven by inflation in 2012, with all categories of expenses increasing as a percentage of revenues in 2012 as compared to 2011.

FAST's selling and distribution expenses for 2012 increased by 13.2%, to Rp.1,557.8 billion (U.S.$156.9 million) from Rp.1,375.8 billion for 2011, due principally to increases in salaries and benefits. Salary expenses increased 18.5% in 2012 compared to 2011 due to the increase in minimum wage, which averaged 15% on a nationwide basis. Rental expense and franchise fees increased, mainly due to new restaurant openings.

FAST's general and administrative expenses for 2012 increased by 22.0%, to Rp.296.7 billion (U.S.$29.9 million) from Rp.243.1 billion for 2011, due principally to increases in salary expenses as discussed above, as well as an increase in the provision of employee benefits as a result of a change in the pension age of commissioners and directors, resulting in increased benefit entitlements.

FAST's other operating expenses for 2012 increased by 36.2%, to Rp.7.9 billion (U.S.$0.8 million) from Rp.5.8 billion for 2011, due principally to a loss on a disposal of fixed assets.

Other Operating Income

FAST's other operating income for 2012 increased by 40.0%, to Rp.50.1 billion (U.S.$5.0 million) from Rp.35.8 billion for 2011, due principally to increases in incentives and discounts paid by suppliers to FAST.

Profit From Operations

For the reasons discussed above, FAST's profit from operations for the year ended December 31, 2012 decreased by 6.0%, to Rp.270.6 billion (U.S.$27.3 million) from Rp.287.9 billion for the year ended December 31, 2011.

Finance Income (Cost)

FAST's finance income for 2012 remained relatively constant at Rp.19.2 billion (U.S.$1.9 million) compared to Rp.20.3 billion in 2011. FAST's finance cost for 2012 increased by 113.5%, to Rp.20.5 billion (U.S.$2.1 million) from Rp.9.6 billion for 2011, due to interest payments made on bonds issued in October 2011.

Provision for Income Tax

FAST's provision for income tax for the year ended December 31, 2012 decreased by 9.2%, to Rp.63.2 billion (U.S.$6.4 million) from Rp.69.6 billion for the year ended December 31, 2011 as a result of lower profits.

Profit for the Year

As a result of the foregoing, FAST's profit for the year ended December 31, 2012 decreased by 10.1%, to Rp.206.0 billion (U.S.$20.7 million) from Rp.229.1 billion for the year ended December 31, 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenues

FAST's revenues for the year ended December 31, 2011 increased by 13.0%, to Rp.3,183.8 billion from Rp.2,826.9 billion for the year ended December 31, 2010. The increase in revenues was primarily a result of an increase in sales from the new opening of restaurants outlets an increase in FAST's same restaurant sales growth. Same restaurant sales increased by 8.0% in 2011 from the same period in 2010, although the number of same restaurant transactions increased by 1.4% with a higher average transaction amount or ticket size per transaction. Improved sales productivity of existing restaurants remained strong due to new menu offerings such as sales from home delivery, birthday parties, catering and KFC Coffee, which increased by 35.5% in 2011. New restaurant openings increased by 6.3% in 2011 to 421 restaurants opened from 398 restaurants opened in 2010.

Cost of Goods Sold

FAST's cost of goods sold for the year ended December 31, 2011 increased by 12.0% to Rp.1,307.0 billion from Rp.1,169.6 billion for the year ended December 31, 2010, primarily as a result of the increase in cost of goods purchased due to an increased amount of goods purchased to support the increase in sales. As a percentage of revenues, cost of goods sold amounted to 41.1% in 2011, compared to 43.7% in 2010.

Gross Profit

As a result of the foregoing, FAST's gross profit for the year ended December 31, 2011 increased by 13.2% to Rp.1,876.8 billion from Rp.1,657.4 billion for the year ended December 31, 2010. Gross margin was 58.9% in 2011, compared to 58.6% in 2010. The improvement in gross margin was mainly due to the improvement in efficiency resulting from implementation of FAST's waste reduction policy on chicken parts.

Operating Expenses.

FAST's operating expenses in 2011 increased by 12.6%, to Rp.1,624.7 billion from Rp.1,443.2 billion for 2010. As a percentage of revenues, total operating expenses increased by 1.5% to 51.0% in 2011 from 49.5% in 2010, mainly due to cost pressures driven by inflation in 2011 and by the increase in the number of outlets, with all categories of expenses increasing as a percentage of revenues in 2011 as compared to 2010.

FAST's selling and distribution expenses for 2011 increased by 14.5%, to Rp.1,375.8 billion from Rp.1,201.5 billion for 2010, due principally to increases in salaries and benefits, driven by increased minimum wage levels. Salary expenses, rental expense and franchise fees increased, mainly due to new restaurant openings.

FAST's general and administrative expenses for 2011 increased by 4.4%, to Rp.243.1 billion from Rp.232.9 billion for 2010, due principally to increases in salary expenses as discussed above, as well as increases in amortization and depreciation and utilities (electricity, telephone and water) expenses.

FAST's other operating expenses for 2011 decreased by 34.1%, to Rp.5.8 billion from Rp.8.8 billion for 2010.

Other Operating Income

FAST's other operating income for 2011 increased by 6.8%, to Rp.35.8 billion from Rp.33.5 billion for 2010, principally due to a reclassification of home delivery fee in 2011.

Profit From Operations

For the reasons discussed above, FAST's profit from operations for the year ended December 31, 2011 increased by 16.2%, to Rp.287.9 billion from Rp.247.7 billion for the year ended December 31, 2010.

Finance Income (Cost)

FAST's finance income for 2011 increased by 43.0% from Rp.20.3 billion compared to Rp.14.2 billion in 2010. FAST's finance cost for 2011 increased significantly to Rp.9.6 billion from Rp.0.3 billion for 2010, due to interest payments made on bonds issued in October 2011.

Provision for Income Tax

FAST's provision for income tax for the year ended December 31, 2011 increased by 12.3%, to Rp.69.6 billion from Rp.62.0 billion for the year ended December 31, 2010 as a result of higher profits.

Profit for the Year

As a result of the foregoing, FAST's profit for the year ended December 31, 2011 increased by 14.8%, to Rp.229.1 billion from Rp.199.6 billion for the year ended December 31, 2010.

Liquidity and Capital Resources of FAST

Liquidity

FAST's liquidity needs arise primarily from working capital requirements, capital expenditures to fund expansion of its business, debt service payments and dividend payments. In order to satisfy its liquidity and capital requirements, FAST primarily has relied on cash generated from operations, and to a lesser extent, external financing.

FAST believes that its cash from operations and other indebtedness will provide sufficient liquidity to meet its working capital needs, planned capital expenditures, including the opening of new restaurants, future contractual obligations and payment of dividends.

Cash Flows

The following table sets out a summary of FAST's cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented:

	Year Ended December 31,				Six Months Ended June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Net cash provided by operating activities	293.6	481.0	445.8	44.9	170.4	183.6	18.5
Net cash used in investing activities..................	(251.8)	287.6	369.8	37.2	(186.0)	(171.0)	(17.2)
Net cash used in financing activities..................	42.7	7.9	(68.7)	(6.9)	11.5	11.7	1.2
Cash and cash equivalents, beginning................	374.4	373.1	558.7	56.3	558.7	567.6	57.2
Cash and cash equivalents, ending.....................	373.1	558.7	567.6	57.2	532.1	568.8	57.3

Cash and cash equivalents stood at Rp.568.8 billion (U.S.$57.3 million) as of June 30, 2013, compared to Rp.567.6 billion (U.S.$57.2 million), Rp.558.7 billion and Rp.374.2 billion as of December 31, 2012, December 31, 2011 and December 31, 2010, respectively.

Net Cash Provided by Operating Activities

For the six months ended June 30, 2013, net cash provided by operating activities increased to Rp.183.6 billion (U.S.$18.5 million) as compared to Rp.170.4 billion for the six months ended June 30, 2012 primarily as a result of increased revenues compared to the six months ended June 30, 2012.

For the year ended December 31, 2012, net cash provided by operating activities decreased to Rp.445.8 billion (U.S.$44.9 million) as compared to Rp.481.0 billion for the year ended December 31, 2011, and Rp.293.6 billion for the year ended December 31, 2010. Net cash provided by operating activities decreased in 2012 due to higher payments to suppliers for goods purchased and higher operating expenses, in spite of an increase in revenues. Net cash provided by operating activities increased in 2011, primarily as a result of increased revenues compared to 2010.

Net Cash Used in Investment Activities

For the six months ended June 30, 2013, net cash used in investment activities decreased to Rp.171.0 billion (U.S.$17.2 million) as compared to Rp.186.0 billion for the six months ended June 30, 2012 as a result of a decrease in expenditures to fund the acquisition of additional fixed assets, partially offset by higher capital expenditures to fund renovation costs of leased property.

For the year ended December 31, 2012, net cash used in investment activities increased to Rp.369.8 billion (U.S.$37.2 million) as compared to Rp.287.6 billion for the year ended December 31, 2011, and Rp.251.8 billion for the year ended December 31, 2010, primarily as a result of an increase in capital expenditures to fund the acquisition of property and equipment for its restaurant network expansion.

Net Cash Used in Financing Activities

For the six months ended June 30, 2013, net cash used in financing activities remain relatively constant at Rp.11.7 billion (U.S.$1.2 million) as compared to Rp.11.5 for the six months ended June 30, 2012.

For the year ended December 31, 2012, net cash used in financing activities increased to Rp.68.7 billion (U.S.$6.8 million) as compared to Rp.7.9 billion for the year ended December 31, 2011 and Rp.42.7 billion for the year ended December 31, 2010. Net cash used in financing activities increased in 2012 because of dividends and payment of interest on bonds issued in October 2011. Net cash used in financing activities was

lower in 2011 due to proceeds from a bond issuance and short-term bank loans, partially offset by higher dividends paid in 2011 and repayment of short-term bank debt. FAST paid aggregate dividends of Rp.37.0 billion in 2010, Rp.200.0 billion in 2011, Rp.46.0 billion (U.S.$4.6 million) in 2012 and Rp.46.0 billion (U.S.$4.6 million) in 2013.

Capital Expenditures of FAST

FAST has been expanding its operations and expects to continue to make significant investments to further expand its business. Between the beginning of 2010 and the six months ended June 30, 2013, it has invested in a new distribution center and new restaurant openings as well as restaurant renovations. FAST spends approximately Rp.2.0 billion to Rp.11.0 billion for the opening of each new restaurant, and Rp.0.6 billion to Rp.1.8 billion for each restaurant renovation.

The following table sets forth details of FAST's capital expenditures as of the periods indicated:

	As of December 31,				As of June 30, (Unaudited)		
	2010	2011	2012	2012	2012	2013	2013
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in billions, U.S.$ in millions)						
Land	—	—	29.5	3.0	29.0	—	—
Buildings and improvements	0.5	—	—	—	—	—	—
Machinery and equipment	45.0	48.8	71.8	7.2	26.8	27.4	2.7
Transportation and equipment	5.0	4.5	11.4	1.1	9.7	2.6	0.3
Furniture, fixtures and office equipment	13.5	8.5	14.9	1.5	3.2	8.1	0.8
Renovation costs of rented buildings	133.6	125.6	140.3	14.1	63.5	73.1	7.4
Total	198.0	187.2	267.8	27.0	132.1	110.7	11.1

Indebtedness of FAST

As of December 31, 2010, 2011 and 2012 and June 30, 2013, FAST's total current liabilities amounted to Rp.326.8 billion, Rp.422.3 billion, Rp.454.1 billion (U.S.$45.7 million) and Rp.521.3 billion (U.S.$52.5 million), respectively, of which (i) Rp.115.5 billion, Rp.115.2 billion, Rp.144.3 billion (U.S.$14.5 million) and Rp.179.6 million (U.S.$18.1 million) were attributable to accounts payables to third-party suppliers mainly arising from the purchases of goods, and (ii) Rp.43.1 billion, Rp.46.6 billion, Rp.57.7 billion (U.S.$5.8 million), and Rp.81.1 million (U.S.$8.2 million) were attributable to accrued expenses.

As of December 31, 2011 and 2012 and June 30, 2013, FAST's long-term debt amounted to Rp.195.2 billion, Rp.196.0 billion (U.S.$19.7 million), and Rp.196.5 billion (U.S.$19.7 million), respectively, which were mainly attributable to bonds issued in 2011 (net of current maturities). FAST had no long-term debt outstanding as of December 31, 2010.

In October 2011, FAST issued Rp.200 billion in principal amount of five-year bonds with an interest rate of 9.5% per year. FAST's bonds are subject to certain restrictive covenants such as, among others, restrictions on disposition of assets, incurrence of additional indebtedness and limitations on lending. FAST is also required, among others, to maintain certain financial ratios, ensure and maintain the validity of the IFA with YUM! and maintain adequate insurance coverage over its assets. The bonds are secured against all of FAST's present and future assets.

Contractual Obligations and Contingent Liabilities of FAST

Contractual Obligations

FAST has entered into various contractual obligations under which it is obligated to make future payments. The following table summarizes its contractual obligations by maturity, other than liabilities for insurance policies, as of June 30, 2013.

	Payment Due by Period			
	Total	Less than 1 Year	1 to 5 Years	More than 5 Years
	(Rp. in billions)			
Description of Contractual Obligations:				
Bonds	196.5	—	196.5	—
Other payables	83.1	83.1	—	—
Trade payables	224.4	224.4	—	—
Accrued expenses	81.0	81.0	—	—
Other current liabilities	31.9	31.9	—	—
Other non-current liabilities	0.4	—	0.4	—
Accrued interest on bonds payable	4.8	4.8	—	—
Total	622.1	425.2	196.8	—

Contingent Liabilities

As of June 30, 2013, FAST did not have any contingent liabilities or off-balance sheet arrangements.

MARKET RISKS

We and our Associate Companies are exposed to different degrees of market risks in the normal course of our respective businesses. Such market risks primarily comprise foreign exchange risk, credit risk, liquidity risk and interest rate risk.

Foreign Exchange Risk

Due to certain transactions conducted in foreign currencies, certain parts of our business and that of our Associate Companies may be affected by the U.S. dollar, Japanese Yen and Indonesian Rupiah exchange rates. We and our Associate Companies may also incur expenditure and indebtedness denominated in currencies other than Rupiah. We and our Associate Companies do not currently use any derivative instruments to manage foreign exchange risk and do not have any formal foreign currency hedging policy.

Credit Risk

We and our Associate Companies face credit risk arising from credit provided to customers and placement of current accounts in banks. Credit risk arising from placement of current accounts in banks is managed at the Company or Associate Company level according to the respective company's policies. Maximum investable amounts in each bank are set to minimize concentration risk to reduce potential losses due to bankruptcy of such banks. Credit risk may also arise from the inability of customers or other third parties to meet their contractual obligations to us or our Associate Companies. ROTI is also subject to credit risk from its

receivables from customers. It manages such credit risk by taking guarantee deposits from its customers. To the extent a customer is late in payment, ROTI will also cease supplies to such customer pending payment. Currently there is no significant credit risk at either the Company or at each Associate Company level.

Liquidity Risk

Liquidity risk arises when our and our Associate Companies' cash flows indicate that our short-term income is not likely to be able to cover our and our Associate Companies short-term expenses, respectively. The main responsibility for managing liquidity risk falls on our Board of Directors and the respective Boards of Directors for each of our Associate Companies, which have put in place risk management policies for short, medium and long-term funding. We and our Associate Companies manage liquidity risk by maintaining adequate funding while monitoring estimated and actual cash flows and matching them with the due dates of our obligations. Our and our Associate Companies policy is to ensure that we and our Associate Companies always possess sufficient cash to pay our debts when any obligations are due by keeping a cash reserve adequate to meet our funding requirements. Our and our Associate Companies' inability to manage our liquidity risk properly may have an adverse effect on our and their respective businesses, financial condition, results of operations and prospects.

Interest Rate Risk

We and our Associate Companies are exposed to market risk for changes in interest rates to the extent of our or their bank borrowings and other debt obligations bear floating interest rates. We and our Associate Companies do not currently hedge against floating interest rate exposures. An increase in interest rates would increase borrowing costs and could adversely affect our and their results of operations.

BUSINESS DISCUSSION

OVERVIEW

We are a listed investment holding company (IDX: DNET), formerly known as PT Dyviacom Intrabumi Tbk, focused primarily on the consumer and retail industries in Indonesia. In June 2013, we conducted a rights offering in Indonesia and raised Rp.7.0 trillion (U.S.$705.0 million) by offering new shares in the amount of 14.0 billion new shares or 98.7% of our total enlarged paid-up capital at an exercise price of Rp.500 per share. Following the Rights Offering and the Acquisitions, we changed our name to PT Indoritel Makmur Internasional Tbk to reflect the Acquisitions and the change in our business focus from the provision of internet services to become an investment holding company focused primarily on the consumer and retail industries in Indonesia. Prior to the Rights Offering, our controlling shareholder was PTL, which was controlled directly and indirectly by Mr. Pieter Tanuri and subsequent to the Rights Offering, our controlling shareholder is PT Megah Eraraharja, which is controlled by the Salim Group.

In June 2013, we used the proceeds from the Rights Offering and acquired strategic interests in the following public and private companies operating in the Indonesian consumer retail and food industries:

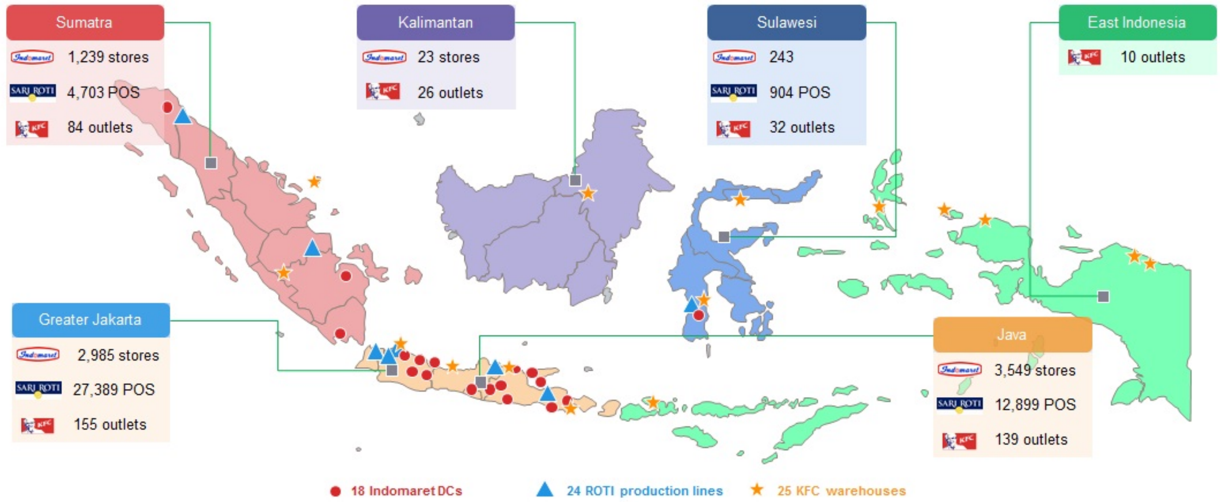
- ***Indomaret***: We acquired a 40.0% interest in Indomaret for Rp.2.6 trillion (U.S.$261.9 million) by subscribing for an aggregate of Rp.738,720,000 new shares issued by Indomaret. Indomaret is Indonesia's largest minimarket operator by number of stores. As of June 30, 2013, it had 8,039 stores throughout Indonesia, consisting of 5,202 stores which it owns and operates and 2,837 stores under its franchise program. According to Frost & Sullivan, Indomaret has a market share of 35.5% of the minimarket sector as of December 31, 2012 based on sales revenue and a 32.4% market share based on number of stores. Indomaret opened 1,152, 1,149, 1,366 and 873 new stores (excluding stores closed) in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, showing a CAGR of 20.9% in number of stores in operation from 2010 to 2012. Indomaret has also enjoyed robust growth in terms of sales, with gross sales growing at a CAGR of 31.8% from 2010 to 2012 and daily sales per store growing at a CAGR of 13.9% from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, Indomaret's gross sales were Rp.14,919.1 billion, Rp.19,248.0 billion, Rp.25,927.9 billion (U.S.$2,611.3 million) and Rp.15,265.5 billion (U.S.$1,537.5 million), respectively. Indomaret aims to provide customers with good value merchandise at

easily accessible locations. Its strategically located stores provide customers with a wide range of products from food and beverage items, tobacco products, baby food products and detergents and other daily necessities.

- ***ROTI***: We acquired a 31.5% interest in ROTI for Rp.2.1 trillion (U.S.$211.5 million) from Treasure East Investment Limited, who is now also a shareholder of the Company. ROTI is the largest bread manufacturer in Indonesia in terms of market share, with approximately a 92% share of the mass produced bread market in Indonesia as of December 31, 2012, according to Frost & Sullivan. In 2010, 2011, 2012 and the six months ended June 30, 2013, ROTI's sales were Rp.612.2 billion, Rp.813.3 billion, Rp.1,190.8 billion (U.S.$119.9 million) and Rp.706.9 billion (U.S.$71.2 million), respectively. As of June 30, 2013, ROTI had a diversified portfolio of 40 different products, comprising a broad range of product types, pricing levels, flavors and sizes. ROTI has steadily expanded its production capacity and geographic reach. Since the launch of two production lines in its first production plant in Cikarang in 1996, it has grown from 11 production lines in three production plants as of December 31, 2010, to 24 production lines in eight production plants as of June 30, 2013. From 2011 to 2012, it increased its plant capacity by approximately 20% from approximately 2.5 million pieces of bread per day to approximately 3.0 million pieces of bread per day in 2012. ROTI's extensive distribution and logistics network includes modern retail channels and traditional general trade channels. Its products are distributed daily to approximately 38,000 outlets. As of June 30, 2013, ROTI's market capitalization was approximately Rp.7.9 trillion (U.S.$795.6 million).

