Application for Additional Shares Listing from Limited Public Offering with Rights
Date of Extraordinary General Meeting of Shareholders (EGMS)
Date of Report of EGMS Resolutions regarding Rights Offering Approval to IDX
Announcement Date of EGMS Resolutions
Date of Last Trade of Shares with Rights (Curn Right)
• Regular and Negotiation Markets
• Cash Market
Date of Initial Trade of Shares without Rights (ERight)
• Regular and Negotiation Markets
• Cash Market

Schedule
October 8, 2015
October 9, 2015
October 12, 2015
October 12, 2015
October 19, 2015
October 22, 2015
October 20, 2015
October 23, 2015
Recording date to obtain the Rights
Distribution of the Rights Certificate
Date of Shares Listing in IDX
Trading Period of Rights
Registration, Payment and Exercise
Periods of Rights
Delivering Period of Shares from Exercising the Rights
Last Date of Payment for Subscription of Additional Shares
Date of Subscription Money Refund

IMPORTANT NOTICE TO THE SHAREHOLDER
THIS LPO BECOMES EFFECTIVE AFTER APPROVED BY THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS (“EGMS”) OF THE COMPANY. THE EGMS WILL BE HELD ON OCTOBER 9, 2015. IN CASE THE EGMS DOES NOT APPROVE THE LPO, ANY ACTIVITY AND/OR ANY OTHER ACTION IN WHATEVER FORM THAT HAS BEEN PERFORMED AND/OR PLANNED BY THE COMPANY IN THE FRAMEWORK OF RIGHTS ISSUE IN ACCORDANCE WITH THE ABOVE SCHEDULE AND IN THIS PROSPECTUS OR OTHER DOCUMENTS IN CONNECTION WITH THE PLAN OF THIS LPO SHALL BE DEEMED TO BE NON-EXISTING AND MAY NOT BE USED AS A BASIS OR REASONS BY ANY PERSON TO CONDUCT LEGAL ACTION IN ANY FORM AGAINST ANY PARTY INCLUDING THE COMPANY AND THE CAPITAL MARKET SUPPORTING PROFESSION INSTITUTIONS DESIGNATED FOR THIS LPO.

THE RIGHTS ARE TRADEABLE INSIDE AND OUTSIDE THE INDONESIA STOCK EXCHANGE FOR NOT LESS THAN 5 (FIVE) BUSINESS DAYS FROM OCTOBER 26, 2015 TO OCTOBER 30, 2015. NEW SHARES LISTING AS A RESULT OF EXECUTION OF RIGHTS WILL BE CONDUCTED IN THE INDONESIA STOCK EXCHANGE ON OCTOBER 26, 2015. LAST DATE OF EXECUTION OF RIGHTS IS OCTOBER 30, 2015 PROVIDED THAT THE RIGHTS THAT ARE NOT EXERCISED UP TO THE SAID DATE SHALL NO LONGER BE VALID.

IMPORTANT NOTICE TO THE SHAREHOLDERS
EXISTING SHAREHOLDERS WHO DO NOT EXERCISE ITS RIGHTS TO PURCHASE NEW SHARES OFFERED UNDER THIS LPO PERSUANT TO ITS RIGHTS SHALL BE SUBJECT TO DILUTION IN THE MAXIMUM AMOUNT OF 5.8% (FIVE POINT EIGHT PERCENT).

THE MAIN RISK FACED BY THE COMPANY IS DEPENDENT ON THE PRODUCTION AND SALE OF A SINGLE CATEGORY OF PRODUCT, AND ANY MATERIAL DETERIORATION OF THE MARKET CONDITION FOR CIGARETTES MAY ADVERSELY AFFECT THE COMPANY’S BUSINESS AND PROFITABILITY.

"IN THIS LPO, THE COMPANY SHALL NOT ISSUE COLLECTIVE SHARES CERTIFICATES, HOWEVER THOSE SHARES WILL BE DISTRIBUTED ELECTRONICALLY THAT WILL BE ADMINISTERED IN THE COLLECTIVE DEPOSITORY OF PT KUSTODIAN SENTRAL EFEK INDONESIA (KSEI)."
RISKS FACED BY THE INVESTORS ARE THE PRICE AND LIQUIDITY OF THE SHARES ARE AFFECTED BY THE CONDITIONS IN THE INDONESIAN SECURITIES MARKET.
PT Hanjaya Mandala Sampoerna Tbk.


The Company and the Capital Market Supporting Professions and Institutions in the framework of this LPO shall be fully responsible for all information or material facts and truth in the opinion presented in this Prospectus, in accordance with their respective duties under the provisions of the prevailing laws and regulations in the territory of the Republic of Indonesia as well as the code of ethics, norms and standards of each professions.

In connection with this LPO, all parties, including affiliated parties shall not make any representations or statements on the data or matters that are not disclosed in the Prospectus without prior written consent of the Company.

Capital Market Supporting Professions and Institutions in this LPO are not affiliated with the Company whether directly or indirectly as defined in the Capital Market Law.

If the shares offered in the LPO are not fully taken up by shareholders or holders of Rights Certificates, then the remaining shares will be allocated to other shareholders who subscribe more than its rights proportionally based on the number of Rights that have been exercised by each shareholder who requested additional securities based on the Exercise Price. Shares from the LPO have same and equal rights in all matters including right of dividends with other shares that have been fully paid-up. Shares issued in this LPO have same and equal rights in all matters with other Company's shares that have been issued and fully paid-up.

Under Regulation No. IX.D.1, in the event the shareholders hold the Rights Certificate in the form of fractions, then the right of the securities fractions shall be owned by the Company and will be sold by the Company and the proceeds will be deposited in the Company's account.

Every amendment or additional information regarding the Rights as mentioned above, will be announced at the latest 2 (two) Business Days prior to the EGMS.

---

**THIS LPO HAS NOT BEEN REGISTERED PURSUANT TO ANY OTHER LAWS OR REGULATIONS OTHER THAN THOSE PREVAILING IN THE REPUBLIC OF INDONESIA. FOR THOSE OUTSIDE THE TERRITORY OF INDONESIA RECEIVING THIS PROSPECTUS OR RIGHTS CERTIFICATE, OR OTHER DOCUMENTS RELATING TO THIS LPO, THEN THE SAID DOCUMENTS ARE NOT INTENDED AS OFFERING DOCUMENTS TO PURCHASE REGISTERED SHARES AS A RESULT OF EXECUTION OF RIGHTS, UNLESS THE OFFER, PURCHASE OR EXECUTION OF RIGHTS, IS NOT IN CONTRARY TO OR IS NOT A VIOLATION TO THE PREVAILING REGULATIONS IN SUCH COUNTRY. IF THERE ARE SHAREHOLDERS WHO ARE NOT INDONESIAN CITIZENS WHICH BASED ON PROVISIONS OF THE REGULATIONS IN THEIR COUNTRY ARE PROHIBITED TO EXECUTE THE RIGHTS, THEREFORE, THE COMPANY OR PARTY DESIGNATED BY THE COMPANY RESERVES THE RIGHT TO DENY THE REQUEST OF THE RELEVANT PARTY TO EXECUTE THE PURCHASE OF SHARES PURSUANT TO THEIR OWN RIGHTS.**

**PROSPECTUS MAY ONLY BE DISTRIBUTED IN INDONESIA. NOTHING CONTAINED IN THIS DOCUMENT THAT MAY BE CONSIDERED AS A SECURITIES OFFER TO SELL IN THE REGION THAT PROHIBITS IT. RIGHTS AND COMMON SHARES OF THE COMPANY TO BE ISSUED FROM THE EXERCISE OF RIGHTS HAVE NEVER AND WILL NOT BE REGISTERED UNDER THE TERMS OF THE UNITED STATES SECURITIES ACT OF 1933 AND ITS AMENDMENTS OR IN A JURISDICTION OUTSIDE INDONESIA. THEREFORE, THE PERSONS IN THE UNITED STATES ARE NOT ALLOWED TO EXERCISE THE RIGHTS. RIGHTS MAY NOT BE EXERCISED BY PERSONS OUTSIDE THE TERRITORY OF INDONESIA, IN WHICH THE OFFERING OR EXERCISE OF RIGHTS TO SHARES IS PROHIBITED BY PREVAILING LAW, AND THE COMPANY AND THE APPOINTED PARTIES ARE ENTITLED TO TREAT THE RIGHTS OR THE OTHER RIGHTS DOCUMENTATION CONVEYED TO THE RELEVANT PERSONS AS INVALID.**

**THE COMPANY HAS DISCLOSED ALL MATERIAL INFORMATION REQUIRED TO BE KNOWN BY THE PUBLIC AND THERE IS NO FURTHER INFORMATION YET TO BE DISCLOSED THEREFORE SHALL NOT BE MISLEADING PUBLIC.**
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DEFINITIONS AND ABBREVIATIONS

**Abridged Prospectus** : Shall mean an abridged prospectus compiled and issued by the Company and announced in at least 1 daily newspaper in Indonesian language circulated nationally.

**Account Holder** : Shall mean a person whose name is listed as the owner of a Securities Account in KSEI which includes the Custodian Bank and/or Securities Company and/or other party approved by KSEI with due regard to regulations of capital market and KSEI.

**Affiliation** : Shall mean an Affiliate as referred to in Article 1 point 1 of the Capital Market Law, namely:
- a. family relationship due to marriage and descendants until the second degree, either horizontally and vertically;
- b. relationship between a party with an employee, Director or Commissioner of such party;
- c. relationship between 2 (two) companies where there is 1 (one) or more corresponding members of Board of Directors and Board of Commissioners;
- d. relationship between a company with a party, either directly or indirectly, controlling or controlled by such company;
- e. relationship between 2 (two) companies controlled by the same party either directly or indirectly; or
- f. relationship between a company and the major shareholder.

**BAE** : Shall mean the Securities Administrative Bureau.

**Custodian Bank** : Shall mean a commercial bank that has been approved by Bapepam and LK or OJK to run business as a Custodian.


**BNRI** : Shall mean State Gazette of the Republic of Indonesia.

**Business Day** : Shall mean Monday through Friday, with the exception of national holidays determined or encouraged by the Government of the Republic of Indonesia and normal Business Days that due to certain circumstances are declared as Non-Business Days by the government of the Republic of Indonesia.

**Calendar Day** : Shall mean days in one (1) year according to the Gregorius Calendar without exception, including Saturdays, Sundays and national holidays which can be determined at anytime by the Government of the Republic of Indonesia and Business Day that due to certain circumstances are declared as non normal business days by the Government of the Republic of Indonesia.


**Collective Depository** : Shall mean a depository services of securities owned jointly by more than one party whose interests are represented by the Custodian, as referred to in the Capital Market Law.

**Company** : Shall mean PT Hanjaya Mandala Sampoerna Tbk., a limited liability company organized under the laws of the Republic of Indonesia and domiciled in Surabaya which will conduct the LPO.

**Company Law** : Shall mean Law No. 40 of 2007 dated August 16, 2007 on Limited Liability Companies, BNRI No. 106 of 2007, Supplement No. 4756, including its implementing regulations and any subsequent amendments or renewals.

**Custodian** : Shall mean a party providing depository services for securities and other properties related to securities as well as other services including receiving interest and other
rights, settling securities transactions and representing their customer Account Holders in accordance with the provisions of the Capital Market Law, including KSEI, Securities Companies and Custodian Banks.

**DPS** : Shall mean Shareholders Register.

**EBIT** : Shall mean gross profit minus cost of goods sold and general and administrative expenses. EBIT does not constitute as GAAP based measurement.

**EBITDA** : Shall mean gross profit minus cost of goods sold and general and administrative expenses, add depreciation and amortization. EBITDA does not constitute as GAAP based measurement.

**Effective Statement Date** : Shall mean a date on which OJK provide a statement on the effectiveness of the LPO Registration Statement.

**EGMS** : Shall mean an Extraordinary General Meeting of Shareholders carried out pursuant to the provisions of the Company’s articles of association.

**Exercise Price** : Shall mean a price which must be paid in the LPO for every 1 (one) exercised Right into new shares, which is Rp77,000 (seventy seven thousand Rupiah) per share.

**GAAP** : Shall mean Indonesian Generally Accepted Accounting Principles (Pernyataan Standar Akuntansi Keuangan or PSAK)

**GMS** : Shall mean a General Meeting of Shareholders, i.e. the General meeting of Shareholders of the Company carried out pursuant to the provisions of the Company’s articles of association and the Company Law and the Capital Market Law as well as their implementing regulations.

**Government** : Shall mean the Government of the Republic of Indonesia.

**IAPI** : Shall mean Institute of Indonesia Public Accountants.

**IDX or Stock Exchange** : Shall mean an authority that administers and provides system and/or means to meet the securities sale and purchase offering of other parties with the intention to trade Securities between them, which in this case conducted by PT Bursa Efek Indonesia, domiciled in South Jakarta, and its successors and beneficiary of its rights and obligations.

**KSEI** : Shall mean PT Kustodian Sentral Efek Indonesia (the Indonesia Central Securities Depository).

**KSEI Regulation** : Shall mean KSEI Regulation No. KEP-0013/DIR/KSEI/0612 dated June 11, 2012 regarding Central Depository Services as approved by the OJK in accordance with decree of Bapepam and LK No. S-6953/BL/2012 dated June 6, 2012 regarding Approval of the draft Regulation of KSEI regarding Central Depository Services, including its amendments and/or additions and/or subsequent amendments.

**Limited Public Offering or LPO** : Shall mean an offering as much as 269,723,076 (two hundred sixty nine million seven hundred twenty three thousand and seventy-six) New Shares with a par value of Rp100 (one hundred Rupiah) per share, where each holder of 65 (sixty-five) existing share whose name is listed in the DPS on October 22, 2015 at 16.00 WIB are entitled to 4 (four) Rights and every 1 (one) Right authorizes the holder to subscribe 1 (one) New Share with the Exercise Price of Rp77,000 (seventy seven thousand Rupiah) per share which must be paid in full at the time of submitting the Shares Subscription and Reservation Form. Shares from LPO has the same and equal right in every aspects including right of dividend with other shares which have been fully paid-up. Each Rights in the form of fraction will be rounded down.

**MOLHR** : Shall mean the Minister of Law and Human Rights of the Republic of Indonesia.

**Nett – Profit/ (Loss)** : Shall mean profit (loss) for the current year.

**New Share** : Shall mean common registered shares to be issued by the Company in the LPO with a nominal value of Rp100 (one hundred Rupiah).
Existing Share : Shall mean the registered common shares which have been issued and fully paid-up by the Company on the date of issuance of this Prospectus.

Pefindo : Shall mean PT Pemeringkat Efek Indonesia (the Indonesia Credit Rating Agency).

PMI : Shall mean Philip Morris International Inc.

PMID : Shall mean PT Philip Morris Indonesia.

Prospectus : Shall mean the offering document as defined in Article 1 Point 26 of the Capital Market Law.

Public : Shall mean individuals and/or entities, both Indonesian Citizen/Indonesian Agencies and Foreign Citizens/Foreign Agencies both residing/domiciled in Indonesia or outside the territory of Indonesia.

Registration Statement : Shall mean the registration statement referred to in Article 1 point 19 of the Capital Market Law in conjunction with Bapepam Regulation IX.C.1 on Guidelines for the Form and Content of Registration Statement for a Public Offering Attachment to Decision of the Chairman of Bapepam No. Kep-42/PM/2000, dated October 27, 2000 together with the documents filed by the Company to the OJK before conducting the public offering, including changes, additions and rectification to meet the requirements of the OJK.

Rights Certificate : Shall mean the rights evidence letter or certificate issued by the Company to Shareholders as prove of rights, which may be traded during Rights Certificate Trading Period.

ROA of the Company : Shall mean the Return on Assets of the Company which is calculated based on the ratio of profit before tax divided by the average total assets on the last day of each month during the relevant year.

ROE of the Company : Shall mean the Return on Equity of the Company which is calculated based on the ratio of profit after tax divided by the average total equity (Tier 1) on the last day of each month during the relevant year.

Securities : Shall mean negotiable paper, namely, debt instruments, commercial negotiable paper, shares, sukuk mudharabah and subordinate bonds, proof of the debt, participation unit of collective investment contract, futures contract of securities, and any derivatives of Securities, as defined in Article 1 paragraph 5 of the Capital Market Law.

Securities Account : Shall mean an account that contains records on the positions of shares and/or funds owned by the Shareholders administered at KSEI, or the Account Holder under agreement of the securities account opening signed by the shareholders and the Securities Company or Custodian Bank.

Security Companies : Shall mean a party that conducts its business activities as an underwriter, broker or investment manager as referred to in the Capital Market Law.

Shares resulting from the exercise of Rights : Shall mean all shares resulting from the exercise of the Rights which are New Shares acquired by the holders of the Rights in the LPO that is as much as 269,723,076 (two hundred and sixty nine million seven hundred twenty-three thousand seventy-six) shares.

SKM : Shall mean machine-made kretek cigarettes (Sigaret Kretek Mesin).

SKT : Shall mean hand-rolled kretek cigarettes (Sigaret Kretek Tangan).

SME : Shall mean Small Medium Enterprises.

SPM : Shall mean machine-made white cigarettes (Sigaret Putih Mesin).

Subsidiaries : Shall mean companies whose financial statements are consolidated with the Company in accordance with the GAAP.

The Financial Services Authority (Otoritas Jasa Keuangan - OJK) : Shall mean the independent agency, which has functions, duties, and authorities of regulation, supervision, inspection, and investigation as referred to in Law No. 21 of 2011 dated November 22, 2011 concerning the Financial Services Authority. As of December 31, 2012, the functions, duties, and authorities of regulation and supervision of the financial services activity in the Capital Market sector, which is switched from
Minister of Finance and Bapepam and LK to OJK in accordance with Article 55 of Law No. 21 of 2011 or its successors and beneficiary of its rights and responsibilities.
ABBREVIATIONS OF COMPANY NAMES

PMI : Philip Morris International Inc.
PMID : PT Philip Morris Indonesia
SIP : Sampoerna International Pte. Ltd.
Handal : PT Handal Logistik Nusantara
TD : PT Taman Dayu
Union Sampoerna : PT Union Sampoerna Dinamika
Wahana Sampoerna : PT Wahana Sampoerna
HMSE : PT Harapan Maju Sentosa
Persada : PT Persada Makmur Indonesia
Panamas : PT Perusahaan Dagang Dan Industri Panamas
Sampoerna Printpack : PT Sampoerna Printpack
GTD : PT Golf Taman Dayu
Agasam : PT Agasam
SIS : PT Sampoerna Indonesia Sembilan
STAL : Sampoerna Tabacos America Latina Ltda.
STCO : Sterling Tobacco Corporation
STC : Sampoerna Taiwan Corporation
Vinataba : Vinataba-Philip Morris Limited
SUMMARY

The summary below constitutes an inseparable part and should be read in conjunction with more detailed information, including the consolidated financial statements as well as the relevant notes on the relevant consolidated financial statements, contained in this Prospectus. This summary is made based on facts and considerations which are important for the Company. All financial information contained in this Prospectus originates from the consolidated financial statements of the Company presented in Rupiah currency and in accordance with the Indonesian Financial Accounting Standard.

1. Overview

The Company was established in 1963 and domiciled in Surabaya under the name of PT Perusahaan Dagang Dan Industri Panamas with the cigarette industry being its main business activity.

The Company was established based on Deed of Establishment No. 69 dated October 19, 1963 which was amended by Deed No. 46 dated April 15, 1964, both were drawn up before Anwar Mahajudin, at the time a notary in Surabaya, which was approved by the Minister of Justice of the Republic of Indonesia through Stipulation No. J.A.5/59/15 dated April 30, 1964, and had been registered in the public register in Surabaya District Court No. 654 and No. 655 dated May 18, 1964, and announced in BNRI No. 94 dated November 24, 1964, Supplement No. 357. In 1989, the Company’s name was changed into PT Hanjaya Mandala Sampoerna.

The Articles of Association of the Company have been amended several times and were lastly amended by Deed of Statement of Meeting Resolutions on Amendment of the Company's Articles of Association No. 21 dated May 12, 2015 which was drawn up before Aryanti Arisari, S.H., M.Kn., Notary in South Jakarta Administration City, and had obtained an approval from MOLHR based on Decree No. AHU-0935168.AH.01.02.TAHUN 2015 and Notification Receipt on Amendment of the Articles of Association No. AHU-AHU-0931826.01.03, both dated May 13, 2015, in which the shareholders approved the amendment of the Articles of Association of the Company, among others, to be in conformity with the provisions of the regulations of OJK.

As per June 30, 2015, the Company has direct and indirect shares participation in the following companies:

<table>
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<th>Company Name</th>
<th>Business line</th>
<th>Year</th>
<th>Equity holdings 1</th>
<th>Equity holdings 2</th>
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<tbody>
<tr>
<td>Sampoerna International Pte. Ltd.</td>
<td></td>
<td>1995</td>
<td>100.00%</td>
<td>100.00%</td>
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<tr>
<td>PT Handal Logistik Nusantara</td>
<td>Expedition and warehousing</td>
<td>1981</td>
<td>99.98%</td>
<td>100.00%</td>
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<tr>
<td>PT Taman Dayu</td>
<td>Property development</td>
<td>1978</td>
<td>99.73%</td>
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<tr>
<td>PT Union Sampoerna Dinamika</td>
<td>General trading</td>
<td>2005</td>
<td>99.99%</td>
<td>100.00%</td>
</tr>
<tr>
<td>PT Wahana Sampoerna</td>
<td>Property, trading and services</td>
<td>1989</td>
<td>99.94%</td>
<td>100.00%</td>
</tr>
<tr>
<td>PT Harapan Maju Sentosa</td>
<td>Cigarette manufacturing and trading</td>
<td>1990</td>
<td>99.99%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Company Name</td>
<td>Year</td>
<td>Business Description</td>
<td>Ownership</td>
<td>Ownership</td>
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<td>PT Persada Makmur Indonesia</td>
<td>2003</td>
<td>Cigarette manufacturing and trading</td>
<td>99.00%</td>
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<tr>
<td>PT Perusahaan Dagang Dan Industri Panamas</td>
<td>1992</td>
<td>Cigarette distribution</td>
<td>99.90%</td>
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<td>PT Sampoerna Printpack</td>
<td>1985</td>
<td>Printpack and packaging</td>
<td>80.02%</td>
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<td>PT Golf Taman Dayu</td>
<td>1996</td>
<td>Leisure and golfcourse services</td>
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<td>PT Sampoerna Indonesia Sembilan</td>
<td>2002</td>
<td>Cigarette manufacturing and trading</td>
<td>1.00%</td>
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<td>PT Agasam</td>
<td>2003</td>
<td>Trading and services</td>
<td>0.10%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sampoerna Tabacos America Latina Ltda.</td>
<td></td>
<td>Cigarette manufacturing and trading</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sterling Tobacco Corporation</td>
<td>1995</td>
<td>Cigarette manufacturing and trading</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sampoerna Taiwan Corporation</td>
<td>2001</td>
<td>Equity holdings</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Vinataba-Philip Morris Limited</td>
<td>1993</td>
<td>Cigarette manufacturing, trading and marketing</td>
<td>49.00%</td>
<td>49.00%</td>
</tr>
</tbody>
</table>

*) Previously known as PT Asia Tembakau, effective since January 30, 2015.
2. LIMITED PUBLIC OFFERING

Type of Offering: Rights Issue
Nominal Value: Rp100 (one hundred Rupiah)
Exercise Price: Rp77,000 (seventy seven thousand Rupiah)
Conversion Ratio: 65 (sixty-five) existing shares entitled to 4 (four) Rights
Ownership Dilution: 5.8% (five point eight percent)
Listing: IDX

The capital and shareholding structures of the Company at the time this Prospectus was issued are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp100,-/pershare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>Total Shares</td>
</tr>
<tr>
<td>Fully Issued and Paid-Up Capital:</td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,168,206</td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>79,831,795</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-Up Capital</td>
<td>4,383,000,000</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,917,000,000</td>
</tr>
</tbody>
</table>

If PMID as the major shareholder of the Company exercises a portion of its Rights in the LPO with a total of 600,640 (six hundred thousand six hundred and forty) Rights, while particular investors that purchased the Rights from the LPO and minority shareholders do not fully exercise their Rights in the LPO, the pro forma composition of the Company's shares capital after the LPO shall be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp100,-/pershare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>Total Shares</td>
</tr>
<tr>
<td>Fully Issued and Paid-Up Capital:</td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,768,845</td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>84,744,520</td>
</tr>
<tr>
<td>- Particular Investors</td>
<td>264,209,711</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-Up Capital</td>
<td>4,652,723,076</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,647,276,924</td>
</tr>
</tbody>
</table>

If PMID as the major shareholder of the Company exercises a portion of its Rights in the LPO with a total of 600,640 (six hundred thousand six hundred and forty) Rights and particular investors that purchased the Rights from the LPO exercise all of their rights; however, minority shareholders do not fully exercise their Rights in the LPO, the pro forma composition of the Company's shares capital after the LPO shall be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp100,-/pershare</th>
</tr>
</thead>
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<tr>
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</tr>
<tr>
<td>Fully Issued and Paid-Up Capital:</td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,768,845</td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>79,831,795</td>
</tr>
<tr>
<td>- Particular Investors</td>
<td>264,209,711</td>
</tr>
<tr>
<td>- PT Mandiri Sekuritas</td>
<td>4,912,726</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-Up Capital</td>
<td>4,652,723,076</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,647,276,924</td>
</tr>
</tbody>
</table>

More detailed information regarding the LPO can be seen in Chapter I of this Prospectus.
3. USE OF PROCEEDS OBTAINED FROM THE LPO

The Company intends to use all of the proceeds that it receives from the LPO at a maximum amount of Rp20,768,676,852,000 (twenty trillion seven hundred sixty eight billion six hundred seventy six million eight hundred fifty two thousand Rupiah), after being deducted with all expenses in relation to the LPO, for working capital purposes, including partial repayment of working capital facilities.

If the proceeds obtained is less than the planned result of the LPO, the Company will use its internal cash, considering the Company still has sufficient funds to run its operations.

More detailed information regarding the plan of use of proceeds from the LPO can be seen in Chapter II of this Prospectus.

4. BUSINESS RISKS

Likewise with the business activities of other companies, the Company also faces a variety of business risks that are influenced by both external and internal factors that could affect the Company’s performance.

The following constitutes a brief information on the Company’s business risks:

Risks Relating to the Company’s Business and Industry
1. The Company is dependent on the production and sale of a single category of product, and any material deterioration of the market condition for cigarettes may adversely affect its business and profitability.
2. Current and future adult consumer trends and preferences may reduce the demand for cigarettes or certain types of cigarettes which may adversely affect the price and demand for cigarettes sold by the Company, and the Company may be unable to anticipate or respond adequately to changes in adult smoker preferences or demand.
3. The Company’s business may be adversely affected by unfavorable changes in the excise tax regime for cigarette products, and increases in cigarette-related taxes that have been proposed or enacted in Indonesia may disproportionately affect the Company’s profitability.
4. The Company faces intense competition, and its failure to compete effectively could have a material adverse effect on its profitability.
5. The Company is dependent on the strength of its brands, and if the Company is unable to adequately protect and promote its trademark and brand names, its reputation and competitive position could be materially adversely impacted.
6. The Company may not be able to procure sufficient or stable supplies of raw materials for its manufacturing process as a result of factors that affect tobacco leaf and clove production and harvesting or for other reasons, and a delay or shortage in the supply of raw materials, particularly clove, could have a material adverse effect on its business, results of operations and prospects.
7. The Company is exposed to tobacco leaf and clove price fluctuations and inflation, and the Company’s margins may be affected by higher raw material prices.
8. The Company’s financial performance is affected by economic conditions in Indonesia.
9. The Company may be affected by changes in Government policies with respect to the cigarette industry and may face significant governmental action aimed at increasing regulatory requirements with the goal of reducing or preventing the use of cigarette products.
10. Restrictions on advertising, promotion, marketing, packaging, labelling, and usage of cigarette products in Indonesia and other markets in which the Company sells its products may reduce the demand for cigarette products and materially and adversely affect the Company’s business and result of operations.
11. The Company’s business depends on the operating capacity and the continuing operations of its manufacturing facilities and unforeseen stoppage or extended downtime at the Company’s production facilities or other operational risks could adversely affect its business, results of operations and financial condition.
12. The Company’s SKT operations are labor-intensive, and an increase in real labor costs or labor disputes with its employees may erode the Company’s profitability.
13. The Company’s business may be impacted by seasonality of cigarette consumption and seasonality of tobacco leaf and clove prices.
14. The Company may not be able to extend in arrangements with its third-party operators and may be required to replace third-party operators with its own resources or may need to re-negotiate arrangements with its third-party operators.
15. The Company’s distribution channels are subject to logistical difficulties and the Company is dependent on the reliability of its distribution channels and the distribution channels provided by third-party carriers.
16. The Company may not be able to obtain, maintain or renew all of the approvals, licenses, registrations and permits that are required for it to conduct its business.
17. The Company may face challenges to title to the land on which its manufacturing and distribution facilities and sales offices are located.
18. The Company is dependent on the quality of the title to its land properties and the ability to renew or extend these titles.
19. The Company may be subject to litigation, investigations and other regulatory proceeding, including litigation alleging adverse health and financial effects resulting from the use of its cigarette products, and could incur
substantial costs in connection with such proceedings.
20. Product liability claims and adverse publicity in respect of the tobacco products sold by the Company could have a material adverse effect on the Company's reputation.
21. The Company may be adversely affected by the imposition and enforcement of more stringent environmental regulations.
22. The Company's production facilities or operations may face disruption from environmental groups, nongovernmental organizations and interested individuals.
23. Increases in illicit trade of tobacco products may cause reputational damage and a decline in recorded legal sales, and may cause the Company to settle claims related to illicit trade or to adopt costly countermeasures.
24. The Company's insurance policies may be insufficient or the Company may experience a delay between an insured loss occurring and being compensated by its insurers.
25. The Company's TPOs and suppliers may engage in unethical child labor practices or be in violation of child labor laws and other labor regulations.
26. The interests of the Company's controlling shareholder may not align with the interests of the Company's business and/or may differ from those of its other shareholders.
27. The Company is engaged in a number of transactions with affiliated parties and the application of OJK conflict of interest regulations may cause the Company to forego transactions that are in the Company's best interests.
28. The Company depends on the services of its senior management team and if it is unable to attract and retain qualified personnel or attract, recruit, train and retain suitable replacements, its business, financial condition and results of operations could be adversely affected.
29. The Company depends on the services of its senior management team and if it is unable to attract and retain qualified personnel or attract, recruit, train and retain suitable replacements, its business, financial condition and results of operations could be adversely affected.
30. The failure of the Company's information systems to function as intended or their penetration by outside parties with the intent to corrupt them could result in business disruption, litigation and regulatory action, and loss of revenue, assets or personal or other sensitive data.
31. The Company is exposed to foreign exchange rate fluctuations and potential devaluation of the Rupiah.