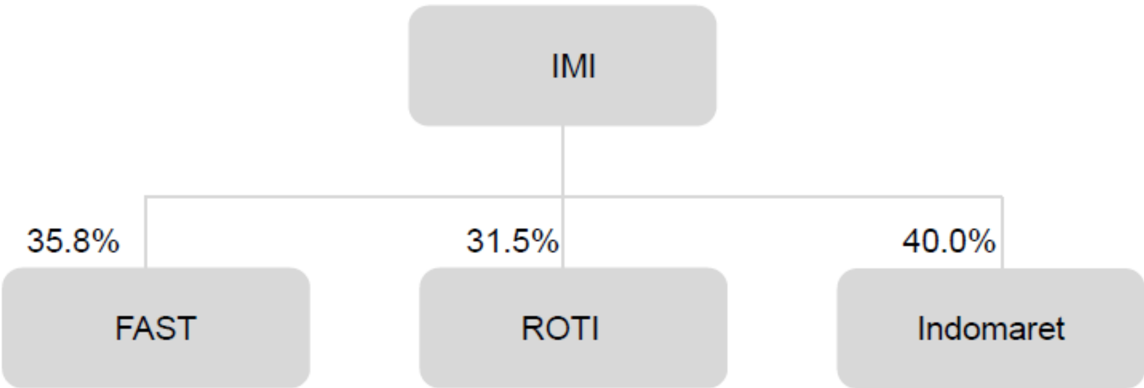
- ***FAST***: We acquired a 35.8% interest in FAST for Rp.2.0 trillion (U.S.$201.4 million) from PT Megah Eraraharja, who is now also a controlling shareholder of the Company. FAST has exclusive rights to operate KFC restaurants in Indonesia. FAST operates all of its KFC restaurants under the Franchise Agreements YUM! as the franchisor. YUM! is one of the world's largest restaurant chains in terms of system restaurants and is the global owner and franchisor of the KFC brand. FAST is Indonesia's largest QSR chain with more than 50% customers' share of visits according to BITS conducted by an independent research agency, on a quarterly basis and had a 28.8% market share in the chained QSR market in 2012 based on sales revenue according to Frost & Sullivan. According to the same research firm commissioned by YUM!, FAST also has the largest restaurant network in the QSR sector in Indonesia, with 446 restaurants throughout Indonesia as of June 30, 2013. FAST's restaurants can be found in 33 out of the 34 Indonesian provinces and are spread across 103 cities and municipalities. FAST had 398, 421, 441 and 446 restaurants as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively, showing a CAGR of 3.5% in the number of restaurants in operation from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, FAST's revenues were Rp.2,826.9 billion, Rp.3,183.8 billion, Rp.3,559.5 billion (U.S.$358.5 million) and Rp.1,849.2 billion (U.S.$186.2 million), respectively. YUM! operates in over 100 countries and territories with nearly 38,000 restaurants, including more than 15,000 owned or franchised KFC restaurants. As of June 30, 2013, FAST's market capitalization was approximately Rp.6.1 trillion (U.S.$614.4 million).

All of our Associate Companies have extensive nationwide store, production facility and distribution networks across the Indonesian archipelago of more than 7,000 islands. The map below illustrates the geographic reach of our Associate Companies' operations in Indonesia as of June 30, 2013.



In addition to our investment activities, we continue to engage in internet-related business, consisting of information technology consulting services relating to internet infrastructure network and network security systems and management of an online business portal, Ogahrugi.com, which provides our members with various products and services at attractive discounts.

The chart below shows our corporate structure as of June 30, 2013.



STRENGTHS

We believe that our competitive strengths are as follows:

Attractive exposure to large and growing middle-income and underpenetrated markets in Indonesia

Indonesia is the most populous country in Southeast Asia and the fourth most populous country in the world, with an estimated population of 247 million people as of 2012. Indonesia has sustained relatively strong economic performance throughout the global recession and thereafter, with a real GDP CAGR of 5.8% over the period between 2008 and 2012. Real GDP growth is expected to remain strong at 6.9% CAGR over the three year period from 2012 to 2016, based on the estimates by Frost & Sullivan. As a result of economic growth, Indonesia has witnessed a significant increase in urban population and is expected to continue increasing from 49.9% of its population living in urban areas in 2010 to 57.2% and 63.1% of its population living in urban areas in 2020 and 2030, respectively, according to Frost & Sullivan.

Driven by rapid urbanization and increasing disposal income, Indonesia has witnessed the rapid emergence of a large middle-income segment. According to Frost & Sullivan, middle income households, defined as all households with monthly earnings between Rp.4.0 million to Rp.8.0 million, or annual earnings of approximately U.S.$5,000.0 to U.S.$10,000.0, have doubled from 14.8% of the total households in 2008 to 28.5% in 2012. We also anticipate that the persons in the Indonesian lower-income population segment will continue to shift into the middle-income segment. Frost & Sullivan expects the middle income households to reach 63.1% of the total households in 2017. According to Frost & Sullivan, Indonesian consumer expenditure is expected to grow at a CAGR of 11.8% between 2012 and 2015, reflecting continuing growth in purchasing power due to rising disposable income, economic growth and increasing urbanization.

We believe that the strong Indonesia macro backdrop supports the favorable growth outlook of the businesses of our Associate Companies. According to Frost & Sullivan, the size of Indonesia's minimarkets segment, QSR segment and mass-produced bread segment are expected to grow at a CAGR of 13.5%, 9.9% and 19.6%, respectively, from 2012 to 2015, driven by economic growth, favorable demographic prospects, continuing urbanization with accompanying rises in disposable income and the relative under-penetration of the respective industries vis-à-vis other Asian countries. According to Frost & Sullivan, Indonesia is under-penetrated compared to other countries in Asia and Southeast Asia such as South Korea, Hong Kong Singapore, Taiwan, Thailand and Malaysia in terms of per capita revenue in modern retail market, QSR market and bread market. We believe our Associate Companies will benefit from these factors given their dominant market leadership positions complemented by iconic consumer retail and food brands.

Dominant market leadership positions complemented by iconic brands

Our Associate Companies operate consumer and retail businesses in Indonesia that have leading market positions in those segments of the markets in which they operate. In 2012, according to Frost & Sullivan, Indomaret had an estimated market share of 35.5% in the minimarket sector based on sales revenue, ahead of the next two largest minimarket/convenience store operators that had estimated markets shares of 32.0% and 5.3%, respectively. In the mass-produced bread segment, ROTI is also the dominant market leader with an estimated market share of approximately 92% based on sales revenue in 2012, according to Frost & Sullivan. In the QSR segment, FAST is the dominant market leader with an estimated market share of 28.8% in the chained QSR market based on sales revenue in 2012, according to Frost & Sullivan.

We believe our Associate Companies' brands are the strongest in their respect segments with significant mindshare in Indonesia for consumer retail and food brands, and have gained the trust and loyalty of millions of consumers in Indonesia. Trustworthiness is one of the key brand perceptions for the customers that has been carefully developed in each of our and our Associate Companies' businesses.

Our Associate Companies operate the following brands:

- *Indomaret*: We believe that the Indomaret brand is a well-recognized and trusted brand in the Indonesian minimarket sector that has been developed for over 25 years and is viewed by customers as a brand that is associated with good value merchandise at easily accessible locations. The success of the Indomaret Card with approximately 1.4 million members as of June 30, 2013, which we believe is one of the largest loyalty card programs in the country, is a testimony of Indomaret's market leadership and strength of its brand. In addition, Indomaret received multiple awards over the years, including the "Retail Asia Pacific Top 500 Award 2012" under the category "Top 10 Retailers Award – Bronze" from Retail Asia Pacific and the "Superbrand" award for the minimarket category from Superbrand for 2010 and 2012.

- *ROTI*: We believe that Sari Roti is the dominant consumer brand in the mass-produced bread segment that is targeted towards the middle upper class consumers and is known for its superior taste profile. ROTI is known for continually rolling out new innovative products with various brands that have distinctly different packages driven by ROTI's strong research and development efforts to constantly adjust to the changing tastes and preferences of Indonesian consumers. ROTI has won several brand awards including the "Top Brand" award and "Top Brand for Kids" award from Frontier Consulting Group and Marketing Magazine for four consecutive years from 2009 to 2012.

- *FAST*: FAST operates the internationally-recognized KFC brand that has become firmly instilled in the minds of consumers as one of the most recognizable brands in Indonesia.

According to a BITS conducted by a research firm commissioned by YUM!, KFC consistently achieved the highest point in "Top of Mind Awareness" compared to other leading brands. Additionally, FAST was also awarded with the "Superbrand 2012" award from Superbrands Indonesia, "No.1 Choice Brand based on Indonesian Women Survey 2012" award from Kartini Magazine Insight Center, the "Top Brand for Kids 2012" and the "Top Brand for Teens 2012" from Frontier Consulting Group.

Given the strong market positions and brand equity of our Associate Companies and supportive industry fundamentals, we expect each of our Associate Companies' businesses as well as their market shares will grow over time.

Extensive nationwide store network supported by efficient distribution platform

All of our Associate Companies have extensive nationwide store, production facility and distribution networks across the Indonesian archipelago of more than 7,000 islands, with 8,039 Indomaret stores throughout Indonesia and 446 KFC store outlets in 103 cities as of June 30, 2013. In addition, ROTI manufactures its bread in a total of 24 production lines in eight factories across Java, Sumatra and Sulawesi as of June 30, 2013, as well as distributes its bread products to approximately 38,000 outlets daily through an extensive distribution network of modern trade and general trade channels.

We believe the nationwide presence of our Associate Companies provides a platform for them to better access and service their customers. Moreover, we believe this enables our Associate Companies to better understand the needs of customers and identify key trends that may affect their operations and business model, further supporting their growth strategies. By operating in multiple locations (our Associate Companies currently operate in more than 103 Indonesian cities), our Associate Companies are able to identify new market opportunities across all of their businesses in a timely and cost-efficient manner.

Our Associate Companies' nationwide store networks are supported by efficient distribution platforms, including distribution centers, warehouses, their own fleet of vehicles, contract transporters, as well as freight forwarders to transport merchandise directly to their stores and distribution channels. We believe that each of their extensive distribution capabilities, which are highly complex within the expansive Indonesian archipelago, are key competitive advantages for our Associate Companies that would be difficult for smaller competitors and new entrants to replicate over the medium term.

Our Associate Companies' geographically diversified network, supported by a distribution infrastructure with short lead times, enables them to supply their merchandise nationwide in a cost-effective manner.

Large-scale operations and market leadership positions drive operational synergies

We believe our Associate Companies' large-scale operations and market leadership positions are key competitive advantages in many areas of their businesses, such as stronger negotiating power in accessing new retail locations and distribution channels, recruiting well-qualified employees for key management positions and negotiating merchandise and raw material procurement agreements with their suppliers.

The large operational scale of our Associate Companies enables them to realize significant economies of scale in their investments in advanced and customized management information systems for distribution, warehousing and procurement functions. Each of Indomaret's distribution centers is equipped with a centralized merchandise database system which ensures just-in-time delivery and sufficient stock at its stores, thus optimizing inventory levels across its distribution centers and store network. ROTI implemented the SAP system to integrate all of its systems and procedures, starting from raw material purchasing to product distribution, resulting in optimal levels of customer order management and fast inventory turnover of finished products. FAST implemented the Point-Of-Sale system which monitors the usage and inventory level of raw materials at each restaurant. These management information systems allow our Associate Companies to make proactive decisions on their day-to-day operations providing them with the ability to quickly and efficiently respond to changes in customer trends.

We believe our Associate Companies will increasingly benefit from economies of scale and operating leverage as they continue to expand their operations, thus keeping their per unit fixed costs low and competitive, which in turn should enhance their profit margins.

Proven business models that reinforce market positions and drive future growth

Our Associate Companies operate efficient and competitive business models, which facilitate sales growth from existing stores, grow revenue from new store openings, increase distribution penetration, and expand margins driven by cost control initiatives and productivity enhancements.

We believe that Indomaret's growing franchise-based store strategy is a key feature of its business model that has enabled it to achieve capital efficient growth. Franchising is a capex-light strategy that has allowed Indomaret to increase its penetration into the minimarket segment, which reinforces its brand equity and market position. Complementing this strategy, Indomaret's experience in rolling out the minimarket store format limits fit-out time and capital expenditure requirements, resulting in a high degree of speed in bringing stores to market and a fast payback on investment for both Indomaret and its franchisees.

ROTI's business model is underpinned by its solid brand equity and dominant market leader position which have generated strong pricing power that ensures the sustainability of its high margins and limits the impact from potential competitors. ROTI is also able to leverage on its strong brand loyalty and recognition among its customers to continuously launch new innovative products on a regular basis. With an established household consumer brand, ROTI also enjoys stronger negotiating power in securing preferred shelf space in its distribution channels for its wide range of products.

We believe that FAST's continuous focus on customer service excellence has enabled it to achieve its dominant market position in QSR. FAST constantly tailors its menu offerings at appropriate price points to suit the changing preferential taste of Indonesian customers. FAST always focuses on CHAMPS to improve customer service excellence and store operation. Its franchisor, YUM!, also assists in implementing the CMS throughout all of FAST's KFC stores to achieve operational excellence.

Proven business models and economies of scale have led to a track record of profitability that has enabled our Associate Companies' businesses to expand rapidly and profitably. Indomaret has significantly expanded its stores from 4,955 as of December 31, 2010 to 8,039 as of June 30, 2013 and expects to continue its trend of store expansion by opening an additional 1,600 stores in 2013. ROTI has increased its factories from three as of December 31, 2010 to eight as of June 30, 2013 with plans to open three new factories in Java and Kalimantan and increasing the total production lines to 30 by the end of 2013. FAST has also expanded its stores from 398 as of December 31, 2010 to 446 as of June 30, 2013 and expects to open an additional 24 stores during the remainder of 2013.

Experienced and dedicated management teams with strong track records of growth and profitability

We and our Associate Companies have experienced management teams in each of our and their respective businesses committed to maintaining high standards of operational excellence and increasing value for shareholders. Our Associate Companies' management teams have a deep understanding of the markets in which our Associate Companies operate and have demonstrated their ability to grow each of the businesses, develop brand recognition and customer loyalty and drive economies of scale from their market leading positions. We believe the quality of our Associate Companies' management teams are vital to sustaining and growing their businesses.

STRATEGIES

We are committed to growing each of our and our Associate Companies respective businesses across Indonesia while further improving the quality of our and our Associate Companies respective services to customers in order to enhance our leading market positions and brands. We aim to achieve this by pursuing the following strategies:

Support the continued growth and development of our Associate Companies

We will seek to support the continued expansion of our Associate Companies by contributing to the development and execution of their business strategies, supporting the implementation of operational improvements, making capital contributions to fund growth initiatives, and identifying and potentially funding selective acquisitions.

Through IMI's commissioners and directors who sit in the respective Boards of Commissioners and Boards of Directors of our Associate Companies, we intend to seek strategic cooperation amongst our Associate Companies to share their market insights and operational experiences from previous market entries to facilitate successful expansion of their respective businesses into new cities and provinces in Indonesia. For example, in many instances, Indomaret will spearhead expansion into new cities or towns. ROTI will only consider entering into that new city or province only after understanding and assessing the feasibility of the market through Indomaret, before building a new plant to supply bread to Indomaret's network of distribution points and other distribution channels in the new city or province.

In addition, through our affiliation with the Salim Group as our largest shareholder, we believe that our Associate Companies will continue to benefit from commercially favorable funding costs by leveraging the Salim Group's strong relationships with banks.

Enhance brand equity and strengthen market leading positions across our Associate Companies

We believe our Associate Companies' principal long-term goal is to further enhance their brand equity and to further strengthen and consolidate their market leading positions in Indonesia. Our Associate Companies aim to achieve this goal by implementing the following initiatives:

- ***Continuous and rapid expansion across Indonesia***

  Our Associate Companies intend to continue to capitalize on their strong brands and market leadership by further increasing their market share through rapid store expansion and production capacity addition, to capture growth from consumer spending of Indonesia's large and growing middle-income segment. Our Associate Companies plan to further grow their network both in cities where they have an existing presence and in new locations across Indonesia, particularly in underserved high growth regions outside of Greater Jakarta.

  Our Associate Companies have a geographically diversified network, supported by established distribution infrastructure. This provides them with flexibility in considering new store sites and distribution channels and to capture growth outside Greater Jakarta which we believe has stronger growth opportunities.

  Indomaret: Indomaret intends to focus on the minimarket format and further develop its convenience store format. Indomaret continues to build its pipeline of store openings and currently plans to open approximately 1,600 stores a year in the period from 2013 to 2015, partly funded by the capital injection of Rp.2.6 trillion from the Company after it became a shareholder of Indomaret. Indomaret's target for franchise stores is set at 40% of all stores under its management, which is also in line with the fulfillment of provisions set forth in the MOTR No.68/2012.

  ROTI: ROTI aims to further increase its distribution penetration by gradually increasing its utilization of traditional distribution channels as ROTI expands outside of Java where modern channels are less dominant. To support its expansion outside of Java, ROTI targets to build five to 10 new production lines each year.

  FAST: FAST aims to expand its restaurant network, with a target to open approximately 60.0% of the new restaurants in the Greater Jakarta Area and the remaining 40.0% outside the Greater Jakarta Area. Going forward, FAST plans to focus on opening more free standing restaurants. FAST also intends to continue to renovate or refurbish its existing KFC restaurants to maintain the contemporary "design and feel" of its existing restaurants, increase seating capacity and increase speed of service.

- ***Further increasing customer demand and store productivity***

  Indomaret: Indomaret also intends to drive customer traffic and sales productivity through a number of initiatives, including the following:

- Strengthen Indomaret brand and customers' perception of receiving value for money through regular promotions, as well as focused advertising and marketing campaigns conducted through a variety of media including its website, television and radio;

- Continue to pursue expansion of store capabilities and services to enhance customers' overall shopping experience with provision of additional value-added services and amenities at its stores such as ticket sales, delivery services, installation of automated teller machines and a digital payment system;

- Tailor and optimize the merchandise mix for each store in order to tailor the average price points of merchandise sold at each store in accordance with its local target market; and

- Leverage on the strength of Indomaret brand by continuing to offer new private label products under Indomaret brand, and to drive sales growth of private label products.

ROTI: ROTI intends to focus on diversifying its product portfolio with the goal of taking advantage of trends and opportunities through implementing the following strategies:

- Leverage on its strong brand name to more effectively roll out its new product launches in the Indonesian bread market;

- Continue to engage in research and development to produce new and innovative bread products in line with industry trends, such as increasing the nutritional value and introducing new and healthy options. ROTI's research and development teams aim to evaluate six to 10 new products each year; and

- Focus on the development of healthy products that contain dietary fiber, high calcium, DHA, Omega 3 fatty acids and other health beneficial elements, over the next five years.

FAST: FAST also aims to strengthen KFC's brand image and cater for customers' changing needs and tastes through the following initiatives:

- Continue to optimize the dining experience and choice of meals while remaining focused on consistent quality products and exceptional customer-focused service;

- Aim to offer new products and limited time offers in its KFC restaurants to maintain and grow sales from existing restaurants, as well as sustain brand awareness among its customers, reach new consumer demographics and address different parts of the day; and

- Continue to work closely with YUM! for research and development to launch new product offerings that cater to local tastes and preferences.

- ***Continued focus on operational and distribution efficiency***

  Continued focus on enhancing operational efficiencies, stringent cost control and improving asset utilization will enable our Associate Companies to deliver on their expansion plans and further improve profitability. They intend to continue to leverage on their scale to realize economies of scale and also to maximize their bargaining position with their suppliers and distribution partners. Our Associate Companies will also continue to pursue continuous business improvement and operational efficiency initiatives to optimize overall operational performance and employee productivity to sustain their competitiveness.

Evaluate new business opportunities that are complementary to existing businesses and core strengths

While our primary focus is on the profitable growth of our Associate Companies' existing businesses, we may also consider and evaluate, on an opportunistic basis, expansion into new business segments, provided

that such new business opportunities are complementary to existing operations or competencies residing within the Group.

THE COMPANY

Overview

We engage in providing information technology consulting services relating to internet infrastructure network and network security systems. We also own and manage an online business portal, Ogahrugi.com, which provides our members with various products and services at attractive discounts. Ogahrugi.com is a fast growing online business portal in Indonesia, which is used as an online promotional medium for merchants to introduce and market their products and services. As of the date of this document, we intend to focus our business activities in developing and managing Ogahrugi.com.

History

We were established in 1995 in Jakarta, as an internet services company. In 2000 we conducted an initial public offering and listed our shares on the IDX. In June 2013, we conducted the Rights Offering in Indonesia and raised Rp.7.0 trillion (U.S.$705.0 million) by offering new shares in the amount of 98.7% of our total paid-up capital. Following the Rights Offering, we changed our name from PT Dyviacom Intrabumi Tbk to PT Indoritel Makmur Internasional Tbk to reflect the Acquisitions and the change in business focus from the provision of internet services to become an investment holding company focused primarily on the consumer and retail industries in Indonesia. Prior to the Rights Offering, our controlling shareholder was PTL, which was controlled directly and indirectly by Mr. Pieter Tanuri and subsequent to the rights offering, our controlling shareholder is PT Megah Eraraharja, which is controlled by the Salim Group.

Products and Services

We offer the products and services described below.

Information Technology Solutions

We provide consulting services in developing infrastructure for internet-based telecommunication systems for a variety of industries. Such services provided by us include designing, planning, constructing and developing internet infrastructure networks, constructing and developing databases and implementing network security systems. For example, we developed a tire distribution management system ("TDMS") database, which is a web-based enterprise resource planning system used to manage the vehicle tire distribution supply chain for a customer. As of June 30, 2013, we had 30 points of installation of TDMS in various tire distributors and retailers. We also provide additional services such as providing computer and telecommunication equipment and training engineers and IT operators. For the Information Technology Solutions business, we intend to only maintain our existing customer base (not more than 50 customers) and we do not plan on acquiring new customers.

Online Business Portal (Ogahrugi.com)

We own and manage Ogahrugi.com, a discount media shopping website, also known as daily deals, which offers its users promotions and substantial discounts on a wide range of products, such as among others, restaurant vouchers, electronic gadgets and cosmetics. As of June 30, 2013, Ogahrugi.com served more than 90,000 members across Indonesia with a focus on serving members in Jakarta and other major cities in Indonesia. Our customers enjoy attractive discounts from hundreds of selected merchants.