Risks Relating to Indonesia
1. Indonesia is located in a geologically active zone and is subject to the risk of significant geological and other natural disasters, which could lead to social and economic instability.
2. Regional authorities may impose additional and/or conflicting local restrictions, taxes and levies.
3. Political and social instability in Indonesia may affect the Company.
4. Terrorist activities in Indonesia and certain destabilizing events in Southeast Asia have led to substantial and continuing social and economic volatility.
5. Outbreak of an infectious disease or any other serious public health concerns in Asia (including Indonesia) and elsewhere could have a significant negative impact on the economy.
6. Regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets.
7. Labour activism, unrest and employment legislation in Indonesia may have a material adverse effect on the Company.
8. Regional or global economic changes may have a material adverse effect on the Indonesian economy and the Company's business.
9. Downgrades of credit ratings of Indonesia and Indonesian companies could adversely affect the Company.
10. Judgments of a foreign court may not be enforceable against the Company.

Risk Relating to the Shares
1. Conditions in the Indonesian securities market may affect the price or liquidity of the shares.
2. 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 and will be paid in Rupiah.
3. The rules of minority shareholders may be more limited than in other jurisdictions.
4. Indonesian law may operate differently from the laws of other jurisdictions with regard to the convening of, and the right of shareholders to attend and vote at, general meetings of shareholders of the Company.
5. The Company operates in a legal system in which the application of various laws and regulations may be uncertain, and through the purchase of the shares, holders of the shares are exposed to such legal system and may find it difficult or impossible to pursue claims relating to the shares.
6. A shareholder's right to participate in future rights offerings could be limited, which would cause dilution to their holdings.
7. Shareholders may be subject to dilution on issues of new shares or other equity securities by the Company.
8. Exchange fluctuations may have a material adverse effect on the value of the shares and any dividend distribution.
9. Indonesian law contains provisions that could discourage a takeover of the Company.
10. There may be less company information available, and corporate governance standards may differ, for public companies listed on Indonesian securities markets as compared with those listed on securities markets in more developed countries.
11. Indonesia may suffer from governmental or business corruption.

Further information on business risks can be seen in chapter V of this prospectus.
5. BUSINESS STRATEGIES AND PROSPECTS

The Company’s vision is to further strengthen and expand its position as the leading tobacco company in Indonesia. To that end, it is focusing on the following strategic initiatives.

1. Continue to leverage and build the Company’s brands.
2. Expanding its presence in growing market segments.
3. Continued focus on operational and supply chain processes.
4. Proactively advocate a sensible regulatory and excise tax environment.

6. FINANCIAL HIGHLIGHT

You should read the selected Consolidated Financial Information presented below in conjunction with the Company’s Consolidated Financial Statements and the related notes thereto as of and for the years ended December 31, 2012, 2013 and 2014 and as of June 30, 2015 and for the six months ended June 30, 2014 and 2015 included elsewhere in this Prospectus.

The Company has derived the selected consolidated financial information below from its historical Consolidated Financial Statements as of and for the years ended December 31, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2015, each prepared and presented in accordance with IFAS and included elsewhere in this Prospectus. The Audited Consolidated Financial Statements as of and for the years ended December 31, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2015 have been audited, in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants (“IICPA”), by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly known as KAP Tanudiredja, Wibisana & Rekan, (a member firm global network of PricewaterhouseCoopers), independent public accountants and the report has been signed by a public accountant Nita Skolastika Ruslim, CPA by providing a fairness opinion. The Company also provides other financial information as of and for the years ended December 31, 2010 and 2011. The financial information for 2010 and 2011 presented below have been reclassified and restated to conform with the presentation of the consolidated financial statements of the Company included elsewhere in this Prospectus. Unless otherwise stated below, the financial information dated and for the years ended December 31, 2010 and 2011 were taken from the audited consolidated financial statement of the Company that are not part of this Prospectus and are available on the website of the Company (www.sampoerna.com) and has been reported to the OJK. The Audited consolidated financial statements dated and for the years ended December 31, 2011 and 2010 have been audited by KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), an independent public accountant, and the report has been signed by a public accountant Andry D. Atmadja, SE. Ak., CPA by providing a fairness opinion.

The Company has derived the selected interim consolidated financial information below for the six months ended June 30, 2014 from its unaudited interim consolidated financial statements for the six months ended June 30, 2014, prepared and presented in accordance with IFAS and included elsewhere in this Prospectus. These interim consolidated financial statements for the six months ended June 30, 2014, which have been reviewed by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly known as KAP Tanudiredja, Wibisana & Rekan, (a member firm global network of PricewaterhouseCoopers), include all adjustments consisting of normal and recurring adjustments which are considered necessary for a fair presentation of the consolidated financial position and operating results of the Company for the period presented. With respect to these unaudited financial information, KAP Tanudiredja, Wibisana, Rintis & Rekan have applied limited procedures in accordance with the review standards established by IICPA for a review of such information. They did not audit and do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on such information should be restricted in light of the limited nature of the review procedures applied. The Company’s results for any interim period may not be indicative of its results for the full year or for any period.

Summary of Consolidated Statements of Financial Positions

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30 2015</th>
<th>June 30 2014</th>
<th>June 30 2013</th>
<th>June 30 2012</th>
<th>December 31 2011*</th>
<th>December 31 2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>28,494.4</td>
<td>28,380.6</td>
<td>27,404.6</td>
<td>26,247.5</td>
<td>19,329.8</td>
<td>20,474.3</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>14,420.1</td>
<td>14,882.5</td>
<td>13,249.6</td>
<td>12,939.1</td>
<td>9,027.1</td>
<td>10,189.8</td>
</tr>
<tr>
<td>Total Equity</td>
<td>14,074.3</td>
<td>13,498.1</td>
<td>14,155.0</td>
<td>13,308.4</td>
<td>10,302.7</td>
<td>10,284.5</td>
</tr>
</tbody>
</table>

*After reclassification. Further information on important financial information and reclassification can be seen in Chapter IX of this Prospectus.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

<table>
<thead>
<tr>
<th>Description</th>
<th>(in billion Rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

xii
7. Dividend Policy

Under the prevailing provisions in Indonesia, the shareholders must approve the distribution of dividends at an annual GMS upon the recommendation of the Board of Directors.

Shareholders on the applicable record date will be entitled to receive the full amount of dividends approved, subject to any Indonesian withholding tax. After a decision is made to pay dividends, such dividends will be paid in Rupiah and must be paid within 30 days after the announcement of the result of the GMS approving the distribution of dividend. The dividends received by non-Indonesian shareholders will be subject to a 20% withholding tax in Indonesia unless reduced under an applicable Double Taxation Avoidance Agreement.

The following is a description of the Company’s dividend payments for the financial years of 2012 to 2014, each was respectively paid in the following year.

(in billion Rupiah, otherwise stated differently)
<table>
<thead>
<tr>
<th>Description</th>
<th>2014⁽¹⁾</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Dividend Declared</td>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of Interim Dividend Payment</td>
<td></td>
<td></td>
<td>December 23, 2011</td>
<td></td>
</tr>
<tr>
<td>Final Dividend Payment</td>
<td></td>
<td></td>
<td></td>
<td>December 23, 2011</td>
</tr>
<tr>
<td>Dividend Payout Ratio⁽²⁾</td>
<td>86.4%</td>
<td>98.4%</td>
<td>100%</td>
<td>95.1%</td>
</tr>
</tbody>
</table>

(1) Dividend Payout Ratio is calculated based on the dividend distribution approved for the year with the net income from the previous year as disclosed in the consolidated financial statements of the Company.

(2) Based on a resolution of the Annual GMS on April 27, 2015, the shareholders of the Company have approved and ratified the distribution of Cash Dividends of Rp4.27 trillion or Rp975 (full Rupiah) per share from the net income of 2014 financial year, and fully paid by May 28, 2015.

Based on the EGMS Resolution on August 10, 2015, the shareholders of the Company have approved and ratified the distribution of Cash Dividends of Rp4.53 trillion or Rp1,033 (full Rupiah) per share from the Company’s retained earnings from the financial years of 1999 to 2014, which have been fully paid by September 9, 2015.

Based on a resolution of the EGMS on September 18, 2015, the shareholders approved and ratified the distribution of Cash Dividends of Rp3,449.4 billion or Rp787 (full Rupiah) per share from the Company’s retained earnings from the financial year of 2014.

Further information on dividend policy can be seen in Chapter XIII of this Prospectus.

8. REQUIREMENT OF LIMITED PUBLIC OFFERING SUBSCRIPTION

The Company has appointed PT Sirca Datapro Perdana as a Share Administration Management and as a Placement Agent for the Company’s LPO, as set forth in the Deed of Shares Administration Management Agreement and the Placement Agent of the Company’s Limited Public Offering No. 26 dated August 10, 2015, as amended with the Addendum and the Restatement of Shares Administration Management and Placement Agent for the Company’s Limited Public Offering No. 11 dated October 1, 2015, both were made before Aryanti Artisari, SH, M.Kn., Notary in South Jakarta Municipality.

Further information on requirement of LPO subscription can be seen in Chapter XVIII of this Prospectus.

9. DESCRIPTION OF THE RIGHTS

A maximum of 269,723,076 (two hundred sixty nine million seven hundred twenty three thousand and seventy six) New Shares with nominal value of Rp 100 (one hundred Rupiah) per share. Every holder of 65 (sixty-five) existing shares whose name is registered in the DPS as of October 22, 2015 at 16:00 Western Indonesia Time is entitled to 4 (four) Rights, in which every 1 (one) Right gives the holder the right to purchase as much as 1 (one) New Share with an Exercise Price of Rp77,000 (seventy seven thousand Rupiah) per share, which must be paid in full during the submission of the Shares Subscription and Reservation Form.

Further information regarding Right issue can be seen at Chapter XIX of this Prospectus.
I. LIMITED PUBLIC OFFERING

A maximum of 269,723,076 (two hundred sixty nine million and seven hundred twenty three thousand and seventy six) New Shares with nominal value of Rp100 (one hundred Rupiah) per share. Every holder of 65 (sixty five) existing shares whose name is registered in the Company’s DPS as of October 22, 2015 at 16:00 Western Indonesia Time is entitled to (four) Rights, in which every 1 (one) Right gives the holder the right to purchase as much as 1 (one) New Share with an Exercise Price of Rp77,000 (seventy seven thousand Rupiah) per share, which must be fully paid during the submission of the Shares Subscription and Reservation Form. This LPO is carried out by the Company in order to fulfill the listing requirement where the total shares owned by non-controlling shareholders and non-major shareholders at least 50,000,000 (fifty million) shares and at least 7.5% (seven point five percent) of the number of shares in paid-up capital under provision V.1 of the Indonesia Stock Exchange Regulation No. I-A regarding the Listing of Shares and Equity Securities Other Than Shares Issued by a Listed Company.

The number of shares offered in the LPO through Rights Issue is the maximum number of shares that will be fully issued from the portfolio and will be registered in the Indonesia Stock Exchange while always considering the prevailing laws and regulations. The amount of funds to be received by the Company in this LPO is at a maximum of Rp20,788,676,852,000 (twenty trillion seven hundred sixty eight billion six hundred seventy six million eight hundred fifty two thousand) Rupiah). Shares from LPO have the same rights and equal in all respects including other rights over dividends that have been fully paid up. Every Right in the form of fractions will be rounded down.

Rights may be traded on IDX or outside IDX in accordance with Regulation IX.D.1 for 5 (five) exchange days from October 26, 2015 to October 30, 2015. Listing of shares result from the exercise of Rights will be conducted by IDX on October 26, 2015. Final date of exercise of Rights is on October 30, 2015 hence the Rights that are not exercised up to the particular date will be invalid.

If the new shares offered in the LPO are not entirely taken up by holders of Rights in the public portion, then the remaining shares will be allocated to the other public holders of Rights who subscribe for additional rights beyond their portion, as stated in the Rights Certificate or the Additional Share Subscription and Reservation Form proportionally based on the rights that have been exercised. If, after the allocation of the additional share subscription, there are public portion shares remaining, which is at a maximum of 4,912,725 (four million nine hundred twelve thousand seven hundred twenty five) Common Shares, therefore, based on the Standby Purchase Agreement No. 40 dated September 11, 2015 as amended by the Addendum and Restatement of the Standby Purchase Agreement No. 12 dated October 1, 2015, which is lastly amended by Addendum II and Restatement of the Standby Purchase Agreement No. 21 dated October 6, 2015, all of which were made before Aryanti Artisari, S.H., M.Kn., Notary in South Jakarta Administration City between the Company and PT Mandiri Sekuritas, where PT Mandiri Sekuritas acting as the Standby Buyer, must purchase the remaining shares of the public portion, where the remaining shares that must be purchased by the Standby Buyer are excluded from the shares derived from the exercise of Rights by PMID in this LPO.

PMID as the major shareholder of the Company will exercise a portion of its Rights in the LPO which is 600,640 (six hundred thousand six hundred and forty) Rights, where its remaining, based on the Rights Sale and Purchase Agreement dated September 11, 2015 as amended on October 1, 2015 made privately drawn up between PMID and PT Mandiri Sekuritas, will be sold to PT Mandiri Sekuritas as the appointed selling agent, and subsequently PT Mandiri Sekuritas will exercise a portion of the Rights and transfer a portion of those Rights. The resulting shares from the exercise of Rights and the Rights owned by PT Mandiri Sekuritas that are not exercised will be sold to domestic and foreign investors through a limited offering. Furthermore, PT Mandiri Sekuritas will distribute these shares to the securities account of the investors after the execution of the transaction through the IDX on the same day of the exercise of Rights owned by PMID by PT Mandiri Sekuritas, ensuring that the number of shares held by the public is 7.5% (seven point five percent) of the fully issued and paid-up capital and the shares held by PMID amounted to 92.5% (ninety-two point five percent) of the fully issued and paid-up capital after the LPO is completed.
OTHER BUSINESS RISKS CAN BE SEEN ON CHAPTER V IN THIS PROSPECTUS

The Company was established in 1963 and domiciled in Surabaya under the name of PT Perusahaan Dagang dan Industri Panamas with the main line of business in the cigarette industry.

The Company was established based on Deed of Establishment No. 69 dated October 19, 1963 as amended by Deed No. 46 dated April 15, 1964, made before Anwar Mahajudin, at the time a notary in Surabaya, which has been approved by the Minister of Justice of the Republic of Indonesia by way of Stipulation of the Minister of Justice of the Republic of Indonesia No. J.A.5/59/15 dated April 30, 1964, and was registered in the public register at the Surabaya District Court No. 654 and No. 655 dated May 18, 1964, and was published in BNRI No. 94 dated November 24, 1964, Supplement No. 357. In 1989, the Company changed its name into PT Hanjaya Mandala Sampoerna.

The Company’s Articles of Association have been amended several times and lastly amended by Deed of Statement of Meeting Resolutions on Amendment of Articles of Association No. 21 dated May 12, 2015 made before Aryanti Artisari, SH, M.Kn., Notary in South Jakarta City Administration, and has obtained the approval of MoLHR based on Decree No. AHU-0935168.AH.01.02.TAHUN 2015 and Receipt of Notification on the Amendment of Articles of Association No. AHU-AH.01.03-0931826, both dated May 13, 2015, where the shareholders approved the amendment of the Articles of Association of the Company, among others, adjustment to the provisions in OJK regulations.

The capital and shareholder structures of the Company at the time the Prospectus was issued are as follows:

<table>
<thead>
<tr>
<th>Authorized Capital</th>
<th>Total Shares</th>
<th>Total Nominal Value (Rp)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>Fully Issued and paid-up capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,168,205</td>
<td>430,316,820,500</td>
<td>98.18%</td>
</tr>
<tr>
<td>- Other Public (with ownership below 5%)</td>
<td>79,831,795</td>
<td>7,983,179,500</td>
<td>1.82%</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-up Capital</td>
<td>4,383,000,000</td>
<td>438,300,000,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,917,000,000</td>
<td>191,700,000,000</td>
<td></td>
</tr>
</tbody>
</table>

If PMID as the major shareholder of the Company exercises a portion of its Rights in the LPO in the amount of 600,640 (six hundred thousand six hundred and forty) Rights, while particular investors that purchased the Rights from the limited offering and minority shareholders fully exercise their Rights, the pro forma composition of the Company's share capital after the LPO shall be as follows:

<table>
<thead>
<tr>
<th>Authorized Capital</th>
<th>Total Shares</th>
<th>Total Nominal Value (Rp)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>Fully Issued and paid Up Capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,768,845</td>
<td>430,376,884,500</td>
<td>92.50%</td>
</tr>
<tr>
<td>- Other Public (with ownership below 5%)</td>
<td>84,744,520</td>
<td>8,474,452,000</td>
<td>1.82%</td>
</tr>
<tr>
<td>- Particular Investors</td>
<td>264,209,711</td>
<td>26,420,971,100</td>
<td>5.68%</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-Up Capital</td>
<td>4,652,723,076</td>
<td>465,273,307,600</td>
<td>100.00%</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,647,276,924</td>
<td>164,727,692,400</td>
<td></td>
</tr>
</tbody>
</table>

If PMID as the major shareholder of the Company exercises a portion of its Rights in the LPO in the amount of 600,640 (six hundred thousand six hundred and forty) Rights and particular investors that purchased the Rights from the LPO exercise all of their Rights; however, minority shareholders do not fully exercise their Rights in the LPO, the pro forma composition of the Company's share capital after the LPO shall be as follows:

<table>
<thead>
<tr>
<th>Authorized Capital</th>
<th>Total Shares</th>
<th>Total Nominal Value (Rp)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>Fully Issued and paid Up Capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,768,845</td>
<td>430,376,884,500</td>
<td>92.50%</td>
</tr>
<tr>
<td>- Other Public (with ownership below 5%)</td>
<td>79,831,795</td>
<td>7,983,179,500</td>
<td>1.72%</td>
</tr>
<tr>
<td>- Particular Investors</td>
<td>264,209,711</td>
<td>26,420,971,100</td>
<td>5.68%</td>
</tr>
<tr>
<td>- PT Mandiri Sekuritas</td>
<td>4,912,725</td>
<td>491,272,500</td>
<td>0.11%</td>
</tr>
<tr>
<td>Total Fully Issued and Paid-Up Capital</td>
<td>4,652,723,076</td>
<td>465,272,307,600</td>
<td>100.00%</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,647,276,924</td>
<td>164,727,692,400</td>
<td></td>
</tr>
</tbody>
</table>

The holder of Rights that do not use their rights to purchase the shares in the LPO may sell their rights to other parties from October 26, 2015 until October 30, 2015 either through or outside the Stock Exchange in accordance with Regulation IX.D.1.

Existing shareholders who do not exercise their rights to purchase new shares offered in the LPO pursuant to their Rights may experience a material reduction in percentage ownership (dilution) of the shares up to a maximum of 5.8%.
WITHIN 12 (TWELVE) MONTHS AFTER THE EFFECTIVENESS OF THE REGISTRATION STATEMENT IN THE FRAMEWORK OF THIS LPO, THE COMPANY WILL NOT ISSUE OR LIST NEW SHARES OR OTHER SECURITIES THAT ARE CONVERTIBLE INTO SHARES OUTSIDE THOSE OFFERED IN THIS LPO.

IF THE ISSUANCE OR LISTING OF NEW SHARES IN COMPLIANCE WITH THE PROVISIONS AND/OR REGULATIONS APPLICABLE TO THE COMPANY AND/OR ITS SHAREHOLDERS HAS NOT SATISFIED THE LISTING REQUIREMENTS WHERE THE NUMBER OF SHARES OWNED BY NON-CONTROLLING SHAREHOLDERS AND NON-MAJOR SHAREHOLDERS ARE AT LEAST 50,000,000 (FIFTY MILLION) SHARES AND AT LEAST 7.5% (SEVEN POINT FIVE PERCENT) OF THE NUMBER OF SHARES OF PAID-UP CAPITAL UNDER PROVISION V.1 OF THE INDONESIA STOCK EXCHANGE REGULATION NO. I-A REGARDING THE LISTING OF SHARES AND EQUITY SECURITIES OTHER THAN SHARES ISSUED BY A LISTED COMPANY, THE COMPANY WILL FOLLOW ALL PREVAILING LAWS AND REGULATIONS.
II. USE OF PROCEEDS

The Company intends to use all of the proceeds that it receives from the LPO at a maximum of Rp20,768,676,852,000 (twenty trillion seven hundred sixty eight billion six hundred seventy six million eight hundred fifty two thousand Rupiah), after the deduction of any expenses in relation to the LPO, for working capital purposes, including partial repayment of working capital facilities.

If the proceeds obtained is less than planned result of the LPO, the Company will use internal cash, considering the Company still has sufficient funds to run its operations.

The Company will be responsible for the realization of the use of the proceeds of this LPO by periodically reporting to OJK in accordance with Regulation X.K.4.

If the Company plans to change the proposed use of proceeds of this LPO, the Company must first (i) report to OJK, together with the reasons and considerations and (ii) request prior written approval from the GMS in relation to such change in accordance with Regulation No. X.K.4.

Pursuant to Circular Letter issued by BAPEPAM - LK No. SE-05/BL/2006 dated September 29, 2006 on the Disclosure of Information regarding Estimated Costs for Public Offering, the total expenses expected to be incurred by the Company in relation to this LPO and the Offering are approximately 1.3164596% of the total value of the LPO which consist of:

- Capital Market Supporting Professions Fees which consist of Public Accountant services at a total of 0.0789562%, Legal Consultant’s service fee of 0.2173637% and Notary’s service fee of 0.0009630%;
- Capital Market Supporting Institutions Fee, i.e. Securities Administration Bureaus at a total of 0.0011074%;
- OJK fee at a total of 0.0036112%; and
- Other expenses (selling, underwriting and commission fees (excluding incentive fee determined by the Company amounting to be not more than 0.3%), printing, publication, financial advisory services and others) at a total of 1.0144581%.
III. INDEBTEDNESS SUMMARY

The following table sets out on an actual basis the Company's consolidated liability as of June 30, 2015 which is taken from the Company's consolidated financial report dated June 30, 2015 as stated in the Prospectus and audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member firm global network of PricewaterhouseCoopers), with Unqualified Opinion.

The Company's consolidated liability balance as of June 30, 2015 is Rp14,420.1 billion which consists of current liabilities of Rp12,903.1 billion and long term liabilities of Rp1,517.0 billion with details as follows:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
</tr>
<tr>
<td>Third parties</td>
<td>1,573.8</td>
</tr>
<tr>
<td>Related parties</td>
<td>2,326.4</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
</tr>
<tr>
<td>Third parties</td>
<td>2,306.1</td>
</tr>
<tr>
<td>Related parties</td>
<td>1,093.4</td>
</tr>
<tr>
<td>Tax payable</td>
<td></td>
</tr>
<tr>
<td>Corporate Income tax payable</td>
<td>326.5</td>
</tr>
<tr>
<td>Other taxes</td>
<td>479.8</td>
</tr>
<tr>
<td>Excise Tax Payable</td>
<td>3,608.9</td>
</tr>
<tr>
<td>Accruals</td>
<td>148.5</td>
</tr>
<tr>
<td>Employee Benefit Liabilities</td>
<td></td>
</tr>
<tr>
<td>current</td>
<td>556.9</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
</tr>
<tr>
<td>current</td>
<td>76.4</td>
</tr>
<tr>
<td>Other Short term financial liability</td>
<td>388.3</td>
</tr>
<tr>
<td>Finance Lease Liabilities</td>
<td></td>
</tr>
<tr>
<td>current</td>
<td>18.1</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Employee benefit liabilities</td>
<td>1,434.6</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>0.4</td>
</tr>
<tr>
<td>Finance lease payable</td>
<td>28.1</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>53.9</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITY</strong></td>
<td><strong>14,420.1</strong></td>
</tr>
</tbody>
</table>

A. Current Liabilities

1. Borrowings

Borrowing balance as per June 30, 2015 is Rp3,900.2 billion both in Rupiah and US$, which consist of third parties borrowing of Rp1,573.8 billion and related parties borrowing of Rp2,326.4 billion. Third parties borrowing consist of working capital borrowing from several banks such as Deutsche Bank AG (“Deutsche”), Sumitomo Mitsui Indonesia Bank (“Sumitomo”) and Citibank N.A (“Citibank”), whereas related parties borrowings come from Philip Morris Finance SA.

For the six-month period ended June 30, 2015, the annual interest rate which applies for loans from third parties in the above Rupiah amounts ranging between 7.42% to 8.70%, while the annual interest rate applicable to US$ loans from related parties in the aforementioned ranging from 6.57 % to 7.90%.

The Company may at any time carry out hedging transactions over interest rates and/or foreign currency exchange rates that required by lenders associated with the facilities provided.

On June 30, 2015, the Company has complied with all of the requirements for current loans from third parties and in the framework of implementing this LPO, the Company does not require the approval of each lender mentioned above.

2. Trade and Other Payables

Trade and other payables balance as per June 30, 2015 is Rp3,399.5 billion, which consists of third parties borrowing in the amount of Rp2,306.1 billion and related parties borrowing in the amount of of Rp1,093.4 billion.

Trade and other payables with third parties are mostly derived from production costs, purchases of cloves, tobacco, flavour, sauce, wrapping materials, advertising and promotional expenses, and fixed assets.
3. Tax Payable

Tax payable balance as per June 30, 2015 is Rp806.3 billion, which consists of:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income Tax</td>
<td></td>
</tr>
<tr>
<td>Article 25</td>
<td>314.6</td>
</tr>
<tr>
<td>Article 29</td>
<td>11.9</td>
</tr>
<tr>
<td>Other Taxes</td>
<td></td>
</tr>
<tr>
<td>Other income tax</td>
<td>37.1</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>442.5</td>
</tr>
<tr>
<td>Others</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTAL TAX PAYABLE</strong></td>
<td><strong>806.3</strong></td>
</tr>
</tbody>
</table>

4. Excise Tax Payable

Excise tax payable represents payables arising from the purchase of excise tax stamps. Excise tax payable balance as per June 30, 2015 is Rp3,608.9 billion.

5. Accruals

Accruals balance as per June 30, 2015 is Rp148.5 billion, which consists of:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production costs</td>
<td>65.7</td>
</tr>
<tr>
<td>Advertisement and promotion</td>
<td>36.4</td>
</tr>
<tr>
<td>Distribution</td>
<td>22.0</td>
</tr>
<tr>
<td>Others</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>148.5</strong></td>
</tr>
</tbody>
</table>

6. Current Employee Benefit Liabilities

Balance of current employee benefit liabilities as per June 30, 2015 is Rp556.9 billion.

7. Current Deffered Revenue

Balance of current deferred revenue as per June 30, 2015 is Rp76.4 billion.

8. Other Short-term Financial Liability

Balance of other short-term financial liability as per June 30, 2015 is Rp388.3 billion.

9. Current Finance Lease Liability

Balance of current finance lease liability as per June 30, 2015 is Rp18.1 billion.

B. Non-current Liabilities

1. Employee Benefit Liabilities

Balance of employee benefit liabilities as per June 30, 2015 is Rp1,434.6 billion, which consists of:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefit Accrual</td>
<td>510.9</td>
</tr>
<tr>
<td>Post-employment benefit liabilities</td>
<td>1,480.6</td>
</tr>
<tr>
<td>Deducted – Current portion</td>
<td>(556.9)</td>
</tr>
<tr>
<td><strong>Non-current Portion</strong></td>
<td><strong>1,434.6</strong></td>
</tr>
</tbody>
</table>

2. Deferred Tax Liabilities

Balance of deferred tax liabilities as per June 30, 2015 is Rp0.4 billion.

3. Finance Lease Liabilities
Balance of finance lease liabilities as per June 30, 2015 is Rp28.1 billion.

4. **Deferred Revenue**

Balance of deferred revenue as per June 30, 2015 is Rp53.9 billion.

ALL OF THE COMPANY’S CONSOLIDATED LIABILITIES AS PER JUNE 30, 2015 HAVE BEEN DISCLOSED IN THIS PROSPECTUS. UNTIL THE PUBLICATION OF THIS PROSPECTUS, THE COMPANY HAS SETTLED ALL OF THE CONSOLIDATED LIABILITIES THAT HAVE BEEN DUE.

THE COMPANY DOES NOT HAVE ANY OTHER LIABILITIES EXCEPT THE LIABILITIES ARISING FROM NORMAL BUSINESS ACTIVITIES AND OTHER LIABILITIES THAT HAVE BEEN STATED IN THIS PROSPECTUS.

WITH SYSTEMATIC MANAGEMENT OVER ASSETS AND LIABILITIES AS WELL AS INCREASE IN FUTURE OPERATION PRODUCTS, THE COMPANY DECLARES ITS CAPABILITY TO SETTLE ALL OF ITS LIABILITIES IN ACCORDANCE WITH THE REQUIREMENTS AS APPROPRIATE.

THERE ARE NO NEGATIVE COVENANTS THAT WILL ADVERSELY AFFECT THE RIGHTS OF PUBLIC SHARHOLDERS.
IV. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s discussion and analysis below contains the discussion concerning the financial position and performance of the Company dated and for the years ended December 31, 2012, 2013 and 2014 and for the dates and six-month periods ended June 30, 2014 and 2015, as well as the discussion regarding factors that affect the financial performance of the Company and its prospects. This management’s discussion and analysis below should be read together and referred to the audited consolidated financial statements of the Company dated and for the years ended December 31, 2012, 2013 and 2014 and for the dates and six-month period ended June 30, 2015 and the unaudited interim consolidated financial statements of the Company for the six-month period ended June 30, 2014 included elsewhere in this Prospectus.

A. OVERVIEW

The Company is the largest tobacco company in Indonesia, with 109.7 billion cigarettes sold and an overall market share of 34.9% in Indonesia in 2014, according to the Company’s estimates. The Company has more than 100 years of operating history, and in 2005 it was acquired by PMI, one of the world's largest tobacco companies.

The Company produces exclusively “karetek” cigarettes, which are cigarettes made with a blend of cloves and tobacco. The Company also distributes the Marlboro brand of cigarettes all over Indonesia, through a long-term distribution agreement with PMID.

As of 2014, Indonesia is the largest cigarette market in the world by volume, excluding China, with approximately 314 billion cigarettes sold in 2014. It is also among the fastest-growing cigarette markets in the world: since 2010 overall cigarette revenues in Indonesia have grown at a Compound Annual Growth Rate (“CAGR”) of more than 10%. Indonesia is the fourth-largest country in the world by population with over 250 million people. According to Oxford Economics, Indonesia's Gross Domestic Products (“GDP”) is projected to grow between 5% and 6% each year from 2015 to 2019, while Boston Consulting Group expects middle-class and affluent smokers to make up 53% of Indonesia's population in 2020, compared to 30% in 2012. The Company expects these trends to support continued demand for its cigarettes, as its product mix focuses on mid- and premium-priced cigarettes. In 2014, 68.0% of the Company's total domestic sales by volume were in the premium-priced segment, with substantially all of the remainder in the mid-priced segments. Together, those two segments constitute 82.6% of the Indonesian cigarette market.

The Company has an unmatched cigarette brand portfolio in Indonesia, with seven brand families, including five of the top ten best-selling brand families in Indonesia. Out of these seven brand families, the Company produces the cigarettes for five of these brand families and distributes (without manufacturing) the cigarettes for two, including Marlboro. The Company produces both machine-made karetek cigarettes (known as Sigaret Kretek Mesin or “SKM” cigarettes) and hand-rolled karetek cigarettes (known as Sigaret Kretek Tangan or “SKT” cigarettes). The non-clove cigarettes that the Company sells, including Marlboro, are known as “white” (or Sigaret Putih Mesin or “SPM”) cigarettes. The Company is the Indonesian market leader, by volume, in each of these three segments, with an approximate share of 39.0% in the hand-rolled segment, 29.9% in the machine-made segment and 79.8% in the white cigarette segment in 2014, according to the Company’s estimations.

Over the past ten years, the Indonesian cigarette market has experienced a shift in adult smoker demand from hand-rolled cigarettes to machine-made cigarettes, with a growing adult smoker preference for low-tar, low-nicotine cigarettes. In 2014, SKM cigarettes accounted for 62.9% of the Company’s domestic sales volumes, while SPT cigarettes accounted for 22.4% and SPM cigarettes for 14.7%. Adult Indonesian smokers have also increasingly shifted toward mid- and premium-priced segments of the market, which supports the Company’s mid- and premium-priced portfolio. The Company's portfolio includes the following leading brand families:

- **Sampoerna A**, which includes the Company's leading brand, A Mild, a machine-made clove cigarette, with being the highest market share in the market in Indonesia;
- **Dji Sam Soe**, which includes the traditional hand-rolled Dji Sam Soe clove cigarette that has historically been being the Company's flagship SKT cigarette, with the leading share of the SPT segment;
- **Sampoerna U**, which is a family of SKM and includes U Mild, the Company’s leading product in this family;
- **Sampoerna Kretek**, which is a local brand of SPT; and
- **Marlboro**, the world's best-selling international brand and leader in the SPM segment, which the Company distributes throughout Indonesia.

In 2012, 2013, 2014 and the first half of 2015, the Company sold 107.7 billion, 111.3 billion, 109.7 billion and 55.3 billion cigarettes in Indonesia. The Company has a strong sales force of more than 3,600 people covering the entire country, with a nationwide distribution network of six main distribution centers and 106 sales offices. The Company sells its cigarettes primarily to wholesalers, as well as to agents, and directly to general and modern trade outlets. In 2014, the Company sold 84% of its cigarettes (by volume) to wholesalers, 6% to agents and 10% to general and modern trade outlets. Through these channels, the Company's cigarettes are available for purchase at approximately 2.4 million points of sale throughout Indonesia.

The Company produces all of its cigarettes in Indonesia and operates seven production facilities in the country, two for
machine-made cigarettes and five for hand-rolled cigarettes. In addition, the Company also has co-operation agreements with 38 TPOs. These TPOs collectively employ over 48,000 kretek rollers to produce the Company's SKT cigarettes.

In 2012, 2013 and 2014, the Company generated consolidated net revenues of Rp66,626.1 billion, Rp75,025.2 billion and Rp80,690.1 billion and profit for the year of Rp9,945.3 billion, Rp10,818.5 billion and Rp10,181.1 billion. For the six months ended June 30, 2014 and 2015, the Company's consolidated net revenues were Rp39,093.5 billion and Rp43,742.6 billion and its profit for the period was Rp5,031.3 billion and Rp5,011.8 billion.

The Company has been listed on the IDX since 1990, under the stock code HMSP, and as of June 30, 2015, it was the second-largest company on the IDX, by market capitalization.

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

Set forth below are a number of factors that have had important effects on the Company's results of operations and that the Company expects to continue to impact its financial performance in the future.

Excise Tax and VAT

Tobacco products in Indonesia are subject to Value Added Tax ("VAT"), regional tax and excise tax, the cost of which the Company passes on to adult smokers, gradually over the period following an excise tax increase. Excise tax constitutes a significant part of the Company's cost of goods sold and of the retail price of cigarettes. In 2012, 2013 and 2014, excise tax (together with VAT on SPM cigarettes) made up 51.1%, 50.0% and 52.1% of the Company's net revenues. Indonesian excise taxes have been steadily increasing in recent years, and the Company expects such excise taxes will continue to increase. The most recent excise tax increase in Indonesia was implemented in January 2015 and resulted in an 11.3%, 6.7% and 11.8% increase in excise tax rates for the SKM, SKT and SPM cigarettes sold in the Indonesian industry compared to 2014 on a weighted average basis. In August 2015, Indonesia's president, Joko Widodo submitted the 2016 budget bill to the Indonesian parliament, and the budget projects revenues from tobacco excise taxes of approximately Rp148.9 trillion, which is higher than the 2015 budget of Rp139.1 trillion. The budget stated that it will potentially achieve its tobacco excise tax revenue target for 2016 in part from raising the excise tax among other measures. While this is an approximately 7% increase over 2015, the 2015 budget included a one-time benefit of Rp18.5 trillion from a change in payment terms. While the 2016 budget bill did not provide details on any specific tobacco excise tax changes, this figure could potentially result in higher excise tax rates on the Company's cigarettes in 2016. As a result of the potential excise tax increase, the Company expects lower volume growth of 0% to 1% for the full year 2015; however, the Company believes that in the medium to long term, industry volumes will return to 1% to 3% growth, based on Indonesia's strong demographic pyramid profile, population growth and expanding middle class.

For SKM and SKT cigarettes, excise tax impacts the Company's manufacturing costs, as the Company purchases excise tax banderol for all of the cigarettes it manufactures. Substantially all of this excise tax expense relates to SKM and SKT cigarettes that the Company sells during a particular financial period, and therefore it is recorded in the Company's cost of goods sold (as well as its net revenues) for such period. While the remaining portion of excise tax expense relates to SKM and SKT cigarettes that the Company has manufactured but not sold during a particular financial period, is recorded in inventory. For SPM cigarettes, the Company incurs the cost for excise tax when it purchases the cigarettes from PMID and records excise tax as part of its net revenues when it sells these cigarettes.

The actual levels of excise tax imposed on cigarettes depend on the type of cigarette and the production volumes for that type of cigarette. Higher production volumes mean higher excise tax amounts, which results in a "step-up" effect whereby a manufacturer's profits may decrease as its sales volumes increase and it passes the next excise tax threshold.

Increasing levels of excise tax and VAT result in higher retail sales prices for cigarettes, as cigarette manufacturers pass these costs on to customers, which are then subsequently passed on to adult smokers. Higher retail prices, in turn, generally have a negative impact on overall consumption and may encourage adult smokers to switch from higher-priced cigarettes to lower-priced cigarettes or illegal cigarettes. Any increase in excise tax may make it more difficult for the Company to increase its sales volumes or to increase its prices and margins on cigarettes. To the extent there is a significant increase in excise tax, the Company, like other cigarette manufacturers, may only be able to pass that increase on to adult smokers over a longer period of time, which would have a negative impact on the Company's margins for that period. Conversely, smaller increases in excise taxes or a prolonged period without any excise tax increases could result in higher sales volumes and/or higher sales prices and margins for the Company's products.

Changes in Adult Smoker Demand and Product Mix

The brands in the Company's cigarette portfolio spans across the premium- and mid-priced segments. The change of contribution of each segment to the Company's sales will impact the Company's average costs and sales prices per cigarette and its overall revenues, margins and profits. A higher proportion of higher-priced products in the Company's
sales mix will have a positive impact on its net revenues, while its profitability will be affected by the mix of the Company’s products, which may not correlate with the product price. In order to maintain its focus on the premium and mid-priced segments of the Indonesian cigarette market, the Company intends to continue to launch innovative products that justify their premium price and therefore limit the consumers’ down-trading.

The Company expects the contribution of its SKM products to continue to grow and that of its SKT products to continue to decline as the long-term shift in adult smoker preference from SKT products to SKM products continues. The SKM portfolio has been a key driver of the Company’s growth, increasing by 9.0% by volume in 2014 from 2013, during which its leading brand family, Sampoerna A, contributed 41.4% to its total domestic sales volume, up from 38.9% in 2012. The Company also launched the Dji Sam Soe Magnum Blue brand in April 2014 to further strengthen its presence in the mid-priced SKM LTLN sub-segment, a segment that the Company believes has significant customer growth potential. The Company continues to seek to improve its ability to develop, introduce and market new SKM products and expand the existing market share of its existing SKM products.

The decline in market demand for SKT has resulted in a significant decline in the Company’s SKT sales volumes in 2012, 2013 and 2014. In May 2014, the Company closed down two of its SKT manufacturing facilities in response to this trend. The Company's share of the SKT segment declined between 2012 and 2014, by 6.4%, mainly as a result of Dji Sam Soe cigarettes passing the critical pricing point of Rp1,000 per unit. The Company expects these trends to moderate, as it believes that core SKT adult smokers are unlikely to shift to SKM or SPM cigarettes as the effect of the critical pricing point dissipates.

The market shift from SKT to SKM has had an adverse impact on the Company's profitability in recent years, as historically the Company's SKT cigarettes have had higher margins than its SKM cigarettes, but between 2010 and 2014, that difference has narrowed. SKM cigarettes have a different cost structure than SKT cigarettes, as cost of sales made up only 15% of the price of an SKM cigarette in 2014, compared to 33% for SKT, due to lower labor and raw material costs. In addition, excise tax for SKM has been significantly higher than for SKT, constituting 57% of the price of an SKM cigarette in 2014, compared to 35% for SKT.

Since 2010, the profitability of the Company's SKM cigarettes has been increasing faster than that of its SKT cigarettes. For A Mild cigarettes (in the SKM LTLN sub-segment), retail sales prices have increased faster than excise tax, while for Dji Sam Soe cigarettes (in the SKT segment) excise tax has increased faster than retail sales price, thereby narrowing the profitability gap. Additionally, for the Company's U Mild cigarettes (also in the SKM LTLN sub-segment), between 2010 and 2014 the brand moved through several excise tax tiers, which resulted in excise tax increasing substantially and the Company's margins on the brand decreasing. As of the first quarter of 2015, however, the brand had moved into the highest excise tax bracket, and the Company does not expect any additional "step-ups" in excise taxes for U Mild beyond any statutory increases in excise tax rates. As a result, any further increases in sales volumes would result in increased profits and increases in price (above corresponding increases in excise tax rates) would result in increased margins.

As adult smoker demand shifts, the Company expects to see continued changes in its product mix and to adjust its production and sales of cigarettes to meet market demand. A continued increase in margins in the SKM segment could further reduce the negative impact of the change in product mix from SKT to SKM, in particular if coupled with a slowdown of the decline in SKT consumption. Conversely, a continued decline in sales of SKT products could adversely impact the Company’s revenues and overall profitability, in particular to the extent that SKT margins remain higher than SKM margins.

**Macroeconomic Factors and Economic Conditions in Indonesia**

While the Company believes that the tobacco industry is generally relatively resilient to economic downturns, adult smoker demand for cigarettes in Indonesia depends in part on macroeconomic conditions in Indonesia. The Company sells substantially all of its cigarettes in Indonesia; accordingly, its results of operations are affected by significant changes in economic and political developments in Indonesia, which can affect the demand for and pricing of the Company’s products. As the Indonesian economy grows and as GDP per capita in Indonesia increases, the Company expects the consequent increase in purchasing power to result in an increase in industry volumes of cigarette consumption and in adult smokers’ trading up to more premium categories among brands. Conversely, in times of weak economic conditions, as purchasing power decreases, it may be more difficult for the Company to increase or maintain its sales volumes and adult smokers may down-trade to brands in lower price ranges or different categories, which in turn could affect the average unit price for cigarettes. These macro-economic factors can have a significant impact on the Company’s sales volumes, prices and results of operations, in particular if changes in these factors are significant or unanticipated.

**Prices and Availability of Raw Materials**

The cost of raw materials is the most significant element of the Company’s costs (other than excise tax). In 2012, 2013 and 2014 and the six months ended June 30, 2015, raw material costs constituted approximately 65.8%, 68.4%, 68.2% and 63.8% of the Company’s total production costs for its SKM and SKT cigarettes. Most of these raw material costs consisted of costs for tobacco and cloves. The Company generally passes increases in raw material prices on to customers, which is subsequently passed on to adult smokers. By having a consideration to general market conditions
and the Company's estimation of adult smoker willingness and ability to pay higher prices for cigarettes. For Marlboro and other SPM cigarettes, as costs of raw materials fluctuate, they may affect both the purchase price the Company pays and the retail sale price the Company charges for these cigarettes. As a result, increases in raw material prices generally result in an increase in the Company's selling prices, which can put downward pressure on the demand for its products.

Tobacco leaf is the most important raw material in tobacco products. The supply and cost of tobacco leaves are affected by a variety of factors, such as supply, demand, climate conditions, harvest yields, exchange rates, the pace of inflation, agricultural input prices and energy costs. As a result of a general increase in costs, the supply of tobacco leaves has been unstable. It leads to fluctuations in tobacco leaf prices in the market. Given these circumstances, the Company continuously aims to secure a stable supply and ensure competitive leaf purchase prices. The Company sources the majority of its tobacco leaf supplies from domestic tobacco producers. The Company continues to work toward achieving a stable supply of tobacco leaf and enhancing the quality of tobacco leaf it procures through further vertical integration of its supply network and by strengthening its cooperation with farmers and its relationships with external suppliers.

Clove is also an essential ingredient for the cigarettes that the Company manufactures. The Company sources clove supplies domestically and generally purchases clove at spot prices, whilst long-term purchase agreements and commodity swaps or forward contracts for clove are not available. The availability and prices of cloves in Indonesia are influenced by various factors, including production levels, weather conditions, seasonality, crop diseases and global demand for cloves, particularly as Indonesia produces several premium quality cloves. As long as there is an import ban on cloves in Indonesia, the Company is exposed to fluctuations in clove costs in the Indonesian market, but restrictions on the import of cloves have been recently revoked by a decision of the Minister of Trade. Market prices for clove in Indonesia have experienced volatility in the past, with prices more than doubling from 2010 to 2011. In 2010, Clove prices ranged between Rp50,000 per kilogram to Rp59,000 per kilogram and rose to the range of Rp58,000 per kilogram to Rp227,000 per kilogram in 2011. Prices moderated somewhat in 2012 but have remained significantly higher than their pre-2011 levels. In 2014, the range of clove prices was between Rp140,000 per kilogram to Rp164,000 per kilogram. In order to mitigate the burden of clove price increases and provide it with greater predictability in the cost of clove, the Company typically keeps substantial inventories of clove. As a result, the Company typically realizes the full burden of increases in clove prices only over the course of multiple years, rather than fully during the same year in which they occur. Due to timing of inventory usage, the Company experienced the effects of the 2011 clove price increase in 2012, 2013 and 2014.

The supply market both for tobacco leaf and clove in Indonesia is fragmented. The Company generally maintains a sufficient supply of tobacco leaf and clove as part of its active management of its inventory. Any significant change in the availability or any significant increase or decrease in the price of tobacco leaf or clove could materially affect the Company's cost of production.

Prices of the Company's Products

The prices of the Company's products are affected by demand and supply conditions in the Indonesian cigarette market, excise taxes, regional cigarette tax, VAT, the prices of raw materials that are required for production, competition and general economic conditions, all of which could have an impact on the demand for the Company's products and its results of operations and financial condition. There are no restrictions on pricing in the cigarette industry in Indonesia, and therefore the Company is able to determine product pricing based on factors such as market sentiment, adult smoker preference and competitive dynamics. Price increases are driven in part by excise tax, as the Company typically passes excise tax increases on to customers, which is subsequently passed on to adult smokers but does so over a certain period of time following an excise tax hike, taking into consideration the amount of the tax increase, general economic conditions, adult smokers' ability to absorb a price increase and other market dynamics. Price increases for cigarettes can put downward pressure on adult smoker demand and therefore sales volumes. In particular, as some cigarette brands in the market have crossed particular price levels (such as Rp10,000 or Rp15,000), adult smoker demand for these brands has decreased, at least temporarily. Conversely, the Company may be able to drive pricing more aggressively as adult smokers' purchasing power increases.

Regulatory Environment

The Company's business activities and results of operations are affected by the regulatory environment in Indonesia. Changes in regulations and government policies with regard to restrictions on the promotion, marketing, packaging, labeling, sponsorship and usage of tobacco products could significantly impact the Company's sales and cost of goods sold. For instance, in December 2012 the Government issued Government Regulation No. 109 of 2012 on Securing Materials Containing Additive Substances in the Form of Tobacco for Health, which implementing restrictions on the production, distribution and sale of tobacco products, restrictions on advertising activities and the print requirements of graphic health warnings on risks associated with the consumption of tobacco products on cigarette packets. This regulation and other similar regulations which are aimed towards discouraging adult smoker consumption of cigarettes, may result in a decrease in the Company's revenue and profit, as well as increase the Company's compliance-related expenses.
Competition

Competition is generally intense in the tobacco business in Indonesia, where there are several large cigarettes manufacturers as well as a substantial number of smaller players. In particular in regions where strong brand loyalty creates a barrier to entry in already concentrated areas. It can be difficult to enter the market or grow market share. The Company takes the prices of competitors' products into account when setting and revising prices for its own products. While the Company has grown its market share substantially since 2005. However, it may need to limit its price increases and/or make substantial investments in sales and marketing in order to protect or grow its market share. In addition, new launches will require resources and may take time to gain market share. Competitive conditions, including the prices of competing products may affect the Company's pricing of its products, which may have a material effect on its revenue and profit.

Critical Accounting Estimates and Judgments

The Company, in preparing its consolidated financial statements, uses estimates and judgments that affect its reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The Company is continually evaluating its estimates based on historical experience and on various assumptions including expectations of future events that are believed to be reasonable. The actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amount of assets and liabilities are discussed below.

Impairment of Non-Financial Assets

The Company annually tests whether goodwill has suffered any impairment. Fixed assets and other non-current assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or cash generating unit is determined based on the higher of its fair value less costs to sell and its value in use, calculated on the basis of management's assumptions and estimates.

Depreciation of Fixed Assets

The Company determines the estimated useful lives and related depreciation charges for fixed assets. The Company will revise the depreciation charge where useful lives are different from those previously estimated, or it will write off or write down technically for obsolete or non-strategic assets that have been abandoned or sold.

Employee Benefits Obligation

The present value of the employee benefits obligation depends on a number of factors that are determined on a number of actuarial assumptions. The assumptions used in determining the net cost for pensions include the expected long-term rate of return on investment of the defined contribution pension fund and the relevant discount rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations.

Other key assumptions for employee benefits obligations are based in part on current market conditions.

Income Taxes

Income tax expense is comprised of current and deferred income tax.

Current income tax charge is calculated on the basis of the tax law enacted or substantially enacted at the report date. Management periodically evaluates the position reported on Annual Notification Letter (Surat Pemberitahuan Tahunan or “SPT”) with respect to situations in which applicable tax regulation is subject to interpretation. Deferred income tax is determined using tax rates based on laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is recognised or the deferred tax liabilities is settled.

Changes in Accounting Policies

Effective from January 1, 2012 until June 30, 2015, the Company adopted new and revised IFAS that are mandatory for application. The Company's accounting policies have been changed as required by IFAS in accordance with the transitional provisions in the respective accounting standards.

B. CONSOLIDATED FINANCIAL INFORMATION

Principal Components Of The Company's Consolidated Statement Of Profit or Loss and Other Comprehensive Income

Net Revenues

The Company derives substantially all of its revenues from sales of cigarettes. Cigarette sales form one single operating segment, which consists of three product categories: SKM, SKT and SPM. Net revenues include excise tax...
attributable on cigarettes sold, net of returns and VAT on SKM and SKT. The Company derives 98.5% of its net revenues from domestic cigarette sales in Indonesia. Other net revenues includes revenues from cigarette exports as well as revenues from the Company's non-tobacco operations.

The following table sets forth information about the Company's net revenues and the percentage breakdown of its net revenues by product categories:

<table>
<thead>
<tr>
<th>Description</th>
<th>For the 6 (six) months period ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rp</td>
<td>%</td>
</tr>
<tr>
<td>SKT</td>
<td>9,098.3</td>
<td>20.8</td>
</tr>
<tr>
<td>SKM</td>
<td>27,456.9</td>
<td>62.8</td>
</tr>
<tr>
<td>SPM</td>
<td>6,473.0</td>
<td>14.8</td>
</tr>
<tr>
<td>Other (including export)</td>
<td>714.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>43,742.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The following table shows a breakdown of the Company's sales volume per product categories:

<table>
<thead>
<tr>
<th>Description</th>
<th>For the 6 (six) months period ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SKT</td>
<td>11,264</td>
<td>12,568</td>
</tr>
<tr>
<td>SKM</td>
<td>36,143</td>
<td>33,378</td>
</tr>
<tr>
<td>SPM</td>
<td>7,936</td>
<td>8,188</td>
</tr>
<tr>
<td>Total Domestic Sales of Cigarette Export</td>
<td>55,343</td>
<td>54,134</td>
</tr>
<tr>
<td>Export</td>
<td>868</td>
<td>530</td>
</tr>
<tr>
<td>Total</td>
<td>56,211</td>
<td>54,664</td>
</tr>
</tbody>
</table>

Note: (1) The Company exports kretek cigarettes, Cigarillos and/or roll-your-own cigarettes to eleven countries, primarily in South-east Asia.

**Cost of Goods Sold**

Cost of goods sold primarily represents the costs of excise tax stamps, raw materials and salaries, wages and employee benefits and other overhead costs. The cost of excise tax stamps is the most significant component of the Company's cost of goods sold.

**Gross Profit and Gross Profit Margin**

Gross profit is the Company's net revenues minus its cost of goods sold. Gross profit margin is calculated as gross profit divided by the Company's net revenues.

**Selling Expenses**

Selling expenses consist primarily of advertising and promotion expenses, salaries, wages and employee benefits, and transportation and distribution expenses.

**General and Administrative Expenses**

General and administrative expenses consist primarily of salaries, wages and employee benefits, and management services in relation to services primarily provided by Philip Morris International Management SA.

**Other Income and Expenses**

Other income and expenses consist primarily of income from rent and royalties, gain or loss on sales of fixed assets and foreign exchange gain or loss, as well as one-off expenses.

**Finance Income**

Finance income consists primarily of interest income generated from cash in banks and receivables from affiliated parties.
Finance Costs

Financing costs consist of interest expenses on short-term loans with affiliated parties, finance lease liabilities and a bank loan, as well as foreign currency swap transactions expenses.

Share of Net Results of Associate

Share of net results of associate consists of the Company’s 49% interest in Vinataba-Philip Morris Limited.

Profit Before Income Tax

Profit before income tax is the Company’s profit before corporate income tax.

Income Tax Expense

Income tax expense consists of current income tax expense and deferred income tax benefits/expenses.

Cumulative Translation Adjustments

Cumulative translation adjustments summarizes the gains/losses resulting from the changes in foreign exchange rates over the years of the financial assets and financial liabilities of foreign subsidiaries.

Total Comprehensive Income for the Year

Total comprehensive income for the year/period consists of profit for the year as well as cumulative translation adjustments and actuarial gain or loss from post-employment benefit (net of tax).

Results of Operation

<table>
<thead>
<tr>
<th>Description</th>
<th>For 6 (six) months period ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>43,742.6</td>
<td>39,093.5</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(33,482.3)</td>
<td>(29,241.1)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10,260.3</td>
<td>9,852.4</td>
</tr>
<tr>
<td>Selling Expenses</td>
<td>(2,753.1)</td>
<td>(2,360.1)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(765.3)</td>
<td>(691.7)</td>
</tr>
<tr>
<td>Other income</td>
<td>103.3</td>
<td>61.6</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(124.4)</td>
<td>(134.1)</td>
</tr>
<tr>
<td>Finance income</td>
<td>25.3</td>
<td>31.5</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(52.4)</td>
<td>(19.0)</td>
</tr>
<tr>
<td>Share of net results of associate</td>
<td>7.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>6,701.2</td>
<td>6,743.3</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(1,689.4)</td>
<td>(1,712.0)</td>
</tr>
<tr>
<td>Profit for the year period</td>
<td>5,011.8</td>
<td>5,031.3</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial loss from post-employment benefit</td>
<td>(142.4)</td>
<td>(162.6)</td>
</tr>
<tr>
<td>Related income tax expense</td>
<td>35.4</td>
<td>40.6</td>
</tr>
<tr>
<td></td>
<td>(107.0)</td>
<td>(122.0)</td>
</tr>
<tr>
<td>Items that may be subsequently reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Other comprehensive losses, net of tax</td>
<td>(106.9)</td>
<td>(121.7)</td>
</tr>
<tr>
<td>Total comprehensive income for the year/period</td>
<td>4,904.9</td>
<td>4,909.6</td>
</tr>
</tbody>
</table>

1. For the six months ended June 30, 2015 compared to the six months ended June 30, 2014 (unaudited)

Net Revenues

The Company’s net revenues increased 11.9% to Rp43,742.6 billion in the six months ended June 30, 2015 from...
Rp39,093.5 billion in the six months ended June 30, 2014 primarily due to a combination of higher domestic sales volumes during the period and increases in the prices of the Company's cigarettes [partially driven by an increase in excise tax, and a shift in the Company's price and product mix.