In order to access Ogahrugi.com's promotions and access its services, potential customers are required to register on Ogahrugi.com's site by providing personal information such as name, date of birth, address, email address and contact number. We do not charge any fees to potential customers to become members of Ogahrugi.com and once a customer becomes a member, he or she may place an order to purchase products or services offered in Ogahrugi.com's website. Payments for such products or services are made using bank transfers. Upon verification of payment, in the case of purchases of e-vouchers, members will be provided with the respective printable electronic vouchers via email. In the case of purchases of other products, Ogahrugi.com will instruct the respective merchants or distributors to prepare and send such purchased products to the

respective member's address. We receive commissions in the range of 10% to 15% of the product prices on the purchases made by our members through Ogahrugi.com.

Members

As of June 30, 2013, we had more than 90,000 members registered at Ogahrugi.com's website, with more than 2,000 transactions per month. The number of members grew significantly by 1,580% from December 31, 2010 to December 31, 2011 and 210% from December 31, 2011 to December 31, 2012 and 20% from December 31, 2012 to June 30, 2013.

We define active members as members who have made purchases through Ogahrugi.com within any particular year. As of December 31, 2010, 2011, 2012 and June 30, 2013, our active members were 609, 4,262, 20,680, and 22,428 members, respectively.

Marketing

We utilize a variety of media in our advertising and promotional activities, including online media such as our internet, advertisements on third party websites, Facebook advertisements and Google Adwords, as well as offline media such as radio and a variety of print media. Our marketing campaigns are conducted not only to attract new members to sign up to Ogahrugi.com but also to attract producers of goods and services and distributors to market their products or services at Ogahrugi.com. We enter into agreements with the respective merchants for the products and services we offer at Ogahrugi.com. The typical duration for such agreements is one week.

Competition

The growth of the e-commerce business in Indonesia has made competition more intense for Ogahrugi.com. Other online business portal operators who compete with Ogahrugi.com include, among others, Groupon, Disdus, Living Social, Dealkeren, Lakupon, Streetdeal and Metrodeal. Such competitors typically also offer products or services from merchants or distributors with attractive discounts.

Employees

We employed 27 employees as of June 30, 2013. We consider our relationship with our employees to be good. There are no labor unions or organizations within our Company. The following table shows the number of our employees by function (including part-time staff) as of the dates below.

	December 31,			June 30,
	2010	2011	2012	2013
Job Function				
Directors	3	3	3	2
Managers	1	3	3	3
Staff	38	42	44	22
Total	42	48	50	27

Information Technology

We use advanced information technology systems in our day-to-day business operations to manage our Ogahrugi.com member database and database of products and services offered by Ogahrugi.com, as well as to process payments and to collect and perform analyses on consumer preferences information. We engage third party security experts to conduct regular data security checks to prevent any breaches to our databases.

We have also invested in a disaster recovery center, which is fully functional on a standalone basis and which has a duplicate set-up of all of our hardware and software. This will allow us to switch over to the disaster recovery center and continue to operate in the event of any significant disruption to our existing data center.

Properties

As of June 30, we own one piece of land under a land ownership title (*Hak Guna Bangunan* or "HGB") located in Tangerang, Indonesia with an area of 3,218 square meters. The HGB for this land is valid until July 16, 2027.

Intellectual Property

We have registered two trademarks and logo for "spinfox.com" and "Kartu Power" with Directorate General of Intellectual Property Rights, Ministry of Law and Human Rights of the Republic of Indonesia and are currently in the process of registering the trademark of "Ogahrugi.com" and "waytodeal.com". We continue to run image advertising designed to reinforce the strength and value of our trade name and our trademarks.

Insurance

As of June 30, 2013, we maintained insurance coverage for our motor vehicles.

Legal Proceedings

From time to time, we may be involved in legal proceedings concerning matters arising in connection with the conduct of our business. Currently there are no material pending claims or legal proceedings nor are there legal proceedings that are not in ordinary course of business, involving us.

INDOMARET

Overview

Indomaret is Indonesia's largest minimarket operator by number of stores. As of June 30, 2013, it had 8,039 stores throughout Indonesia, consisting of 5,202 stores which it owns and operates and 2,837 stores under its franchise program. According to Frost & Sullivan, Indomaret has a market share of 35.5% of the minimarket sector as of December 31, 2012 based on sales revenue and a 32.4% market share based on number of stores. Indomaret opened 1,152, 1,149, 1,366 and 873 new stores (excluding stores closed) in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, showing a CAGR of 20.9% in number of stores in operation from 2010 to 2012. Indomaret has also enjoyed robust growth in terms of sales, with gross sales growing at a CAGR of 31.8% from 2010 to 2012 and daily sales per store growing at a CAGR of 13.9% from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, Indomaret's gross sales were Rp.14,919.1 billion, Rp.19,248.0 billion, Rp.25,927.9 billion (U.S.$2,611.3 million) and Rp.15,265.6 billion (U.S.$1,537.5 million), respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, Indomaret's same store sales growth was Rp.8,300.2 billion, Rp.12,092.8 billion, Rp.17,109.2 billion (U.S.$1,723.2 million) and Rp.10,593.8 billion (U.S.$1,067.0 million), respectively.

A vast majority of Indomaret's stores are of the minimarket format, with a smaller mix of stores under the convenience store format. Indomaret's management intends to focus on the minimarket store concept while developing the convenience store concept. Indomaret's convenience stores sell groceries, ready to eat and ready to drink food products and are equipped with tables and chairs, which allow customers to enjoy their meals on the spot. Convenience stores are larger than minimarkets with typically around 100 to 150 square meters more floor space, staffed with more employees and are usually located in key areas. As of June 30, 2013, 7,953 and 86 of Indomaret's stores were of the minimarket and convenience store formats, respectively.

In line with its motto "*Mudah dan Hemat*", which means "convenient and value for money" in English, Indomaret's strategy is to provide customers with good value merchandise at easily accessible locations. Indomaret's strategically located stores provide customers with a wide range of products from food and beverage items, tobacco products, baby food products and cleaning products and other daily necessities. In order to attract customers, Indomaret routinely holds a variety of promotions, discounts and other marketing and sales programs. Indomaret also provides certain additional services such as a delivery service for products purchased,

bills payment, tickets purchases, fund transfers and Indomaret ATMs. Indomaret has also begun to install i-kiosks to reduce queuing and increase service quality at its stores.

In order to ensure adequate supply of merchandise at its stores, Indomaret has a strong distribution system backed with a comprehensive information technology system for merchandise management. As of June 30, 2013, Indomaret operates 18 distribution centers, with a total capacity of approximately 94,313 cubic meters. Each distribution center is also equipped with approximately 100 to 110 delivery vehicles, owned by Indomaret, to deliver goods to the respective stores serviced by such distribution centers. Indomaret has put in place a centralized database system which tracks the remaining quantity of each type of product at each store and each distribution center. Once a certain economic quantity level is reached, the system will automatically request for more of such products to be delivered from the respective distribution center to the store, or will automatically place an order for such product from the supplier to be delivered to the distribution center or directly to the store, as the case may be.

As a measure of Indomaret's success, in 2012, Indomaret was awarded with the "Retail Asia Pasific Top 500 Award 2012" under the category "Top 10 Retailers Award – Bronze" from Retail Asia Pacific. In 2012, Indomaret was also awarded, among others, the "Superbrand 2012" award for the minimarket category by Superbrand and the "Franchise & Business Opportunity Market Leader 2011" award by Info Franchise magazine. In 2011 Indomaret was awarded with the "Highest Sales Growth Achievement for 2011" award by Coca Cola and the "Satria Brand Award" for the highest achiever in the minimarket category. Indomaret also won the "Superbrand 2010-2011" award for the minimarket category from Superbrand in 2010. In 2003, Indomaret was also awarded with the "Best National Franchise Company" award by the former President of Republic of Indonesia, Megawati Sukarno Putri. Such award was the first and only award given to franchisors by the Government.

History

In 1988, Indomaret opened its first store in Ancol, Jakarta under the name "Indomart", which focused on providing daily necessities. In 1995, pursuant to a governmental campaign encouraging the use of Bahasa Indonesia, the name and logo "Indomart" was changed to its present name, Indomaret. In 1997, Indomaret began introducing a new partnership system in store ownership and management under a franchise scheme. Indomaret was the first to offer a franchise program in the minimarket sector. Indomaret management believes that it has pioneered the minimarket franchise concept with its franchise program and is now one of the leading recognized brands in the minimarket sector. In 2004 Indomaret opened its 1,000th store and in 2010, its 5,000th store.

Indomaret had a 79.0% owned subsidiary as of December 31, 2012, PT Inti Cakrawala Citra, or ICC, which it sold to PT Indomarco Perdana in April, 2013 for aggregate consideration of Rp.81 billion (U.S.$8.2 million). ICC operated a chain of wholesale grocery stores under the franchise name "Indogrosir", with 10 stores in Jakarta (Kemayoran and Cipinang), Surabaya, Yogyakarta, Tangerang, Bandung, Medan, Palembang, Bekasi and Pekanbaru, as of June 30, 2013. ICC had total assets of Rp.709.3 billion (U.S.$71.4 million) as of December 30, 2012, and net profit of Rp.30.0 billion (U.S.$3.0 million) for the year then ended. Indomaret sold its stake in ICC in order to focus its business on the minimarket and convenience store retail formats. As of June 30, 2013, Indomaret's shareholders are IMI, PT Indomarco Perdana, PT Lentera Bumi Mas and Sinarman Jonatan, which own 40.0%, 55.6%, 3.1% and 1.3% of Indomaret, respectively. IMI, PT Indomarco Perdana and PT Lentera Bumi Mas are members of the Salim Group.

Stores

Store Network

Indomaret is the largest minimarket operator in Indonesia by number of stores in 2012, according to Frost Sullivan. As of June 30, 2013, it had 8,039 stores in three regions throughout Indonesia, consisting of 5,202 stores which it owns and operates and 2,837 stores under its franchise program. Indomaret opened 1,152, 1,149, 1,366 and 873 new stores (excluding stores closed) in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. As of December 31, 2010, 2011 and 2012, Indomaret had 4,955, 6,003 and 7,245 stores, respectively, showing a CAGR of 20.9% from 2010 to 2012. In 2012, Indomaret served approximately 22 million customers nationwide through its store network.

The following table provides more information on the geographic reach of Indomaret's stores (owner operated and franchise) as of June 30, 2013:

	Stores Owned by Indomaret			Stores Under Indomaret's Franchise Program		
	Number of Stores	% of total number of stores	Total store space	Number of Stores	% of total number of stores	Total store space
			(m^2)			(m^2)
Location						
Greater Jakarta Area	1,787	34.4%	181,436	1,198	42.2%	122,751
Java[(1)]	2,087	40.1%	282,402	1,199	42.3%	161,117
Outside Java	1,328	25.5%	158,955	440	15.5%	51,307
Total	5,202	100.0%	622,793	2,837	100.0%	335,175

(1) Excluding Greater Jakarta Area.

In 2012 and the six months ended June 30, 2013, 83.3% and 80.0% of Indomaret's net sales were generated in the Greater Jakarta Area and Java, home to approximately 60.0% of the Indonesian population and where a significant proportion of Indomaret's stores are located.

The following table shows the breakdown of Indomaret's gross sales by region for the periods indicated.

	Year Ended December 31,							Six Months Ended June 30,				
	2010		2011		2012			2012		2013		
	(Rp. in billions)	%	(Rp. in billions)	%	(Rp. in billions)	%	U.S.$ in millions)	(Rp. in billions)	%	(Rp. in billions)	%	U.S.$ in millions)
Location												
Greater Jakarta Area	6,181.1	44.9	7,640.4	42.9	9,832.0	40.8	990.0	4,506.2	41.9	5,439.5	38.6	547.8
Java[(1)]	6,288.7	45.6	7,930.3	44.5	10,141.5	42.2	1,021.4	4,672.0	43.4	5,824.8	41.3	586.6
Outside Java	1,308.1	9.5	2,259.4	12.7	4,077.9	17.0	41.1	1,581.0	14.7	2,829.7	20.1	285.0
Total	13,777.9	100.0	17,830.1	100.0	24,051.4	100.0	2,422.3	10,759.4	100.0	14,093.0	100.0	1,419.4

(1) Excluding Greater Jakarta Area.

Indomaret regularly reviews its portfolio of stores and may close unprofitable stores.

For Indomaret owned and operated stores, Indomaret typically rents the location on which its stores are located from individual land-owners. The rental agreements usually run for five to 10 years and Indomaret pays the rental fee for the entire period in lump sum at the start of the period. Franchisees also typically either rent or own the locations for such stores. As of June 30, 2013, Indomaret owned the location of 53 of its stores. As of June 30, 2013, 9.0%, 25.6%, 33.7% and 31.7% of leases on Indomaret's leased stores are due to expire in under one year, one to three years, three to five years and more than five years, respectively.

Indomaret also rents out certain strategic spaces within its stores to its suppliers to be used as promotional space to market certain products. In addition, Indomaret charges a premium to suppliers for "top shelf space", which allows certain products to be shelved in more prominent spaces of the stores to enhance visibility. Indomaret also rents out the terrace area outside its stores to interested parties to be utilized for unrelated small businesses, in accordance with criteria set by Indomaret.

New Store Expansion

Since 2005, Indomaret has embarked on an accelerated store expansion program, comprising the opening of new Indomaret stores and new franchisee stores. Approximately half of Indomaret's stores are one to five years of age and approximately 20.0% are less than one year of age. The following table shows Indomaret's net store increase by region for the periods by type of store:

	New Stores Opened and Owned by Indomaret				New Stores Opened Under Indomaret's Franchise Program			
	2010	2011	2012	Six months ended June 30, 2013	2010	2011	2012	Six months ended June 30, 2013
	(number of stores)							
Location								
Greater Jakarta Area	339	268	277	190	76	61	87	67
Java[(1)]	487	398	423	282	55	52	68	52
Outside Java	154	308	428	245	41	62	83	37
Total	980	974	1,128	717	172	175	238	156

(1) Excluding Greater Jakarta Area.

Indomaret's management expects its target customer base to grow significantly in the coming years. See "Industry" for more information. To meet such growing demand, Indomaret aims to expand its store network by opening three to five new stores daily, which will include both Indomaret owned and franchised stores. In order to support this goal, Indomaret's store location team, consisting of 501 full time employees as of June 30, 2013, searches for premium locations throughout Indonesia. In selecting potential store locations, Indomaret's management considers, among others, the demographics of the area, expected disposable income of residents in the area, expected rental or acquisition cost, as well as expected competition from other businesses in the surrounding area.

Once a potential store location is identified, the store location team will proceed to negotiate the term of the lease, seek final approval internally and then proceed with signing a lease with the relevant location owner. For a typical new store, the premise renovation time is approximately one to two months, including fit-out time. In certain cases, store renovation may take three to six months to complete. The expected investment in opening a new Indomaret store typically ranges between Rp.400 million to Rp.3 billion, depending on size, location and store format. New stores typically begin to generate gross profit within the first year.

From June 30, 2013 to December 31, 2013, Indomaret plans to open 1,600 stores throughout Indonesia. Approximately 418 stores, 557 stores and 625 stores, or 28.3%, 34.5% and 37.2% of the stores to be opened, are scheduled to be opened in the Greater Jakarta Area, Java and outside Java, respectively. Indomaret also plans to open approximately 1,600 stores per year in 2014 and 2015, partly funded by the capital injection of Rp.2.6 trillion from the Company after it became a shareholder of Indomaret.

Store Design

The layout of Indomaret's stores are planned to provide customers with a comfortable shopping experience and are designed with an open layout to permit easy circulation of customers. Products are grouped in proper assortment to make it easier for customers to find their desired products. Due to rental price and availability of land, stores located in the Greater Jakarta Area are typically smaller than those located outside the Greater Jakarta Area, with stores outside Java usually being the largest. The size of Indomaret's stores range from 60 to 200 square meters, with an average size of approximately 120 square meters. Stores located in the Greater Jakarta Area average 105 square meters per store, as compared to an average size of 124 square meters per store in Java and 133 square meters per store outside of Java. Most of Indomaret's stores are located in shop houses, which are buildings with Indomaret's stores located on the ground floors and residences on the higher floors. Each store is generally staffed with three to nine employees, depending on size, store format and sales volume.

A vast majority of Indomaret's stores are of the minimarket format, with a smaller mix of stores under the convenience store format. Indomaret's management intends to focus on the minimarket store concept while developing the convenience store concept. Indomaret's convenience stores sell groceries, ready to eat and ready to drink food products and are equipped with tables and chairs, which allow customers to enjoy their meals on the spot. Convenience stores are larger than minimarkets with typically around 100 to 150 square meters more floor space, staffed with more employees and are usually located in key areas. As such, due to higher operating costs mainly from higher rental, equipment, electricity and salary expenses, convenience stores are typically more expensive to operate than minimarkets. As of June 30, 2013, 7,953 and 86 of Indomaret's stores were of the minimarket and convenience store formats, respectively.

Indomaret typically renovates its stores every five years. The cost of renovating a store typically ranges from Rp.150.0 million to Rp.500.0 million and may take one to two months to complete, during which period, and depending on scale of the renovation, some of the stores would need to be closed temporarily.

Franchise Program

In 1997, Indomaret began introducing a new partnership system in store ownership and management under a franchise scheme. Indomaret was the first to offer such franchise program in the minimarket sector. The franchise opportunity is offered to both individuals and enterprises. Indomaret's franchise program was met with enthusiasm and in 2003, the President of the Republic of Indonesia gave Indomaret the "Best National Franchise Company" award. Franchise stores have become increasingly important in recent years. The number of franchise stores has increased from 1,897 franchise stores, or 38.3% of total stores, as of December 31, 2010, to 2,146 franchise stores, or 35.7% of total stores, as of December 31, 2011, 2,554 franchise stores, or 35.3% of total stores, as of December 31, 2012, and 2,837 franchise stores, or 35.3% of total stores, as of June 30, 2013.

The investment risk and start-up costs of stores under the franchise program are borne by the franchisee. Investors interested in the franchise program are charged a franchise fee of Rp.36 million payable in a lump sum on date of signing of the franchise agreement and a progressive royalty fee of 0.0% to 4.0% of gross sales per month generated from the store, pursuant to the terms of Indomaret's standard franchise agreement as follows:

- no royalty fee for stores with net sales of less than Rp.175 million;
- royalty fee of 2.0% for stores with net store sales of more than Rp.175 million to Rp.200 million;
- royalty fee of 3.0% for stores with net store sales of more than Rp.200 million to Rp.225 million;
- royalty fee of 4.0% for stores with net store sales of more than Rp.225 million;

In addition, franchisees pay a distribution fee equal to 2.0% of the cost of goods sold to such franchisee's store. The duration of a franchise agreement is five years, renewable for five years by mutual agreement between the parties six months prior to the expiration of such franchise agreement. If the franchise agreement is renewed, the franchisees are not required to pay the franchise fee again but may be required to renovate their stores or invest in new store equipment.

In selecting potential franchisees, Indomaret considers several factors, among others, location (if the potential franchisee already has a premise available), licensing, potential franchisee's willingness to comply with local tax regulations and potential franchisee's financial capabilities to ensure sufficient funding. Typically, Indomaret proposes each individual franchisee to only own one Indomaret store. Before the franchise agreement is signed, Indomaret and the franchisee agree on matters such as location, size, store format, initial investment and projections. The typical lead time from the day the franchise agreement is signed to the opening day of the store can be immediate, in the case of an existing store takeover, or a few months, depending on the scale of renovation needed for the new store. New franchise stores typically begin to generate profit within the first year of opening.

All of Indomaret's franchisees are passive franchisees. Stores under such passive franchise arrangements are fully managed and operated by Indomaret and implement Indomaret's distribution and database systems. Employees for these stores are also recruited and trained by Indomaret. On a monthly basis, Indomaret presents store operational information, including sales and profits, to the respective franchisees.

For potential franchisees who are interested in minimizing risk, Indomaret also offers the opportunity to take over stores owned by Indomaret, which have been shown to be profit making subject to the payment of a "goodwill" fee. Such fee varies depending on the operational track record of the stores to be taken over.

Approximately 5.0% of Indomaret's franchise stores are closed each year due to lack of profitability.

In February 2013, the MOT issued MOTR No. 68/2012. Indomaret's management believes that this regulation will not have a material impact on Indomaret's business as Indomaret's management has aimed to have a proportional mix between owned stores and stores under the franchise program, which is in line with such regulation. See "Risk Factors—Risks Relating to Our and Our Associate Companies' General Business Operations—If we or our Associate Companies fail to comply with existing regulations, or are subject to increased regulation, this could result in substantial additional compliance costs or administrative penalties which would adversely affect our and their businesses, results of operations and financial condition" and "Regulations and Supervision".

Sales and Merchandise

In line with its motto "*Mudah dan Hemat*", which means "convenient and value for money" in English, Indomaret's strategy is to provide customers with good value merchandise at easily accessible locations. Indomaret offers over 9,000 merchandise items, with each store offering on average 4,000 merchandise items, consisting of food and non-food items, daily necessities and fresh produce at reasonable prices to meet customers' daily needs. Indomaret also carries more than 300 private label products, manufactured specifically for Indomaret and labeled with the Indomaret brand. Indomaret's key private label products include facial tissue, mineral water and sugar. These private label goods typically carry higher profit margins than regular merchandise and as such, Indomaret is targeting to increase the sales of such products going forward. In 2010, 2011 and 2012 and the six months ended June 30, 2013, private label goods contributed 3.3%, 3.7%, 4.0% and 4.3% to Indomaret's sales to customers.

Indomaret targets a wide range of demographic segments, with a focus on Indonesia's burgeoning younger population (those under 40 years of age) and customers in the middle income segment, defined as all customers in households with monthly earnings between Rp.4.0 million to Rp.8.0 million, or annual earnings of approximately U.S.$.5,000.0 to U.S.$.10,000.0.

Indomaret's management expects that this segment of the population will continue to make up a significant part of Indonesia's population in the future. By analyzing the purchasing habits of its customers, Indomaret is able to better understand its customers and enables it to adjust the types and prices (through provisions of discounts) of the merchandise it offers, both generally and in particular stores, in order to maximize sales. For example, for stores located in residential areas, Indomaret typically stocks these stores with a greater mix of daily necessities and groceries, whereas stores located in tourist areas are typically stocked with a greater mix of snacks and beverages.

From 2010 to 2012, Indomaret's gross sales have grown at a CAGR of 31.8%. In 2010, 2011, 2012 and the six months ended June 30, 2013, Indomaret's gross sales were Rp.14,919.1 billion, Rp.19,248.0 billion, Rp.25,927.9 billion (U.S.$2,611.3 million) and Rp.15,265.6 billion (U.S.$1,537.5 million), respectively.

Indomaret's daily sales per store have grown at a CAGR of 13.9% from 2010 to 2012, with daily sales per store of Rp.9.0 million, Rp.9.7 million, Rp.11.7 million (U.S.$1,178.4) and Rp.11.0 million (U.S.$1,107.9) in 2010, 2011, 2012 and the six months ended June 30, 2013.

As of June 30, 2013, the top three product categories in term of sales are beverages, tobacco products and baby food products. The composition of sales to customers by product categories is set out in the table below.

	Year Ended December 31,							Six Months Ended June 30,					
	2010		2011		2012			2012		2013		
	(Rp. in billions)	%	(Rp. in billions)	%	(Rp. in billions)	%	U.S.$ in millions)	(Rp. in billions)	%	(Rp. in billions)	%	U.S.$ in millions)
Sales by product category												
Beverages	1,709	11.8%	2,394	12.9%	3,423	13.7%	344.7	1,401	12.8%	1,957	13.7%	197.1
Tobacco products	1,049	7.2%	1,614	8.7%	2,426	9.7%	244.3	1,055	9.6%	1,554	10.8%	156.5
Baby food products	1,561	10.8%	1,832	9.8%	2,338	9.4%	235.5	1,049	9.6%	1,388	9.7%	139.8
Snacks	1,205	8.3%	1,477	7.9%	2,023	8.1%	203.7	849	7.8%	1,172	8.2%	118.0
Margarine and Cooking Oil	574	4.0%	778	4.2%	1,067	4.3%	107.5	476	4.3%	481	3.4%	48.4
Body care products	708	4.9%	860	4.6%	1,065	4.3%	107.3	476	4.3%	605	4.2%	60.9
Phone vouchers	283	2.0%	662	3.6%	1,036	4.1%	104.3	459	4.2%	534	3.7%	53.8
Milk	662	4.6%	742	4.0%	904	3.6%	91.0	409	3.7%	511	3.6%	51.5
Baby and child care products	418	2.9%	549	3.0%	892	3.6%	89.8	381	3.5%	554	3.9%	55.8
Detergent	567	3.9%	672	3.6%	840	3.4%	84.6	383	3.5%	476	3.3%	47.9
Other	5,780	39.8%	7,030	37.8%	8,961	35.9%	902.5	4,021	36.7%	5,095	35.6%	513.1
Total Gross Sales	14,516	100.0%	18,610	100.0%	24,976	100.0%	2,515.5	10,959	100.0%	14,327	100.0%	1,442.9

In 2012, daily sales to customers per Indomaret store ranged between Rp.4 million to Rp.20 million, depending on the store's location. In the six months ended June 30, 2013, 38.8%, 41.2% and 20.0% of sales to customers were generated in Greater Jakarta, Java (excluding the Greater Jakarta Area) and outside Java, respectively.

Indomaret calculates sales per store per day by dividing total sales by the total number of days each store was open during the relevant period. The following table provides information on the average sales per store per day breakdown for Indomaret's stores by region.

	Year Ended December 31,				Six Months Ended June 30,		
	2010	2011	2012		2012	2013	
	Rp.	Rp.	Rp.	U.S.$	Rp.	Rp.	U.S.$
	(Rp. in millions, U.S.$ in thousands)						
Location							
Greater Jakarta Area	8.7	9.8	11.1	1.1	10.5	11.4	1.1
Java[(1)]	9.1	9.6	10.9	1.1	10.1	11.0	1.1
Outside Java	9.4	9.7	13.0	1.3	9.8	10.4	1.0
Average per store	9.0	9.7	11.7	1.2	10.2	11.0	1.1

(1) Excluding Greater Jakarta Area.

Sales productivity for stores outside Java is higher than for those located in Java and the Greater Jakarta Area because these stores face less competition. This is due to the fact that there are considerably less modern minimarkets and grocery stores outside Java. Indomaret's management believes that customers prefer to shop at Indomaret's stores compared to the traditional stores abundant outside Java because Indomaret's stores provide a wider variety of products and a more comfortable shopping experience. Customers also generally prefer to shop at Indomaret's stores or at minimarkets over supermarkets generally because of the proximity of Indomaret's stores, convenience and Indomaret's attractive pricing.

Seasonality

Indomaret's gross sales are affected by seasonality. The most important trading periods for it in terms of gross sales are the Lebaran, Christmas and school holidays (typically between June and July of each year), and Indomaret generally increases its marketing efforts in the run up to these holidays or events. Gross sales during the 44-day traditional celebration period preceding Lebaran amounted to 9.8% of the total gross sales in 2012 (July 8 to August 20), making Lebaran the single most significant seasonal period for Indomaret. Indomaret incurs additional expenses in advance of its peak periods in anticipation of higher gross sales, including additional advertising or promotional campaigns and staff costs. With respect to certain products, such as snacks and beverages, Indomaret usually orders additional volumes in advance of peak selling periods. All employees in Indonesia also receive an allowance of one month's salary prior to Lebaran in accordance with Indonesian labor laws.

Marketing

Advertising and Promotions

Indomaret actively monitors the prices of merchandise sold at other minimarkets, grocery stores, convenience stores and seek to offer products at competitive prices which customers will perceive to be of good value for money. To further strengthen customers' perception of the good value for money of its products, Indomaret regularly holds a variety of promotions, discounts and many other programs, especially during major events such as Lebaran, Christmas and school holidays. Some of the promotions Indomaret holds include:

- *Harga Heboh* ("Spectacular Prices"): weekly promotions featuring low prices for certain daily necessities items;
- *Super Hemat* ("Super Saver"): biweekly leaflets distributed to customers showing products offered at discounted prices; and
- *Promosi Bulan Ini* ("Promotion of the Month"): monthly promotions on certain products either through discounts or direct gifts.

Aside from direct promotions, Indomaret also engages in advertising, both targeted at a particular segment of customers (mostly housewives, youths and adults) and general advertising. More than 60% of Indomaret's advertising expenditure is spent on print media. Indomaret typically conducts its advertising initiatives three times per year: (i) in the first half of the year; (ii) during Lebaran; and (iii) in the period around Indomaret's anniversary.

Indomaret Card

Indomaret has entered into a cooperation agreement with Bank Mandiri relating to the Indomaret Card, a loyalty membership card which also functions as a prepaid shopping card, to cultivate long term relationships with its customers. This card was launched in 2011 and was the first program in the minimarket sector in Indonesia. As of June 30, 2013, Indomaret has approximately 1.5 million members with approximately 150,000 active members (defined as members who have used the card at least once to pay for purchases during the month).

The Indomaret Card can store up to Rp.1 million of prepaid points, which can be used to pay for purchases made at Indomaret stores. Approximately 2.65% of its gross sales were derived from purchases made using the Indomaret Card. On average, transactions paid using the Indomaret Card are three times larger than transactions paid using cash, and customers using the Indomaret Card also typically have more visits per month to stores. In addition, customers can also use the Indomaret Card for the payment of toll road fees, Trans-Jakarta bus fares, utility bills, parking fees and gasoline purchases. The Indomaret Card members also enjoy certain discounts and promotions, such as up to 30% discount for Indomaret private label products, point reward programs which allow customers to redeem points with certain products and lucky draw programs for card members.

The broad base of Indomaret's loyalty membership program provides Indomaret with access and insight into the purchasing habits of its customers. Data collected through customers' use of the Indomaret Card enables Indomaret to track a variety of customer information including merchandise preferences and purchasing habits, Indomaret uses such data to target customer promotions.

Customer Service

In addition to merchandise, Indomaret also provides additional services and amenities at its stores, including:

- *Indomaret ATM*: automated teller machines, provided in collaboration with PT Bank Internasional Indonesia Tbk at certain Indomaret's stores, which facilitate cash withdrawals, balance checking, fund transfers and are compatible with almost all banks in Indonesia;

- *t-cash*: a digital payment system, provided in collaboration with Telkomsel, which enables customers to make payments for purchases using their mobile phones and to top-up their remaining t-cash balance;

- *Pesan Antar-Ambil Indomaret* (Order Delivery Collect Indomaret): an additional service which allows customers to order products not displayed in stores, among others, ice cream, cakes, cell phones, furniture and fresh flowers, and have them delivered to their residences or available for pick up at their preferred Indomaret store;

- *i-kiosk*: an automated order and check out machine intended to reduce queuing, which customers could use to browse and select merchandise items in details;

- *Fund transfers*: provision of fund transfer services to and from Indonesia and abroad without the use of bank accounts, provided with cooperation with Western Union; and

- *Ticket sales*: sales of train tickets (provided in collaboration with PT Kereta Api Indonesia (Persero)), tickets for concerts, events and performances in certain Indomaret stores.

Indomaret generates commission income from the provision of such services.

Suppliers

Indomaret aims to provide quality products at reasonable prices for its customers. As such, it regularly reviews existing and selects reputable new suppliers for its merchandise. In selecting or replacing suppliers, Indomaret considers, among other factors, product quality, price and timeliness of delivery. As of June 30, 2013, Indomaret's merchandise is sourced from over 1,000 suppliers, which provide Indomaret with a wide range of product variety. Indomaret charges a one time "listing fee" to suppliers interested in selling their products through Indomaret. As merchandise is directly purchased by Indomaret from the respective suppliers, the goods are recorded under Indomaret's statement of financial position as inventory. Approximately almost all of its products are sourced locally. Indomaret does not engage in any consignment sales.

Most of Indomaret's supply contracts have a duration of one year where key terms such as price, payment terms, discounts and supporting contracts for product promotions are agreed upon. Indomaret's management believes that Indomaret has a good working relationship with its suppliers and does not contemplate any major changes with its supplier arrangements. None of Indomaret's suppliers account for more than 10.0% of its gross sales.

The table below sets forth Indomaret's top 10 suppliers by contribution to gross sales for the periods indicated.

	Year Ended December 31,	Six Months Ended June 30,
	2012	2013
	(as a percentage of gross sales)	
PT Unilever Indonesia Tbk	7.4	7.7
PT HM Sampoerna Tbk	6.1	6.4
PT Nestle Indonesia	5.6	5.2
PT Tiga Raksa Satria	4.6	4.2
PT Indomarco Adi Prima	3.8	3.8
PT Coca Cola Distribution Indonesia	2.5	2.1
PT Nippon Indosari Corpindo Tbk	2.2	2.1
PT Arta Boga Cemerlang	2.1	2.4
PT Frisian Flag Indonesia	2.0	1.7
PT Enseval Putera Megatrading	2.0	1.8

Distribution Centers

As Indomaret's stores are located throughout Indonesia, it requires a strong distribution system to ensure that goods are supplied in a timely manner to all of its stores. As of June 30, 2013, Indomaret operated 18 distribution centers located throughout Indonesia. Each distribution center typically supplies merchandise to 500 to 600 stores in its coverage area. Indomaret strategically plans the location of its distribution centers to ensure coverage for its stores, both present and future, in order to maintain a consistent supply of goods. The total capacity of Indomaret's distribution centers was 94,313 cubic meters as of June 30, 2013. The capacity of Indomaret's distribution centers has grown at a CAGR of 13.9%, from 57,317 cubic meters in 2010 to 74,453 cubic meters 2012 in order to service its growing network of stores. In line with Indomaret's expansion plan, it will need approximately two to three new distribution centers each year.

Merchandise purchased from suppliers is delivered by the suppliers to the respective distribution centers for storage. Indomaret owns a fleet of trucks which delivers merchandise from the distribution centers to the stores they service. Each distribution center is typically equipped with approximately 100 to 110 delivery vehicles, owned by Indomaret to deliver goods to the stores within its respective coverage areas. Stores under Indomaret's franchise program are charged an additional 2.0% distribution fee on top of the cost of merchandise to cover delivery costs.

Occasionally in areas where Indomaret stores are opened before a distribution center is established, Indomaret enters into agreements with Indogrosir, an affiliate of Indomaret, for the provision of merchandise delivery services to the first 100 to 200 of such stores until a distribution center is established. See "Related Party Transactions". Generally, in selecting sites for distribution centers, Indomaret considers, among other factors, location which allows the distribution center to service current and potential stores in the area, availability of a sufficient size of land, possibility of obtaining a warehouse license, road transportation infrastructure and environmental considerations.

The table below shows the number of distribution centers operated by Indomaret along with their aggregate capacity as of the periods shown below.

	As of December 31,			As of June 30,	
	2010	2011	2012	2012	2013
Number of distribution centers	13	16	17	17	18
Aggregate distribution centers capacity	57,317	70,457	74,453	74,453	94,313

The table below shows more information on Indomaret's distribution centers as of June 30, 2013.

Region	Status of Lease/ Ownership
DC Bali	Lease valid until June 30, 2022
DC Bandung	Lease valid until December 31, 2015
DC Cirebon	Lease valid until January 31, 2021
DC Tangerang	Lease valid until December 31, 2025
DC Tangerang II	Lease valid until May 31, 2023
DC Bekasi	Lease and use of land under PT Indomarco Adi Prima as listed under HGB No. 24/Pasirsari and HGB No. 23/Pasirsari
DC Jember	HGB No. 43/Karangejo valid until June 20, 2036
DC Palembang	Lease valid until May 1, 2021
DC Sentul	Lease valid until August 1, 2020
DC Bandar Lampung	HGB No. 930/C.R. and HGB No. 802/Tanjung Morawa valid until December 12, 2026
DC Medan	HGB No. 801/Tanjung Morawa valid until April 29, 2029
DC Jogja	HGB No. 437/Trihanggo valid until March 23, 2039
DC Surabaya	HGB No. 38/Gedangan valid until December 28, 2028
DC Parung	HGB No. 181/Gunung Sindur valid until November 23, 2035
DC Semarang	HGB No. 45/Randugarut, HGB No. 51/Randugarut, HGB No. 52/Randugarut and HGB No. 63/Randugarut valid until September 24, 2027
DC Jakarta	Lease valid until December 31, 2015

DC Malang	HGB No. 451/Wonokoyo valid until May 8, 2029, HGB No. 466/Wonokoyo valid until May 26, 2040, HGB No. 462/Wonokoyo valid until April 7, 2029, HGB No. 457/Wonokoyo valid until September 1, 2029
DC Makasar	Lease valid until May 31, 2021

Information Technology and Inventory Management

Indomaret's extensive network of stores generates over 90 million sales transactions every month, which necessitates the support of a reliable information technology system. Each of Indomaret's distribution centers is equipped with a centralized system which tracks the remaining quantity of each type of merchandise at every store. When the cashier scans the barcode of an item during purchase, the remaining quantity of such items in that store is updated in the database. Once a certain economic order quantity is reached, the system will automatically instruct the respective distribution center to supply more of such merchandise to the respective stores. The system also tracks the quantity of each product stored in the distribution centers. If the system detects a low quantity of certain types of products in the distribution centers, it will automatically place an order for such products to the respective suppliers.

In 2006, Indomaret installed a disaster recovery system to protect it against any unforeseen breakdown in its existing data center.

In January 2013, Indomaret began to offer a "B2B System" for suppliers to access information in its database system to track the availability and remaining stocks of their products in Indomaret's distribution centers and stores. Under this system, suppliers are also able to view certain other statistical information such as how many of their products were sold daily or weekly in Indomaret's stores. This feature provides suppliers with information which may enable them to ensure their products are consistently available in sufficient quantity, which would also improve Indomaret's distribution system. Suppliers who opt to use Indomaret's B2B system are charged a certain fee and as of June 30, 2013, 169 out of 400 of Indomaret's major suppliers have opted to use this system.

Inventory shrinkage is generally attributed in the retail industry to the following factors: customer theft, employee theft, accounting errors, spoilage and an inability to sell due to an item going out of fashion. To minimize inventory shrinkage, Indomaret uses CCTV cameras in both its distribution centers and stores and maintains a security presence in each store and distribution center. Indomaret also typically conducts stock taking for stores with inventory shrinkage of more than 0.15% of the store's gross sales.

Quality Control

By controlling the selection of suppliers, Indomaret can reduce risks arising from product quality issues. Products are subject to spot inspections by each distribution center and if any defects are detected, the relevant goods will be returned to the supplier for replacement. If any defects are detected in stores the respective stores return the defective goods to the distribution center. Indomaret provides warnings to any suppliers whose goods fail to meet its quality standards in respect of whose goods customer complaints have been received. If issues with a particular supplier persist, Indomaret will discontinue purchases from that supplier.

Competition

According to Frost & Sullivan, Indomaret has a market share of 35.5% of the minimarket sector as of December 31, 2012 based on sales revenue and a 32.4% market share based on number of stores. Indomaret's management believes that although there is some overlap in terms of target customers, the competition is not significant between Indomaret and operators of other retail formats such as supermarkets, hypermarkets and convenience stores. In the minimarket format, Indomaret's management considers Alfamart to be its main competitor at the national level and believes that competition between Indomaret and Alfamart remains healthy. Indomaret and Alfamart typically compete less on the basis of price and more on the basis of variety and product availability, customer service, availability of payment methods and provision of other additional services. Aside from Alfamart, other competitors in the minimarket segment generally are regional players, such as Mini Mart, Yomart and Macan Mart.

Due to the size of the Indonesian market and the relatively low barriers of entry in the minimarket sector, Indomaret management believes that new players will continue to enter the segment. However, Indomaret's management also believes that its competitive strengths as set out in "Business—Strengths" provide it with competitive advantages over both existing and potential new competitors.

Employees

Indomaret employed 53,360 employees as of June 30, 2013, consisting of 52,125 store personnel and 1,235 executives, senior managers and head office staff. Indomaret management believes that Indomaret has a motivated and stable workforce, with a staff turnover rate of approximately 23.5%, 19.7%, 21.6% and 11.5% in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Indomaret considers its relationship with its employees to be good. There are no labor unions or organizations within Indomaret. The following table reflects the number of Indomaret's employees as of the dates below.

	Years Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013
Function				
Store personnel	35,407	37,034	43,423	52,125
Headquarters staff	807	893	1,046	1,235
Total	36,214	37,927	44,469	53,360
Location				
Greater Jakarta Area (including headquarters)	15,061	15,507	17,387	20,787
Java[(1)]	16,917	17,017	19,578	22,509
Outside Java	4,236	5,403	7,504	10,064
Total	36,214	37,927	44,469	53,360

(1) Excluding the Greater Jakarta Area.

Store personnel are employed on two shifts daily since Indomaret's stores are typically open 15 hours a day with the exception of 24 hour service stores where an additional shift is added. Indomaret has also put in place training and development programs to develop employee skills with a focus on customer service.

Intellectual Property

Indomaret uses certain trademarks in its day to day operations, including the rights to use the "Indomaret" trademarks and logos. Indomaret has invested substantial amounts in its trade name and continues to run image advertising designed to reinforce the strength and value of Indomaret's trade name and motto, "*Mudah dan Hemat*" (which means "convenient and value for money" in English). Indomaret has also registered trademarks for "Indosegar", "FOGI", "Point Indomaret", and "Say Bread" with the Directorate General of Intellectual Property Rights, Ministry of Law and Human Rights of the Republic of Indonesia and is currently in the process of registering the trademarks of "Indomaret Plus", "Indomaret Fresh", "Crunchee", "Freezy", and "My Choice".

Insurance

Indomaret insures all of its distribution centers and stores under all risk property insurance policies. The coverage includes material damage and business interruptions, losses resulting from events such as riots, strikes, locked-out workers, malicious damage, civil commotions, looting, earthquake and volcanic eruptions. Indomaret does not have product liability insurance. Indomaret's management believes that Indomaret's insurance coverage is in accordance with industry standards in Indonesia.

Business Licenses

In general, the trading business activities conducted by Indomaret requires *Surat Izin Usaha Perdagangan* ("SIUP"). An SIUP is a prerequisite for any parties to engage in trading business activities in Indonesia. An SIUP is issued by the MOT (or its designated local authority) for the entire term of respective business activities. An SIUP must be re-registered every five years with its issuing authority.

In terms of the modern store business segment, pursuant to Trade Minister Regulation No. 53/M-DAG/PER/12/2008 on Guidelines for Organization and Supervision of Traditional Markets, Shopping Centers and Modern Stores, Indomaret is required to obtain *Izin Usaha Toko Modern* ("IUTM") for each store it operates. An IUTM is issued by the local government having authority over the location of the store and is valid during the term of operation by Indomaret.

An application for an IUTM must comply with the zoning plan policy adopted by the respective local government as a guideline for allocation of modern stores in the respective regions. In the absence of such guidelines, the requirement to obtain an IUTM is not applicable and the operation of the store under an SIUP would suffice. Currently, several local governments in Indonesia have not issued the relevant zoning plan policy for the issuance of IUTMs. Therefore, some of Indomaret's stores are operated only under SIUPs.

As of June 30, 2013, most of Indomaret's stores have operated under the appropriate trading business license, either in the form of SIUPs or IUTMs. Indomaret is in the process of obtaining the relevant licenses for the remaining stores. Indomaret is also required to comply with the terms and conditions provided in the relevant licenses.

Indomaret continues to endeavor to obtain any outstanding licenses to be in compliance with the prevailing regulation in the respective regions where it operates stores. Indomaret has never received any warning letters or administrative sanctions in relation to the lack of any licenses for any of its stores. See "Risk Factors—Risks Relating to Our and Our Associate Companies' General Business Operations— If we or our Associate Companies fail to comply with existing regulations, or are subject to increased regulation, this could result in substantial additional compliance costs or administrative penalties which would adversely affect our and their businesses, results of operations and financial condition" and "Regulations and Supervision—Overview of Regulations in Relation to Food Business—Licenses".