The Company's net revenues from SKM cigarettes increased 18.8% to Rp27,456.9 billion, which accounted for 62.8% of its total net revenues in the six months ended June 30, 2015, compared to Rp23,103.5 billion, which accounted for 59.1% of its total net revenues in the six months ended June 30, 2014. Sales volumes of SKM cigarettes increased from 33.4 billion to 36.1 billion. *Sampoerna A* contributed 43.9% of the Company's net revenues in the six months ended June 30, 2015 as compared to 43.1% in the six months ended June 30, 2014, while the Company's *Sampoerna U* brand contributed to 10.4% of the Company's net revenues in the six months ended June 30, 2015 compared to 10.8% in the six months ended June 30, 2014. The Company's *Dji Sam Soe Magnum* brand also significantly increased its contribution to the Company's net revenues to 8.5% in the six months ended June 30, 2015 from 5.2% in the six months ended June 30, 2014.

The Company's net revenues from SKT cigarettes decreased 2.1% to Rp9,098.3 billion in the six months ended June 30, 2015 from Rp9,294.5 billion in the six months ended June 30, 2014 primarily due to the trend of adult smoker preference shifting from SKT products to SKM products, reflecting the overall decline of the total SKT segment in the Indonesian market. Despite the trend of adult smokers moving away from SKT products to SKM products, the Company's *Dji Sam Soe* brand saw net revenues increase from Rp7,872.6 billion in the six months ended June 30, 2014 to Rp9,506.8 billion in the six months ended June 30, 2015 driven by the strong sale of *Dji Sam Soe Magnum* and *Dji Sam Soe Magnum Blue*, both of which are brands in the Company's SKM portfolio. The Company's *Dji Sam Soe* brand contributed to 21.7% of its net revenues in the six months ended June 30, 2015 as compared to 20.1% in the six months ended June 30, 2014. The Company's *Sampoerna Kretek* brand contributed to 7.1% of its net revenues in the six months ended June 30, 2015 as compared to 8.2% in the six months ended June 30, 2014.

The Company's net revenues from SPM cigarettes increased 7.7% to Rp6,473.0 billion in the six months ended June 30, 2015 from Rp6,011.2 billion in the six months ended June 30, 2014, primarily due to an increase in prices, which were partially offset by a decrease in SPM sales volume. Sales of SPM cigarettes contributed 14.8% to the Company's net revenues in the six months ended June 30, 2015 as compared to 15.4% in the six months ended June 30, 2014.

**Cost of Goods Sold**

The Company's cost of goods sold increased 14.5% to Rp33,482.3 billion in the six months ended June 30, 2015 from Rp29,241.1 billion in the six months ended June 30, 2014 primarily due to an increase in the amount of excise duties and production costs due to salary increases and inflation. One of the contributors to the increase of cost of goods sale is the payment of Rp604.3 billion to TPO which related to the change of contractual production volume with TPO, which was caused by the declining demand of SKT from adult smokers for the last few years.

**Selling Expenses**

The Company's selling expenses increased 16.7% to Rp2,753.1 billion in the six months ended June 30, 2015 from Rp2,360.1 billion in the six months ended June 30, 2014 primarily driven by higher distribution costs in line with higher sales volume, higher inflation costs as a result of higher salaries and employee benefits for sales personnel and an increase in investments for marketing and advertisements both for existing brands in the SKM and SKT portfolio as well as the launch of the new product *U Bold*.

**General and Administrative Expenses**

The Company's general and administrative expenses increased 10.6% to Rp785.3 billion in the six months ended June 30, 2015 from Rp691.7 billion in the six months ended June 30, 2014 primarily due to inflation-driven cost increases reflected in higher salaries and employee benefits.

**Other Income and Expenses (Net Other Expenses)**

Other income and expenses (net other expenses) decreased 70.8% to Rp21.1 billion in the six months ended June 30, 2015 from Rp72.5 billion in the six months ended June 30, 2014 primarily due to gains from sales of fixed assets, partially offset by losses from foreign exchange transactions.

**Finance Income**

The Company's finance income decreased 19.7% to Rp25.3 billion in the six months ended June 30, 2015 from Rp31.5 billion in the six months ended June 30, 2014 and mainly represented interest income generated from cash in bank and receivables from affiliated parties.

**Finance Costs**

The Company's finance costs increased 175.8% to Rp52.4 billion in the six months ended June 30, 2015 from Rp19.0 billion in the six months ended June 30, 2014 primarily due to additional drawdowns on the Company's existing short-
term borrowing facilities. In addition, the Company's total finance costs also increased as a result of increased costs on foreign currency swap transactions to hedge intercompany borrowings with Philip Morris Finance SA.

**Share of Net Results of Associate**

Share of net results of associate was Rp7.5 billion in the six months ended June 30, 2015 compared to Rp2.7 billion in the six months ended June 30, 2014.

**Profit Before Income Tax**

As a result of the foregoing, the Company's profit before income tax decreased 0.6%, to Rp6,701.2 billion in the six months ended June 30, 2015 from Rp6,743.3 billion in the six months ended June 30, 2014.

**Income Tax Expense**

The Company's income tax expense decreased 1.3%, to Rp1,689.4 billion in the six months ended June 30, 2015 from Rp1,712.0 billion in the six months ended June 30, 2014 primarily as a result of the decrease in its profit before income tax.

**Profit for the Period**

As a result of the foregoing, the Company's profit for the Period decreased 0.4%, to Rp5,011.8 billion in the six months ended June 30, 2015 from Rp5,031.3 billion in the six months ended June 30, 2014.

**Cumulative Translation Adjustments**

Cumulative translation adjustments decreased to Rp0.1 billion in the six months ended June 30, 2015 from Rp0.3 billion in the six months ended June 30, 2014 as a result of foreign exchange rate fluctuations.

**Actuarial Loss from Post-Employment Benefit – Net of Related Income Tax Expense**

Actuarial loss from post-employment benefit (net of related income tax expense) was Rp107.0 billion in the six months ended June 30, 2015 compared to Rp122.0 billion in the six months ended June 30, 2014 due to changes in actuarial assumption and experiences adjustments.

**Total Comprehensive Income for the Period**

Total comprehensive income for the period decreased 0.1%, to Rp4,904.9 billion in the six months ended June 30, 2015 from Rp4,909.6 billion in the six months ended June 30, 2014 primarily due to currency translation adjustments and actuarial gain or loss on post-employment benefits.

2. For the year ended December 31, 2014 compared to the year ended December 31, 2013

**Net Revenues**

The Company's net revenues increased 7.6% to Rp80,690.1 billion in 2014 from Rp75,025.2 billion in 2013, due to increases in the prices of the Company's cigarettes, partially driven by an increase in excise tax, and a shift in the Company's price and product mix. Growth on account of price increases was partially offset by a decrease in overall sales volumes.

Overall domestic cigarette sales volume decreased by 1.5% to 109.7 billion cigarette units in 2014 from 111.3 billion cigarette units in 2013 due to the discontinuance of two brands, *Vegas Mild* and *Trend Mild*, in response to changes in tax regulations, which decreased overall volume output by 2.2 billion units.

The Company's net revenues from SKM cigarettes increased by Rp7,883.1 billion or 19.3% to Rp48,722.0 billion, which accounted for 60.4% of its total net revenues in 2014, compared to Rp40,838.9 billion, which accounted for 54.4% of its total net revenues in 2013. Sales volumes of SKM cigarettes increased from 63.3 billion to 69.0 billion. *Sampoerna A* contributed 43.3% of the Company's net revenues in 2014 as compared to 41.8% in 2013, while the Company's *Sampoerna U* brand contributed to 10.9% of the Company's net revenues in 2014 compared to 8.2% in 2013.

The Company's net revenues from SKT cigarettes decreased 15.2% to Rp18,645.2 billion in 2014 from Rp21,993.8 billion in 2013 primarily due to the trend of adult smoker preference shifting from SKT products to SKM products, reflecting the overall decline of the total SKT segment in the Indonesian market. The Company's *Dji Sam Soe* brand contributed to 20.9% of its net revenues in 2014 as compared to 22.6% in 2013. However, the decline in net revenues of *Dji Sam Soe* was partially offset by both the positive sales volume of *Dji Sam Soe Magnum* and the successful launch of *Dji Sam Soe Magnum Blue*, both of which are brands in the Company's SKM portfolio. The Company's *Sampoerna Kretek* brand contributed to 7.8% of its net revenues in 2014 as compared to 9.1% in 2013.
The Company's net revenues from SPM cigarettes increased 10.5% to Rp12,149.4 billion in 2014 from Rp10,997.7 billion in 2013, primarily due to an increase in prices, as sales volumes of SPM cigarettes stayed largely flat in 2014. Sales of SPM cigarettes contributed 15.1% to the Company's net revenues in 2014 as compared to 14.7% in 2013.

Cost of Goods Sold

The Company's cost of goods sold increased 9.5% to Rp60,190.0 billion in 2014 from Rp54,953.9 billion in 2013 primarily due to an increase in the amount of excise duties and production costs due to salary increases and inflation. Higher cost of clove inventories built up in 2012 continued to impact the cost of goods sold in 2014. The change in the Company's product mix as a result of the continuing market trend away from SKT cigarettes to SKM cigarettes also resulted in an increase in excise tax, as SKM cigarettes are subject to higher excise tax per unit than SKT cigarettes, which was partly offset by lower per-unit raw material and labor costs for SKM.

Selling Expenses

Selling expenses increased 31.5% to Rp5,295.4 billion in 2014 from Rp4,027.6 billion in 2013 primarily due to higher distribution levels in the Java region and the timing of investments in sales and marketing, both for existing brands in the SKM and SKT portfolio (particularly Dji Sam Soe Magnum and A Mild) and for the launch of a new product, Dji Sam Soe Magnum Blue.

General and Administrative Expenses

General and administrative expenses decreased by 3.1% to Rp1,399.3 billion in 2014 from Rp1,443.5 billion in 2013, as a result of a decrease in management services expenses, which was partially offset by inflation-driven cost increases reflected in higher salaries, wages and employee benefits.

Other Income and Expenses (Net Other Expenses)

Other income and expenses (net other expenses) increased 39.6% to Rp111.3 billion in 2014 from Rp79.7 billion in 2013 primarily due to payments related to the discontinuation of SKT manufacturing facilities in the Company's Jember and Lumajang sites, partially offset by gains from the sale of fixed assets and gains from foreign exchange transactions.

Finance Income

The Company's finance income increased 17.6% to Rp57.5 billion in 2014 from Rp48.9 billion in 2013 and was mainly attributable to interest income generated from cash in bank and receivables from affiliated parties.

Finance Costs

The Company's total finance costs of Rp47.4 billion were mainly generated from foreign currency swap transactions to hedge related-party borrowings with Philip Morris Finance SA. The Company's finance costs decreased 31.4% to Rp47.4 billion in 2014 from Rp69.1 billion in 2013 primarily due to a decrease in short-term related-party financing arrangements with Philip Morris Finance SA and PMID.

Share of Net Results of Associate

Share of net results of associate was Rp14.1 billion in 2014 compared to Rp9.4 billion in 2013.

Profit Before Income Tax

As a result of the foregoing, the Company's profit before income tax decreased 5.5% to Rp13,718.3 billion in 2014 from Rp14,509.7 billion in 2013.

Income Tax Expense

The Company's income tax expense decreased 4.2%, to Rp3,537.2 billion in 2014 from Rp3,691.2 billion in 2013 primarily as a result of decrease in its profit before income tax.

Profit for the Year

As a result of the foregoing, the Company's profit for the year decreased 5.9%, to Rp10,181.1 billion in 2014 from Rp10,818.5 billion in 2013. The profit for the year 2014 was in particular impacted by one-off costs related to the reduction of SKT production capacity.

Cumulative Translation Adjustments
Cumulative translation adjustments changed to Rp0.1 billion gain in 2014 from a Rp1.1 billion loss in 2013 as a result of foreign exchange rate fluctuations.

**Actuarial Loss from Post-Employment Benefit-Net Related Income Tax Expense**

Actuarial loss from post-employment benefit (net related income tax expense) was Rp166.2 billion in 2014 compared to Rp9.4 billion in 2013 due to changes in actuarial assumptions and experiences adjustments.

**Total Comprehensive Income for the Year**

Total comprehensive income for the year decreased 7.3% to Rp10,015.0 billion in 2014 from Rp10,808.0 billion in 2013 primarily due to currency translation adjustments and actuarial gain or loss on post-employment benefits.

3. **For the year ended December 31, 2013 compared to year ended December 31, 2012**

**Net Revenues**

The Company's net revenues increased 12.6% to Rp75,025.2 billion in 2013 from Rp66,626.1 billion in 2012 due to a combination of higher domestic sales volumes during the year, which increased to 111.3 billion cigarettes in 2013 from 107.7 billion cigarettes in 2012, and increases in the price of the Company's products, which was partly driven by increases in excise taxes and manufacturing costs.

The Company's total net revenues from its SKM products increased by Rp7,688.6 billion or 23.2% to Rp40,838.9 billion, which accounted for 54.4% of its total net revenues in 2013, compared to Rp33,150.3 billion, which accounted for 49.7% of its total net revenues in 2012. Sales volumes of SKM cigarettes increased from 56.6 billion units to 63.3 billion units. **Sampoerna A**, contributed to 41.8% of the Company's net revenues in 2013 as compared to 40.3% in 2012. This was followed by the **Sampoerna U** brand, which contributed to 8.2% of its net revenues in 2013 compared to 6.0% in 2012.

The Company's net revenues of its SKT products decreased 7.5% to Rp21,993.8 billion in 2013 from Rp23,783.9 billion in 2012 primarily due to the long-term trend of adult smoker preference shifting from SKT products to SKM products, reflecting the overall decline of the total SKT segment in the Indonesian cigarette market.

The Company's net revenues from SPM cigarettes increased 22.4% to Rp10,997.7 billion in 2013 from Rp8,984.4 billion in 2012 due to increases in both sales volumes and prices. Sales of SPM cigarettes contributed 14.7% to the Company's net revenues in 2013 as compared to 13.5% in 2012.

**Cost of Goods Sold**

The Company's cost of goods sold increased 14.2% to Rp54,953.9 billion in 2013 from Rp48,118.8 billion in 2012 primarily due to higher volumes sold, higher raw material costs for both tobacco leaf and clove supplies, inflation-driven cost increases and an increase in excise tax rates. Higher cost of clove inventories built up in 2012 impacted the cost of goods sold in 2013. The change in the Company's product mix resulting from the continuing market trend away from SKT cigarettes to SKM cigarettes also resulted in an increase in excise tax, as SKM cigarettes are subject to higher excise tax per unit than SKT cigarettes, which was partly offset by lower per-unit raw material and labor costs for SKM.

**Selling Expenses**

Selling expenses increased 7.9% to Rp4,027.6 billion in 2013 from Rp3,732.3 billion in 2012 primarily due to inflation-driven cost increases as reflected in higher salaries, wages and employee benefits for sales personnel.

**General and Administrative Expenses**

General administrative increased 1.3% to Rp1,443.5 billion in 2013 from Rp1,424.5 billion in 2012, primarily due to increases in salaries, wages and employee benefits.

**Other Income and Expenses (Net Other Expenses)**

Other income and expenses (net other expenses) increased 44.6% to Rp79.7 billion in 2013 from Rp55.1 billion in 2012 primarily due to losses from foreign exchange transactions, partially offset by gains from sale of fixed assets.

**Finance Income**

The Company's finance income decreased 59.3% to Rp48.9 billion in 2013 from Rp120.0 billion in 2012 and mainly represented interest income generated from cash in bank and receivables from affiliated parties.
Finance Costs

The Company's total finance costs of Rp69.1 billion were mainly generated from foreign currency swap transactions to hedge related-party borrowings with Philip Morris Finance SA. The Company's finance costs increased 99.1% to Rp69.1 billion in 2013 from Rp34.7 billion in 2012 primarily due to short-term related-party financing arrangements with Philip Morris Finance SA and PMID.

Share of Net Results of Associate

Share of net results of associate was Rp9.4 billion in 2013 compared to Rp2.6 billion in 2012.

Profit Before Income Tax

As a result of the foregoing, the Company's profit before income tax increased 8.4% to Rp14,509.7 billion in 2013 from Rp13,383.3 billion in 2012.

Income Tax Expense

The Company's income tax expense increased 7.4% to Rp3,691.2 billion in 2013 from Rp3,438.0 billion in 2012 primarily as a result of increase in its profit before income tax.

Profit for the Year

As a result of the foregoing, the Company's profit for the year increased 8.8% to Rp10,818.5 billion in 2013 from Rp9,945.3 billion in 2012.

Cumulative Translation Adjustments

Cumulative translation adjustments decreased to a loss of Rp1.1 billion in 2013 from a gain of Rp30.9 billion in 2012 as a result of foreign exchange rate fluctuations.

Actuarial Loss from Post-Employment Benefit-Net Related Income Tax Expense

Actuarial loss from post-employment benefit (net related income tax expense) was Rp9.4 billion in 2013 compared to Rp170.8 billion in 2012 due to the adoption of new IFAS in 2012 related to the change in the recognition method of actuarial gains/(losses) through other comprehensive income and changes in actuarial assumption and experience adjustments.

Total Comprehensive Income for the Year

Total comprehensive income for the year increased 10.2%, to Rp10,808.0 billion in 2013 from Rp9,805.4 billion in 2012 primarily due to currency translation adjustments and actuarial gain or loss on post-employment benefit.

C. CONSOLIDATED STATEMENTS OF CASH FLOW DATA

<table>
<thead>
<tr>
<th>Description</th>
<th>For 6 (six) months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>3,281.3</td>
<td>6,019.2</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(393.0)</td>
<td>(594.8)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(3,825.4)</td>
<td>(5,987.7)</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(937.1)</td>
<td>(563.3)</td>
</tr>
</tbody>
</table>

Net Cash Generated from Operating Activities

The Company's net cash generated from operating activities was Rp3,281.3 billion for the six months ended June 30, 2015, primarily comprising cash receipts from customers of Rp46,445.3 billion, partially offset by payments of excise tax of Rp25,830.0 billion, cash payments to suppliers Rp13,265.5 billion and employees of Rp1,938.2 billion and payments of corporate income tax of Rp2,082.7 billion.

The Company's net cash generated from operating activities was Rp6,019.2 billion for the six months ended June 30, 2014, primarily comprising cash receipts from customers of Rp42,068.6 billion, partially offset by payments of excise
tax of Rp20,428.4 billion, cash payments to suppliers of Rp11,812.9 and payments to employees of Rp1,800.3 billion and payments of corporate income tax of Rp2,023.0 billion.

The Company's net cash generated from operating activities was Rp11,103.2 billion in the year ended December 31, 2014, primarily comprising cash receipts from customers of Rp87,346.2 billion, partially offset by payments of excise tax of Rp40,172.8 billion, cash payments to suppliers of Rp28,319.5 billion and payment to employees of Rp3,744.5 billion and payments of corporate income tax of Rp4,002.8 billion.

The Company's net cash generated from operating activities was Rp10,802.2 billion in the year ended December 31, 2013, primarily comprising cash receipts from customers of Rp80,737.1 billion, partially offset by payments of excise tax of Rp36,737.7 billion, cash payments to suppliers of Rp26,198.0 and payment to employees of Rp3,208.8 billion and payments of corporate income tax of Rp3,652.9 billion.

The Company's net cash generated from operating activities was Rp4,087.5 billion in the year ended December 31, 2012, primarily comprising cash receipts from customers of Rp72,057.0 billion, partially offset by proceeds of a short-term bank loan of Rp634.2 billion and proceeds from other short-term liabilities of Rp500.0 billion and Rp383.0 billion, respectively.

Net Cash Used in Investing Activities

The Company's net cash used in investing activities was Rp393.0 billion for the six months ended June 30, 2015, primarily comprising payments for the purchases of fixed assets and land for development of Rp481.3 billion and payments for the construction of investment properties of Rp0.5 billion, partially offset by receipt of other receivables from affiliated party of Rp1.7 billion and proceeds from sale of fixed assets of Rp87.1 billion.

The Company's net cash used in investing activities was Rp594.8 billion for the six months ended June 30, 2014, primarily comprising payments for the purchases of fixed assets and land for development of Rp674.8 billion and payments for the construction of investment properties of Rp77.2 billion, partially offset by receipt of other receivables from affiliated party of Rp150.0 billion and proceeds from sale of fixed assets of Rp73.3 billion.

The Company's net cash used in investing activities was Rp1,385.5 billion in the year ended December 31, 2014, primarily comprising payments for the purchases of fixed assets and land for development of Rp1,493.0 billion and payments for the construction of investment properties of Rp83.9 billion, partially offset by receipt of other receivables from affiliated party of Rp156.1 billion and proceeds from sale of fixed assets of Rp35.3 billion.

The Company's net cash used in investing activities was Rp1,143.3 billion in the year ended December 31, 2013, primarily comprising payments for the purchases of fixed assets and land for development of Rp1,268.9 billion, payment for the construction of investment properties of Rp214.7 billion and placement of loans to related parties of Rp150.0 billion, partially offset by receipt of other receivables from affiliated party of Rp255.9 billion and proceeds from sale of fixed assets of Rp234.5 billion.

The Company's net cash used in investing activities was Rp860.1 billion in the year ended December 31, 2012, primarily comprising payments for the purchases of fixed assets and land for development of Rp867.1 billion, payments for the construction of investment properties of Rp113.6 billion, and placement of loan to affiliated party of Rp150.7 billion partially offset by receipt of proceeds from sale of fixed assets of Rp59.2 billion.

Net Cash Used in Financing Activities

The Company's net cash used in financing activities was Rp3,825.4 billion for the six months ended June 30, 2015, primarily comprising dividends paid to shareholders of Rp4,273.4 billion and repayments of affiliated party loan of Rp425.5 billion, partially offset by proceeds of a short-term bank loan and proceeds from other short-term financial liabilities of Rp500.0 billion and Rp383.0 billion, respectively.

The Company's net cash used in financing activities was Rp5,987.7 billion for the six months ended June 30, 2014, primarily comprising dividends paid to shareholders of Rp4,063.0 billion and repayments of affiliated party loan of Rp308.9 billion.

The Company's net cash used in financing activities was Rp9,406.8 billion in the year ended December 31, 2013, primarily comprising dividends paid to shareholders of Rp9,945.0 billion and repayments of short-term bank loan of Rp115.0 billion, partially offset by proceeds from affiliated party loans of Rp634.2 billion and proceeds from other short-term financial liability of Rp43.7 billion.

The Company's net cash used in financing activities was Rp4,892.3 billion in the year ended December 31, 2012, primarily comprising dividends paid to shareholders of Rp6,793.7 billion, partially offset by proceeds from affiliated
party loan of Rp1,812.9 billion and proceeds from short-term borrowings of Rp115.0 billion.
D. CAPITAL EXPENDITURES

Historical Capital Expenditures

The Company's capital expenditures were Rp800.7 billion, Rp1,483.6 billion, Rp1,576.9 billion, Rp752.0 billion and Rp481.8 billion in 2012, 2013, 2014 and the six months ended June 30, 2014 and 2015, respectively.

The following table sets forth the Company’s major capital expenditures by category of expenditures for each of the periods indicated below. These capital expenditures related primarily to the Company’s manufacturing facilities.

<table>
<thead>
<tr>
<th>Description</th>
<th>Six month ended on June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land for development and fixed assets</td>
<td>481.3</td>
<td>674.8</td>
</tr>
<tr>
<td>Investment Properties</td>
<td>0.5</td>
<td>77.2</td>
</tr>
<tr>
<td>Total capital expenditures</td>
<td>481.8</td>
<td>752.0</td>
</tr>
</tbody>
</table>

Planned Capital Expenditures

The Company expects to incur planned capital expenditures of Rp1,113.0 billion in 2015, primarily for fixed assets relating to the Company’s manufacturing facilities. The Company’s actual capital expenditures may differ from this amount due to various factors, including its business plan, its financial performance, market conditions, its outlook for future business conditions, and changing governmental regulations. To the extent that the Company does not generate sufficient cash flows from its operations to meet its working capital needs and to exercise its capital expenditure plans, it may revise its capital expenditure plans or seek additional debt or equity financing.

Contractual Obligations, Commitments and Contingencies

The following table sets forth the Company’s contractual obligations and commitments to make future payments as of June 30, 2015:

<table>
<thead>
<tr>
<th>Description</th>
<th>Less than 1 year</th>
<th>1-2 years</th>
<th>More than 2 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>3,910.0</td>
<td>-</td>
<td>-</td>
<td>3,910.0</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3,399.5</td>
<td>-</td>
<td>-</td>
<td>3,399.5</td>
</tr>
<tr>
<td>Accruals</td>
<td>148.5</td>
<td>-</td>
<td>-</td>
<td>148.5</td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>510.9</td>
<td>-</td>
<td>-</td>
<td>510.9</td>
</tr>
<tr>
<td>Other short-term financial liabilities</td>
<td>388.4</td>
<td>-</td>
<td>-</td>
<td>388.4</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>21.4</td>
<td>13.7</td>
<td>18.0</td>
<td>53.1</td>
</tr>
<tr>
<td>Total</td>
<td>8,378.7</td>
<td>13.7</td>
<td>18.0</td>
<td>8,410.4</td>
</tr>
</tbody>
</table>

The Company also has commitments and contingencies as follows:

Commitments

- **Purchase of Fixed Asset**

  The Company has a commitment with regards to the purchase of fixed assets and construction of property investments as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Commitments</td>
<td>554.7</td>
<td>539.4</td>
</tr>
</tbody>
</table>

All commitments in the purchase of fixed assets and the construction of property investments to third parties especially with G.D. SPA, with an engagement period up to the month of September 2016.

- **Rent**

  The minimum number of operating lease payments in the future that are derived from operating leases are as follows:
Operating lease commitments are primarily vehicle lease commitments with PT Serasi Autoraya and PT Adhi Sarana Armada Tbk.

Contingencies

On June 30, 2015, December 31, 2014, 2013 and 2012, the Company has no significant contingent liabilities.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet liabilities that are not reflected in its consolidated financial statements.

Risk Management

The Company is, in its ordinary course of business, exposed to various types of market risks, including foreign exchange rate risk, interest rate risk, credit risk and liquidity risk, among others. The Company's risk management strategy aims to minimize the potential adverse effects of financial risk on its financial performance.

Foreign Exchange Rate Risk

The Company's functional currency is the Indonesian Rupiah, but it transacts business in some foreign currencies such as the U.S. dollar ("US$") and thus it is exposed to foreign currency risk. The Company uses foreign currency contracts swaps for its foreign currency borrowings to mitigate the impact of the movements in foreign exchange rate. The Company's profit after tax for the year may be lower/higher as a result of currency translation losses/gains on US$ denominated financial instruments. The Company mitigates its foreign exchange risks by performing regular reviews and monitoring of its foreign exchange exposures.

As at June 30, 2015 and at December 31, 2014, 2013 and 2012 if the US$ had strengthened/weakened by Rp100/1US$ against the Rupiah, with all other variables including tax rate being held constant, the Company's profit after tax for the period/year would have been Rp14.7 billion lower/higher as at June 30, 2015, Rp18.7 billion lower/higher in 2014, Rp17.9 billion lower/higher in 2013, Rp22.3 billion lower/higher in 2012 as a result of currency translation losses/gains on the remaining US$ denominated financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it has no significant interest bearing assets and significant interest rate risk arising from borrowings. The Company is exposed to interest rate risk on its short-term borrowings. The Company's policy to minimize the interest rate risk is by analyzing the movement of interest rate margins and the maturity profile of assets and liabilities.

At June 30, 2015, if the interest rate had increased/decreased by 0.5 basis points with all variables including tax rates being held constant, the Company's profit after tax for the period would decrease/increase by Rp7.3 billion.

At December 31, 2014, if the interest rate had increased/decreased by 0.5 basis point with all variables including tax rates being held constant, the Company's profit after tax for the year would decrease/increase by Rp10.6 billion compared to Rp12.2 billion in 2013.