Dividend Policy

Payment of dividends are approved by Indomaret's shareholders at the annual general meeting of shareholders based on the recommendation from Indomaret's Board of Directors. The last dividend policy was approved on April 15, 2013, pursuant to which Indomaret plans to distribute dividends at least once annually up to the maximum ratio of 30% of net income after tax in the relevant financial year, subject to its financial performance and expansion plans. Indomaret has entered into loan agreements with, among others, PT Bank Mandiri (Persero) Tbk, PT Bank Mega Tbk and PT Bank CIMB Niaga Tbk, which require Indomaret to obtain lenders' consent or to provide lenders with notification prior to making dividend payments.

Indomaret distributed dividends on April 17, 2013 for a total amount of Rp.160 billion (U.S.$16.1 million) (corresponding to 29.2% of its net income in 2012).

Legal Proceedings

From time to time, Indomaret may be involved in legal proceedings concerning matters arising in connection with the conduct of its business. Currently there are no material pending claims or legal proceedings nor are there legal proceedings that are not in ordinary course of business, involving Indomaret.

Corporate and Social Responsibility

Indomaret is involved in various charitable endeavors. Indomaret routinely provides scholarships to gifted yet under-privileged primary school students. In 2012, Indomaret provided scholarships to 1,700 primary school students in 340 primary schools. In addition to providing scholarships, Indomaret also routinely renovates school buildings and other infrastructure used in elementary education. Additionally, every three months Indomaret organizes blood drives in all its regional offices. Indomaret was also actively involved in

aiding victims of flood by providing food items, drinking water and medications in early 2013 when Jakarta experienced heavy flooding.

ROTI

Overview

ROTI is the largest bread manufacturer in Indonesia, with approximately 92% share of the mass bread market in Indonesia as of the end of 2012, according to Frost & Sullivan. This market leading position has been achieved as a result of ROTI's significant economies of scale associated with its incumbency, especially with respect to mass-media branding and brand recognition, innovative product development, widespread distribution, speed to market, product freshness and quality and manufacturing scale.

The shares of ROTI have been publicly traded and listed on the Indonesia Stock Exchange under the ticker symbol "ROTI" since 2010. As of June 30, 2013, its market capitalization was approximately Rp.7.9 trillion (U.S.$795.6 million) and its largest shareholders were IMI, Bonlight Investments Ltd., Shikishima and Sojitz Corporation, owning 31.5%, 26.5%, 8.5%, and 4.25% of its shares, respectively, with the remainder (29.25%) being held by the public.

As of June 30, 2013, ROTI had a diversified portfolio of 40 different products. ROTI's product portfolio comprises a broad range of product types, pricing levels, flavors and sizes. Each brand has a number of products which are divided into three main categories: a white bread line (with 11 products), a sweet bread line (with 26 products) and a cake line (with 3 products). Its main brand line is Sari Roti, originally launched in 1996, and targeted toward the upper middle class consumer segment in Indonesia. ROTI believes that its strong brand name gives it a competitive advantage and allows it to more effectively leverage its new product launches in the Indonesian bread market.

ROTI has steadily expanded its production capacity and geographic reach. Since the launch of two production lines in its first production plant in Cikarang in 1996, it has grown from 11 production lines in three production plants as of December 31, 2010, to 24 production lines in eight production plants as of June 30, 2013. From 2011 to 2012, it increased its plant capacity by approximately 20% from approximately 2.5 million pieces of bread per day to approximately 3.4 million pieces of bread per day in 2012. ROTI has extended its geographic reach, covering West, Central and East Java, as well as Sumatra and Sulawesi. ROTI expects to add six production lines by end of 2013, including four in West Java and two in East Java. This will increase ROTI's total capacity to around 4.3 million pieces of bread per day by the end of 2013.

ROTI has developed an extensive distribution and logistics network. Its products are distributed daily to approximately 38,000 outlets. ROTI has two main distribution channels: (i) modern retail channels, including supermarkets and mini-markets, accounting for approximately 69% of sales in 2012; and (ii) traditional general trade channels, accounting for approximately 30% of sales in 2012. ROTI also serves institutions, such as restaurants, the fast food industry, and customers that use ROTI's products as raw materials for other food products. ROTI has grown the number of points of sale, from a total of 29,674 as of December 31, 2011, to 37,995 as of December 31, 2012 and 45,895 as of June 30, 2013. With its extensive distribution network, ROTI is able to deliver its products up to 300 kilometers from its production plants every day to ensure freshness and quality.

For 2012, ROTI reported net sales of Rp.1,190.8 billion (U.S.$119.9 million), an increase of 46.4% compared to 2011 and income for the year of Rp.149 billion (U.S.$15.0 million), an increase of 28.7% compared to 2011. For the six months ended June 30, 2013, ROTI reported net sales of Rp.706.9 billion (U.S.$71.2 million), an increase of 23.9% compared to the same period in 2012 and income for the year of Rp.75.7 billion (U.S.$7.6 million), an increase of 5.0% compared to the same period in 2012.

History

ROTI was incorporated in 1995 as a foreign investment company by Deed No. 11, dated March 8, 1995, and Notification Letter of Presidential Approval No. 126/I/PMA/1995, dated February 27, 1995. It is currently domiciled in Jl. Selayar Blok A9, MM2100 Industrial Estate, Cikarang Barat, Bekasi, West Java, Indonesia.

It started commercial operations in 1996 with the technical and know-how support of Shikishima, one of its founding shareholders and the second largest bread maker in Japan, and launched its "Sari Roti" breads. ROTI has steadily expanded its production capacity since the launch of two production lines in its first production plant in Cikarang by adding:

- two production lines at Cikarang in 2001;
- two production lines at a new production plant in Pasuruan in 2005;
- two production lines at a new production plant in Cikarang in 2008;
- one production line at the production plant in Pasuruan in 2009;
- six production lines at three new production plants located in Semarang, Medan and Cibitung in 2011; and
- two new plants in Palembang (South Sumatera) and Makassar (South Sulawaesi), and added a new production line in each of the plants at Pasuruan, Semarang and Medan in 2012.

As of June 30, 2013, it had 24 production lines in eight production plants.

Operations

As of June 30, 2013, ROTI operates in six main regions of Indonesia, comprising Bekasi (consisting of Cikarang and Cibitung) in Greater Jakarta, Pasuruan, Semarang, Medan, Palembang and Makassar. ROTI has extended its geographic reach, covering West, Central and East Java, as well as Sumatra and Sulawesi. ROTI expects to add six production lines by end of 2013, including four in West Java and two in East Java. ROTI monitors the operating results of each of these areas separately for the purpose of making decisions about resource allocation and performance assessment.

The map below shows the geographic location of each production plant:

The table below shows ROTI's products, installed capacity, capacity utilization and opening year for each of its production plants as of December 31, 2012:

Plant	Products Produced	Installed Capacity	Utilization	Opening Year
		(in pieces/day)	(in %)	
Cikarang (Block W)	white bread	132,000	48.1	1996
	sweet bread	360,000	56.6	
	cakes	37,000	19.9	2008
Cikarang (Block U)	white bread	144,000	65.3	2009
	sweet bread	540,000	62.8	
Pasuruan	white bread	70,000	53.3	2005
	sweet bread	685,440	34.9	
Semarang	white bread	72,000	26.7	2011
	sweet bread	345,600	36.6	
Medan	white bread	79,200	14.3	2011
	sweet bread	518,400	15.2	
MM2100/ Cikarang Barat	white bread	144,000	36.8	2012
	sweet bread	345,600	42.1	
Palembang	white bread	36,000	12.3	2013
	sweet bread	144,000	19.3	
Makassar	white bread	36,000	10.3	2013
	sweet bread	144,000	12.4	
Total	—	3,796,240	38.6	—

ROTI's production plants are typically constructed with excess capacity to allow addition of more production lines. Once plant utilization reaches approximately 70% of the installed capacity at any given plant, ROTI typically adds a new production line to meet the rising demand for its products. As of June 30, 2013, the utilization rate of certain of its plants remained under 50% (such lower utilization capacity being due to the recent addition of seven new production lines) and is expected to increase by the end of 2013. The production plants are operated daily with three shifts per day, except for one day holiday for Lebaran. It typically takes six months for a new production line to become operational. ROTI's plans for 2013 include opening six new production lines in Java, thus increasing its total capacity as of December 31, 2012 from approximately 3.4 million pieces of bread per day to approximately 4.3 million pieces of bread per day by the end of 2013. ROTI targets to build five to 10 new production lines each year. The construction of each new production plant costs around Rp.100 billion to Rp.200 billion (U.S.$10.1 million to U.S.$20.1 million), of which approximately 20% to 25% is financed through bank loans or other indebtedness and the remaining 75% to 80% through ROTI's internally generated cash.

When deciding to expand to new regions by opening a new production plant, ROTI considers a number of factors, including: (i) the size of the local population and its purchasing power and consumption levels; (ii) economic indicators, such as the number of existing retail outlets, hotels, banks, and restaurants; and (iii) the competitive environment. The short shelf life of bread products, which is around five days, confines the

distribution coverage of each production plant to a maximum radius of 300 kilometers around the production plant site.

The table below shows ROTI's net sales in each of the main regional markets in which it operates for each of the periods specified below and the number of plants and points of sale as of June 30, 2013:

Region	Number of Plants	Number of Points of Sale as of June 30, 2013	Net sales for the years ended December 31, 2010	2011	2012	Net sales for the six months ended June 30, 2012	2013
				(in billions of Rp.)			
Bekasi	3	27,389	452.0	581.0	393.5	393.5	446.3
Pasuruan	1	7,479	160.2	150.3	95.7	95.7	129.3
Semarang	1	5,420	—	62.4	50.5	50.6	67.2
Medan	1	3,523	—	19.6	30.6	30.6	44.2
Palembang	1	1,180	—	—	—	—	11.3
Makassar	1	904	—	—	—	—	8.6
Total	8	45,895	612.2	813.3	570.3	570.4	706.9

Production Process

ROTI has adopted and implemented modern automated production processes for each of its production lines and maintains strict operational and control systems, resulting in efficiency within a competitive cost structure. The production processes of ROTI's products vary slightly, but generally they include the mixing of ingredients to prepare dough and the baking, slicing, packaging and distribution of the finished products.

As part of ROTI's strategy to respond to the changing needs of the market, it has implemented and continues to update and implement innovative systems to increase the capacity, quality, and production potential of its manufacturing lines.

Products

Main Brands and Product Lines

As of June 30, 2013, ROTI had a portfolio of 40 products spanning a broad range of product types, pricing levels, flavors and sizes. Its business has focused on a large array of products tailored to local markets. Each brand has a number of products divided into three main categories:

- white bread line, which includes typical conventional loaf breads, as well as flavored variations, such as chocolate and peanut flavored sandwiches;
- sweet bread line, which are a bread-based snack food products, including flavored buns and snack loaves; and
- cakes.

Sari Roti is ROTI's main brand. It was launched in 1996 when ROTI commenced its commercial production. It is targeted towards the middle upper class consumer with a monthly expenditure of Rp.1.5 million (U.S.$151.1) and above. There are 11 varieties of Sari Roti bread loaves with the highest sales coming from special white bread, while there are 26 varieties of the sweet bread with the highest sales coming from chocolate

breads. ROTI has also entered the cake segment by introducing Sari Cake. Currently, there are five varieties of cakes being pandan cupcake, chocolate cupcake, strawberry cupcake, cheese cupcake and banana cupcake.

ROTI evaluates its brands and bread lines on an ongoing basis, and seeks to launch new products on a regular basis. It will also discontinue products or brands if unsuccessful, based on established criteria. For example, Boti, a supporting brand for the lower middle class customer, was launched in 2001 but was discontinued in January 2011. Boti was discontinued due to the robust demand for Sari Roti's products, which resulted in a decline in demand for Boti. Accordingly, ROTI's management decided to prioritize existing production capacity to produce Sari Roti products instead and to discontinue Boti.

The table below shows the breakdown of ROTI's net sales based on product categories for the periods indicated.

	Year Ended December 31,							Six Months Ended June 30,				
	2010	2010	2011	2011	2012	2012	2012	2012	2012	2013	2013	2013
		%		%		%			%		%	
	Rp.		Rp.		Rp.		U.S.$	Rp.		Rp.		U.S.$
	(Rp. in billions, U.S.$ in millions)											
Sweet Bread Sari Roti	394.2	64.4	573.7	70.5	862.2	72.4	86.8	413.3	72.5	398.0	56.3	40.1
White Bread Sari Roti	271.4	44.3	357.6	44.0	471.4	39.6	47.5	233.1	40.9	392.4	55.5	39.5
Sari Cake	6.8	1.1	7.4	0.9	4.2	0.4	0.4	2.4	0.4	2.3	0.3	0.2
Sweet Bread Boti	6.9	1.1	—	—	—	—	—	—	—	—	—	—
White Bread Boti	4.0	0.7	—	—	—	—	—	—	—	—	—	—
Others	3.0	0.5	3.7	0.5	5.0	0.4	0.5	3.0	0.5	2.8	0.4	0.3
Sub-total	686.4	112.1	942.4	113.7	1,342.8	112.8	135.2	651.7	114.3	795.6	112.5	80.1
Sales return	(74.2)	(12.1)	(129.1)	(15.9)	(152.0)	(12.8)	(15.3)	(81.4)	(14.3)	(88.7)	(12.5)	(8.9)
Net sales	612.2	100	813.3	100	1,190.8	100	119.9	570.4	100	706.9	100	71.2

Product Packaging

ROTI's product packaging contains certain key information, with the following product descriptions:

- brand and flavor variety;
- brand logo and halal code issued by the *Majelis Ulama Indonesia*;
- *Badan Pengawas Obat dan Makanan* (Bureau for the Supervision of Food and Medicines or "BPOM") registration number;
- product net weight, composition and nutritional information,
- production code and expiration date; and
- call center telephone number and email address for any complaints and suggestions.

Product Research and Development

ROTI has a strong track record of creating innovative products, which reflects a deep understanding of consumer preferences in Indonesia and the rigor of its ongoing market research and testing programs. ROTI has focused on offering delicious, healthy, safe, and halal products to its consumers at competitive prices. Its

success is based on its ability to adapt to consumer needs and preferences, as well as offering innovative products in line with industry trends, such as increasing the nutritional value and introducing new and healthy options. ROTI's research and development teams evaluate six to 10 new products each year.

Innovation provides an informed consumer a choice of alternative products, particularly those that should be included in a healthy diet where bread has a predominant place. For the next five years, ROTI will focus on the development of healthy products that contain dietary fiber, high calcium, DHA, Omega 3 fatty-acids and other health beneficial elements. It strives to ensure that its products suit the tastes of its consumer base and is mindful of their customs, needs and religious sensibilities. Through its innovative products, ROTI continues to implement and consolidate strategies focused on diversifying its product portfolio with the goal of taking advantage of trends and opportunities. Examples of new products introduced recently include Blueberry Sandwich and Cream Cheese Sandwich, both launched in April 2013.

Moreover, ROTI is supported by Shikishima, one of its founding shareholders and the second largest bread maker in Japan. It provides know-how, technical guidance and training in the manufacture of bread pursuant to a technical agreement, for which ROTI pays a royalty fee of 0.9% based on net sales. The current technical agreement is effective until December 31, 2016, and may be renewed by mutual agreement of the parties.

Marketing

The goal of ROTI's sales and marketing strategy is to evolve and enhance its product offering to meet its consumers' needs through the development of a broad portfolio of brands and products that are closer to consumers' hearts and minds. ROTI has specialized product and regional market knowledge that enables it to differentiate its products from those of its competition. Sales and promotional activities amounted to approximately 7.9% of sales in 2012, compared to 6.3% in 2011, mainly due to ROTI's expansion in new regions and to support the commissioning of new capacity.

Before launching a typical marketing campaign, ROTI will conduct research to develop a full understanding of how a particular brand is perceived by its consumers. Marketing campaigns may include a variety of multimedia platforms tailored for the market segment, including television, radio and print media, among others. ROTI also places an emphasis on non-traditional promotional activities, such as in-store promotions, organizing children activities, cooking classes or regular production plant visits for the public so that they can see firsthand the quality standards that it strives to achieve.

ROTI's marketing campaigns are targeted and designed with specific objectives in mind, such as encouraging its consumers to try its products or giving them a greater understanding of, and connection to, its brands. It strives to promote the cleanliness of its production facilities and its efforts to implement good manufacturing practices. The Sari Roti brand's tagline is "*Empuk Bergizi Lezat Berisi*" which translates as "Nutritiously Soft, Satisfying Tasty" and carries the 3H catchphrase: Hygienic, Healthy and Halal.

As part of its marketing program to enhance brand recognition and market penetration, various brands have distinctly different packages designed to cater to the expectations of consumers in each target market according to market research. ROTI has won several marketing awards, including "Top Brand 2009 – 2012" and "Top Brand For Kids 2009 – 2012" from Frontier Consulting Group and Marketing Magazine, "Indonesia Original Brands 2010" from SWA magazine and "Marketing Award 2010" from the Frontier Consulting Group for the category "best innovation in marketing". On December 6, 2012, ROTI was awarded the "Best of the Best" companies by Forbes Indonesia. Roti was also awarded with the "Best Under a Billion" award by Forbes Asia in 2011.

Distribution Channels

Distribution and Sales Process

To ensure the freshness and quality of its products, ROTI has developed an extensive distribution network. As of June 30, 2013, ROTI's products were distributed to 45,895 outlets, compared to 37,995 as of December 31, 2012 and 29,674 as of December 31, 2011. There are two main distribution channels: (i) modern retail channels, including, as of December 31, 2012, approximately 667 supermarkets and approximately 14,563 minimarkets, accounting for 69% of its sales in 2012; and (ii) traditional retail channels, including 19,639 small/grocery shops and around 3,070 itinerant merchants on tricycles, accounting for 30% of its sales in 2012.

In addition, ROTI distributes its products to institutions, including restaurants, the fast food industry, and customers that use ROTI's products as raw materials for other food products (this includes 56 institutions), accounting for approximately 1% of its sales in 2012. ROTI is able to distribute its products up to 300 kilometers from its production plants. ROTI realized 68% and 63% of its sales in Greater Jakarta areas in 2012 and the six months ended June 30, 2013.

Sales at ROTI's top two retailers in 2012 accounted for 55.1% of sales. In 2012, its largest retailers were Indomaret (31.9% of net sales in 2012) and Alfamart (23.2% of net sales in 2012). No other single retailer accounted for more than 10% of its sales during 2012, 2011 or 2010. ROTI believes there is still potential for further growth through minimarkets as a distribution channel. In 2013, ROTI is also focused on increasing the share of sales through traditional retail channels, in line with ROTI's expansion in new regions and increased regional penetration.

ROTI also provides sales bonus to retailers and distributors if they manage to achieve certain sales targets within a certain period of time as agreed beforehand.

The products are typically sold on a non-returnable basis to traditional retail channels and on consignment to modern distribution channels. If products are not sold, they may be returned and replaced by fresh products without cost to the customers. Although ROTI's products have a shelf life of five days, to ensure freshness, ROTI recalls its unsold products after four days from production date. Expired products are destroyed and sold to be used as animal feed. Defective products discovered through ROTI's strict quality control systems and procedures during the production process are destroyed and sold in similar manner. The amount of products not sold during their shelf life amounted to approximately 11.3% of gross sales in 2012, compared to 13.7% in 2011, with inventory write-offs as a percentage of net sales at 5.9% in 2012, compared to 7.5% in 2011.

ROTI outsources its transportation, and has a distribution fleet of approximately 200 trucks operated by four transportation companies that use their own vehicles. This enables ROTI to focus on its main business of producing and selling bread, while at the same time enhancing its ability to increase production without requiring large capital expenditures.

Orders are placed a week in advance by ROTI's sales force and may be adjusted two days before delivery, depending on the line and product. The finished products are delivered to the dispatch area and inspected to confirm compliance with quality standards.

ROTI engages third party logistics service providers to distribute its products to its customers from production plants according to predetermined itineraries. Fresh products may be delivered and unsold products may be picked up on each visit.

Consumers

The main end customers of ROTI's products are children and housewives, as they are the main household decision makers in connection with the purchase of food products. ROTI's primary end consumer market segment is the upper middle class segment in Indonesia.

Quality Control and Halal Compliance

Quality is essential for ROTI. It has implemented a comprehensive quality control system at every stage of the production process, including inspection of incoming raw materials, and has adopted international standards driven by its commitment to ensure the satisfaction of its customers and consumers. This system involves quality control assurance and food safety, providing enhanced customer service, promoting and preserving a healthy labor environment and respecting the environment to contribute to the overall development of the community. Given the importance of food quality and safety, ROTI's quality control systems are aimed at controlling and improving the quality at all levels of the production process.

ROTI has earned the loyalty of its customers and consumers by its adherence to rigorous international standards in the food industry, as certified by independent organizations and agencies with a recognized international reputation. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to the manufacturing, distribution and consumption of finished products. In addition, ROTI has implemented GMP (Good Manufacturing Practice) and SSOP (Sanitation Standard Operating Procedures).

ROTI has received all of the relevant food certificates BPOM. Moreover, all of its products have received halal certifications from *Majelis Ulama Indonesia*, the relevant Muslim authority in Indonesia. Since Muslims, who only consume halal products, make up a large proportion of the consumer base in Indonesia, ROTI has processes and procedures in place (including *Sistem Jaminan Halal* (halal warranty system) and regular training of its employees in connection thereto) to ensure continued compliance with the halal certificates and related requirements.

ROTI has a 24/7 call center helpline which provides customers with a quick and efficient way of reporting any issues that may arise.

Inventory

Raw Materials

The quality and continuous supply of its raw materials are critical factors in ROTI's production process. It has adopted rigorous supply policies according to which its suppliers must adhere to detailed specifications for raw materials and to provide quality control certificates for their products. ROTI also conducts laboratory testing on raw materials supplied by third parties and routinely inspects its suppliers' production plants and facilities. ROTI has long-standing relationships with suppliers who adhere to its quality standards.

Raw materials accounted for approximately 75% and 71% of ROTI's cost of sales in 2012 and the six months ended June 30, 2013, respectively. Wheat flour was its main raw material, representing approximately 40% and 37% of the total purchase value in 2012 and the six months ended June 30, 2013, respectively. Other important raw materials include chocolate, accounting for 14% of purchase value in 2012, and sugar, accounting for 6% of purchase value in 2012. In addition, other important raw materials for ROTI's products are yeast, eggs, milk, butter and various fillings (such as chocolate, cheese, coconut and strawberry jam), as well as plastics used to package its products.

Certain raw materials, such as wheat flour and chocolate, are also subject to commodity price fluctuations depending on factors such as weather, crop production and worldwide market supply and demand. ROTI's policy is to minimize the risks arising from the fluctuations in commodity prices by maintaining the optimum inventory level of wheat flour and chocolate to ensure continuous production. In addition, ROTI may seek to mitigate its risks by passing on the price increases to its customers. See "Risk Factors—Risks Relating to our and our Associate Companies' General Business Operations—Increasing cost of raw materials and other costs or shortages of raw materials could adversely affect our Associate Companies' profitability".

To the extent purchases of raw materials are either denominated in foreign currencies or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly U.S. dollar and Japanese yen) as quoted in the international markets, ROTI will have an exposure to foreign currency risk as it does not have any formal hedging policy for foreign exchange exposure (though it maintains transactions and balances in foreign currencies at a minimum level in order to minimize foreign currencies exposure).

ROTI is not dependent on any single supplier and maintains more than one supplier for each of its raw materials. In 2012, its largest suppliers were PT Indofood Sukses Makmur Tbk (wheat flour supplier), a related party, and PT Freyabadi Indotama (chocolate supplier), providing it with supplies representing around 29.9% and 9.9% of the cost of goods sold, respectively in 2012. It purchases all of its raw materials domestically.

ROTI's raw materials are managed using the first-in first-out method to preserve the freshness of its products. ROTI's inventories of raw materials, mainly perishable products, have a high turnover rate. It receives most of its supplies on a continuous basis. To maximize economies of scale, ROTI purchases the main raw materials on a company-wide scale, while its inventories are directly managed by each production plant. Production plants also manage and directly order raw materials that may be obtained locally. The inventory level of raw material supplies that ROTI typically maintains varies depending on the current period sales plan, type of raw material, source of supply, season and plant location, and can be as little as two days for fresh eggs and fresh yeast. For certain key raw materials with long shelf life, such as plastic packaging, ROTI may maintain inventory stock of approximately one month supply. ROTI conducts random stock takes monthly and a full stock take annually.

Raw materials are generally stored at each production facility. All of the factories have storage place on their premises.

Finished Products

ROTI has strategically located production plants in Bekasi, Pasuruan, Semarang, Medan, Palembang and Makassar, which allows it to consolidate its operations in each region and to efficiently distribute its products. In addition, ROTI has successfully implemented an interconnected system that allows it to synchronize its production capabilities with consumer demands, resulting in optimal levels of customer order management and thus, very low inventories of its finished products.

Once finished, ROTI's products are immediately shipped to points of sale, with an average turnover rate of one day. ROTI's high inventory turnover rate is driven by its customers' orders and consumer behavior as well as the short shelf life of its products.

Competition

Competition in the baked goods industry is based on product quality, price, customer service, brand recognition and loyalty, effective promotional activities, access to retail outlets and sufficient shelf space, as well as the ability to identify and satisfy consumer preferences. The bread industry in Indonesia consists of the following segments: (i) industrial mass production (approximately 12% of the market); (ii) small-scale/home bread businesses (approximately 80% of the market); and (iii) boutique bakeries (approximately 8% of the market).

The small-scale/home bread business is fragmented among more than 5,000 players with significant competition. They sell bread only within a five to 20-kilometer radius from their bakeries using traditional channels such as itinerant merchants on tricycles and small shops and primarily cater to consumers buying loaves used for meal preparation around the house (as opposed to primarily ready-to-eat snack consumers for ROTI). They do not sell their products under any specific brand and they cannot compete with the economies of scale achieved by mass production, not to mention varying degrees of compliance with hygienic and halal standards.

The boutique bakeries, such as J.Co, Daily Bread, Bread Talk and others generally target higher income consumers through products sold at shopping malls with a narrow distribution coverage. Their growth is restricted to the number of shopping malls and competing boutique bakeries there. Such products are only affordable for consumers in the upper income brackets as the costs of the boutique bakeries are higher due to the rental costs in shopping malls.

The mass produced bread industry in Indonesia is not yet highly competitive. There are significant entry barriers as the products are highly perishable with a shelf life of only five days. With annual production of around 3.4 million pieces of bread per day in 2012, ROTI has established a market share of approximately 92% in the mass-produced bread segment. There are currently no other significant players in the mass produced bread market in Indonesia.

However, ROTI may face increasing competition from Yamazaki Baking, Japan's number one bread producer and number two producer in the global market, which has formed a joint venture with PT Atria Pasifik, a sister company of Alfamart, the second largest retailer in Indonesia through which ROTI distributed 23.1% of its products in 2012. The first production plant of the joint venture is scheduled to be opened in 2014. ROTI's first mover advantage and greater production capacity (expected to reach 4.3 million pieces of bread per day by the end of 2013 enabling it to produce at a lower cost will provide ROTI with important competitive advantages. There are potentially other regional players, such as Gardenia (with significant bread market shares in Singapore, Malaysia and the Philippines) and Farm House (with a significant bread market share in Thailand), that could consider entering the Indonesian market. In the past, foreign bread manufacturers, such as Sara Lee and Simplot, have exited the bread industry in Indonesia due to their inability to compete effectively.

Other retailers that carry products directly competing with ROTI's products for retail space and consumer purchases might decide to join the growing trend of retailers that produce and sell their own baked goods under their own private label brands. In addition, there is a risk that retailers may give higher priority to products of, or form alliances with, ROTI's competitors such as in the case of Alfamart (as described above). Indomaret also has its own in-house bread brand, Mr. Bread, but is not considered to be a major competitor. Moreover, Indomaret, ROTI's largest retailer with 32% of sales, is an Associate Company and except for Indomaret and Alfamart no other single retailer accounted for more than 10% or more of its sales in 2012, 2011 or 2010.

Employees

As of June 30, 2013, ROTI had a total workforce of 2,544, with 1,007 employed on a full time, permanent basis, compared to a work force of 2,134, with 1,031 full time employees as of December 31, 2012, 1,398, with 490 full time employees as of December 31, 2011 and 1,069, with 426 full time employees as of December 31, 2010. The growth in the number of employees corresponds to the increase in capacity and plant expansion.

ROTI's employees receive a compensation package which includes a base salary and various additional allowances and benefits. All of ROTI's employees are covered by the Government-sponsored social security insurance fund (Jamsostek), which consists of employee and employer contributions of a percentage of the employee's base salary as mandated by Indonesian regulations.

As of June 30, 2013, approximately 80% of ROTI's employees were represented by an authorized labor union, Serikat Pekerja Sukses. Since its foundation, ROTI's policy and practice has been to align its interests with those of its employees, which has resulted in general in a good employer-employee relationship, though occasionally disputes do arise. For example, there was a one-day labor strike on May 1, 2013. The workers engaged in strike for a wage increase in anticipation of an increase in the fuel price. This labor strike did not have a material adverse effect on ROTI's results of operations.

ROTI also offers its employees developmental and training programs to improve their technical and managerial competency, including with respect to standard operating procedures and good manufacturing practices, food and safety training, leadership training and financial workshop training, among others.

Information Technology

ROTI implemented SAP (enterprise resources planning software) in 2007 to integrate all of its systems and procedures, starting with raw material purchasing to product distribution, thus enabling the real time integration of all its procurement, production and distribution functions. SAP also provides ROTI with a platform for the management of its financial information.

Properties

As of June 30, 2013, ROTI operated 24 production lines at eight production plants, including two plants in Cikarang and one in each of Pasuruan, Semarang, Medan, Cibitung, Palembang and Makassar. ROTI also uses warehouses and office buildings and it has acquired 24,000 square meters and 20,796 square meters of land in Cikande and Purwakarta for further development. It owns 100% of its production plants.

ROTI is materially in compliance with all relevant health, safety, environmental and other regulations at all of its production plants.

The table below shows properties owned by ROTI under land ownership title (Hak Guna Bangunan or "HGB") as of June 30, 2013.

HGB No./ Location	Valid up to	Area (m2)	Function
HGB No. 24 BPN Bekasi	June 29, 2022	5,103	Production plant
HGB No. 38 BPN Bekasi	September 24, 2023	5,174	Production plant
HGB No. 563 BPN Bekasi	June 29, 2022	540	Storage facility
HGB No. 29 BPN Pasuruan	June 6, 2035	22,727	Production plant
HGB No. 227 BPN Bekasi	September 24, 2023	11,900	Production plant
HGB No. 232 BPN Bekasi	September 24, 2023	3,596	Production plant
HGB No. 137 BPN Semarang city	April 8, 2034	3,196	Production plant
HGB No. 138 BPN Semarang city	June 24, 2035	5,166	Production plant
HGB No. 139 BPN Semarang city	November 26, 2037	577	Production plant
HGB No. 140 BPN Semarang city	September 24, 2027	4,701	Production plant
HGB No. 77 Deli Serdang regency	February 1, 2030	14,016	Production plant
HGB No. 5 BPN Ujung Pandang city	December 24, 2027	10,372	Production plant
HGB No. 307 BPN Serang regency	October 21, 2023	6,510	Production plant
HGB No. 320 BPN Serang regency	September 24, 2021	1,000	Production plant
HGB No. 208 BPN Serang regency	September 24, 2021	16,490	Production plant
HGB No. 161 BPN Musi Banyuasin regency	July 14, 2036	8,213	Land
HGB No. 162 BPN Musi Banyuasin regency	July 14, 2036	8,375	Production plant
HGB No. 163 BPN Musi Banyuasin regency	July 14, 2036	4,525	Land
HGB No. 164 BPN Musi Banyuasin regency	July 14, 2036	5,320	Land
HGB No. 165 BPN Musi Banyuasin regency	July 14, 2036	7,980	Production plant
HGB No. 00289 BPN Purwakarta Regency	September 24, 2019	20,796	Production plant (in progress)

Intellectual Property

Trademarks

ROTI depends on certain of its trademarks in its day-to-day operations and has invested substantial amounts in its trade names. ROTI continues to run image advertising designed to reinforce its trade name and the trade names of its key products. ROTI's most important brands and logos are protected by trademarks in Indonesia. It has approximately nine brand files and registries in Indonesia. The table below shows ROTI's brands:

No.	Brands	Class of Registered No.	Registered No	Approval Date	Valid up to	Note
1	SARI ROTI	30	461846	August 12, 1999	August 12, 2019	—
2	SARI ROTI	30	379322	April 26, 1996	April 26, 2016	—
3	SARI ROTI	30	547361	August 14, 2002	August 14, 2012	Request for extension (dated October 19, 2011) is in progress
4	SARI FRUTTY	29	547360	August 14, 2002	August 14, 2012	Request for extension (dated October 19, 2011) is in progress
5	SARI GIZI	29	547358	August 14, 2002	August 14, 2012	Request for extension (dated October 19, 2011) is in progress
6	SARI CHOKI	30	547359	August 14, 2002	August 14, 2012	Request for extension (dated October 19, 2011) is in progress
7	SARI CAKE	30	IDM000177209	March 5, 2007	March 5, 2017	—
8	BOTI ROTI	30	IDM000189527	April 14, 1999	April 14, 2019	—
9	INDOSARI	NCL9 40	IDM000324573	May 19, 2010	May 19, 2020	—

Patents

ROTI relies on the confidentiality of its formulas and know-how rather than patent protection, since patent protection may not be available for the recipes or manufacturing processes of its baked goods.

The protection of its inventions being of paramount importance, ROTI has policies and procedures in place to protect the confidentiality of its formulas and know-how. However, see “Risk Factors—Risks Relating to our and our Associate Companies’ General Business Operations—We and our Associate Companies may be unable to protect intellectual property rights.”

Insurance

ROTI maintains customary insurance policies that cover property, including inventory, that insure against losses arising from fire, explosion, theft, damage, civil commotion, floods, machinery breakdown, earthquake and other damage. ROTI also maintains domestic transportation insurance and employer’s liability insurance and any other matters that it believes a company undertaking similar business operations and activities would take. Additionally, ROTI also maintains business interruption and product liability insurance. It believes that the type and extent of its insurance are in accordance with customary industry and commercial practices in Indonesia.

Dividend Policy

Payment of dividends are approved by ROTI's shareholders at the annual general meeting of shareholders based on the recommendation from ROTI's Board of Directors.

ROTI's articles of association stipulate that payment of dividends will be made based on ROTI's financial ability. The Board of Directors can change the dividend policy by obtaining approval from a general meeting of Shareholders. Since its initial public offering in 2010, ROTI has distributed dividends in 2011 in a total amount of around Rp.24.9 billion (U.S.$2.5 million) (corresponding to 25% of its net income in 2010) and in 2012 in a total amount of around Rp.29.0 billion (U.S.$2.9 million) (corresponding to 25% of its net income in 2011) and on April 16, 2013 in a total amount of around Rp.37.3 billion (U.S.$3.8 million) (corresponding to approximately 25% of its net income in 2012).

Legal Proceedings

From time to time ROTI is involved in various legal proceedings concerning matters arising in connection with the conduct of its business. However, there are no legal, governmental or arbitration proceedings pending which, if adversely determined, will have a material adverse effect on its business, financial condition or results of operations.

Corporate and Social Responsibility

ROTI believes that its commitment to social responsibility and sustainability is a key component of its continued success. It has participated in activities such as blood donation drives, medical and health screenings and provides financial assistance and donations to people in need. Through its policies and social initiatives, ROTI expects to continue to have a positive impact on the communities that it serves.

FAST

Overview

Since 1979, FAST has the exclusive right to own and operate KFC restaurants in Indonesia. As the sole franchisee for the KFC brand in Indonesia, FAST has become Indonesia's largest and most popular QSR with more than 50% customers' share of visits according to BITS, conducted by an independent survey agency, on quarterly basis and commissioned by YUM! and had a 28.8% market share in the chained QSR market in 2012 based on sales revenue according to Frost & Sullivan. According to a research firm commissioned by YUM!, FAST also has the largest restaurant network in the QSR sector in Indonesia, with 446 outlets throughout Indonesia, as of June 30, 2013. FAST's restaurants can be found in 33 out of the 34 Indonesian provinces and are spread across 103 cities and municipalities. FAST had 398, 421, 441 and 446 restaurants as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively, showing a CAGR of 3.5% in the number of restaurants in operation from 2010 to 2012.

FAST's shares were listed for trading on the IDX in 1993 under the ticker "FAST". As of June 30, FAST's market capitalization was approximately Rp.6.1 trillion (U.S.$614.4 million) and its main shareholders are PT Gelael Pratama, IMI, HSBC Fund Services Clients, and the public, owning 43.8%, 35.8%, 10.1% and 9.9% of its shares, respectively.

FAST seeks to differentiate itself from other restaurant formats by focusing on convenience, consistency, speed of service and value for money. FAST also benefits from well-known branding under the KFC franchise and efficiencies associated with standardized restaurant formats and menus and centralized administration.

FAST operates all of its KFC restaurants under the Franchise Agreements with YUM! as the franchisor. YUM! is one of the world's largest restaurant chains in terms of system restaurants and is the global owner and franchisor of the KFC brand. YUM! operates in over 100 countries and territories with nearly 38,000 restaurants, including more than 15,000 owned or franchised KFC restaurants. FAST receives a number of benefits from its relationship with YUM!, including:

- use of the highly recognized KFC brand, and associated intellectual property;

- access to products and marketing strategies developed by YUM!'s investment in research and development;
- participation in KFC advertising and marketing promotions;
- ongoing training and assistance;
- access to the YUM! supply chain and buying power, which can assist to reduce supply costs; and
- regular visits from YUM!'s functional team aimed at strengthening the KFC brand through operational excellence, development initiatives, focused marketing, improvements in speed and hospitality and improvements in staff capabilities.

FAST intends to continue to maintain a close working relationship with YUM! and adhere to YUM!'s branding and refurbishment requirements.

In line with its mission to provide a comfortable and unforgettable dining experience, FAST aims to innovate on its products and create product offerings catered to every segment of its customers. For example, it launched the *Super Besar* or "Super Big" meals aimed for the family segment of its customers. For its youth segment, FAST launched the *Goceng* or "5000" meals in which every combination of these meals is priced at Rp.5,000 and the *Praktis* or "Practical" meals in which every combination is priced at Rp.10,000 and consists of items which are easy to carry and consume, such as Colonel Burger, Twister and Colonel Yakiniku. FAST launched the Chaki Kids Meal for its children segment of customers and organizes birthday parties, including providing birthday center facilities for children to celebrate their birthdays at KFC restaurants.

In order to ensure adequate supply of raw materials at its restaurants, FAST has implemented a distribution system with strategically located warehouses for storage of dry goods and frozen goods, as well as production warehouses to supply all of its restaurants. FAST has fleets of transport vehicles to transport ingredients from its warehouses to its restaurants, as well as service contracts in place with various logistics service providers to transport ingredients from warehouse to warehouse.

FAST has enjoyed robust growth in terms of sales, with sales growing at a CAGR of 8.7% from 2010 to 2012 and number of transactions growing at a CAGR of 3.6% for the same periods. FAST showed same store sales growing at a CAGR of 5.2% from 2010 to 2012, with the number of same store transactions growing at a CAGR of 6.2%. In 2010, 2011, 2012 and the six months ended June 30, 2013, FAST's sales were Rp.2,826.9 billion, Rp.3,317.0 billion, Rp.3,741.0 billion (U.S.$376.8 million) and Rp.1,931.1 billion (U.S.$194.5 million), respectively. For the same periods, FAST's same store sales were Rp.2,466.0 billion, Rp.2,663.3 billion, Rp.2,873.7 billion (U.S.$289.4 million) and Rp.1,483.4 billion (U.S.$149.4 million), respectively.

As a measure of FAST's success, in 2012, FAST was awarded with the Trailblazer, Asia Franchise, Franchisee of the Year 2012; the Trailblazer, Asia Franchise, Customer Mania 2012; the Trailblazer, Asia Franchise, SCM Excellence 2012 and the Trailblazer, Asia Franchise, Delivery Excellence 2012 from YUM! Asia Franchise Pte. Ltd. Additionally, FAST was also awarded with the Superbrand 2012 award from Superbrands Indonesia, No.1 Choice Brand based on Indonesian Women Survey 2012 award from Kartini Magazine Women Insight Center, the Top Brand for Kids 2012 and the Top Brand for Teens 2012 from Frontier Consulting Group.

History

FAST was incorporated as a limited liability company in 1978 to engage in the fast food business in Indonesia. In 1979 FAST opened its first KFC outlet in the business and commercial district in Melawai, South Jakarta. FAST listed its shares in the IDX in 1993 and became a publicly listed company. A year later, in 1994, FAST opened its 100th KFC outlet in Nusa Dua, Bali and its 300th outlet in Cirendeu, South Jakarta in 2007. In 2008 FAST started focusing on free-standing outlets with its "one-stop concept". FAST opened its 400th KFC outlet in Lenteng Agung, Jakarta in March 2011.

Relationship and Franchise Arrangements with YUM!

FAST operates all its KFC restaurants under the Franchise Agreements and with YUM!. Under the terms of the Franchise Agreements, each of FAST's existing KFC restaurants are licensed to operate for an initial term of 10 years, which is renewable for a period of another 10 years, subject to the fulfillment of certain conditions. For restaurants already in operation for more than 20 years, such restaurants will then be treated as new restaraunts and will enter into new Franchise Agreements for a new term of 10 years, with an option to renew for another 10 years.

FAST is required to pay YUM! a monthly franchise fee of 6% of total sales (after tax) from all of its restaurants. For every new restaurant that it opens, FAST is also required to pay an initial fee at the prevailing rate at the time of opening. The initial fee is adjusted on April 1 of each year, based on the U.S. consumer price index. The payment of the initial fee allows for the operation of the respective restaurants for a period of 10 years. After this 10 year period expires, FAST has the option to renew the respective Franchise Agreement for another 10 years upon payment of a renewal fee of 50% of the initial fee at the prevailing rate. Under the Franchise Agreements, should there be any trade areas in Indonesia that YUM! deems necessary to develop, FAST has a right of first refusal to develop such opportunity. From time to time as agreed between FAST and YUM!, FAST and YUM! will agree on new restaurant development plans for future restaurant expanions.

In connection with the Franchise Agreements, the principal shareholders of FAST are required to provide an indemnity to YUM! in connection with the Franchise Agreements for, among others, any losses caused by any breaches to the Franchise Agreements, including indemnities for payments of obligations caused by such breaches. The current franchisee shareholder agreement is in the process of being amended and renewed to include IMI as a party.

The franchise arrangements with YUM! are significant to FAST's KFC business. In addition to royalty and advertising arrangements, FAST has a number of further obligations under the Franchise Agreements, including ensuring its KFC restaurants are upgraded to the brand standards mandated by YUM!. Moreover, if YUM! terminates or refuses to renew the Franchise Agreement for a particular site, FAST is not permitted to continue to operate that site as a KFC restaurant or certain other types of restaurants. As of the date of this document, no Franchise Agreements have been terminated.

On February 14, 2013, the Indonesian MOT issued MOTR No. 7/2013. This regulation limits the number of outlets managed or owned by a single franchisee in the restaurant, coffee shop, cafe or bar sectors to 250. Ownership of any outlets over 250 must involve third parties, whether by way of a franchise or partnership with equity participation by third parties. If ownership of the additional outlet is in the form of a partnership, equity participation by third parties is required to comprise at least 40.0% of the total investment for investments of Rp.10.0 billion or less and at least 30% of the total investment for investments greater than Rp.10.0 billion. The regulation includes a transition period, which provides that franchisees already managing or owning more than 250 outlets are given until February 14, 2018, five years after its effective date, to comply with the regulation. The regulation also mandates that franchisees are required to source at least 80.0% of their business equipment and raw materials from domestic sources as of the date of its enactment, with which requirement FAST is already in compliance. As of the date of this document, the implementing guidelines for this regulation have not yet been issued.