At December 31, 2013, if the interest rate had increased/decreased by 0.5 basis point with all variables including tax rates being held constant, the Company's profit after tax for the year would decrease/increase by Rp12.2 billion compared to Rp11.5 billion in 2012.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily from trade receivables). However, the Company has no significant exposure to credit risk. Sales are made in cash and credit and sales made with credit terms above certain amounts are secured with bank guarantees on behalf of customers. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, to limit the amount of maximum credit threshold to customers and to monitor the utilization of the credit limits on a regular basis. The Company manages credit risk exposure from its deposits with banks by monitoring the banks' reputation and capitalization ratio and credit exposure from customers based on their financial position, past experience, third party references and other factors.
Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the Company's underlying business, it also maintains flexibility in funding by maintaining available credit lines from Philip Morris Finance SA and several banks. The carrying amounts of the Company's financial assets and liabilities are assumed to approximate their fair values due to their short-term maturity and the impact of discounting is not significant. The Company manages liquidity risk by monitoring forecast and actual cash flows continuously and keeping sufficient cash and cash equivalents.
V. RISK FACTORS

The Company realizes that in conducting its business activities there are inseparable risks in each of its business activities and have impacts on its business activities, financial performance, result of operation and prospects. If those risks occur, it may affect the capitalization value of the Company.

The risks disclosed below are those that could affect the Company’s business activities, financial performance, business products and prospects.

RISKS RELATING TO THE COMPANY’S BUSINESS AND INDUSTRY

1. The Company is dependent on the production and sale of a single category of product, and any material deterioration of the market condition for cigarettes may adversely affect its business and profitability

Substantially all of the Company's revenues are derived from the sale of cigarettes, predominantly in Indonesia. The cigarette market in Indonesia could materially deteriorate as a result of any number of factors, including, among others, a decline in the demand for cigarette products, shortages or price instabilities of key ingredients such as tobacco leaf and clove and significant regulatory changes or changes in the excise tax regime in the cigarette industry. Demand for cigarette products may decline due to a variety of factors, including demographic changes, rising health awareness, increases in cigarette prices, bans on smoking in public places or marketing restrictions on cigarettes or a combination of any of these or other factors. Any material deterioration to the cigarette market will have a material and adverse effect on the Company's business, financial condition, results of operations and future prospects.

2. Current and future adult consumer trends and preferences may reduce the demand for cigarettes or certain types of cigarettes which may adversely affect the price and demand for cigarettes sold by the Company, and the Company may be unable to anticipate or respond adequately to changes in adult smoker preferences or demand.

The Company's cigarette business is subject to changes in adult smoker preferences, which may be driven by any number of factors, many of which are not within the Company's control. Changing adult smoker preferences may result in a decline in demand for certain types of cigarettes that the Company produces or cigarettes generally, which can in turn materially and adversely impact its sales and business. For example, as a result of declining adult smoker demand for SKT cigarettes over the past few years, the Company's sales of hand-rolled cigarettes have declined, which has had a material and adverse impact on its results of operations and forced the Company to proceed in various forms of downsizing its SKT volumes, including the closure of some of its SKT factories and the introduction of voluntary early retirement programs. A further decline in adult smoker demand for SKT cigarettes may continue to materially and adversely affect the Company's business, profitability, financial condition and results of operations.

Although the demand for cigarette products in Indonesia, where the Company's key market focus is, has remained strong relative to the declining trend in consumption in other markets such as in the United States and Europe, it could begin to decline as a result of factors such as demographic changes in the adult population, increasing social concern regarding the health effects of smoking, legislation and administrative and industry guidelines on tobacco issues and the impact of excise and other tax increases in the past which resulted in higher retail prices for cigarettes. In periods of economic uncertainty, adult smokers may choose to purchase lower-price brands instead of the Company's products, which consist primarily of premium-priced to mid-priced cigarettes. As a result, the sale volumes of the Company's brands and product mix may be adjusted and that may adversely affect the Company's profitability. Any such declining trend could have a material and adverse effect on the Company's business, financial condition, results of operations and future prospects.

Moreover, the Company's profitability may be materially and adversely affected if it is unable to introduce new products or enter new markets successfully, to raise prices or maintain an acceptable proportion of its sales in higher margin products, or to respond to customer preference changes. The success of the Company's business depends on its ability to anticipate changing trends, market its existing and new products and promptly respond to changing trends, to customer demographics and preferences, to the availability of new products and to the increasing pace at which preferences evolve. As the tobacco industry is heavily oriented toward brand recognition, adult smokers may not readily accept new products in the market and potential failures by the Company in the launch of a new product in the short or long term could adversely affect its business, financial condition and prospects. A failure by the Company to accurately and quickly anticipate, identify and adjust to changing adult smoker demands may result in the Company carrying brands or products, which are superseded by more popular products. Similarly, the Company may fail to maintain an optimal product mix, which responds successfully and effectively to target customer preferences, or that would do so in a manner that would maintain the Company's profitability. Any such failure may erode customer confidence by alienating customers who are unable to locate their desired products and/or brands at points of sale. If any of these risks materialize, it may have a material adverse effect on the Company's business, cash flows, profitability, results of operations, financial condition and prospects.
3. The Company's business may be adversely affected by unfavorable changes to the excise tax regime for cigarette products, and increases in cigarette-related taxes that have been proposed or enacted in Indonesia may disproportionately affect the Company's profitability.

The cigarette industry in Indonesia is subject to substantial taxation. Cigarette manufacturers are required to pay excise taxes, regional tax and value-added taxes on kretek and white cigarettes sold in Indonesia, and importers are also required to pay import duties on imported cigarettes sold in Indonesia. Manufacturers are subject to changes in these tax laws. For instance, in 2014 the Government implemented a regional cigarette tax on cigarettes equal to 10% of the excise tax paid to the Government. Changes in the Indonesian tax regimes, including excise tax, value-added tax, regional cigarette taxes and import duties, can disproportionately affect the retail price and profitability of different types of cigarettes, as there is often a time lag between the implementation of a new tax and the reflection of that tax in the retail price of cigarettes. In addition, such changes can disproportionately affect the relative retail prices of the Company's machine-manufactured cigarettes and its hand-rolled cigarette brands.

The Company is one of Indonesia's leading manufacturers of cigarette products by volume and is also one of the country's largest contributors of excise revenue. Typically, the Government increases the excise tax on cigarettes every year. There can be no assurance that current excise tax rates and other taxes will not increase, and the general tax regulatory regime in Indonesia may significantly change in the future. In August 2015, Indonesia's president Joko Widodo submitted the 2016 budget bill to the Indonesian parliament, and the budget projects revenues from tobacco excise taxes of approximately Rp148.9 trillion, which is higher than the 2015 budget of Rp139.1 trillion. The budget stated that it will potentially achieve its tobacco excise tax revenue target for 2016 in part from raising the excise tax among other measures. While this is an approximately 7.5% increase over 2015, the 2015 budget included a one-time benefit of Rp18.5 trillion from a change in payment terms. While the budget did not provide details on any specific tobacco excise tax changes, this figure could potentially result in higher excise tax rates on the Company's cigarettes in 2016.

The Company cannot guarantee that it will be able to either absorb any tax increases on cigarette products through improved operational efficiencies or successfully pass through the cost of such tax increases to its customers. Reflecting part or all of a tax increase through an increase in the retail price may reduce consumption or cause demand to shift toward lower-priced products, different categories of products or illicit products, while absorbing a tax increase without a sales price increase would directly reduce the Company's profitability. In considering any price increase, the Company has to consider market conditions and adult smoker tolerance for pricing adjustments, including the potential impact on cigarette purchases and the expected reactions of its competitors based on historical patterns. The Company's ability to effectively adjust to an increase in cigarette taxes could be particularly limited if the Company is not successful in identifying and planning for the timing, frequency and extent of any such increase. Any unfavorable excise tax treatment of cigarette products, if imposed and widely adopted, could adversely affect the Company's business, financial condition, performance and prospects.

4. The Company faces intense competition, and its failure to compete effectively could have a material adverse effect on its profitability and results of operations

The Company's principal competitors are three other major cigarette manufacturers in Indonesia, namely PT Gudang Garam Tbk ("Gudang Garam"), PT Djurum ("Djurum") and PT Bentoel Internasional Investama Tbk (a subsidiary of British American Tobacco plc) ("BAT"). The Company competes on the basis of product quality, brand recognition, brand loyalty, taste, innovation, packaging, service, distribution, marketing, advertising and price, among other factors, and is subject to highly competitive conditions in all aspects of its business. The Company's competitive environment and position can be significantly influenced by weak economic conditions, erosion of adult smoker confidence, competitors' introduction of lower-price products or innovative products, higher tobacco product taxes, higher absolute prices and larger gaps between retail price categories, and product regulation that diminishes the ability to differentiate tobacco products. Some of the Company's competitors may also have stronger brand recognition in certain parts of the country or segments of the market, which make it more challenging for the Company to penetrate or lead that market. Several of its competitors have established customer loyalty to their brands in certain parts of the country and/or segments of the market, which creates a barrier to entry and prevents the Company from easily penetrating markets where its brand portfolio and products are less recognized.

In addition to the competition already existing in the markets in which the Company operates and sells its products, or may consider operating or selling its products in the future, the Company may encounter significant competition from new market entrants or existing competitors attempting to penetrate market segments in which it is present. Industry consolidations could also lead to an overall increase in competitive pressures. Any or all of these developments could adversely affect the Company's business, financial condition, results of operations and cash flows.

5. The Company is dependent on the strength of its brands, and if the Company is unable to adequately protect and promote its trademark and brand names, its reputation and competitive position could be materially adversely impacted.

The strength of the Company's Sampoerna A, Dji Sam Soe and other brands stems from the Company's reputation for providing high-quality and desirable cigarette products. Its profitability depends largely on the continued success of its major brands Sampoerna A and Dji Sam Soe. For the year ended December 31, 2014, the Company's largest
contributor to its SKM portfolio, Sampoerna A, accounted for 40.9% and 43.3% of its total sales volume and net revenues, respectively, and the key contributor to its SKT portfolio, Dj Samsoe, accounted for 11.9% and 14.7% of its total sales volume and net revenues, respectively. The Company's continued success and growth depends upon its ability to protect and promote its brands via its marketing and promotional efforts. If the Company's marketing or advertising campaigns fail, the Company's brand image and its reputation may be negatively affected. If the Company fails to successfully protect and promote its brands, the market perception of the Company's products may deteriorate, which may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

Moreover, the Company relies on trademarks and brand names to distinguish its products from those of its competitors. Although the Company devotes resources to protecting its trademarks to the extent that it deems to be appropriate, these protective actions may not be sufficient to prevent unauthorized usage or imitation by others, which could harm the Company's image, brand or competitive position. Moreover, the Company may not be aware of all infringements against its trademarks and/or may decide on grounds of cost and expediency not to prosecute instances of infringement, as a result of which its business, ability to compete and prospects may be adversely affected.

6. The Company may not be able to procure sufficient or stable supplies of raw materials for its manufacturing process as a result of factors that affect tobacco leaf and clove production and harvesting or for other reasons, and a delay or shortage in the supply of raw materials, particularly clove, could have a material adverse effect on its business, results of operations and prospects.

Tobacco leaf and clove are key raw materials for the production of the Company's cigarettes and the success of its business depends on its ability to obtain sufficient quantities of raw material. The Company relies on domestic third-party suppliers for the timely and adequate supply of tobacco leaf and clove. In each of 2014 and the six months ending June 30, 2015, the Company purchased 90% of its tobacco leaf from its top five tobacco leaf suppliers, with its key tobacco leaf supplier supplying the majority of such amounts. In 2014 and the six months ended June 30, 2015, the Company purchased almost all of its clove supply from its top five suppliers.

If the Company is not supplied with the tobacco leaf and clove that it requires in a timely manner or in sufficient amounts for any reason, including shortages or variances in the quality of tobacco leaf or clove as a result of a poor harvest season or logistical and/or financial difficulties at the third-party suppliers; it may experience disruptions to its business operations. Since a significant portion of the raw materials the Company requires are natural raw materials, weather conditions and other natural phenomena affecting crop harvest can directly affect its procurement of raw materials. The Company is vulnerable to adverse weather conditions, natural disasters, disease, crop pests and other factors that affect tobacco leaf and clove production and the harvesting of tobacco leaf and clove that are outside its control. Weather conditions, in particular, can have a significant impact on the Company as extreme weather conditions cause clove to produce fewer buds, which results in reduced harvests of clove. For instance, in 2010 excessive rainfall in Indonesia, where predominantly all of the Company's clove requirements are sourced, led to a sharp drop in clove yields and resulting lower supply and price spike in 2011. Tobacco leaf is similarly sensitive to weather conditions, as the quality and yield from tobacco plants can decrease substantially when plants are exposed to extreme conditions, including both drought and flooding. For instance, in 2010, floods in Indonesia had a significant impact on tobacco production.

There can be no assurance that such conditions will not occur in the future. The Company has mitigation plans in place to support the sustainability of tobacco leaf supply by having various tobacco leaf selections with similar characteristics as alternatives and by having a well-planned stock duration scheme. A shortage of natural resources has increasingly become a global risk in recent years as the growing world population and economic development in emerging countries increase the demand for natural resources. Such shortages may directly and indirectly affect the Company's procurement of the raw materials it requires for its business.

Clove trees and tobacco plants are susceptible to pests and diseases. Outbreaks of insect infestations or diseases are more likely to occur in tobacco plantations where only one type of crop is grown. Clove trees face similar threats. Infestation by pests can substantially reduce crop yields as the pests eat the roots of the plant or tree, or damage parts of the plant or tree that would otherwise be used by the Company. The outbreak of pest infestation and disease may result in a decrease in supply of tobacco leaf or clove, which in turn may have a negative impact on the Company's business operations and financial performance.

The Company's tobacco leaf or clove suppliers may also request for changes in pricing, payment terms or other terms that could result in the Company having to make substantial additional payments or incur additional costs. In addition, any cancellation of, dispute arising from or inability to maintain business relationships with the Company's tobacco leaf and/or clove suppliers could adversely affect its operations and the Company may not be able to secure alternative quality tobacco and/or clove supplies from other third parties.

Any difficulty the Company has in procuring the raw materials necessary to manufacture its products, as well as any increases in the cost of such raw materials, due to weather conditions, natural phenomena, commodity market conditions, government regulated limitations or other reasons, may adversely affect the Company's business and results of operations.
7. The Company is exposed to tobacco leaf and clove price fluctuations and inflation, and the Company's margins may be affected by higher raw material prices.

Tobacco leaf and cloves are the primary raw materials that the Company requires for its operations. The Company generally sources most of its tobacco and substantially all of its cloves domestically in Indonesia, and prices for tobacco and clove can fluctuate dramatically. In 2012, 2013 and 2014 and the six months ended June 30, 2015, raw material costs constituted approximately 65.8%, 68.4%, 68.2% and 63.8% of the Company's total production costs for its SKM and SKT cigarettes; most consisted of costs for tobacco and cloves.

As with other agricultural commodities, the prices of tobacco leaf and cloves are impacted by supply and demand considerations (including production costs and demand for other agricultural commodities such as foods or bio-energy crops) that influence tobacco leaf and clove plantings in those countries where these are grown. Different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. The prices of domestic tobacco leaf and cloves are mainly driven by local demand and supply and can be affected by factors such as weather conditions which impact supply. As a result of these factors, the prices of tobacco leaf and cloves have fluctuated over the past several years. The Company may be unable to pass on all or any such increases to its customers, and any substantial increase in the prices or reduction in supply of the Company's raw materials, especially tobacco leaf and clove, could adversely affect its business, financial condition, results of operations and prospects and affect its margins.

8. The Company's financial performance is affected by economic conditions in Indonesia.

The Company's business and its ability to sell cigarette products at competitive prices are significantly affected by general and local market and economic conditions outside its control. The Company's products represent discretionary purchases and are aimed to capture the middle and premium segments of the market. Accordingly, adult customer demand for these products is subject to decline during periods where adult smoker confidence or purchasing power is negatively affected, for example, during a recession. The following, which is not meant to be comprehensive, historically has had, and could have, a material adverse effect on Indonesian macroeconomic conditions:

- domestic, regional or global economic changes;
- slowdowns to the GDP growth of Indonesia and changes in the size and disposable income levels of Indonesia's middle-income segment;
- changes in labor costs and regulations affecting labor costs;
- changes in inflation in Indonesia;
- depreciation of the Rupiah;
- changes in local and global commodity prices;
- changes in taxation and other laws and their application;
- adverse government regulations; and
- political unrest.

If the Indonesian cigarette industry is affected by any of these or other factors, the Company may be faced with decreased sales, increased costs and decreased margins, which may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

9. The Company may be affected by changes in Government policies with respect to the cigarette industry and may face significant governmental action aimed at increasing regulatory requirements with the goal of reducing or preventing the use of cigarette products.

The cigarette industry in Indonesia is heavily regulated by the Government. There can be no assurance that the Government will not introduce new or more stringent restrictions or change its policies with respect to cigarettes. In many other markets, governmental actions have led to reduced consumption levels and industry volume. The World Health Organization's Framework Convention on Tobacco Control ("FCTC"), which came into force in 2005, has continued to prompt regulatory developments in global markets over the years. The FCTC is the first international public health treaty on tobacco, and its objective is to establish a global agenda for tobacco regulation. The FCTC has led to increased efforts by tobacco control advocates and public health organizations to reduce the palatability and attractiveness of tobacco products to adult smokers. Although Indonesia has not ratified the FCTC, such global regulatory initiatives will continue to potentially influence the Indonesian Government's policies relating to the tobacco industry. Any such ongoing regulatory initiatives could result in a significant decrease in demand for the Company's products, as well as a significant increase in the cost of complying with new regulatory requirements, which could materially and adversely affect the Company's business, results of operations, financial condition and future prospects.

10. Restrictions on advertising, promotion, marketing, packaging, labeling and usage of cigarette products in Indonesia and other markets in which the Company sells its products may reduce the demand for cigarette products and materially and adversely affect the Company's business and results of operations.

The Company is subject to substantial regulations that place various restrictions on the promotion, marketing, packaging, labeling, sponsorship and usage of its products. In December 2012, Indonesia issued Government Regulation of the Republic of Indonesia No. 109 of 2012 concerning Materials that Contain Addictive Substances in
Tobacco Products in the Interests of Health ("GR 109/2012"). This regulation contains restrictions on the production, distribution and sale of tobacco products, restrictions on advertising activities, and the requirements to print graphic health warnings on cigarette packets regarding risks associated with the consumption of tobacco products. New regulations implemented in 2015 will also restrict outdoor advertising in certain areas of Jakarta and other cities.

Outside Indonesia, there is already a robust restrictive regime regulating the advertising, promotion, marketing, packaging, labeling and use of tobacco products. The FCTC, adopted by a total of 180 countries (including the European Union as of March 2015, calls for, among other measures, price and tax measures, measures for protection from exposure to Environmental Tobacco Smoke, regulations on the content and emissions of tobacco products, regulation of tobacco product disclosures, advertising, promotion and sponsorship restrictions, packaging and labeling restrictions, measures to prevent the illicit trade of tobacco products, and further restrictions on sales to minors. The parties to the FCTC are required, as a general obligation, to develop and periodically update and review tobacco control strategies, plans and programs in accordance with the convention and any binding protocols. Although Indonesia is currently not a party to the FCTC, the Government has been under pressure to adopt and ratify the FCTC and may do so in the future.

Although it is not always possible to predict future legislation, rules or regulatory guidelines relating to cigarette products, the Company expects that the level of restrictions on advertising, promotion, marketing, packaging, labeling and usage of tobacco products will continue to increase globally and regionally, including in Indonesia. The general tightening of tobacco-related regulations may have contributed to, and may continue to contribute to, a reduction in demand for tobacco products, which may adversely impact sales volume and prices and may require the Company to increase the Company's marketing expenses, which may materialily and adversely affect the Company's business, results of operations, financial condition and prospects.

11. The Company's business depends on the operating capacity and the continuing operations of its manufacturing facilities and unforeseen stoppage or extended downtime at the Company's production facilities or other operational risks could adversely affect its business, results of operations and financial condition.

The Company faces a number of operational risks at its production facilities. The Company operates seven manufacturing facilities in Indonesia that are used to manufacture its tobacco products with some of its facilities equipped with both primary and secondary production process capabilities. Mechanical failure of the Company's blending, rolling or printing machines, outages, accidents at its production facilities or extended downtime required to repair its machines could cause it to be unable to manufacture its products within a certain period of time or at all, which could lead to a loss of market share or diminished product quality which could reduce its sales and increase its costs during the affected periods.

Factors such as labor strikes or business decisions based on market conditions may also affect the Company's ability to maintain continuous operations for the production of its products and cause temporary or permanent facility closures. In 2013, approximately two million workers across 22 provinces in Indonesia went on strike to demand wage increases, which caused countrywide disruptions to a large number of industries, including manufacturers for several days. If the Company's manufacturing facilities are unable to continue operations or production capacity is affected, its business, financial condition and results of operations may be adversely affected.

The Company also contracts with 38 third-party hand-rolled kretek production operators to manufacture some of the hand-rolled cigarettes. It may not be able to adequately monitor and control the labor employed at or the production by these operators.

Many of the Company's production facilities are also situated near volcanoes that, while dormant for a number of years, are potentially active. Indonesia generally is one of the most volcanically and seismically active regions in the world. A significant disruption to the Company's operating capabilities as a result of any of the above may adversely affect the Company's business, results of operations, financial condition and prospects.

12. The Company's SKT operations are labor-intensive, and an increase in real labor costs or labor disputes with its employees may erode the Company's profitability.

The Company relies on its workers at its various manufacturing facilities, particularly at its hand-rolled operations. As of June 30, 2015, the Company had approximately 18,000 permanent employees across its five owned SKT facilities, while the 38 production facilities owned and operated by TPOs employed more than 48,000 employees collectively.

The Company's hand-roll cigarette operations are highly labor-intensive, and labor costs relating to compensation for the Company's employees working at its facilities represent a significant portion of its cost of goods sold. As with its competitors, the Company has seen significant labor cost inflation in recent years, with an increase of approximately 18.0% between the first half of 2014 and the first half of 2015. All of the Company's production facility workers are affected by changes in the minimum wage mandated by regional governments. Over the past ten years, the minimum wage in Indonesia has increased significantly. Further, the Company is subject to variations in labor costs because it operates in several different provinces in Indonesia. The minimum wage in these provinces varies and is adjusted annually based on national and regional inflation rates and other factors. While the Company pays its hand-rollers
more than the relevant current minimum wage, if the minimum wage is increased significantly, the Company will incur higher labor costs. There can be no assurance that the Company will not face higher labor costs or increasing labor challenges in the future, which could have a material adverse effect on its business, results of operations and financial position.

Although the Company believes that it has generally good relations with its employees, labor-related disputes have become more common in Indonesia, and the Company cannot provide assurance that such disputes will not occur in the future. While the Company has continuously adjusted the wages of its workers in line with market conditions, its workers may initiate a strike in order to demand higher wages or for other reasons. Demonstrations, strikes or any other form of labor disturbance by the Company's factory workers could cause operational delays or shutdowns at its factories and could adversely affect its business and operations. In addition, the Company may lose its workers to competitors who pay their workers higher wages.

13. The Company's business may be impacted by seasonality of cigarette consumption and seasonality of tobacco leaf and clove prices.

Seasonality may influence cigarette sales during certain times of the year and seasonal effects include tax increases and timing of adult smokers' efforts to quit smoking. In Indonesia, sales of cigarettes will typically decrease in the beginning of the fasting month, followed by an increase during the week before Lebaran, and will normalize after Hari Raya. The date of Lebaran changes from year to year. Sales of cigarettes also decline during the western New Year, as adult smokers pursue resolutions to quit or decrease cigarette consumption. These factors may cause a sudden and adverse impact on the Company's business and financial condition.

Seasonality in climate and rainfall also affects the quality, quantity and market price of the tobacco leaf and clove that the Company purchases. As the Company primarily sources tobacco leaf and clove supplies from domestic producers, any seasonal variations could impact market prices and the supply of tobacco leaf and cloves.

Any substantial increase in the prices or reduction in supply of the Company's raw materials, especially tobacco leaf and clove, could adversely affect the Company's business, financial condition, results of operations and prospects.

14. The Company may not be able to extend its arrangements with its third-party operators and may be required to replace third-party operators with its own resources or may need to re-negotiate arrangements with its third-party operators.

The Company contracts with 38 TPOs to manufacture some of its hand-rolled cigarettes. It may be unable to renew some or all of these agreements on satisfactory terms or at all for numerous reasons, including government regulations. Accordingly, the Company's costs may increase significantly if it has to replace such third parties with its own resources. Furthermore, the Company may re-negotiate and amend contractual production volume arrangements with its TPOs from time to time based on projected demand of its cigarettes, which may result in the Company providing consideration to the TPOs for such amendments. For instance, in June 2015, the Company made amendments to the contractual production volumes by the TPOs driven by declining adult smoker demand for SKT cigarettes over the past few years, as consideration for which the Company paid Rp604.3 billion to the TPOs.

15. The Company's distribution channels are subject to logistical difficulties and the Company is dependent on the reliability of its distribution channels and the distribution channels provided by third-party carriers.

Given the disparate locations of the Company's sales offices, the weather conditions that affect Indonesia (including frequent landslides and flash floods) and the challenges presented by underdeveloped Indonesian logistical infrastructure, the Company may face logistical difficulties managing the distribution of its goods to its sales offices. The Company operates six distribution centers, 80 area distribution warehouses and 25 smaller distribution point centers on which it is reliant for the timely and accurate distribution of its products to its sales offices and retail network. The Company is reliant on third-party carriers and forwarding agents for distribution to certain locations in Indonesia, especially during peak periods. Any disruption to the distribution center or the distribution channels used by the Company could result in delayed or lost deliveries, damaged goods or an inadequate supply of products to the Company's sales offices and retail network, which could have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

16. The Company may not be able to obtain, maintain or renew all of the approvals, licenses, registrations and permits that are required for it to conduct its business.

The Company is required to obtain various approvals, licenses, registrations and permits from relevant governmental authorities to carry out its business, including industrial business licenses from the Capital Investment Coordinating Board or BKPM and various permits from the Ministry of Finance to engage in the cigarette manufacturing business. There can be no assurance that the relevant governments or regional government authorities will not revoke or refuse to issue or to renew the Company's licenses and/or approvals required in order to operate its business. The Company may need to apply for renewal of licenses and approvals from time to time and as and when they expire, as well as obtain new licenses and approvals whenever required. The Government may also promulgate new laws or regulations to regulate the cigarette manufacturing and tobacco industry in Indonesia, where additional licenses and permits may
The Company is also required to comply with reporting obligations to the relevant governmental authorities in accordance with various Indonesian regulations, including the excise tax regulations. Reporting obligations include providing yearly financial information and monthly production volumes. Failure to comply with the reporting obligations may result in penalties of substantial monetary fines and criminal sanctions.

The relevant authorities in Indonesia have wide discretion over whether or not licenses will be granted; therefore the Company may not be able to obtain the relevant licenses in a timely manner or at all. Fulfilling all the formal legal and procedural requirements necessary to obtain a license does not guarantee that a license will be granted or the Company will be able to comply with the terms and conditions (including with respect to certain restrictions and/or reporting obligations) provided in the relevant licenses. Such failure may expose the Company and its employees to sanctions, including warning letters, suspension or revocation of the Company's licenses, interruption of manufacturing operations, temporary or permanent closure of sales offices, fines, or other administrative sanctions.

The Company's failure to obtain, maintain or renew relevant licenses or approvals from the governmental authorities it requires to conduct its operations, could materially and adversely affect the Company's business, cash flows, results of operations, financial condition and prospects.

17. The Company may face challenges to title to the land on which its manufacturing and distribution facilities and sales offices are located.

Indonesian laws recognize customary community land rights which may alter prior written arrangements amongst land owners. The Company believes that it has clear title to all the land or otherwise believes it is able to renew or extend title where such title has expired or is expiring, and is in the process of being renewed or extended, on which its manufacturing and distribution facilities and sale offices are currently situated and none of its manufacturing and distribution facilities are located on or near sites that have previously belonged to or are currently subject to any customary rights over land or for which there are other third-party claims. However, the Company cannot guarantee that there would not be challenges raised by other parties or that future laws and actions will not cause its land title to be challenged, which could affect its business, financial position, cash flows and results of operations.

18. The Company is dependent on the quality of our title to our land properties and our ability to renew or extend these titles.

The Company owns or possesses land and properties under Right to Build (Hak Guna Bangunan or "HGB") titles registered under the Company's name. A holder of a HGB title to a parcel of land has the right to build and own buildings on such parcel of land. Upon the expiration of the duration of a HGB title, the HGB title ceases to exist and the Company may have the obligation to return the land to the State or to a holder of the underlying land title (if any), as applicable, within one year if the HGB title is not being renewed or extended.

The application for extension or renewal for the HGB title must be made no later than two years prior to the expiration of the existing term of the HGB title. Failure to make the application in a timely manner may expose the Company to the risk that it may not be able to obtain the renewal or extension of the HGB titles. The Company has 187 lands with type of land in the form of HGB with a total area of 2,552,804 m². As of the date of issuance of this Prospectus, as many as 42 parcels of land owned by the Company with a total area of 769,707 m² are in the process of extension of HGB.

Not renewing the HGB for whatever reason, could materially and negatively affect business operations and financial condition. National Land Agency generally give the holder the existing HGB with the extension or renewal of HGB, as long as no changes in Spatial Planning, land destruction, violation of the applicable provisions of the HGB and HGB revocation due to consideration of the public interest.

19. The Company may be subject to litigation, investigations and other regulatory proceeding, including litigation alleging adverse health and financial effects resulting from the use of its cigarette products, and could incur substantial costs in connection with such proceedings.

From time to time, the Company may be involved in lawsuits and regulatory actions relating to the Company's business. At the date of this Prospectus, the Company is not a party to any material litigation. Due to the inherent uncertainties of litigation and regulatory proceedings, the Company cannot accurately predict the ultimate outcome of any such proceedings should one be commenced. An unfavorable outcome may damage the Company's reputation and its brands and may have a material adverse effect on its business, cash flows, result of operations, financial condition and prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are expensive and may involve the expenditure of substantial resources and management attention by the Company.

Litigation can involve claims from private individuals and class actions alleging financial loss and/or damages related to the negative health effects of tobacco products and claims from government institutions for recovery of government healthcare costs related to alleged tobacco-related health issues. In other jurisdictions, plaintiffs in smoking and health
class actions, health care cost recovery cases and other tobacco-related litigation sometimes seek billions of U.S. dollars in compensation. The Company cannot predict the outcome of any litigation. Regardless of the outcome of any litigation, the costs of defending claims may be substantial, and it is possible that publicity regarding tobacco-related litigation against the Company and other tobacco manufacturers will reduce the social tolerance for, or cause an increase in restrictions on, smoking in markets in which the Company operates. If the number of lawsuits increases substantially in the future, the Company may face large defense costs, reduction in social tolerance of smoking or various stricter regulations. In addition, an unfavorable outcome in any such action could obligate the Company to pay large amounts in damages, negatively impact its business, reduce social tolerance of smoking, encourage public and private restrictions on smoking or induce similar lawsuits to be brought against the Company.

Moreover, from time to time the Company is subject to governmental investigations on a range of matters. Investigations may cover the completeness of excise documents, proper reporting, sufficiency of customs duties and/or excise tax, payments, usage of descriptors and lawfulness of advertising, contraband shipments of cigarettes and pricing activities. The Company cannot predict the outcome of those investigations or whether additional investigations may be commenced, and it is possible that its business could be materially affected by an unfavorable outcome of such investigations.

20. Product liability claims and adverse publicity in respect of the tobacco products sold by the Company could have a material adverse effect on the Company's reputation.

The quality of the Company's products is of great importance to its business. The packaging, marketing, distribution and sale of the Company's products entail an inherent risk of product liability, product recall, adverse publicity and exposure to product liability claims. If the Company is found to be selling defective goods, whether or not the Company is found responsible for damage caused by the defective goods, it may have a material adverse effect on the Company's reputation. This could lead to an erosion of adult smoker confidence in the Company's goods and a subsequent reduction in sales. Such an event may have a material adverse effect on the Company's business, cash flows, result of operations, financial condition and prospects.

21. The Company may be adversely affected by the imposition and enforcement of more stringent environmental regulations.

The Company, like other cigarette manufacturing companies in Indonesia, is subject to a range of environmental regulations, and changes in Indonesia's environmental regulations could adversely affect its business. The Company's production facilities are subject to both scheduled and unscheduled inspections by various Government agencies, which have different standards of review. These agencies have the power to examine and control the Company's compliance with their environmental regulations, including the imposition of fines and revocation of licenses. The Company believes that its operations are currently in compliance in all material respects with applicable Indonesian environmental regulations and standards. However, Governmental agencies may adopt additional regulations that would require it to spend additional funds on environmental matters.

Environmental regulations in Indonesia tend to be less stringent than in developed countries, and it is possible that the environmental regulations in Indonesia could become more stringent in the future, which could require the Company to expend significant resources or affect the way in which it runs its production facilities and operates its business. This could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

22. The Company's production facilities or operations may face disruption from environmental groups, non-governmental organizations and interested individuals.

Environmental groups, non-governmental organizations and interested individuals may from time to time seek to challenge or impair the ability of cigarette manufacturing companies to engage in production activities. For instance, such groups and individuals may stage protests that disrupt production plants and may file or threaten to file legal proceedings seeking to disrupt the operations of cigarette manufacturing companies generally. Several non-governmental organizations and charities maintain an influential presence around the areas of the Company's production facilities. There is a risk that these organizations could become increasingly active and influence the relevant authorities to make changes to current environmental regulations and impose more rigorous standards upon the Company's operations. Such activities may generate negative press about the Company and cigarette manufacturing companies generally. Any delay in production activities imposed as a result of the intervention of environmental groups, non-governmental organizations or such interested individuals or other action that may give rise to negative perceptions about cigarette manufacturing companies generally may adversely affect the Company's reputation and disrupt its operations, thus affecting its business and results of operations which in turn may cause the Company to suffer financial loss.

23. Increase in illicit trade of tobacco products may cause reputational damage and a decline in recorded legal sales, and may cause the Company to settle claims related to illicit trade or to adopt costly countermeasures.

One of the serious problems faced by the tobacco industry is the increase in illicit trade in tobacco products, including
tobacco smuggling and counterfeiting. Such activity is believed to be motivated mainly by the high profit margin of cigarette sales and cross-border price gaps arising from differences between the tax systems and tax levels of various countries, and thus tends to increase after a significant tax increase in a particular country. Large quantities of counterfeit cigarettes are sold in Indonesia, and the Company believes that Marlboro is the most heavily counterfeited international cigarette brand. Marlboro is the sole SPM product distributed by the Company, which comprised 14.5% and 15.1% of its sales volume and net revenues for the year ended December 31, 2014, respectively. Any smuggling, counterfeiting or other illegal activity involving the Company's products may significantly damage its credibility and the value of its brands, which in turn could negatively affect its operating results. The Company may take measures to prevent smuggling and counterfeiting of tobacco products, or to settle claims related to illicit trade (within or outside of Indonesia), that may require the Company to incur significant costs and thereby adversely affect its cash flows, results of operations and financial condition.

24. The Company's insurance policies may be insufficient or the Company may experience a delay between an insured loss occurring and being compensated by its insurers.

The Company maintains various insurance policies including general and products liability, property damage and business interruption, marine ocean cargo, motor vehicle, group life, and health and personal accident coverage for its employees.

If the Company suffers a large uninsured loss, or an insured loss significantly exceeds its insurance coverage, its business, financial condition, results of operations and prospects could be materially and adversely affected. If any significant part or all of the Company's production facilities were to be damaged in whole or in part and its operations were to be interrupted for a sustained period, the Company cannot assure you that its insurance policies would be adequate to cover the losses that it may incur as a result of such interruption, or to cover the costs of repairing or replacing the damaged facilities, or that it would receive reimbursements in a timely manner. In addition, while the quality of the Company's products is of great importance to its business, the packaging, marketing, distribution and sale of the Company's products entail an inherent risk of product liability, product recall, adverse publicity and exposure to product liability claims. If the Company is found to be selling defective goods, whether or not the Company is found responsible for damage caused by the defective goods, this situation may have a material adverse effect on the Company's reputation. Such an event may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

25. The Company's TPOs and suppliers may engage in unethical child labor practices or be in violation of child labor laws and other labor regulations.

According to the International Labor Organization ("ILO"), child laborers are a common phenomenon in Indonesia, especially on agricultural plantations, including tobacco plantations. The Indonesian National Action Plan for the Elimination of the Worst Forms of Child Labor was established in 2001 and supported by the ILO to counter child labor situations in which children were exposed to hazards such as extreme temperatures, pesticides and organic dust and were required to work long hours using heavy and dangerous machinery that violated occupational safety and health standards.

Due to the prevalence of the tobacco industry in Indonesia, children are often found to be involved in the planting, harvesting and processing of tobacco leaves, and they can be found working in community plantations as well as in company-owned plantations. The Company believes that its TPOs and suppliers do not engage in child labor practices. If these TPOs and suppliers were to be penalized or forced to suspend their operations, causing disruption to the flow of the Company's manufacturing chain, its business and results of operations could be adversely affected.

26. The interests of the Company's controlling shareholder may not align with the interests of the Company's business and/or may differ from those of its other shareholders.

PMI, through its direct and indirect subsidiaries, engages in business in Indonesia and other countries. In particular, it may conduct future expansion in or outside of Indonesia and may potentially compete with the Company. The interests of PMI may conflict with the interests of the Company's other shareholders, and there can be no assurance that PMID will vote its Shares in a way that will benefit the Company's minority shareholders. PMI may, for business considerations or otherwise, cause the Company to take actions, or refrain from taking actions, in order to benefit itself or its other affiliates instead of the Company's interests or the interests of its other shareholders and which may be harmful to its interests or the interests of its other shareholders. Accordingly, unless applicable laws or regulations require approval by the Company's minority shareholders, PMID may:

- control the Company's policies, management and affairs;
- subject to applicable laws, regulations and the Articles, adopt amendments to certain provisions of the Articles; and
- otherwise determine the outcome of most corporate actions, including a change in control, dividend policy, merger or sale of all or substantially all of the Company's assets, delisting of the Company and/or taking the Company private.

PMI may also be able to exert influence in other areas affecting the Company's business, such as in distribution agreements where the Company is the sole distributor of Marlboro cigarettes in Indonesia, in global procurements, in
the purchase of supplies from PMI and intercompany loans.

Furthermore, third parties may be discouraged from making a tender offer or bid to acquire the Company because of this concentration of ownership. For further information on the ownership of the Shares.

27. The Company is engaged in a number of transactions with affiliated parties and the application of OJK conflict of interest regulations may cause the Company to forego transactions that are in the Company's best interests.

The Company has entered into a number of transactions on arm's length terms with its affiliated parties. These transactions include the sale and purchase of tobacco and direct materials, technical and management services with PMI and its affiliates. These transactions may involve conflicts of interest which may be detrimental to the Company.

In addition, some of the Company's Commissioners and Directors are also officers and directors of the Company's affiliated parties and, with respect to transactions with the Company's affiliated parties, may, individually or in the aggregate, have conflicts of interest. Relations with these affiliated parties may deteriorate or the relevant contractual counterparty may cease to be an affiliated party of the Company. These factors may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

Transactions between the Company and other persons could also constitute an affiliated party transaction or conflict of interest transaction under Bapepam-LK Regulation No. IX.E.1, Attachment to the Decision of the Chairman of Bapepam-LK No. KEP-412/BL/2009 dated November 25, 2009, regarding Affiliated Party Transactions and Conflict of Interest in Certain Transactions (“BAPEPAM-LK Regulation No. IX.E.1”). If such transaction falls under the conflict of interest transaction regulations, unless it falls under one of the exemptions provided, the approval of holders of a majority of shares owned by the independent shareholders would have to be obtained prior to conducting such transaction. The requirement to obtain independent shareholder approval could be burdensome to the Company in terms of time and expense and could cause the Company to forego entering into certain transactions which the Company might otherwise consider to be in the Company's best interests. Moreover, approval of the independent shareholders may not be obtained if sought.

28. The Company is engaged in a number of transactions with affiliated parties and the application of OJK conflict of interest regulations may cause the Company to forego transactions that are in the Company's best interests.

The Company believes that the continued growth and success of its business depends on its ability to attract and retain highly qualified, skilled and experienced personnel in the cigarette industry. It competes for such personnel with other companies and cannot assure investors that it will be successful in hiring or retaining such qualified personnel. In particular, the Company is heavily dependent upon its senior management team in relation to their expertise in the cigarette industry, and such key personnel would be difficult to replace. The departure of any member of the Company's senior management team or its inability to attract, recruit, train and retain sufficiently qualified key personnel, such as managers, field assistants, engineers and other qualified personnel, could materially adversely affect its business, financial condition and results of operations.

29. The failure of the Company's information systems to function as intended or their penetration by outside parties with the intent to corrupt them could result in business disruption, litigation and regulatory action, and loss of revenue, assets or personal or other sensitive data.

The Company uses information systems to help manage business processes, collect and interpret business data and communicate internally and externally with employees, suppliers, customers and others. Some of these information systems are managed by third-party service providers. The Company has backup systems and business continuity plans in place to protect its systems and data from unauthorized access. Nevertheless, failure of its systems to function as intended, or penetration of its systems by outside parties intent on extracting or corrupting information or otherwise disrupting business processes, could result in loss of revenue, assets or personal or other sensitive data, litigation and regulatory action, cause damage to its reputation and that of its brands and result in significant remediation and other costs to the Company.

30. The Company is exposed to foreign exchange rate fluctuations and potential devaluation of the Rupiah.

The Company is exposed to movements in foreign exchange rates due to commercial trading transactions denominated in foreign currencies and foreign currency borrowings.

The Company purchases parts for its machinery in foreign currency. Its operating revenues have been and are expected to continue to be primarily denominated in Rupiah. The devaluation of the Rupiah would increase its costs of importing materials, equipment and machinery for the enhancement of its operations and increase its costs of servicing its foreign currency borrowings. While the Company has entered into certain foreign exchange swap or hedging contracts in connection with its foreign currency borrowings, it has not otherwise entered into any other foreign exchange arrangements to reduce its exposure to appreciation of the U.S. dollar or other currencies against the Rupiah, and substantial fluctuation in the currency exchange rate of the Rupiah could materially and adversely affect
its business, operations and financial position.

**RISKS RELATING TO INDONESIA**

The Company is incorporated in Indonesia and substantially all of its assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt, in addition to events such as earthquakes which affect Indonesia, may have a material adverse effect on its business, financial condition, results of operations and prospects.

1. **Indonesia is located in a geologically active zone and is subject to the risk of significant geological and other natural disasters, which could lead to social and economic instability.**

The Indonesian archipelago is one of the most volcanically active regions in the world. It is located in the convergence zone of three major lithospheric plates and, accordingly, it is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves, that could lead to substantial economic loss and social unrest. On December 26, 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster and damages were estimated to be in billions of U.S. dollars. Aftershocks from the December 2004 tsunami also claimed casualties. In September 2009, two major earthquakes struck West Java and West Sumatra, with magnitudes of 7.0 and 7.6 respectively, leading to the death of more than 600 people. On October 25, 2010, a 7.7 magnitude earthquake struck Mentawai Island, adjacent to West Sumatra, and on October 26, 2010, Mount Merapi, located in Central Java, erupted.

In addition to these geological events, seasonal downpours have resulted in frequent landslides and flash floods in Indonesia, including Jakarta, Sumatra and Sulawesi, displacing a large number of people and killing others. In August 2012, flash floods and a landslide triggered by torrential rains in eastern Indonesia killed at least eight people and left three others missing in Sirimau village and in the capital of Maluku province, Ambon.

The Government has had to spend significant amounts of resources on emergency aid and resettlement efforts. However, there can be no assurance that such aid will be sufficient to aid all victims, or that it will be delivered to recipients on a timely basis. If the Government is unable to deliver aid to affected communities in a timely fashion, political and social unrest could result. Additionally, recovery and relief efforts may strain the Government's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private-sector borrowings, and thereby may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

In addition, there can be no assurance that future geological occurrences or other natural disasters will not significantly affect the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby potentially adversely affecting the Company's business, results of operations, financial condition and prospects.

2. **Regional authorities may impose additional and/or conflicting local restrictions, taxes and levies.**

Indonesia is a nation that covers a diversity of customs and culture. During the Soeharto administration, the central government controlled and exercised decision-making authority on almost all aspects of national and regional administration, which led to a demand for greater regional autonomy. In response, the Indonesian Parliament passed laws on regional autonomy in 1999, most recently enacted as Law No. 23 of 2014 on Regional Government as lastly amended by Law No. 9 of 2015, and regional fiscal affairs, most recently enacted as Law No. 33 of 2004 regarding the Fiscal Balance between the Central and the Regional Governments. Under these regional autonomy laws, regional autonomy is expected to give the regions greater power and responsibility over the use of national assets and to create a balanced and equitable financial relationship between central and local governments. Although there are few developments within the regional autonomy laws and regulations (for example, regional cigarette tax is collected by the Government through the Ministry of Finance but remitted to the regional government), uncertainty on autonomy still exists specifically on the issues of certain regulatory, taxing and other powers transferred from the central government to regional governments. These uncertainties include a lack of implementing regulations on areas of regional autonomy and a lack of government personnel with relevant sector experience at some regional government levels. Moreover, limited precedent or other guidance exists on the interpretation and implementation of the regional autonomy laws and regulations.

Moreover, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in place by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by the Government. Conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities may have a material adverse effect on the Company's business and operations located throughout Indonesia.

3. **Political and social instability in Indonesia may affect the Company**
Since 1998, Indonesia has undergone significant political and social changes which have highlighted the unpredictable nature of Indonesia's changing political landscape. As a newly democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Indonesia also has many political parties, without any one party winning a clear majority to date.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, and former President Yudhoyono, as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, minimum wage, decentralization and regional autonomy, potential increases in electricity charges and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some have turned violent.

In 2004, Indonesians directly elected the President, Vice-President and representatives to the Indonesian parliament for the first time in its history through proportional voting with an open list of candidates. At the lower levels of government, Indonesians have also started directly electing their respective heads and representatives of regional governments and local legislative assemblies. In April 2009, another set of elections was held in Indonesia to elect the President, Vice-President and representatives to the Indonesian parliament (including national and local representatives). On October 20, 2009, President Yudhoyono was inaugurated for his second five-year term, which expired in October 2014. The Indonesian Constitution limits presidential tenure to two five-year terms. On July 9, 2014, Indonesia had a presidential election resulting in Joko Widodo being elected as the new President of Indonesia, with a term which will expire in five years. Mr. Widodo was sworn in as President of Indonesia on October 20, 2014. Mr. Widodo's coalition currently has a minority position in Indonesia's parliament. Increased political activity and social uncertainty can be expected in Indonesia, in part due to the absence of a majority political party.

In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30% increase in fuel prices. In October 2005, the Government decreased fuel subsidies on superior gasoline, regular gasoline and diesel fuel, which resulted in increases in fuel prices of approximately 87.5%, 104.8% and 185.7% for superior gasoline, regular gasoline and diesel fuel, respectively. In response, several non-violent mass protests were organized in opposition to the increases in domestic fuel prices. In May 2008, the Government further decreased fuel subsidies to the public, which has also led to large public demonstrations. Although these demonstrations were generally peaceful, some have turned violent. Similar fuel subsidy cuts contributed to the political instability that led to the resignation of then President Soeharto in 1998, which had adverse effects on businesses in Indonesia. In March 2012, thousands of protesters marched peacefully along Jakarta's main thoroughfare to the presidential palace, to oppose the government's plans to increase subsidized fuel prices by 33%. On June 21, 2013, the Minister for Energy and Mineral Resources announced that the price of subsidized gasoline and diesel had increased. President Joko Widodo announced a further cut to fuel subsidies in November 2014. The price of subsidized fuel was decreased in February 1, 2015, but then was increased on March 1, 2015 and March 20, 2015. There can be no assurance that the increase in subsidized fuel prices, or further cuts in fuel subsidies in the future, will not result in political and social instability.

There have also been clashes between religious and ethnic groups which have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents. In recent years, the Government has made progress in negotiations with these troubled regions but with limited success, except for in the province of Aceh, in which an agreement between the Government and the Aceh separatists was reached and peace was restored.

Political and social developments in Indonesia have been unstable and unpredictable in the past. Any political instability in Indonesia may adversely affect the Indonesian economy, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

4. Terrorist activities in Indonesia and certain destabilizing events in Southeast Asia have led to substantial and continuing social and economic volatility.

During the last decade in Indonesia, there have been various bombing incidents directed toward the Government, foreign governments and public and commercial buildings frequented by foreigners, most significantly in October 2002 in Bali, in August 2003 at the JW Marriott Hotel in Jakarta, in September 2004 at the Australian Embassy in Jakarta, in May 2005 in Central Sulawesi and in July 2009 at the Ritz-Carlton Hotel and JW Marriott Hotel in Jakarta. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. Demonstrations have also taken place in Indonesia in response to plans for, and then subsequent to, U.S., British and Australian military action in Iraq.

There can be no assurance that further terrorist acts will not occur in the future. Terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.
5. Outbreak of an infectious disease or any other serious public health concerns in Asia (including Indonesia) and elsewhere could have a significant negative impact on the economy.

The outbreak of an infectious disease in Asia (including Indonesia) and elsewhere, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in Indonesia, and thereby could have a material adverse effect on the Company's revenue. Examples are the outbreak in 2003 of Severe Acute Respiratory Syndrome ("SARS") in Asia and the outbreak in 2004 and 2005 of avian flu, or "bird flu", in Asia. During the last nine years, large parts of Asia experienced unprecedented outbreaks of the avian flu. As of August 10, 2012, the World Health Organization ("WHO") had confirmed a total of 359 fatalities in a total number of 608 cases reported to the WHO, which only reports laboratory-confirmed cases of avian flu. Of these, the Indonesian Ministry of Health reported to the WHO 159 fatalities in a total number of 190 cases of avian flu in Indonesia. In addition, the WHO announced that human-to-human transmission of avian flu had been confirmed in Sumatra, Indonesia. According to the United Nations Food and Agricultural Organization, the avian flu virus is entrenched in 31 of Indonesia's 33 provinces and efforts to contain avian flu are failing in Indonesia, increasing the possibility that the virus may mutate into a deadlier form. No fully effective avian flu vaccines have been developed, and an effective vaccine may not be discovered in time to protect against a potential avian flu pandemic.

In April 2009, there was an outbreak of Influenza A virus ("H1N1"), which originated in Mexico but has since spread globally, including confirmed reports in Indonesia, Hong Kong, Japan, Malaysia, Singapore, and elsewhere in Asia. In August and September 2009, there were a number of deaths in Indonesia resulting from H1N1. H1N1 is believed to be highly contagious and may not be easily contained.

In 2012, the Middle East Respiratory Syndrome ("MERS") was first reported in Saudi Arabia and is currently spreading in South Korea. Confirmed cases of MERS have displayed symptoms of severe acute respiratory illness and are leading to increased concern that it could become pandemic.

Since December 2013, there has been an outbreak of the Ebola virus in West Africa, with cases having been reported in Guinea, Liberia, Sierra Leone, Nigeria and Senegal. In October 2014, cases of the Ebola virus were reported in the United States and Spain. There can be no assurance that the current outbreak of Ebola virus will not spread to countries in Asia, including Indonesia.

There can be no assurance that any precautionary measures taken against infectious diseases would be effective. An outbreak of avian flu, SARS, H1N1, MERS and the Ebola virus or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks could seriously interrupt the Company's operations or the services or operations of its suppliers and customers, and have a material adverse effect on its business, cash flows, results of operations, financial condition and prospects. The perception that an outbreak of avian flu, SARS, H1N1, MERS, the Ebola virus or another contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

6. Regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets.

Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are generally becoming more stringent. Some of the costs associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is anticipated to result in increased costs, and this may have a material adverse impact on the Company's results of operations, financial condition and prospects.

7. Labor activism, unrest and employment legislation in Indonesia may have a material adverse effect on the Company.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted, and may continue to result, in labor unrest and activism in Indonesia.

In 2000, the Indonesian Parliament enacted Law No. 21 of 2000 on Labor Unions. The Labor Union Law, which took effect in August 2000, permits employees to form unions without employer intervention. In March 2003, the Indonesian Parliament enacted Law No. 13 of 2003 on Employment, which, among other things, increased the amount of severance, service and compensation payments payable to employees upon termination of employment. Based on this law, companies that have 50 employees or more are required to have a bilateral forum consisting of both management and employees, and a labor union with more than half of a company's employees participating as members may represent the employees to negotiate the collective labor agreements with the employers. The law also established more permissive procedures for staging strikes. Under the Labor Law, employees have the right to terminate their employment if there is a change of status, change of ownership or merger or consolidation of its employer, and to receive severance pay, tenure appreciation pay and other compensation, which is calculated based on their basic salary and fixed allowances, as well as their length of employment with such employer.
Following its enactment, several labor unions moved the Indonesian Constitutional Court to declare certain provisions of the Labor Law unconstitutional and order the Government to revoke those provisions. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions, including those relating to the right of an employer to unilaterally terminate an employee who committed a serious violation and criminal sanctions against an employee who instigates or participates in an illegal labor strike. As a result, the Company may not be able to rely on certain provisions of the Labor Law.

Labor unrest and activism in Indonesia could disrupt the Company's and/or its suppliers' and customers' operations and could have a material adverse effect on the financial condition of Indonesian companies in general, which in turn could adversely affect prices of Indonesian securities on the IDX and the value of the Indonesian Rupiah relative to other currencies. Such events could have a material adverse effect on the Company's business, cash flows, results of operations, financial condition or prospects. In addition, general inflationary pressures or changes in applicable laws and regulations could increase labor costs, which could have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

The Labor Law provides that the employer is not allowed to pay an employee wages below the minimum wage stipulated annually by the provincial or regional/city government. The minimum wage is set in accordance with the need for a decent standard of living and taking into consideration the productivity and growth of economy. However, as there are no specific provisions on how to determine the amount of a minimum wage increase, minimum wage increases can be unpredictable. Recently, the provincial government of Jakarta through the Governor of DKI Jakarta Regulation No. 176 of 2014, which became effective on January 1, 2015, stipulated that the minimum wage of Jakarta for 2015 is Rp2,700,000 per month, which increased from Rp2,441,000 previously. Minimum wage increases in Indonesia could have a material adverse effect on the Company's business, cash flows, financial condition and prospects.

8. Regional or global economic changes may have a material adverse effect on the Indonesian economy and the Company's business.

The economic crisis that affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among other factors, currency depreciation, a significant decline in real GDP, high interest rates, social unrest and extraordinary political developments. The economic crisis resulted in the failure of many Indonesian companies to repay their debts when due. These conditions had a material adverse effect on Indonesian businesses. Indonesia entered a recessionary phase with relatively low levels of growth between 1999 to 2002.

As a result of these economic crises, the Government has had to rely on the support of international agencies and governments to prevent sovereign debt defaults. The Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from relatively high levels of non-performing loans. Government funding requirements to areas affected by natural disasters, as well as increasing oil prices, may increase the Government's fiscal deficits. According to the Indonesian Statistic Bureau, (Biro Pusat Statistik), Indonesia's annual overall inflation rate as measured by the consumer price index was approximately 6.42% in 2014.

In recent years, the United States, the United Kingdom and several other EU member states experienced credit rating downgrades or had their credit ratings outlook changed to negative. In addition, concerns persist regarding the debt burden of certain EU countries, including their ability to meet future financing obligations. The global economic crisis that began in 2008 also resulted for a period in a shortage in the availability of credit, a reduction in foreign direct investment, the failure of global financial institutions, a drop in the value of global stock markets, a slowdown in global economic growth and a drop in demand of certain commodities.

The economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, significant volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. There can be no assurance that the previous adverse economic conditions in Indonesia and the rest of the Asia Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the international and Indonesian financial markets and inhibit or reverse the growth of the global economy and the Indonesian economy.

A significant and continued downturn in the global economy, including the Indonesian economy, could have a material adverse effect on the demand for the Company's products and may have a material adverse effect on its business, results of operations, financial condition and prospects as well as on its access to capital, which in turn could have a material adverse effect on the Company's ability to fund its working capital requirements and capital expenditure. The current global economic situation could deteriorate again or have a greater impact on Indonesia and the Company's business. Any of the foregoing may have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

There can be no assurance that the current global economic situation will not deteriorate or that the global economic climate will improve, or that downturns in the global economy will not have a greater impact on Indonesia and the Company's business. Slowing global economic growth and developments in the global economic situation may have a
material adverse effect on the Company's business, results of operations, financial condition and prospects.

9. Downgrades of credit ratings of Indonesia and Indonesian companies could adversely affect the Company.

In 1997, certain internationally recognized statistical rating organizations, including Moody's, Standard & Poor's and Fitch Ratings ("Fitch"), downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. As of June 30, 2015, Indonesia's sovereign foreign currency long-term debt is rated "Baa3" by Moody's, "BB+" by Standard & Poor's and "BBB-" by Fitch. Sovereign foreign currency short-term debt is rated "B" by Standard & Poor's and "F3" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. In addition, the global financial crisis also resulted in the default of numerous investment grade instruments.

No assurance can be given that Moody's, Standard & Poor's, Fitch or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies, or even that investment grade instruments will not fall into default. Any such downgrade or default could have an adverse impact on liquidity in the Indonesian financial markets and affect the ability of the Government and Indonesian companies, including the Company, to raise additional financing, the interest rates and other commercial terms at which such additional financing is currently available and may have a material adverse effect on the Company's business, cash flows, results of operations, financial condition and prospects.