FAST has communicated to the MOT that at the time the regulation was issued, FAST had already owned 441 restaurants and has requested an exemption from the retroactive application of this regulation. As of the date of this document, FAST has not received a resolution from the MOT regarding its request. To comply with this regulation going forward, FAST is considering implementing a partnership or cooperation model for its future restaurants, pursuant to which FAST enters into a cooperation with land-owners of its future restaurants in managing such respective restaurants. See "Regulations and Supervision" and "Risk Factors—Additional Risks relating to FAST's Business—A recently adopted Indonesian franchise regulation may have a material adverse effect on FAST's business plans and prospects".

Restaurants

Restaurant Network

FAST is the largest QSR operator in Indonesia by number of outlets, according to a research firm commissioned by YUM!. As of June 30, 2013, it had 446 restaurants in 103 cities throughout Indonesia. FAST

opened 30, 23, 26 and 5 new restaurants, net of closings, in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. As of December 31, 2010, 2011 and 2012, FAST had 398, 421 and 441 restaurants, respectively, showing a CAGR of 3.5% from 2010 to 2012. In 2012, FAST served approximately 114 million customers nationwide through its restaurant network.

FAST's restaurants are managed and classified geographically by regional restaurant support centers ("RSC"). The RSC act as regional offices and manage and provide support to all restaurants under their region. In its financial reports, FAST discloses financial information based on segmental classification by each RSC. The RSC structure described below.

- RSC Jakarta: acts as FAST's head office, where its top management, all division and independent departments reside. RSC Jakarta also acts a regional office covering the Greater Jakarta Area, Cikampek, Banten, Lampung and West Kalimantan.
- RSC Bandung: acts as FAST's regional office for West Java.
- RSC Semarang: acts as FAST's regional office for Central Java.
- RSC Surabaya: acts as FAST's regional office for East Java.
- RSC Bali: acts as FAST's regional office for Bali, East Nusa Tenggara and West Nusa Tenggara.
- RSC Makassar: acts as FAST's regional office for Sulawesi, Maluku and Papua.
- RSC Balikpapan: acts as FAST's regional office for East Kalimantan, Central Kalimantan, South Kalimantan and Tarakan.
- RSC Medan: acts as FAST's regional office for North Sumatera and Aceh.
- RSC Palembang: acts as FAST's regional office for South Sumatera, Jambi and Bengkulu and Bangka-Belitung.
- RSC Batam: acts as FAST's regional office for Batam, Tanjung Pinang and Riau.

The following table provides more information on the geographic reach of FAST's restaurants as of June 30, 2013, classified by restaurants covered by the regional RSC below:

	Number of restaurants	% of total number of restaurants	Total restaurant space (m²)
Location			
Greater Jakarta			
RSC Jakarta	188	42.2	41,423.9
Java (excluding Greater Jakarta)			
RSC Bandung	33	7.4	9256.9
RSC Semarang	21	4.7	3,916.5
RSC Surabaya	36	8.1	5,680.8
Outside Java			
RSC Medan	28	6.3	7,742.6
RSC Makassar	43	9.6	12,698.6
RSC Palembang	27	6.1	8,395.1
Other RSC(1)	70	15.7	23,744.9
Total	446	100	111,860.0

(1) Includes RSC Bali, RSC Balikpapan and RSC Batam.

In 2012 and the six months ended June 30, 2013, 65.3% and 62.2% of net sales, respectively, were generated in Java, where a significant proportion of FAST's restaurants are located.

The average restaurant size for all regions is approximately 250.9 square meters. FAST classifies the types of its restaurants by both format types and by restaurant categories. Restaurant breakdown by format type is based on a classification system determined by YUM! whereas breakdown by restaurant categories is based on a classification system developed by FAST.

FAST operates a variety of formats for its KFC restaurants, as follows:

- *Free standing*: stand-alone restaurants with dedicated seating which are typically equipped with service facilities like drive-through, home delivery, birthday centers and have flexible operational hours (average size of 521.1 square meters per outlet). As of June 30, 2013, FAST had 70 free standing KFC restaurants. Going forward, FAST plans to focus on opening more free standing restaurants.

- *Mall*: restaurants located in shopping malls whereby FAST rents restaurant space for its restaurants in such malls, typically with dedicated shared seating (average size of 296.5 square meters per outlet). As of June 30, 2013, FAST had 159 mall KFC restaurants.

- *In-line/Airport*: restaurants located in shopping strips with street frontage "in-line" with other shops or at airports, typically with dedicated seating (average size of 358.3 square meters per outlet)]. As of June 30, 2013, FAST had 181 in-line/airport KFC restaurants.

- *Foodcourt*: FAST's open counters located in foodcourts, with seating shared with other food operators (average size of 74.5 square meters per outlet). As of June 30, 2013, FAST had 36 foodcourt/KFC restaurants.

The table below shows FAST's restaurants breakdown by format for the periods shown.

	Year Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013
	(% of all restaurants)			
Free Standing	8.2	11.9	15.4	15.7
Mall	33.2	41.3	40.8	35.7
In-line/Airport	51.9	37.3	35.6	40.6
Foodcourt	6.8	9.5	8.2	8.1
Total	100.0	100.0	100.0	100.0

The table below shows FAST's restaurants broken down by format for each RSC as of June 30, 2013.

	Free Standing	Mall	In-line/Airport	Foodcourt
Location				
Greater Jakarta				
RSC Jakarta	29	69	59	25
Java (excluding Greater Jakarta)				
RSC Bandung	4	15	12	3
RSC Semarang	3	9	8	1
RSC Surabaya	4	11	18	3
Outside Java				
RSC Medan	7	7	18	0
RSC Makassar	4	18	17	0
RSC Palembang	3	10	15	0
Other RSC[1]	16	20	34	4
Total	70	159	181	36

(1) Includes RSC Bali, RSC Balikpapan and RSC Batam. RSC Semarang and RSC Surabaya are located in Java.

By restaurant categories, FAST's restaurants are classified based on sales generation as follows:

- *Flagship*: major restaurants with sales of more than Rp.1.0 billion per month and complete with all facilities such as drive-through, home delivery, birthday centers (with an average size ranging from 400 to 800 square meters per outlet). As of June 30, 2013, FAST had 30 flagship restaurants.

- *Super Stores*: restaurants with sales of at least Rp.800.0 million to Rp.1.0 billion per month (average size ranging from 300 to 500 square meters per outlet). As of June 30, 2013, FAST had 120 super stores.

- *Large Store*: restaurants with sales of at least Rp.650.0 million to Rp.799.9 million per month (average size ranging from 300 to 450 square meters per outlet). As of June 30, 2013, FAST had 193 large stores.

- *Medium Store*: restaurants with sales of at least Rp.500.0 million to Rp.649.9 million per month (average size ranging from 250 to 350 square meters per outlet). As of June 30, 2013, FAST had 86 medium stores.

- *CX (express)*: restaurants with sales of below Rp.500.0 million per month (average size ranging from 80 to 300 square meters per outlet). As of June 30, 2013, FAST had 17 CX (express).

The table below shows FAST's restaurants breakdown by restaurants categories for the periods shown.

	Year Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013
	(% of all restaurants)			
Flagship	4.5	6.5	6.8	6.7
Super Store	26.9	28.5	26.8	26.9
Large Store	35.6	38.5	43.1	43.3
Medium Store	28.1	22.5	19.5	19.3
CX (Express)	4.8	4.0	3.9	3.8
Total	100.0	100.0	100.0	100.0

FAST reviews the performance of its restaurants on a monthly basis and may close unprofitable restaurants. In 2010, 2011, 2012 and the six months ended June 30, 2013, FAST closed 2, 7, 5 and 7 restaurants, respectively. Restaurant closures typically occur due to a change in the area where the restaurant operates, the restaurant lease cannot be renewed or the restaurant is unprofitable. FAST typically does not close down under-performing restaurants as long as they still generate cash profit.

For its restaurants, FAST typically rents the land on which its restaurants are located from third parties. The rental agreements typically run for five to 10 years and FAST pays the rental fee for the entire period in advance in installments (with a 24 months minimum). For certain locations, instead or receiving rental payments from FAST, the land owners have entered into cooperation agreements with FAST whereby such land owners receive a certain agreed percentage from the sales generated by the outlet on the owners' land.

Restaurant Design

New Restaurant Expansion

Since 2006, FAST has embarked on an accelerated restaurant expansion program, and has opened on average 20 to 30 restaurants every year. The following table shows FAST's restaurants in operation and net restaurant increase by region for the periods below.

	Total restaurants in operation as of				Net new restaurants opened by FAST during the periods			
	December 31,			June 30,				Six months ended June 30,
	2010	2011	2012	2013	2009-2010	2010-2011	2011-2012	2013
	(number of restaurants)							
Location								
RSC Jakarta	164	178	183	186	15	14	5	3
RSC Medan	30	27	27	28	2	(3)	0	1
RSC Makassar	38	40	43	43	5	2	3	0
RSC Palembang	27	25	25	26	2	(2)	1	1
RSC Bandung	28	32	36	36	2	4	4	0
Other RSC(1)	111	119	127	127	4	8	13	0
Total	398	421	441	446	30	23	26	5

(1) Includes RSC Semarang, RSC Surabaya, RSC Bali, RSC Balikpapan and RSC Batam.

Since 2008, FAST has focused on opening more free-standing restaurants, as these type of restaurants are cheaper compared to outlets opened at shopping malls and can have more flexible hours of operation. FAST also has more latitude in renovating and adding additional facilities to this type of restaurant format to suit its customers' needs.

In 2013, FAST plans to open in total 34 new KFC restaurants (excluding restaurants closed), of which FAST expects 11 or 12 to be of the free standing format, on sites which have already been identified. Free standing restaurants allow FAST to offer more services to customers, such as hosting birthday parties and KFC Coffee, and typically have slightly higher profit margins and greater transaction volume. As of June 30, 2013, 12 of these restaurants (excluding restaurants closed) have been opened. FAST's ability to open additional restaurants in future years will depend in part on the intermediary regulations. See "Regulations and Supervision" for more details.

FAST's management expects its target customer base to grow significantly in the coming years. See "Industry" for more information. To meet such growing demand, FAST aims to expand its restaurant network, with a target to open approximately 60.0% of the new restaurants in the Greater Jakarta Area and the remaining 40.0% outside the Greater Jakarta Area. In order to support this goal, FAST's restaurant operations and market development teams, consisting of regional operation managers, area managers and other full time employees, search for premium locations throughout Indonesia. Selecting a suitable location for restaurants is an important factor in the success of its KFC restaurants. As such, in selecting sites for its new restaurants, FAST consider a variety of factors, such as the demographics of the surrounding location, including population in the nearby areas, purchasing power and potential demographic changes, the surrounding infrastructure and the feasibility of setting up its distribution network in the potential sites, and the marketing, financial and operational aspects of establishing a new restaurant on the potential site. All new restaurant location sites must be approved by YUM!.

After FAST has decided on a new site, it will commence the planning of the restaurant layout, facilities and interior design, in accordance with criteria established by YUM!. After the new restaurant fit-out has been completed, FAST will conduct inspection and evaluation to ensure that the restaurant meets the standards prescribed by YUM!.

For new regions or secondary cities without any KFC outlets, FAST typically attempts to gauge market acceptance to its products by setting up temporary outlets. FAST uses its mobile catering units for two to three

months and if such outlets are able to generate satisfactory sales, FAST will establish permanent outlets in the area.

For a typical new restaurant, the construction time is approximately two to four months, with a fit-out time of approximately two to three months. The expected investment in opening a new FAST restaurant typically ranges between Rp.2.0 billion to Rp.11.0 billion, depending on its size and location. New restaurants typically begin to generate profit within the first year.

The layout of FAST's restaurants are planned to provide customers with a comfortable dining experience and are designed with an open layout to permit easy circulation of customers. Its restaurants are also equipped with raw material storage facilities, coolers for storage of perishable materials, production facilities such as kitchens frying utilities and customers seating area. Certain restaurants are also furnished with outdoor seating and children's playgrounds. Each restaurant is generally staffed with 15 to 40 employees, depending on its size.

Renovation and Refurbishment of Existing KFC Restaurants

FAST typically renovates or refurbishes its restaurants every three to five years. The cost of renovating a restaurant typically ranges from Rp.600.0 million to Rp.1.8 billion and may take a few weeks to a few months to complete, during which period occasionally the restaurants would need to be closed. Renovations aim to improve the appearance of the restaurants, increase seating capacity, increase speed of service and/ or restructure behind-the-counter meal preparation area. FAST needs to ensure that restaurants are upgraded to the brand standards mandated by YUM!.

FAST implements various types of restaurant renovation, as follows:

- *Rebranding*: A rebrand ensures the restaurant remains at the minimum YUM! brand standard, with upgrades focused on improving the appearance of the restaurant to customers such as signage.
- *Reimaging*: A restaurant reimage typically improves the facilities, seating, layout and back of house operations, which generally requires a higher capital expenditure than for rebranding.
- *Relocation*: A relocation is the closure of a restaurant and a reopening at another nearby location, which usually occurs when either an appropriate lease renewal cannot be renegotiated or the site no longer satisfies the demographic profile.
- *Rebuild*: A rebuild involves a complete rebuilding on an existing site location.

A range of factors affect the success of a restaurant refurbishment, including restaurant location, the extent and nature of the QSR competition faced by the restaurant, the proximity of the restaurant to other existing KFC restaurants as well as prevailing economic conditions at the time of refurbishment. FAST has refurbished 65, 56, 50 and 10 of its KFC restaurants in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. FAST intends to refurbish 28 restaurants for the remainder of 2013 and a further 60 restaurants over the next two years, which is consistent with FAST's obligations under its arrangements with YUM! to ensure that all of its restaurants satisfy YUM!'s brand standards by such time. All of these restaurants have been identified by FAST and approved for refurbishment by YUM! subject to YUM!'s approval of specific refurbishment plans.

Restaurant Management

Restaurant management structures vary by classification types and unit size. Generally, each restaurant is led by a restaurant general manager ("RGM"), together with one or more assistant managers, depending on the operating complexity and sales volume of the restaurant. Most of the employees are contract employees. Each restaurant is provided with a detailed manual called CHAMPS Standard Library, covering all aspects of restaurant operations, including food handling and product preparation procedures, food safety and quality, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with YUM!'s standardized operating procedures.

Sales and Seasonality

In 2012, average daily sales per restaurant ranged between Rp.12.0 million (U.S.$1,208.6) to Rp.80.0 million (U.S.$8,057.2), depending on the restaurant's location. In the six months ended June 30, 2013, 62.2% and 37.8% of gross sales were generated in Java (including the Greater Jakarta Area and Bali) and outside Java (excluding Bali), respectively. The following table provides information on the gross sales breakdown for FAST's restaurants by region.

	Year Ended December 31,							Six Months Ended June 30,				
	2010		2011		2012			2012		2013		
	(Rp. in billions)	%	(Rp. in billions)	%	(Rp. in billions)	%	(U.S.$ in millions)	(Rp. in billions)	%	(Rp. in billions)	%	(U.S.$ in millions)
Location												
RSC Jakarta..........	1,216.3	43.0	1,349.1	42.4	1,486.9	41.8	149.8	696.3	41.7	768.5	41.6	77.4
RSC Medan..........	226.7	8.0	224.9	7.1	232.8	6.5	23.4	111.8	6.7	113.3	6.1	11.4
RSC Makassar......	268.5	9.5	292.5	9.2	339.0	9.5	34.1	157.2	9.4	176.5	9.5	17.8
RSC Palembang ...	145.2	5.1	207.3	6.5	239.1	6.7	24.1	113.1	6.8	123.8	6.7	12.5
RSC Bandung.......	201.5	7.1	226.5	7.1	249.7	7.0	25.1	112.6	6.8	132.4	7.2	13.3
Other RSC(1).........	768.7	27.2	883.6	27.8	1,012.0	28.4	101.9	477.0	28.6	534.7	28.9	53.9
Total....................	2,826.9	100.0	3,183.0	100.0	3,559.5	100.0	358.5	1,668.1	100	1,849.2	100	186.2

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(1) Includes RSC Semarang, RSC Surabaya, RSC Bali, RSC Balikpapan and RSC Batam.

In 2012, FAST's total sales broken down by products consisted of 85.7% sales of food items, 10.1% sales of beverages and 4.2% sales of other products.

Same store sales is used by management to measure the growth of FAST's existing business as opposed to growth due to additional restaurants. The following table below sets forth same store sales growth for 2010 to 2012 and the number of restaurants included in the same store sales growth calculation and the number of newer and new restaurants excluded from the same store sales growth calculation.

	Year Ended December 31,			June 30,
	2010	2011	2012	2013
		(%)		
Same store sales growth (%)...	8.6%	8.0%	7.9%	2.6%
Number of established restaurants(1)..	346	378	403	409
Number of newer restaurants(2)...	52	43	38	37
Number of restaurants opened during the year(3)..........................	30	23	26	5
Gross openings	32	30	31	12
Closures...	2	7	5	7

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(1) Restaurants that were in operation for at least one complete calendar year at the beginning of the year.

(2) Restaurants that were not in operation for at least one complete calendar year at the beginning of the year.

(3) Restaurants opened during the year (net of restaurants closed).

The following table provides information on the daily average sales per region per restaurant for FAST's restaurants.

	Year Ended December 31,				Six Months Ended June 30,		
	2010	2011	2012		2012	2013	
	(Rp. in millions)	(Rp. in millions)	(Rp. in mbillions)	(U.S.$ in thousands)	(Rp. in billions)	(Rp. in billions)	(U.S.$ in thousands)
Location							
RSC Jakarta	20.9	21.5	22.3	2.2	21.3	22.7	2.3
RSC Medan	31.5	24.0	23.6	2.4	22.8	22.2	2.2
RSC Makassar	31.5	20.9	21.6	2.2	21.1	22.6	2.3
RSC Palembang	0.0	23.9	26.2	2.6	24.9	26.2	2.6
RSC Bandung	0.0	20.6	19.0	1.9	18.2	20.2	2.0
Other RSC[(1)]	14.5	21.1	21.8	2.2	21.3	23.1	2.3
Daily average for each restaurants	19.3	21.6	22.0	2.2	20.6	22.9	2.3

(1) Includes RSC Semarang, RSC Surabaya, RSC Bali, RSC Balikpapan and RSC Batam.

FAST's gross sales are affected by seasonality. The most important sales periods for it in terms of gross sales are the Lebaran, Christmas and school holidays (typically between June and July of each year), and FAST generally increases its marketing efforts in the run up to these holidays or events. FAST incurs additional expenses in advance of its peak periods in anticipation of higher gross sales, including additional advertising or promotional campaigns and staff costs. Gross sales during the two-week period before and after the traditional celebration period of Lebaran typically increase by 30% to 50% from those during normal periods, making Lebaran the single most significant seasonal period for FAST. However, gross sales during the first two weeks of fasting season preceding Lebaran typically decrease by 10% to 15% compared to those during normal periods.

Products and Services

Products

KFC restaurants in Indonesia offer fried chicken-on-the-bone products, primarily marketed under the names Original Recipe and Hot & Crispy, which currently are the best-selling menu items in all of FAST's restaurants. Original Recipe and Hot & Crispy have been consistently ranked as the best tasting fried chicken in Indonesia's QSR market, according to various Indonesian consumer survey results, such as those conducted by AC Nielsen and Markplus. Other principal entree items include french fries, chicken burgers and sandwiches such as Colonel Burger, Twister, Popcorn Chicken, salad as well as products designed to suit Indonesian taste, such as *perkedel* (Indonesian potato croquet), KFC Soup and rice. FAST's KFC restaurants also offer breakfast menu items.

In 2010, FAST started to develop KFC Coffee, which is a series of high quality coffee products, served both hot or cold at certain free-standing restaurants. FAST provides separate service counters for KFC Coffee, along with separate seating areas.

FAST has entered into a five-year beverage supply agreement with PT Pepsicola Indobeverages which will remain in force until 2017. Pepsi products are sold in FAST's restaurants either "*ala carte*" as part of the

"*Goceng*" menu item for the regular size, or as a part of bundled items sold in combination meals such as *Super Mantap* or *Super Besar.* Generally, the sales trend of Pepsi Cola products follows the sales growth of FAST.

In addition to providing food and beverage products and food related services, FAST also engages in consignment sales of music compact discs ("CDs"). The CDs sold in FAST's restaurants are the property of the respective record companies and are not recorded in FAST's inventory. FAST only receives certain consignment fees for every CD sold in its premises. The fees received by FAST from the sales of CD's are also subject to the 6% franchise fee payable to YUM! pursuant to the Franchise Agreements. In 2010, 2011, 2012 and the six months ended June 30, 2013, FAST generated Rp.22.4 billion, Rp.41.0 billion, Rp.71.5 billion (U.S.$7.2 million) and Rp.46.7 billion (U.S.$4.8 million), respectively, in consignment fees from the sales of CDs.

Product Development

FAST aims to offer new products and limited time offers in its KFC restaurants to maintain and grow sales from existing restaurants, as well as sustain brand awareness among its customers, reach new consumer demographics and address different parts of the day. FAST's understanding of the local market has enabled it to successfully introduce new items to appeal to local tastes and to provide customers with additional food options. FAST carefully monitors the sales of its products and is able to modify them if necessary. FAST works closely with YUM! to develop new product offerings, and YUM! considers recommendations from FAST regarding local tastes and preferences. For example, FAST's restaurants are currently the only KFC restaurants in the world serving rice and *perkedel* (potato croquet). Since the beginning of 2010, FAST has introduced numerous new KFC products to KFC restaurants. Key examples of new products or product offerings include:

- *New COB (Chicken on the Bone) Menu*: FAST regularly looks to innovate new tastes and presentations of its core product, fried chicken. COB Chili Krunch was launched in July 2012 as a fried chicken with spicy Szechuan spices, dressed in crunch flour and sprinkled with cornflakes.

- *New Breakfast Menu*: To provide an enhanced breakfast menu selection, that was originally launched in 2011, FAST introduced "Striker", made from tortilla bread, and stuffed with a variety of ingredients and then grilled in a toaster.