10. Judgments of a foreign court may not be enforceable against the Company.

The Company is a limited liability company established in Indonesia and substantially all of its assets are located in Indonesia. In addition, some of the Company's commissioners and all of its directors reside in Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments, on the Company or its Commissioners and Directors outside Indonesia, or to enforce against its Commissioners and Directors judgments obtained in non-Indonesian courts.

The Company has been advised by its Indonesian legal advisors that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. Re-examination of the underlying claim de novo would be required before an Indonesian court. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of jurisdictions other than Indonesia. As a result, investors in the Offer Shares may be required to pursue claims against the Company in Indonesia under Indonesian law, which would require re-examination of the underlying claim.

The claims and remedies available under Indonesian law may not be the same or as extensive as those available in other jurisdictions. The Indonesian courts may not protect the interests of investors in the same manner or to the same extent as would U.S. courts.

RISK RELATING TO THE SHARES

1. Conditions in the Indonesian securities market may affect the price or liquidity of the Shares.

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price and demand for the Shares. The Shares and dividends, if any, are quoted and declared in Rupiah. Fluctuations in the exchange rate between Rupiah and other currencies will affect, among other things, the foreign currency value of the proceeds which a shareholder would receive upon sale of the Shares and the foreign currency value of dividend distributions.

The Shares are listed on the IDX. The Indonesian capital markets are less liquid and more volatile than markets in the United States, the United Kingdom and many other countries.

The Company's Shares may be traded with a lower price compared to the Exercise Price (Harga Pelaksanaan).

The IDX, on which the Shares are listed, has in the past experienced substantial fluctuations in the prices of listed securities. The IDX has experienced some problems which, were they to continue or recur, could affect the market price and liquidity of the securities of Indonesian companies, including the Shares. These problems have included closures of the exchange, broker defaults and strikes, settlement delays, and the bombing of the IDX building. In addition, the governing bodies of Indonesian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. The levels of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other market participants are not the same as in certain other countries. In addition, the ability to sell and settle trades on the IDX may be subject to delays. In light of the foregoing, a shareholder may not be able to dispose of its Shares at the prices or at times at which such holder would be able to do so in a more liquid or less volatile markets or at all.
2. 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 and will be paid in Rupiah.

The amount of the Company's future dividend payments, if any, will depend on its future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The Company's Board of Directors may not recommend and its shareholders may not approve the payment of dividends. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. If the Company does not pay cash dividends on the Shares, its shareholders may not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase.

Under the Company Law, the Company may distribute a final dividend to shareholders only if the Company has booked a positive profit balance after deduction for setting aside part of its positive profit balance for its mandatory reserves at the close of its financial year (i.e. all net profit booked at the close of its financial year covers all accumulated losses from previous financial years). A part of net profits will have to be set aside for the Company's mandatory reserves until the reserve reaches at least 20% of the Company's paid-up and issued capital. As at June 30, 2015, the amount of the Company's prescribed mandatory reserves was 20.5% of the Company's total issued and paid-up capital.

3. The rights of minority shareholders may be more limited than in other jurisdictions.

The obligations under Indonesian law of majority shareholders, commissioners and directors with respect to minority shareholders may be more limited than those in the United States and certain other countries. Consequently, minority shareholders may not be able to protect their interests under current Indonesian law to the same extent as in certain other countries. Principles of corporate law relating to such matters as the validity of corporate procedures, the fiduciary duties of the Company's management, Directors, Commissioners and the controlling shareholder and the rights of the Company's minority shareholders are governed by the Company Law, the Indonesian capital market law, OJK regulations, IDX regulations and the Company's articles of association. Such principles of law differ from those that would apply if the Company were incorporated in a jurisdiction in the United States or in other jurisdictions. In particular, concepts relating to the fiduciary duties of management are untested in Indonesian courts. Accordingly, the legal rights or remedies of minority shareholders may not be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

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

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

5. The Company operates in a legal system in which the application of various laws and regulations may be uncertain, and through the purchase of the Shares, holders of the Shares are exposed to such legal system and may find it difficult or impossible to pursue claims relating to the Shares.

As Indonesia is a developing market, its legal and regulatory regime may be less certain than in more developed markets and may be subject to unforeseen changes. At times, the interpretation or application of laws and regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public. Under such circumstances, consultation with the relevant authority in Indonesia may be necessary to obtain a better understanding or clarification of applicable laws and regulations.

Indonesia's legal system is a civil law system based on written statutes, although there remains an area for the application of customary law. Judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws as well as rules on judicial process were historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some of these laws have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation.
and application of Indonesian legal principles. The application of many Indonesian laws depends, in a large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which, absent a binding precedent system, is difficult or impossible to predict.

Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion, uncertainty and inconsistency. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources.

Indonesian legal principles relating to the rights of shareholders, or their practical implementation by Indonesian courts, differ from those that would apply within the United States or the EU. Absent a binding precedent system, the rights of shareholders under Indonesian law might not be as clearly evident as in most United States and EU jurisdictions. In addition, under Indonesian law, companies may have rights and defenses to actions filed by shareholders that these companies would not have in jurisdictions such as the United States and EU member states.

6. A shareholder’s right to participate in future rights offerings could be limited, which would cause dilution to their holdings.

To the extent that in the future the Company offers its shareholders rights to purchase or subscribe for shares or otherwise distribute shares to its shareholders, holders from other jurisdictions may be unable to exercise such rights for the Shares unless a registration statement under the United States Securities Act of 1933 ("Securities Act") or similar legislation in other countries is effective with respect to the new shares or an exemption from registration under the Securities Act or similar legislation in other countries is available.

Whenever the Company makes a rights or similar offering of the Shares, the Company will evaluate the costs and potential liabilities associated with, and its ability to comply with, United States regulations and those of other countries, for any registration statement and any other factors the Company considers appropriate. However, the Company may choose not to file any registration statement and/or other relevant documents. If the Company does not file a registration statement and no exemption from registration under the Securities Act is available, then shareholders in other jurisdiction would be unable to participate in rights or similar offerings and would suffer dilution of their shareholdings. Consequently, shareholders may not be able to maintain their proportional equity interests in the Company. Also, as rights issues in Indonesia generally enable participants to purchase shares at a discount to the recent trading price, shareholders' inability to participate in such rights offerings could cause material economic harm.

7. Shareholders may be subject to dilution on issues of new Shares or other equity securities by the Company.

The shareholders will experience dilution in their holdings upon issuance of additional Shares in the future. Where funds are raised through the issuance of new Shares or other equity or equity-linked securities of the Company other than on a pro rata basis to existing shareholders, the percentage ownership of such shareholders in the Company may be diluted. Moreover, the newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing shareholders.

Future sales or the prospect of future sales of Shares, including by the controlling shareholder, could have a material adverse effect on the market price of the Shares.

Following the Offering, the controlling shareholder will continue to own approximately 92.5% of its outstanding Shares. A sale of a significant number of the Shares in the public market after the Offering by the controlling shareholder, or the perception that such sales may occur, could have a material adverse effect on the market price of the Shares. These factors could also affect its ability to raise equity capital in the future at a price favorable to the Company, or at all.

8. Exchange fluctuations may have a material adverse effect on the value of the Shares and any dividend distribution.

The Company's Shares are denominated and are quoted in Rupiah on the IDX. Dividends (if any) with respect to the Shares will be declared and paid in Rupiah and proceeds from on-market sales of the Shares will be received in Rupiah. If a shareholder wishes to receive such dividend or proceeds in a currency other than Rupiah it will be required to convert the relevant Rupiah amounts into that foreign currency. Fluctuations in the exchange rates between the Rupiah and any particular foreign currency will affect the foreign currency value of the dividends received and of any sale proceeds. Since the beginning of 2015, the value of the Rupiah compared to the U.S. dollar significantly, and such a depreciation will significantly decrease the U.S. dollar value of any dividend payments or sale proceeds. In addition, foreign exchange rules may be imposed which prevent or restrict the conversion of Rupiah to any foreign currency. Dividends may also be subject to Indonesian withholding tax.

9. Indonesian law contains provisions that could discourage a takeover of the Company.
Under Indonesian capital market regulations, if there is any change in control of an Indonesian public company, the new controlling party must carry out a tender offer for the remaining shares (public shares, not including shares of certain shareholders, such as the other controlling shareholders, if any, and principal shareholders, if any). Under BAPEPAM-LK Regulation No. IX.H.1, Attachment to the Decision of the Chairman of BAPEPAM-LK No. KEP-264/BL/2011 dated May 31, 2011 regarding Takeover of Public Companies, a takeover of a public company is defined as an action which directly or indirectly changes the controlling party of that public company. A controlling party of a public company is defined as a person who:

- owns more than 50% of the total issued capital of the public company; or
- has direct or indirect ability to determine (by any means possible) the management and/or policy of the public company.

If, as a result of such a mandatory tender offer, the new controlling party holds more than 80% of the public company's total paid-up capital, to ensure that the public continues to hold at least 20% of the capital of the public company, the regulations require the new controlling party to divest (refloat) some of its shares to ensure that the public shareholding is at least 20% of the total capital and is held by at least 300 shareholders in the public company within two years after completion of the mandatory tender offer. If, as a result of a takeover, the new controlling party has more than 80% of the total paid-up capital of a public company, there is an obligation to divest the shares obtained from the mandatory tender offer and have at least 300 shareholders within two years after completion of the mandatory tender offer.

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

10. There may be less company information available, and corporate governance standards may differ, for public companies listed on Indonesian securities markets as compared with those listed on securities markets in more developed countries.

The IDX and OJK have different reporting standards than do securities exchanges and regulatory regimes in the United States, the United Kingdom and many other countries. There is a difference between the level of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. OJK, an Indonesian governmental entity, together with the IDX is responsible for improving disclosure and other regulatory standards for the Indonesian securities markets. OJK has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indonesian companies than is regularly made available by public companies in other countries. As a result, shareholders may not receive the same amount of information or receive information with the same frequency as they may receive for companies listed in the United States, the United Kingdom and many other countries.

In addition, corporate governance standards and practices may not be as strict, including with regard to the independence of boards of directors, boards of commissioners and audit and other committees. However, under the Company Law, the directors must act in the interest of the company and will be personally liable if the Company suffers losses due to a conflict of interest.

11. Indonesia may suffer from governmental or business corruption

The Company operates and conducts business in Indonesia, which [is perceived to have corrupt governmental and business environments as it is ranked 107 out of 175 countries in Transparency International's 2014 Corruption Perception Index]. While the Company does not seek government business, it does interact with Indonesian government officials in the ordinary course of business, among others, to obtain licenses, permits and other approvals. Corrupt action against the Company could have a material adverse effect on its business, results of operations or financial condition. For example, if any licenses, permits or approvals are conditioned by a government official requesting a payment or promise of benefit beyond that required by law or permitted by law, the Company may not be able to comply with the request and the license, permit or approval may be delayed or not issued.
VI. SIGNIFICANT TRANSACTIONS AND EVENTS AFTER THE DATE OF THE INDEPENDENT AUDITOR’S REPORT

There have been no important events or transactions after the date of the independent’s auditor report on September 30, 2015 on the consolidated financial statement on June 30, 2015 and December 31, 2014, 2013, and 2012 as audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member firm global network of PricewaterhouseCoopers) with unqualified opinion.
VII. INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

A. A BRIEF HISTORY OF THE COMPANY

The Company is a limited liability company duly incorporated under the prevailing laws and regulations in the Republic of Indonesia and is domiciled in Surabaya. The Company was incorporated under the name of PT Perusahaan Dagang Dan Industri Panamas under Deed of Establishment No. 69 dated October 19, 1963 amended by Deed No.46 dated April 15, 1964, both drawn up before Anwar Mahajudin, at that time a Notary in Surabaya, which had been approved by the Minister of Justice of the Republic of Indonesia in accordance with Decree of the Minister of Justice No. J.A.5/59/15 dated April 30, 1964 and registered at the Registry Office of District Court in Surabaya on May 18, 1964 No. 654 and No. 655, and published in BNRI No. 94 dated November 24, 1964, Supplement No. 357.

Currently, the Company is a public limited liability company which receives a Domestic Capital Investment facility (based on Domestic Capital Investment Approval No. 703/I/PMDN/1995 dated December 14, 1995) and the Company's shares are listed and traded on the Indonesia Stock Exchange (“IDX”) since 1990.

Moreover, in October 2004, the Company had conducted a public offering of bearer bonds phase III of 2004 by publishing a prospectus on October 19, 2004 (the "Bonds III"). Since the Company issued Bonds III, the Articles of Association of the Company had been amended several times, including amendments to conform with the Company Law as well as to comply with the prevailing provisions in the field of capital market. These amendments had been carried out in accordance with the provisions of the Articles of Association of the Company and the prevailing laws and regulations, including the Company Law, and therefore shall prevail, as follows:

1. Deed of Statement of Meeting Resolution on Amendment of Articles of Association of the Company No.254 dated June 26, 2008 drawn up before Sutjipto, S.H., at that time a Notary in Jakarta, which had been approved by the MOLHR based on Decree No. AHU-78005.AH.01.02. Year 2008 dated October 24, 2008 and published in BNRI No.10 dated February 3, 2009, Supplement No. 3394.

2. Deed of Statement of Meeting Resolution on Amendment of Articles of Association of the Company No.107 dated December 15, 2009 drawn up before Aulia Tautani, S.H., as a substitution of Sutjipto, S.H. at that time a Notary in Jakarta, which had been approved by the MOLHR based on Decree No. AHU-04365.AH.01.02.Year 2010 dated January 26, 2010 and published in BNRI No.84 dated October 19, 2010, Supplement No. 34284.

3. Deed of Statement of Meeting Resolution on Amendment of Articles of Association of the Company No. 21 dated May 12, 2015, drawn up before Aryant Artisari, SH, M.Kn., a Notary in the South Jakarta Municipality, which had been approved by the MOLHR based on Decree No. AHU-0935168.AH.01.02.TAHUN2015 and Receipt of Notification on Amendment of Articles of Association No. AHU-AH.01.03-0931826, both dated May 13, 2015.

This amendment represents the latest amendment of the Articles of Association of the Company in which all the contents of the Articles of Association were restated and had fulfilled the provisions of the prevailing laws and regulations.

B. DEVELOPMENT OF THE COMPANY’S SHAREHOLDING

Since the issuance of Bonds III which had been paid in full by the Company in 2009 until the date of publication of this Prospectus, the changes of the capital structure and shareholding in the Company are as follows:

Year 2005

On March 18, 2005, there was a change of control in the Company where PMID acquired 1,753,200,000 shares or equivalent to 40% of the Company’s total shares.

The shareholders and shareholding composition of the Company are based on the Company’s Securities Ownership List per March 24, 2005 prepared by PT Sirca Datapro Perdana, a BAE appointed by the Company and a letter from PMID to Bapepam dated March 18, 2005 regarding the Completion Report of Shares Purchase and Shareholding of the Company as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares Amount</th>
<th>Par Value Amount (Rp)</th>
<th>Par Value of Rp100,- per share</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued and Fully Paid-up Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>1,753,200,000</td>
<td>175,320,000,000</td>
<td>40.00</td>
<td></td>
</tr>
<tr>
<td>- PT Lancar Sampoerna Bestari</td>
<td>234,000,000</td>
<td>23,400,000,000</td>
<td>5.34</td>
<td></td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>2,395,800,000</td>
<td>239,580,000,000</td>
<td>54.66</td>
<td></td>
</tr>
<tr>
<td>Total Issued and Fully Paid-up Capital</td>
<td>4,383,000,000</td>
<td>438,300,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,917,000,000</td>
<td>191,700,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Company then conducted a Tender Offer for the remaining shares as required by provisions of the prevailing capital market regulations by way of Tender Offer Statement which was published in Bisnis Indonesia, Investor Daily and The Jakarta Post newspapers on April 18, 2005.

Following the completion of the Tender Offer, based on the Company’s DPS as of May 31, 2005 made by PT Sirca Datapro Perdana, the BAE appointed by the Company and a letter from PMID to Bapepam dated June 2, 2005 regarding Report of Shareholding of the Company, the composition of the Company’s shareholders were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares Amount</th>
<th>Par Value Amount (Rp)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td></td>
</tr>
<tr>
<td>Issued and Fully Paid-up Capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,293,067,705</td>
<td>429,306,770,500</td>
<td>97.95</td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>89,932,295</td>
<td>8,993,229,500</td>
<td>2.05</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-up Capital</td>
<td>4,383,000,000</td>
<td>438,300,000,000</td>
<td>100.00</td>
</tr>
<tr>
<td>Portfolio Shares</td>
<td>1,917,000,000</td>
<td>191,700,000,000</td>
<td></td>
</tr>
</tbody>
</table>

Year 2015

Based on the Company’s DPS which was made by PT Sirca Datapro Perdana, the BAE appointed by the Company, per July 31, 2015, the Company’s shareholders composition with details of shareholders with 5% ownership or more are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares Amount</th>
<th>Par Value Amount (Rp)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>6,300,000,000</td>
<td>630,000,000,000</td>
<td></td>
</tr>
<tr>
<td>Issued and Fully Paid-up Capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PMID</td>
<td>4,303,168,205</td>
<td>430,316,820,500</td>
<td>98.18</td>
</tr>
<tr>
<td>- Other public (with ownership below 5%)</td>
<td>79,831,795</td>
<td>7,983,179,500</td>
<td>1.82</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-up Capital</td>
<td>4,383,000,000</td>
<td>438,300,000,000</td>
<td>100.00</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1,917,000,000</td>
<td>191,700,000,000</td>
<td></td>
</tr>
</tbody>
</table>

At the time this Prospectus is issued there have been no changes in the Company’s capital structure and the shareholders composition, aside from the details described above.

C. MANAGEMENT AND SUPERVISION

The composition of the Company’s Board of Commissioners and Board of Directors are as stated in Deed of Statement of Meeting Resolution No. 61 dated September 18, 2015, drawn up before Aryanti Artisari, SH, M.Kn., a Notary in South Jakarta Administration City, and had been notified to the MOLHR and accepted based on Receipt of Notification of the Change of the Company’s Data No. AHU-AHU.01.03-0966412 dated September 22, 2015, in which the composition of the Board of Commissioners and Board of Directors of the Company are as follows:

Board of Commissioners:

President Commissioner: John Gledhill
Vice President Commissioner: Charles Herve Bendotti
Commissioner: Niken Kristiawan Rachmad
Independent Commissioner: Goh Kok Ho
Independent Commissioner: Raden Bagus Permana Agung Dradjattun

Board of Directors:

President Director: Paul Norman Janelle
Director: Michael Sandritter
Director: Andre Dahan
Independent Director: Wayan Mertasana Tantra
Director: Yos Adiguna Ginting
Director: Peter Alfred Kurt Haase
Director: Troy J. Modlin

The appointment of members of the Board of Commissioners and Board of Directors mentioned above are in accordance with the OJK Regulation No. 33/POJK.04/2014 on the Board of Directors and Board of Commissioners of Issuers or Public Companies.

The following is a brief description of each member of the Board of Commissioners and Board of Directors:
BOARD OF COMMISSIONERS

John Gledhill, President Commissioner
Australian Citizen. 61 years old. He earned the award of Diploma-Marketing, from Liverpool Polytechnic, England and the award of International Executive Program from INSEAD in 1999.
Appointed as President Commissioner of the Company since July 18, 2012. He served as Managing Director of Philip Morris Korea, Seoul in 2002 and also as Managing Director, Philip Morris Limited, Australia in 2004.

Charles Herve Bendotti, Vice President Commissioner
French Citizen. 43 years old. He earned the award of Tertiary Diploma/Certificate, Management from Harvard University in 2008 and Master of Business Administration from HEC French in 2012.
Appointed as Vice President Commissioner of the Company since December 18, 2012. He served as Managing Director, Ecuador and Bolivia, ITABSA, Ecuador and as Vice President Human Resources, Philip Morris Asia Limited, Hong Kong.

Niken Kristiawan Rachmad, Commissioner
Indonesian Citizen. 65 years old. She earned her Bachelor of Science degree from Gadjah Mada University in 1972 and Diploma of Journalism from George Washington University in 1984.
Appointed as Commissioner of the Company since January 1, 2011. Niken Rachmad joined Sampoerna in 1998 as Head of Corporate Communications and then served as Communications Director of the Company.

Goh Kok Ho, Independent Commissioner
Malaysian Citizen. 69 years old. He earned his Bachelor of Arts degree in Economics from University of Malaya in 1969.
Appointed as Independent Commissioner of the Company since April 27, 2012. He has worked for The Straits Times, Kuala Lumpur and Leo Burnett, Kuala Lumpur.

Raden Bagus Permana Agung Dradjattun, Independent Commissioner
Indonesian Citizen. 62 years old. He earned his doctorate degree in Public Policy in 1989 and master's degree in Public Finance from the University of Notre Dame, Indiana, USA in 1987 and his master's degree in International Trade and Public Finance from the University of Illinois at Urbana-Champaign, Illinois, USA in 1985.
Appointed as Independent Commissioner of the Company since November 18, 2013. He served as Director General of Custom and Excise in 1999, Director General of State Property in 2004 and as Head of Education and Financial Training Agencies at the Department of Finance in 2007.
BOARD OF DIRECTORS

Paul Norman Janelle, President Director

Canadian Citizen. 50 years old. He earned his master’s degree in Business Administration and Finance from Webster University in Geneva, Switzerland and his Bachelor of Science degree from the University of Ottawa, Ontario, Canada.

Appointed as the Company’s President Director since July 18, 2012. With over 24 years of industrial experience, Paul Norman Janelle joined Philip Morris International in 1991 and served in senior roles at several Philip Morris International's affiliates around the world, including the Czech Republic, Russia, Indonesia and Hong Kong.

Michael Sandritter, Director

German Citizen. 47 years old. He earned a Diploma in Business Administration from the University of Cooperative Education, Mannheim, Germany in 1993.

He was appointed as Director of the Company on May 9, 2014. Previously he served as Manager of General Ledger at Philip Morris Germany, Germany and as Manager of Financial Planning & Reporting at Philip Morris Germany, Germany.

Andre Dahan, Director

Citizen of Lebanon. 46 years old. He earned his master's degree in Business Administration from Institut d’Etudes Politiques de Paris, Paris, France in 1994, and a Bachelor of Arts Degree in International Economics from L’université Paris-Sorbonne, Paris, France in 1992.

He was appointed as Director of the Company on April 18, 2013. With over 16 years of industrial experience, Andre Dahan joined Philip Morris Switzerland in 2003. He was also appointed for several senior marketing positions at Philip Morris International's affiliates in Poland, Hungary, the Czech Republic and Russia.

Wayan Mertasana Tantra, Independent Director

Indonesian Citizen. 53 years old. He earned his master's degree in Management from University of Airlangga, Surabaya, Indonesia.

Appointed as the Company’s Director in May 27, 2008. On May 9, 2014 he was appointed as Independent Director of the Company. Later he has been serving as Independent Director of the Company since 2014. He has been with Sampoerna for more than 20 years.

Yos Adiguna Ginting, Director

Indonesian Citizen. 46 years old. He earned his Bachelor of Science degree with First Class Honors in Chemistry Industrial and a Doctor of Philosophy degree in Theoretical Chemistry from the University of Tasmania, Tasmania, Australia.

He was appointed as Director of External Affairs of the Company on December 18, 2012. He began his career at Sampoerna in 2002.He served as Director of Government Affairs and Stakeholder Outreach in Philip Morris Asia Limited, Hong Kong.

Peter Alfred Kurt Haase, Director

German Citizen. 55 years old. He earned his Diplom-Ingenieur from the University of Hannover, Hannover, Germany in 1985.

He was appointed as Director of the Company on December, 18 2012. With over 18 years of industrial experience, Peter Alfred Kurt Haase joined Philip Morris International in 1997 in Germany and became Factory Director in Philip Morris Germany, Berlin before serving in senior management positions in Philip Morris International affiliates in Poland and Netherlands.
Troy J. Modlin, Director

United States Citizen. 43 years old. He earned his Bachelor of Science degree from University of Colorado at Boulder in 1994 and Masters of International Management degree from University of Denver, Daniels College of Business in 2002.

He was appointed as Director of the Company since September 18, 2015. Previously, working as the Director of Government Affairs of Phillip Morris International Management S.A Switzerland in 2008, and later as Director of Corporate Affairs Asia in Philip Morris International Management S.A Hong Kong in 2009.

NOMINATION AND REMUNERATION COMMITTEE (“KNR”)

The role of the Nomination and Remuneration Committee is to provide advice and recommendation to Board of Commissioners in relation to nomination and remuneration of the Board of Directors, the Board of Commissioners and committees under the Board of Commissioners. Based on the approval given in the Annual GMS on April 27, 2012 and by taking into account the recommendations of KNR, the Board of Commissioners provides the KNR the authority to determine: (i) the salaries and allowances of each member of the Board of Directors; and (ii) wages, salaries or benefits of each member of the Board of Commissioners for 2012 Fiscal Year, and the next financial year, until otherwise decided at the Annual GMS.

The current chairman of the KNR is Goh Kok Ho who was appointed on May 19, 2015 for a period of five years. Other members include Niken Kristiawan Rachmad, who was appointed on June 18, 2015, and Linda Setiawan, who was appointed on March 13, 2013. Linda Setiawan has a degree in Environmental Engineering from Bandung Institute of Technology and a Master of Science degree in Environmental Engineering from the Technische Universität Hamburg - Harburg, Germany. She joined the Company as a Graduate Intake in 2005.

The KNR held one meeting during the 2014 Fiscal Year, and one meeting during the first semester of 2015 Fiscal Year.

AUDIT COMMITTEE

As stated in the Audit Committee Charter, the Audit Committee assists the Board of Commissioners of the Company in fulfilling their duties and responsibilities. The responsibilities of the Audit Committee include review of the Company's consolidated financial statement, internal audit, application of risks management and compliance with the capital market regulations and other laws and regulations in relation to the Company’s business.

As required by the IDX and in accordance with Bapepam-LK Regulation No. IX.I.5 Attachment to Decision of the Chairman of Bapepam-LK No. KEP-643/BL/2012 dated December 7, 2012, on the Establishment and Work Implementation Guidance of the Audit Committee, based on circular resolutions of the Board of Commissioners dated December 19, 2014 and May 19, 2015, the Audit Committee of the Company consists of three members, Goh Kok Ho as a chairman, Raden Bagus Permana Agung Drajattun as member (both were appointed on May 19, 2015) and Drs. Hanafi Usman as member (who was reappointed on December 18, 2014 and has extensive experience in finance and audit sector).

The Committee held eight meetings during the period of April 1, 2014 to the date when this Prospectus is printed.

INTERNAL AUDIT UNIT

As stated in the Internal Audit Charter, the main task of the internal audit unit is to provide an objective assessment independently to the Board of Directors related to the adequacy and effectiveness of Internal Control Systems implemented by the Company. The Internal Audit also assists the Board of Directors to manage the Company's internal process. The Internal Audit Charter was issued in 2009 by the Board of Directors after obtaining the approval from the Board of Commissioners. One of the Company’s key successes is the compliance to the principles of good corporate governance. As a public listed company and a part of the PMI group, implementing the good corporate governance is very essential for the Company.

The Internal Audit Unit shall monitor the compliance with the Principles and Practices of the Company, as well as other matters as requested by the Board of Directors and the Board of Commissioners.

Khang Wei (Thomas) Lim has served as the Head of Internal Audit since July 14, 2015. Khang Wei Lim joined PMI in 2006 as Corporate Auditor and rose to several positions in finance with an additional responsibility on PMI's affiliates in Asia. Khang Wei Lim holds a Bachelor of Commerce in Accounting from the University of Adelaide, Australia, and is a member of the Institute of Chartered Accountants of Australia and New Zealand.

The Internal Audit is authorized to do the following:
PT Hanjaya Mandala Sampoerna Tbk

- To access the financial reports, records and facilities that may be required to carry out their responsibilities;
- To directly communicate and hold regular meetings with the Board of Directors, Board of Commissioners and/or the Audit Committee or any of its members; and
- Coordinate with the external auditors of the Company.

In order to be able to implement the charter and the responsibilities of the internal audit properly, the Company employs qualified and experienced audit and financial personnel. The Head of Internal Audit and the management team meet on a monthly basis in order to monitor and evaluate the quality, timeliness and reports of audit activities and findings to the Board of Directors and to the Audit Committee. To maintain the independence of Internal Audit, the personnel of the Internal Audit shall not be directly involved in any decision making related to the operational activities of the Company.