- *New Goceng Menu items*: A complementary meal category launched in 2005, new Goceng menu items are being developed to add variety, such as grape float and mixed berry sundaes launched in 2012. All items under this category are priced at Rp.5,000.

- *New Practical Menu*: The practical menu targets the growing "in-between" meal snacking market, with a medium-sized portion and affordable price. Two new Practical menu items include the Tori Burger and Pokkits were launched in 2012. All items under this category are priced at Rp.10,000.

- *New KFC Coffee Menu Items*: In response to customers' demand, new pastry products were launched in 2012 to complement the KFC Coffee menu, including an assortment of muffins, cakes and donuts.

Production Process

FAST's production process is divided into two types: (i) production activities done within restaurant outlets (for main menu products and additional menu products) and (ii) production activities done in production warehouses (for raw and semi-processed products such as pudding, soup and pre-mixed flour).

Production activities within the restaurant outlets are outlined below for certain categories of menu items.

- *Chicken products*: This process includes the storage of raw materials received in the restaurants' storage facility. Based on the amounts of customers' orders, chicken pieces are marinated with KFC's secret seasoning, breaded and fried in the restaurants.

- *Soup*: This process includes the cooking and packaging of the raw materials for soup, such as fresh vegetables and seasonings.

- *Burgers*: This process includes the frying and preparation of the buns, assembly of the materials into a burger, application of dressing and serving.

- *Perkedel* (potato croquet): This process includes the preparation of half cooked products and freezing and aging time. When ready, the product is cooked and served.

- Other products processed in the restaurant include frozen food items which are fried on the spot (such as french fries and crispy strips), products which need to undergo a mixing process, such as mixed beverages or products served in its original packaging.

Production activities in the production warehouses are outlined below for certain categories of menu items.

- *Desserts*: This process includes the cooking of pudding mixture, the making of the sauce and packaging.

- *Soup*: This process includes the washing and cutting of fresh vegetables and packaging.

- *Premixed flour*: This process includes the mixing of flour and seasonings and packaging.

Other Services

KFC Delivery Service. FAST has established a call center under the number "14022" whereby customers can place an order by calling FAST's call center and FAST will deliver the orders to the customers' locations. Such delivery service is limited to customers located within a five-kilometer radius from FAST's nearest outlet. Orders will be delivered within approximately 30 minutes from when the order is received and FAST does not impose any minimum order for such delivery service. As of June 30, 2013, FAST had an outsourced fleet of 743 motorcycles, spread over 221 restaurants for its delivery service.

KFC Catering. KFC Catering is a catering service provided to customers for various events, leisure or work-related, outside FAST's restaurants. For small orders under 100 boxes, customers place an order directly through certain of FAST's restaurants and have the order delivered to the customers' locations. For large orders (more than 100 boxes), customers need to place an order directly through KFC Catering Department. KFC Catering can deliver up to 200,000 boxes of meals per day.

Aside from providing food products and beverages, KFC Catering also provides food and beverage equipment geared for events outside FAST's restaurants. KFC Catering also provides children birthday party services under the name "Chaki Birthday". As of June 30, 2013, KFC Catering had a fleet of two kitchen vehicles and 18 employees.

Chaki Club. Chaki Club is a membership group whereby children can attend gatherings at FAST's restaurants. Members of Chaki Club are provided with free membership cards which also provide certain discounts for purchases of certain KFC products. Members of Chaki Club can also participate in various routine educational children activities organized by FAST. As of June 30, 2013, Chaki Club can be found in 15 cities throughout Indonesia and its members consist of 37,467 children.

Marketing

FAST aims to innovate on its products and create product offerings catered to its target customers while also providing "value for money" products. As such, FAST tailors its marketing campaign by providing the following packaged menu combinations:

- *Combo*: Meals containing full menu items consisting of, among others, rice or french fries, chicken and beverages. Currently there are various types of combos, such as *Super Mantap*, *Super Besar 1* and *Super Star*.

- *Super Besar 2* (or "Super Big"): Meals aimed for the family customer segment, providing a large quantity of food to be shared. *Super Besar 2* meals consist of two pieces of chicken, one rice and one beverage.

- *Goceng* (or "5000"): Meals aimed for the youth customer segment, whereby every combination of these meals is priced at Rp.5,000. There are more than 10 varieties of value for money products offered under this category.

- *Praktis* (or "Practical"): Meals consisting of items which are easy to carry and consume such as Colonel Burger, Twister and Colonel Yakiniku. All items under this category are priced at Rp.10,000.

- *Kids Meal* (or "Chaki Kids Meal"): Meals aimed for the children segment of FAST's customers, consisting of full menu items adjusted in small portions for children. Occasionally these meals are accompanied with toys or additional items such as ice cream or pudding.

- *Krushers*: To attract customers during less busy periods, FAST offers beverages under the name "Krushers" with various flavor options.

FAST regularly conducts a brand survey, BITS, through an independent research agency on a quarterly basis to monitor FAST's market position and brand image, as well as to track consumers' perceptions on the quality of its products, services and facilities. The study is aimed to obtain customer feedback as benchmarked with other leading brands in the QSR sector in Indonesia. In BITS, FAST's KFC restaurants have consistently achieved the highest point in "Top of Mind Awareness" compared to other leading brands, and it leads in the customers' share of visits compared to other leading QSR brands.

Pursuant to the Franchise Agreements, FAST is required to invest a minimum of 5% of its annual sales revenue in advertising and promotions. As such, FAST holds promotional activities almost monthly and provides discounts to customers ranging from 2.5% to 15% according to criteria set by YUM!. Aside from such direct promotions, FAST also engages in advertising, such as print media and television and sponsorships of various local, regional and national events. Approximately 60% to 65% of FAST's advertising expenditure is spent on media advertisements, including supporting materials for advertisements.

Raw Materials and Procurement

Main ingredients used by FAST include chicken products, flour, organic rice, seasonings, chili and tomato sauce and beverages. Such ingredients are purchased by FAST from domestic and international suppliers. FAST uses imported ingredients only for seasonings and french fries. All other ingredients are sourced locally. In 2012 and the six months ended June 30, 2013, the costs of imported ingredients by FAST accounted for 4.9% and 4.0% of its cost of goods sold for the respective periods.

FAST typically keeps inventory of chicken products for three weeks of use, except during festive seasons such as Lebaran, whereby FAST prepares inventory of such products for 1.5 to two months. For seasonings, FAST usually keeps inventory for one month of use and for cooking oil, three weeks of use. During festive seasons, FAST keeps inventory of seasonings and cooking oil for 1.5 to two months of use. FAST's restaurant managers, who are familiar with customers' buying patterns in their respective operational areas, and along with the supervision from the respective area managers and regional operation managers, determine the amount of inventory to maintain depending on daily historical use. If FAST runs out of inventory for certain raw materials, its sales can be adversely affected.

FAST's procurement process is conducted at three different levels: central procurement by the head office, regional procurement by production warehouses, and purchases conducted at the restaurant outlet level. Purchases made by FAST typically have 30-day to 45-day payment terms.

Purchases for main raw materials such as chicken are handled at the head office level to maintain price control and uniformity. The research and development department will conduct thorough audits on the chicken suppliers before purchases are made. If such suppliers are found to meet the required criteria, purchases can be made and the chicken parts will be delivered directly by the suppliers to FAST's production warehouses.

Procurement conducted for production warehouses covers ingredients available regionally, such as rice, flour, vegetables, cooking utensils and cleaning supplies. Procurement at the production warehouse level must be made in accordance with pricing guidelines set by the head office. Such ingredients and supplies purchased at the production warehouse level will be inspected by FAST's quality control team. Products such as packaged beverages are purchased directly by individual outlets with payments handled by the head office. Other ingredients which requires special handling, such as eggs and vegetables, are delivered directly to the respective outlets to ensure their freshness.

Although FAST has a diversified group of regular suppliers that it has been working closely with, FAST may be dependent on Pepsi as a supplier of its beverages, on McCain as a supplier of its french fries and on McCormick and Griffith Lab as suppliers of its seasonings. Its suppliers must also meet quality standards set by YUM! which has the right to approve FAST's suppliers under the franchise arrangements. To ensure continuous supply of basic raw materials and to control price, FAST has entered into various contractual supply agreements with certain of its suppliers. Most of FAST's supply contracts, particularly for the supply of chicken, have a duration of three to six months. FAST's management believes that FAST has a good working relationship with its suppliers and does not contemplate any major changes with its supplier arrangements.

FAST has not experienced any significant shortages of supplies or any delays in receiving food or beverage inventories, restaurant supplies or products. Prices charged to FAST by its suppliers are subject to fluctuation, and FAST has on some occasions been able to pass increased costs and savings on to our customers.

Quality Control

FAST has put in place a quality control audit system applied to all of its suppliers, namely the Supplier Tracking, Assessment & Recognition (the "STAR Audit"). The STAR Audit consists of the Food Safety Audit and Quality System Assessment. For new suppliers, FAST typically conducts pre-assessment audits. FAST conducts supplier audits by examining farm certificates and inspecting the chicken cutting facilities and the cutting process (including room temperature in the facilities to ensure the quality of chicken supplied meet the prescribed standard). FAST also regularly conducts training to improve its audit staff's knowledge.

FAST has also put in place an audit system for its own production warehouses, namely the Distribution Quality Audit, which is carried out for on all of its warehouses across Indonesia. The audit process inspects all production processes in the warehouses, including the raw material traffic and sanitation and distribution facilities such as transportation fleets. FAST also conducts audits on its warehouse administration system and conducts employee training. In addition, FAST has put in place Good Manufacturing Process ("GMP") and Hazard Analysis Critical Control Point ("HACCP") programs.

Regarding the quality of its customer service, FAST has implemented CHAMPS, which stands for Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Speed of Service, a proprietary core worldwide program implemented by YUM! for training, measuring and rewarding employee performance against key customer measures. CHAMPS is implemented by putting in place CHAMPS Management System ("CMS") and CHAMPS Excellence Review ("CER"). CMS and CER are surveys and audit systems conducted by independent survey agencies and FAST's quality control department. CMS is a survey to directly gauge the quality of products, services and facilities provided at FAST's restaurants against the prescribed standards, whereas CER is an audit system to calibrate the current CHAMPS application practice, with more emphasis on food safety, against the standard procedure. CMS and CER results are sent directly to YUM! and CMS results are benchmarked against other KFC franchises in the region. In 2012, FAST's restaurants achieved the highest CMS score in Asia. Both CMS and CER are commissioned by YUM!.

Distribution Centers

As FAST's restaurants are located throughout Indonesia, it requires a strong distribution system to ensure that raw materials are supplied on a timely manner to all of its restaurants. As of June 30, 2013, FAST's distribution network includes:

- one central dry and frozen goods and production warehouse in Jakarta;
- one main dry and frozen goods and production warehouse/ distribution center in Surabaya;
- nine regional warehouses;

- 16 satellite warehouses;
- restaurant warehouses;
- sea-cargo transporters (for inter-island freights)
- third party fleets of trucks for inland freights (for distribution from warehouses to warehouses); and
- FAST-owned fleet of distribution trucks (for distribution from warehouse to restaurants).

The table below shows FAST's distribution centers based on location.

Warehouse Location	Warehouse type
Jakarta	Central Warehouse
Surabaya	Main distribution center for East Indonesia
Medan	Regional warehouse
Batam	Regional warehouse
Palembang	Regional warehouse
Bandung	Regional warehouse
Semarang	Regional warehouse
Balikpapan	Regional warehouse
Tarakan	Regional warehouse
Lombok	Regional warehouse
Makassar	Regional warehouse
Palu	Regional warehouse
Luwuk	Regional warehouse
Kupang	Regional warehouse
Ternate	Regional warehouse
Ambon	Regional warehouse
Sorong	Regional warehouse
Manokwari	Regional warehouse
Abepura	Regional warehouse
Jayapura	Regional warehouse
Padang	Satellite warehouse
Pekanbaru	Satellite warehouse
Lampung	Satellite warehouse
Pontianak	Satellite warehouse
Yogyakarta	Satellite warehouse
Samarinda	Satellite warehouse

Banjarmasin	Satellite warehouse
Manado	Satellite warehouse
Timika	Satellite warehouse

FAST strategically plans the location of its warehouses to ensure coverage for all of its restaurants, both present and future restaurants, in order to maintain a consistent supply of ingredients. Its central production warehouse in Jakarta only supplies ingredients to restaurants located in the western part of Indonesia whereas FAST's main warehouse in Surabaya supplies ingredients to restaurants in the middle and eastern part of Indonesia. Each warehouse is equipped with a fleet of transport vehicles, furnished with freezers and chillers to transport raw materials from warehouses to the restaurants.

Generally, in selecting sites for distribution centers, FAST considers, among other factors, location which allows the warehouses to service current and potential restaurants in the area, availability of a sufficient size of land, possibility of obtaining a warehouse licensing, road transport infrastructure and environmental considerations.

FAST has annual contracts in place with numerous logistics service providers in Surabaya and Jakarta as the two points of origin. Such logistic service providers deliver supplies to and from FAST's various warehouses, whereas FAST's own fleet of transport vehicles delivers supplies from FAST's warehouses to its restaurants.

Competition

FAST is Indonesia's largest and most popular QSR in Indonesia with more than 50% customers' share of visits according to BITS, conducted by an independent research agency and commissioned by YUM! and had a 28.8% market share in the chained QSR market in 2012 based on sales revenue according to Frost & Sullivan. FAST also has the largest restaurant network in the QSR sector in Indonesia, with 446 outlets throughout Indonesia, as of June 30, 2013, according to a research firm commissioned by YUM!. According to the BITS survey result, KFC has been constantly placed at the highest position of "most remembered" by Indonesian consumers under the Top of Mind Awareness category.

FAST's management believes that competition in the QSR sector is rigorous. FAST competes with all other players in the QSR sector, including other foreign franchises such as McDonald's, A&W and Wendys, as well as local franchises such as California Fried Chicken, Hoka-Hoka Bento and Solaria. In addition, FAST management also considers any restaurants outside the QSR sector to be FAST's competitors. Given that FAST is required to pay YUM! a franchise fee of 6.0% of total sales (after tax) and to spend a minimum of 5.0% in marketing efforts, non-franchise players in the industry may enjoy higher profit margins than FAST. Despite the intense competitive climate, FAST's management also believes that its competitive strengths as set out in "Business—Strengths" provide it with competitive advantages over both existing and potential new competitors.

Employees

FAST employed 16,434 employees as of June 30, 2013. FAST management believes that FAST has a motivated and stable workforce, with a staff turnover rate of approximately 18.6%, 19.5%, 19.2% and 13.4% in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. FAST considers its relationship with its employees to be good. Most of FAST's employees are members of PT Fast Food Indonesia Labor Union, which is not affiliated to any confederation of labor unions. The following table reflects the number of FAST's employees (including part-time staff) as of the dates below.

	Years Ended December 31,			Six Months Ended June 30,
	2010	2011	2012	2013
Job Function				
Director & Commissioner	12	13	13	13
Manager	108	47	38	37
Restaurant manager & supervisor	1,633	1,546	1,564	1,534
Operational crew	12,961	13,640	14,142	13,575
Staff & restaurant support center crews	1,138	1,119	1,247	1,275
Total	15,840	16,365	17,004	16,434

Restaurant personnel are employed on two shifts daily since FAST's restaurants are typically open 12 hours a day. FAST also utilize part-time crew for its restaurants during peak periods, such as weekends. FAST's labor expenses for its restaurant staff were Rp.258.0 billion, Rp.307.1 billion, Rp.359.7 billion and Rp.216.4 billion in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. FAST has also put in place training and development programs to develop employee skills with a focus on customer service.

Information Technology

FAST implemented the new POS information technology system (the "POS System") in 2006 and has successfully integrated the POS System with its back-office software, the Platinum Program, in 2011. The POS System captures all transactions in FAST's restaurants and uploads such data to a main server in FAST's head office at the end of each day for consolidation. The POS System also records information on the usage of raw materials and inventory levels of raw materials at the restaurants level while the Platinum Program generates regular financial reports for FAST's management to review.

Properties

The table below shows properties owned by FAST under land ownership title (*Hak Guna Bangunan* or "HGB") as of June 30, 2013.

Location	HGB No	Valid up to	Area (m2)	Function
Jl. M.T. Haryono Kav. 7, Jakarta	HGU 3139	January 28, 2033	3,697	Head office and restaurant
Jl. Cikini Raya No. 119 A-D, Jakarta	HGU 391	February 27, 2028	359	Restaurant
Jl. Pajajaran, Bogor	HGU 124	August 25, 2022	1,986	Restaurant
Jl. Raya Bogor KM 28, Ciracas, Jakarta	HM 430	—	8,757	Warehouse
Jl. Ir. H. Juanda No. 44, Dago, Bandung	HM 186	—	2,601	Restaurant
Jl. Raya Bogor KM 26, Ciracas, Jakarta	HGB 172	December 7, 2037	2,795	Restaurant
Desa Wenang Utara, Manado	HGB 51	May 18, 2012(1)	137	Restaurant
Ambon Plaza, Kel. Honipopu	HGB 379	July 6, 2024	300	Restaurant
Ambon Plaza, Kel. Honipopu	HGB 380	July 6, 2024	218	Restaurant
Mall Fantasi, Kel. Damai, Balikpapan	HGB 3733	September 14, 2012(1)	45	Restaurant
Mall Fantasi, Kel. Damai, Balikpapan	HGB 3744	September 14, 2012(1)	45	Restaurant
Mall Fantasi, Kel. Damai, Balikpapan	HGB 3745	September 14, 2012(1)	45	Restaurant
Pratama Bekasi, Kel Duren Jaya, Bekasi	HGB 11888	October 1, 2011(1)	150	Restaurant
Pratama Bekasi, Kel Duren Jaya, Bekasi	HM 11889	October 1, 2011(1)	91	Restaurant
ITC Cempaka Mas, Kel. Sumur Batu	HM 6811	October 25, 2025	103.2	Restaurant
Jl. Gunawarman No. 80, Kebayoran Baru, Jakarta Selatan	HGB 847	March 7, 2042	521	Restaurant

(1) Renewal applications have been submitted but not yet renewed.

All other properties and restaurants are subject to lease agreements.

Intellectual Property

FAST uses certain trademarks in its day to day operations, including the rights to use the "KFC" trademarks and logos. As a franchisee of YUM! FAST has contractual rights to use on a non-exclusive basis certain of YUM!'s owned trademarks, service marks and other intellectual property relating to the KFC brand and concept. FAST has also invested in its own trade name and has already applied for registration of its trademark which application is currently pending.

Certifications

FAST has received all of the relevant food certificates from BPOM. Moreover, all of its products have received halal certifications from *Majelis Ulama Indonesia*, the relevant Muslim authority in Indonesia. Since Muslims, who only consume halal products, make up a large proportion of the consumer base in Indonesia, FAST has processes and procedures in place (including *Sistem Jaminan Halal* (halal warranty system which it obtained in 2010 from *Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika Majelis Ulama Indonesia* or

LPPOM MUI, the agency in charge of assessment of foods, drugs and cosmetics of the Muslim authority in Indonesia) and regular training of its employees in connection thereto) to ensure continued compliance with the halal certificates and related requirements.

FAST has implemented quality control management system ISO 9001:2008 and has obtained ISO 9001:2008 certification. ISO 9001-2000 is a series of international standards that provide guidelines for a quality management system and has been revised by ISO 9001:2008. This ISO certification is valid for three years with inspections every six months. FAST has also obtained the Hazard Analysis & Critical Control Points certification, or HACCP. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to the manufacturing, distribution and consumption of finished products.

Dividend Policy

Payment of dividends are approved by FAST's shareholders at the annual general meeting of shareholders based on the recommendation from FAST's Board of Directors. Pursuant to FAST's current dividend policy, FAST plans to distribute dividends annually up to the maximum ratio of 20.0% of net income after tax in the relevant financial year, subject to its financial performance.

In 2011, FAST distributed dividends in a total amount of Rp.200 billion (corresponding to 100.2% of its net profit in 2010) as part of a dividend recapitalization exercise and in 2012 FAST distributed dividends in a total amount of around Rp.46.0 billion (U.S.$4.6 million) (corresponding to 20.1% of its net profit in 2011) and in 2013, FAST distributed dividends in a total amount of around Rp.46.0 billion (U.S.$4.6 million) (corresponding to approximately 22.3% of its net profit in 2012).

Legal Proceedings

From time to time, FAST may be involved in legal proceedings concerning matters arising in connection with the conduct of its business. Currently there are no material pending claims or legal proceedings nor are there legal proceedings that are not in ordinary course of business, involving FAST.

Corporate and Social Responsibility

FAST is involved in various charitable and educational endeavors. Certain of FAST's contributions are described below.

- FAST's education program "*Chaki Peduli Lingkungan*" (Chaki Cares about the Environment) and "*Chaki Goes to School with the Police*" are aimed to educate children regarding the importance of caring for the environment and to educate children regarding basic traffic rules.

- FAST launched the Green Action program in 2012, a campaign where FAST launches certain "green" initiatives such as the utilization of organic paddy, eco-friendly tools, and bio degradable packaging and the recycling of the restaurants' used cooking oil to become bio-solar.

- Also as part of its Green Action program, FAST organized a rescue and preservation of the environment action, especially for the marine habitat and ecosystem of Indonesia, which was focused on the preservation of coral reefs, mangrove planting, and turtle conservation as protected marine animals.

- FAST launched the "*Bedah Rumah*" (Home Restoration) program which was successfully conducted in three cities, Tangerang, Garut and Cirebon. Through this program, FAST has indirectly assisted the Government in its program to provide healthy and livable homes for the poor community.

- Throughout the year 2012, the Company consistently conducts "KFC Cares Plus" (*KFC Peduli Plus*) programs in several parts of Indonesia, such as the Greater Jakarta Area, West Java, Central Java, East Java, Lampung, and Nusa Tenggara Barat (Bima). This program's objective is to help fund junior and senior high school students from the less-fortunate families so they can continue their education.

- FAST regularly organizes blood drive activities, in cooperation with *Palang Merah Indonesia* (the Indonesian Red Cross), where its employees participate. Such events were held at FAST's RSC in Jakarta, Makassar, Surabaya, Semarang and included the restaurant in Sorong, Papua.