CORPORATE SECRETARY

Pursuant to OJK Regulation No. 35/POJK.04/2014 concerning the Corporate Secretary of a Public Company, the Company appointed Ike Andriani since August 3, 2015 as the Corporate Secretary. The Corporate Secretary assists the Board of Directors to ensure the Company is in compliance with capital market regulations, and to ensure that the Board of Directors be kept informed about changes in capital market regulations and their implications. In order to be able to perform its duties, the Corporate Secretary works together with the Legal Department and the Investor Relations Division. The Corporate Secretary and Investor Relations Division work together to ensure that the OJK, IDX, Indonesian Central Securities Depository (KSEI), shareholders, investors, securities analysts and capital market communities obtain sufficient information in accordance with the prevailing capital market regulations. The Corporate Secretary is having its address at One Pacific Place, 18th floor Sudirman Central Business District (SCBD), Jl. Jendral Sudirman Kav. 52-53 Jakarta 12190 - Indonesia and can be contacted on (021) 515 1234.

REMUNERATION OF THE BOARD OF DIRECTORS

The total amount of remuneration and benefits paid or proposed to be paid to the Board of Directors for services rendered to the Company for the year ended December 31, 2012, 2013 and 2014 and for the period of 6 months ended June 30, 2015 is Rp63.9 billion, Rp91.6 billion, Rp104.3 billion and Rp69.2 billion.

RISKS AND RISK MANAGEMENT

The Company mitigates operational risks through a combination of strong internal controls, contingency plans and insurance. The Company’s risk division oversees the establishment, implementation and adequacy of working framework and risk management system of the Company.

EMPLOYEES COMMUNICATION

Communication with employees is an important part of good corporate governance. The Company, therefore, uses a number of communication platforms, such as internal magazines distributed every quarter, Lentera, Sampoena TV, the Company’s Radio, e-mails, video blogs, meetings with the President Director and other Directors which are held at least twice each year with the name of employees’ activity “Sersan”, Sampoena’s celebratory birthday events and other gatherings.

D. HUMAN RESOURCES

The Company's Employees Composition

As of June 30, 2015, the staff members of The Company and its subsidiaries consist of 29,800 employees. Approximately 999 of these employees are involved in the management and the administration of the Company. The rest is involved in production, selling and marketing activities, printing and distribution. Approximately 15,977 employees’ remuneration are based on the number of cigarettes they roll.

Most of The Company's employees come from 1 (one) labor union and all employment relations are conducted pursuant to the Government’s regulations. The Company’s collective labor agreement was renewed in 2014 for a period of two years.

The Company does not experience labor strike, termination or other significant labor disruptions in the past few years.

Employees Composition of the Company and Its Subsidiaries Based on Position Level

<table>
<thead>
<tr>
<th>The Company</th>
<th>June 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>%</td>
<td>Total</td>
</tr>
<tr>
<td>Manager and Senior Manager</td>
<td>779</td>
<td>2.7</td>
</tr>
<tr>
<td>Supervisor</td>
<td>1,410</td>
<td>4.8</td>
</tr>
</tbody>
</table>

50
### Employees Composition of the Company and Subsidiaries Based on Employment Status

#### Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>724</td>
<td>251</td>
<td>215</td>
<td>159</td>
</tr>
<tr>
<td>Below 25 years old</td>
<td>2,222</td>
<td>7.6</td>
<td>2,573</td>
<td>8.9</td>
<td>3,192</td>
<td>9.7</td>
</tr>
<tr>
<td>26 – 35 years old</td>
<td>6,860</td>
<td>23.6</td>
<td>7,590</td>
<td>26.1</td>
<td>9,800</td>
<td>29.9</td>
</tr>
<tr>
<td>36 – 45 years old</td>
<td>14,550</td>
<td>50.0</td>
<td>14,204</td>
<td>48.9</td>
<td>15,482</td>
<td>47.2</td>
</tr>
<tr>
<td>Above 46 years old</td>
<td>5,451</td>
<td>18.7</td>
<td>4,866</td>
<td>16.1</td>
<td>4,330</td>
<td>13.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>29,083</td>
<td>100</td>
<td>29,033</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Employees Composition of the Company and Its Subsidiaries Based on Education Level

### The Company

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Academic and University (First, Second and Third Degree)</td>
<td>5,432</td>
<td>18.7</td>
<td>5,140</td>
<td>17.7</td>
<td>5,043</td>
<td>15.4</td>
</tr>
<tr>
<td>Diploma (D1-D4)</td>
<td>60</td>
<td>2.0</td>
<td>1</td>
<td>0.0</td>
<td>72</td>
<td>0.2</td>
</tr>
<tr>
<td>High School or Lower</td>
<td>21,450</td>
<td>73.8</td>
<td>21,987</td>
<td>75.7</td>
<td>25,919</td>
<td>79.0</td>
</tr>
<tr>
<td>N/A</td>
<td>2,141</td>
<td>7.4</td>
<td>1,905</td>
<td>6.6</td>
<td>1,756</td>
<td>5.4</td>
</tr>
<tr>
<td>Total</td>
<td>29,083</td>
<td>100</td>
<td>29,033</td>
<td>100</td>
<td>32,790</td>
<td>100</td>
</tr>
</tbody>
</table>

### Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Academic and University (First, Second and Third Degree)</td>
<td>135</td>
<td>18.8</td>
<td>125</td>
<td>16.9</td>
<td>113</td>
<td>15.6</td>
</tr>
<tr>
<td>Diploma (D1-D4)</td>
<td>14</td>
<td>2.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>High School or Lower</td>
<td>333</td>
<td>46.4</td>
<td>204</td>
<td>27.5</td>
<td>195</td>
<td>26.9</td>
</tr>
<tr>
<td>N/A</td>
<td>235</td>
<td>32.8</td>
<td>412</td>
<td>55.6</td>
<td>416</td>
<td>57.5</td>
</tr>
<tr>
<td>Total</td>
<td>717</td>
<td>100</td>
<td>741</td>
<td>100</td>
<td>724</td>
<td>100</td>
</tr>
</tbody>
</table>

### Employees Composition of the Company and Subsidiaries Based on Age Level

#### The Company

<table>
<thead>
<tr>
<th>Age Level</th>
<th>June 30</th>
<th>December 31</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Below 25 years old</td>
<td>2,222</td>
<td>7.6</td>
<td>2,573</td>
<td>8.9</td>
<td>3,192</td>
<td>9.7</td>
</tr>
<tr>
<td>26 – 35 years old</td>
<td>6,860</td>
<td>23.6</td>
<td>7,590</td>
<td>26.1</td>
<td>9,800</td>
<td>29.9</td>
</tr>
<tr>
<td>36 – 45 years old</td>
<td>14,550</td>
<td>50.0</td>
<td>14,204</td>
<td>48.9</td>
<td>15,482</td>
<td>47.2</td>
</tr>
<tr>
<td>Above 46 years old</td>
<td>5,451</td>
<td>18.7</td>
<td>4,866</td>
<td>16.1</td>
<td>4,330</td>
<td>13.2</td>
</tr>
<tr>
<td>Total</td>
<td>29,083</td>
<td>100</td>
<td>29,033</td>
<td>100</td>
<td>32,790</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Subsidiaries

<table>
<thead>
<tr>
<th>Age Level</th>
<th>June 30</th>
<th>December 31</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Below 25 years old</td>
<td>116</td>
<td>16.2</td>
<td>131</td>
<td>17.7</td>
<td>146</td>
<td>20.2</td>
</tr>
<tr>
<td>26 – 35 years old</td>
<td>202</td>
<td>28.2</td>
<td>202</td>
<td>27.3</td>
<td>187</td>
<td>25.8</td>
</tr>
<tr>
<td>36 – 45 years old</td>
<td>251</td>
<td>35.0</td>
<td>263</td>
<td>35.5</td>
<td>266</td>
<td>36.7</td>
</tr>
<tr>
<td>Above 46 years old</td>
<td>148</td>
<td>20.6</td>
<td>145</td>
<td>19.6</td>
<td>125</td>
<td>17.3</td>
</tr>
<tr>
<td>Total</td>
<td>717</td>
<td>100</td>
<td>741</td>
<td>100</td>
<td>724</td>
<td>100</td>
</tr>
</tbody>
</table>
The Company

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Employee</td>
<td>29,083</td>
<td>99.0</td>
<td>29,033</td>
<td>99.2</td>
<td>32,790</td>
<td>98.6</td>
<td>27,946</td>
<td>99.4</td>
</tr>
<tr>
<td>Contract Based Employee</td>
<td>279</td>
<td>1.0</td>
<td>241</td>
<td>0.8</td>
<td>457</td>
<td>1.4</td>
<td>176</td>
<td>0.6</td>
</tr>
<tr>
<td>Total</td>
<td>29,362</td>
<td>100</td>
<td>29,274</td>
<td>100</td>
<td>33,247</td>
<td>100</td>
<td>28,122</td>
<td>100</td>
</tr>
</tbody>
</table>

Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Employee</td>
<td>717</td>
<td>91.7</td>
<td>741</td>
<td>96.2</td>
<td>724</td>
<td>91.0</td>
<td>611</td>
<td>84.2</td>
</tr>
<tr>
<td>Contract Based Employee</td>
<td>65</td>
<td>8.3</td>
<td>29</td>
<td>3.8</td>
<td>72</td>
<td>9.0</td>
<td>115</td>
<td>15.8</td>
</tr>
<tr>
<td>Total</td>
<td>782</td>
<td>100</td>
<td>770</td>
<td>100</td>
<td>796</td>
<td>100</td>
<td>726</td>
<td>100</td>
</tr>
</tbody>
</table>

In 2013, the number of employees in the Company's operation unit increased due to the opening of 2 new production facilities for SKT cigarettes. However, both production facilities were discontinued due to adult smokers' preference for SKM products, in which causing a significant employment reduction. Therefore, the number of employees in the operation unit fell in 2014 and became stable with a slight increase in 2015.

As per June 30, 2015, TPOs cooperating with the Company collectively employ more than 48,000 employees.

The following is a list of foreign employees in the Company:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Nationality</th>
<th>License</th>
<th>Permit</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Hans Peter Christoph Braun</td>
<td>Germany</td>
<td>Decree of the Minister of Manpower and Transmigration of the Republic of Indonesia No. Kep 06058/MEN/B/IMTA/2015 dated February 17, 2015, valid for 12 months from the date stated in KITTAS</td>
<td>2C11CD0155-P dated February 18, 2015, valid until December 3, 2015</td>
</tr>
<tr>
<td>8.</td>
<td>Ng Chan Hee</td>
<td>Malaysia</td>
<td>Decree of the Minister of Manpower and Transmigration of the Republic of Indonesia No.</td>
<td>2C11JE4290AN dated December 10, 2014, valid</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Nationality</td>
<td>License</td>
<td>Permit</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------</td>
<td>-------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------------</td>
</tr>
</tbody>
</table>
Employee Welfare Facilities

Sampoerna registered all employees in the National Social Security System ("NSSS") which is a mandatory program, namely BPJS Employment (Employment Accident Security, Death Security, Old Age Security, Retirement Security) and BPJS Health (Health Security) where the goal is not just compliance to local regulations Indonesia, but also to remain competitive in similar industries.

Agreement between The Company and its Employees

The Company has signed a Collective Labor Agreement with all of the Company's labor unions, the Collective Labor Agreement was registered with the Ministry of Manpower and Transmigration c.q. Directorate General of Management of Industrial Relations and Social Security for Employees under No. 153/Pdf.11/PKB/I/2014 as included in Decree of the Ministry of Manpower and Transmigration based on decree of Director General of Management of Industrial Relations and Social Security for Employees No. Kep. 153/PHIJSK-PKKAD/PKB/IX/2014, dated September 24, 2014 on Registration of Employment Agreement between PT HM Sampoerna Tbk with Labor Union of RTMM-SPSI of PT HM Sampoena; Labor Unions of PT HM Sampoerna Tbk of Pasuruan Regency; PUK SP HM Sampoena Tbk; Federation of Labor Unions RTMM-SPSI PT HM Sampoena Tbk. Rungkut II; PUK SP RTMM-SPSI PT. HM. Sampoerna Rungkut I; PUK SP RTMM SPSI PT. HM Sampoena Tbk – of Karawang; and PUK. FSP. RTMM-SPSI PT. HM. Sampoerna.

The Collective Labor Agreement is effective as of September 27, 2014 until September 26, 2016. In its operational activities, the Company has fulfilled its obligations for Provincial Minimum Wage/Regional Minimum Wage for employees of the Company.

E. BRIEF DESCRIPTION ON SHAREHOLDERS IN THE FORM OF LEGAL ENTITY HOLDING 5% OR MORE OF THE COMPANY’S TOTAL ISSUED SHARES

1. PMID

   a. Deed of Establishment, Articles of Association and Its Amendments

PMID is a limited liability company duly incorporated under the laws of the Republic of Indonesia pursuant to Deed No. 30 dated August 10, 1988 as amended by Deed No. 20 dated February 3, 1999, both drawn up before Sutjipto, S.H., at that time Notary in Jakarta, which were approved by the Minister of Justice of the Republic of Indonesia in accordance with Decree No. C-7791_HT.01.01.TH.99 dated April 28, 1999 and announced in BNRI No. 78 dated September 28, 1999, Supplement No. 6247.

The Articles of Association have been amended several times, the latest amendment was entirely amended to conform with the Company Law as stated in Deed No. 198 dated July 25, 2008, drawn up before Sutjipto, S.H., at that time Notary in Jakarta, which was approved by the MOLHR in accordance with Decree No. AHU-93705.AH.01.02. Tahun 2008 dated December 4, 2008, and announced in BNRI No. 29 dated April 9, 2009, Supplement No. 10087 ("Deed 198/2008").

   b. Business Activities

The main business activity of PMID is engaging in the field of white cigarettes industry.
c. Management and Supervision

Based on Deed of Statement of Shareholders Resolution No. 31 dated February 12, 2014, drawn up before Aryanti Artisari, S.H., M.Kn, Notary in South Jakarta Municipality, and was notified to the MOLHR based on Notification Receipt No. AHU-AH.01.10-12029 dated March 19, 2014 and up to the date this Prospectus is published, the compositions of the Board of Directors and the Board of Commissioners of PMID are as follows:

**Board of Commissioner**
Commissioner : Connie Lo Chiu Ying

**Board of Directors**
President Director : Markus Hosea  
Director : Eulis Eliyani

d. Capital Structure and Shareholding Composition

Pursuant to Deed 198/2008 the capital structure of PMID is as follows:

- Authorized Capital : Rp44,659,435,000,000,-  
- Issued Capital : Rp40,675,450,000,000,-  
- Paid-Up Capital : Rp40,675,450,000,000,-

Based on Deed No. 247 dated December 28, 2010, drawn up before Aulia Taufani, S.H., as a substitution of Sutjipto, S.H., at that time Notary in Jakarta, which was notified to the MOLHR based on Notification Receipt of the Change of PMID Data No. AHU-AH.01.10-06091 dated February 25, 2011, the shareholding composition of PMID is as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Shareholder</th>
<th>Shares Amount</th>
<th>Par Value</th>
<th>Percentage (%)</th>
</tr>
</thead>
</table>
| 1   | Philip Morris Investments B.V.  
(formerly known as Philip Morris International Holdings B.V.) | 24,999,999 (A Series)  
4,100,000,000 (B Series) | Rp343,749,986,250  
Rp40,331,700,000 | 99.99  
0.01 |
| 2   | Park Tobacco Limited | 1 (A Series) | 13,750 | 0.01 |

F. BRIEF DESCRIPTION OF SUBSIDIARIES

At the time this Prospectus is published, the Company has 9 (nine) Subsidiaries that are controlled directly. The following is a brief description of each Subsidiary.

1. Panamas
   a. Brief History

Panamas is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Surabaya. Panamas was established in 1989 pursuant to Deed of Establishment No. 8 dated July 8, 1989, drawn up before Sastra Kosasih, a Notary in Surabaya, which was approved by the Minister of Justice of the Republic of Indonesia based on Decree No. C2-8628.HT.01.01.th.’89, dated 13 September 1989 and published in BNRI No. 96 dated December 1, 1989, Supplement No. 3320.

Articles of Association of Panamas have been amended several times. The latest amendment is as stated in Deed of Statement of Shareholders Resolution in lieu of EGMS No. 6, dated September 4, 2008, drawn up before Khusnul Yaqin, S.H., M.Hum., a Notary in Surabaya, which was approved by the MOLHR based on Decree No. AHU-78360.AH.01.02. of 2008, dated October 27, 2008 and published in BNRI No. 99 dated December 9, 2008 Supplement No. 27068.

b. Business Activities

Panamas engages in the field of cigarette distribution.
c. Capital and Shareholding Structures

Based on the latest Articles of Association and Deed of Statement of Shareholders Resolutions of Panamas No.12, dated June 25, 2012, drawn up before Dicky Dwiharnanto, S.H., M.Kn., Notary in Sidoarjo, which was notified to the MOLHR based on Receipt Letter of Notification on Data Change of Panamas No. AHU-AHU.01.10-17498 dated May 8, 2014, the capital structure and shareholding composition of Panamas are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>Rp8,000,000,000</td>
</tr>
<tr>
<td>Shares Amount (in billion Rupiah)</td>
<td>Rp1,000 per Share</td>
</tr>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Issued and Paid-up Capital</td>
<td>%</td>
</tr>
<tr>
<td>1. The Company</td>
<td>2,110,387</td>
</tr>
<tr>
<td>2. Sampoerna Printpack</td>
<td>2,113</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-up Capital</td>
<td>2,112,500</td>
</tr>
</tbody>
</table>

d. Management and Supervision

Based on Deed of Statement of Shareholders Meeting Resolution No.96, dated May 22, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., Notary in Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification on Data Change of Panamas No. AHU-AHU-10221.40.22.2014, dated May 26, 2014 and as at the date this Prospectus is published, the composition of Board of Commissioners and Board of Directors of Panamas are as follows:

**Board of Commissioners**

Commissioner : Henny Susanto

**Board of Directors**

Director       : Maria Lingkan Setyawati Bera

e. Summary of Significant Financial Statement

The following table illustrates the summary of significant financial statement which is taken from audited consolidated financial statements of Panamas as of and for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The consolidated financial statements had been audited based on auditing standards by IAPK Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), independent public accountants, with unqualified opinion.

The consolidated financial information of Panamas for a period of six months ended on June 30, 2014 is taken from Panamas’s consolidated financial statement that were not audited for a period of six months ended on June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards (“FAS”) in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Total Asset</td>
<td>2,278.9</td>
<td>2,109.5</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>2,044.4</td>
<td>1,640.4</td>
</tr>
<tr>
<td>Total Equity</td>
<td>234.5</td>
<td>469.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Six Months</th>
<th>A Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>4,796.2</td>
<td>4,480.1</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>(4,482.2)</td>
<td>(4,243.9)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>225.5</td>
<td>150.9</td>
</tr>
<tr>
<td>Current period/year profit</td>
<td>169.1</td>
<td>111.1</td>
</tr>
</tbody>
</table>

The six-month period ended June 30, 2015 compared to the six-month period ended June 30, 2014 (unaudited) and the comparison of financial position on June 30, 2015 and December 31, 2014

Profit before income tax of Panamas increased by 49.4% or Rp74.6 billion mainly because of the increase in net sales of 7.1% or Rp316.1 billion caused by the increase in subsidiary revenue (SIS) because of the
increase in sales volume and selling price and partially balanced with the increase in cost of goods sold by 5.6% or Rp238.3 billion caused by the increase in excise fees and raw material price.

Panamas asset increased by 8.0% or Rp169.4 billion caused by the increase in business accounts receivable because of the increase in sales volume and price.

Panamas’ liabilities increased by 24.6% or Rp404.0 billion mainly because of dividend payable to shareholders of Rp402.6 billion.

The decrease in Panamas equity of Rp234.6 billion or 50.0% is caused by approval of cash dividend payment by the Annual GMS Resolution dated June 30, 2015 of Rp399.3 billion, partially balanced by amount of comprehensive profit of current period of Rp168.8 billion for the six-month period ended June 30, 2015.

*The year ended December 31, 2014 compared to the year ended December 31, 2013 and the comparison of financial position on December 31, 2014 and December 31, 2013*

Profit before income tax of Panamas increased by 380.6% or Rp443 billion mainly due to the increase in net sales of 45.9% or Rp2,846.6 billion caused by the increase in subsidiaries revenue (SIS) due to increase in sales volume and price, and partially balanced by the increase in cost of goods sold of 39.9% or Rp2,362.8 billion caused by the increase in excise fee and raw material price.

The assets of Panamas increased by 62.3% or Rp809.6 billion due to the increase in short term financial accounts receivable of Rp863 billion and partially balanced by the decrease in inventory and fixed asset each Rp15.8 billion and Rp11.5 billion respectively.

The liability of Panamas increased by 38.1% or Rp452.7 billion due to the increase in excise accounts receivable of Rp279.1 billion and the increase in business accounts receivable and other of Rp79.4 billion.

The equity increase of Panamas is in the amount of Rp 356.9 billion mainly due to the increase of comprehensive profit for the current year of Panamas being the year ending on December 31, 2014.

2. Sampoerna Printpack

a. Brief History

Sampoerna Printpack is a limited liability company established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Surabaya. Sampoerna Printpack was established in 1982 pursuant to Deed of Establishment No.44 dated February 26, 1982, as amended by Deed of Minutes of Meeting No.6 dated June 3, 1986, both drawn up before Sastra Kosasih, Notary in Surabaya, which were approved by the Minister of Justice of the Republic of Indonesia based on Decree No. C2-6705HT01.01TH86, dated September 27, 1986 and published in BNRI No. 95 dated November 28, 1986, Supplement No. 1476.

Articles of Association of Sampoerna Printpack have been amended several times. The latest amendment of Articles of Association of Sampoerna Printpack is as stated in Deed of Statement of Shareholders Resolution in lieu of EGMS No.6, dated August 20, 2008, drawn up before Khusnul Yaqin, S.H., M.Hum., Notary in Surabaya, which was approved by the MOLHR based on Decree No. AHU-73448.AH.01.02.of 2008, dated October 14, 2008 and published in BNRI No. 99 dated December 9, 2008 Supplement No. 27041.

b. Business Activities

Sampoerna Printpack engages in the field of printing and packaging.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of Sampoerna Printpack, the capital structure and shareholding composition of Sampoerna Printpack are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp5,000,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>Shares Amount</td>
</tr>
<tr>
<td></td>
<td>Par Value Amount (Rp)</td>
</tr>
<tr>
<td></td>
<td>36,000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td></td>
</tr>
<tr>
<td>1. The Company</td>
<td>28,808</td>
</tr>
<tr>
<td>2. Union Sampoerna</td>
<td>7,192</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>36,000</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td></td>
</tr>
</tbody>
</table>


d. Management and Supervision
Based on Deed of Statement of Shareholders Meeting Resolutions No. 34, dated January 10, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., a Notary in Jakarta, which was notified to the MOLHR and accepted based on Receipt Letter of Notification of Change of Sampoerna Printpack Data No. AHU-AH.01.10-03810, dated February 10, 2014 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and the Board of Directors of Sampoerna Printpack is as follows:

**Board of Commissioner**

Commissioner : Maria Lingkan Setyawati Bera

**Board of Directors**

Director : Sugiharto Hartono

**Summary of Significant Financial Statement**

The following table illustrates the summary of significant financial statement taken from the audited financial statements for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers ), independent public accountants, with unqualified opinion.

Financial information of Sampoerna Printpack for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of Sampoerna Printpack for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Asset</td>
<td>251.6</td>
<td>244.8</td>
<td>256.4</td>
<td>267.4</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>27.0</td>
<td>20.6</td>
<td>24.5</td>
<td>34.4</td>
</tr>
<tr>
<td>Total Equity</td>
<td>224.6</td>
<td>224.2</td>
<td>231.9</td>
<td>233.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>46.0</td>
<td>37.7</td>
<td>82.4</td>
<td>80.8</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>(42.9)</td>
<td>(35.4)</td>
<td>(88.0)</td>
<td>(72.2)</td>
</tr>
<tr>
<td>Profit/(loss) before income tax</td>
<td>0.9</td>
<td>(1.4)</td>
<td>(8.6)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Current period/year profit/(loss)</td>
<td>0.6</td>
<td>(1.2)</td>
<td>(6.8)</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

**The six-month period ended June 30, 2015 compared to the six-month period ended June 30, 2014 (unaudited) and the comparison of financial position on June 30, 2015 and December 31, 2014**

Sampoerna Printpack recorded profit before income tax of Rp0.9 billion for six-month period compared to loss before income tax of Rp1.4 billion for the same period in 2014. This is mainly due to the increase in revenue by 22.1% or Rp8.3 billion balanced by the increase in cost of goods sold by 21.1% or Rp7.5 billion.

Assets of Sampoerna Printpack increased by 2.8% or Rp6.8 billion due to the increase in short term accounts receivable of Rp13.7 billion, partially balanced by the decrease in inventories of Rp6.5 billion.

Liabilities of Sampoerna Printpack increased by 31.4% or Rp6.4 billion due to the increase in business accounts payable.

The increase in Sampoerna Printpack equity of Rp0.4 billion is mainly caused by net profit of Sampoerna Printpack for the six-month period ended June 30, 2015.

**The year ended December 31, 2014 compared to the year ended December 31, 2013 and the comparison of financial position on December 31, 2014 and December 31, 2013.**

Loss before income tax for the period ended December 31, 2014 increased by Rp7.8 billion, mainly caused by the depreciation of fixed asset value to its recorded value of Rp6.4 billion in 2014.

Assets of Sampoerna Printpack decreased by 4.5% or Rp11.6 billion due to asset depreciation to its recorded value of Rp6.4 billion and decreased in inventory of Rp7.1 billion caused by decrease in raw material purchased, partially balanced by increased in short term accounts receivable of Rp2.8 billion.
Liabilities of Sampoerna Printpack decreased by 16.2% or Rp3.9 billion mainly caused by the decrease in corporate income tax payable of Rp4.6 billion related to fiscal lost for the year ended December 31, 2014.

Decreased in equity of Sampoerna Printpack of Rp7.7 billion caused by net loss of Sampoerna Printpack of the year ended December 31, 2014.

3. Union Sampoerna

a. Brief History

Union Sampoerna is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Jakarta. Union Sampoerna was established in 1999 pursuant to Deed of Establishment No. 76 dated September 18, 1999, drawn up before Sutjipto, S.H., at that time Notary in Jakarta, which was approved by the Minister of Law and Regulations of the Republic of Indonesia based on Decree No. C4969 HT.01.01.TH.2000, dated March 3, 2000 and registered in Company Register on Industry and Trade Services Office of North Jakarta Municipality No. 1579/BH 09.01/IX/2005 dated September 26, 2005.

The Articles of Association of Union Sampoerna have been amended several times. The latest amendment of Union Sampoena Articles of Association is as stated in Deed of Statement of Shareholders Resolution No. 61, dated May 7, 2010, drawn up before Aulia Taufani, S.H., as a substitution of Sutjipto, S.H., at that time Notary in Jakarta, which was approved by the MOLHR based on Decree No. AHU-27101.AH.01.02. of 2010, dated May 27, 2010 and published in BNRI No. 48 dated June 17, 2011, Supplement No. 14996.

b. Business Activities

Union Sampoerna engages in the field of general trade.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of Union Sampoerna, the capital structure and the shareholding composition of Union Sampoerna are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp1,000,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>Shares Amount</td>
</tr>
<tr>
<td></td>
<td>18,000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td></td>
</tr>
<tr>
<td>1. The Company</td>
<td>7,999</td>
</tr>
<tr>
<td>2. Panama</td>
<td>1</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>8,000</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Based on Deed of Statement of Shareholders Resolution No. 36, dated January 10, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., Notary in Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification on Change of Union Sampoerna Data No. AHU-AH.01.10-02914, dated January 27, 2014 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of Union Sampoerna is as follows:

Board of Commissioners

Commissioner : Henny Susanto

Board of Directors

Director : Maria Lingkan Setyawati Bera

e. Summary of Significant Financial Statement

The following table illustrates significant financial information of Union Sampoena which is taken from the audited financial statements of Union Sampoena for the six-month period ended June 30, 2015, and as of date and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on the auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly
known as KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers) independent public accountant with unqualified opinion.

Financial information of Union Sampoerna for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of Union Sampoerna for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Asset</td>
<td>38.1</td>
<td>38.1</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Equity</td>
<td>38.1</td>
<td>38.1</td>
</tr>
</tbody>
</table>

Union Sampoerna is a dormant company, the financial position statements and the profit loss and other comprehensive income statements for the six-month periods ended June 30, 2015 and 2014 and for the years ended on December 31, 2014, 2013, did not show significant movement.

4. Wahana Sampoerna

a. Brief History

Wahana Sampoerna is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Surabaya. Wahana Sampoerna was established in 1989 pursuant to Deed of Establishment No. 7 dated April 10, 1989, as amended by Deed No.4 dated June 5, 1989, and Deed No.17 dated July 15, 1989 all drawn up before Sastra Kosasih, S.H., a Notary in Surabaya, which were approved by the Minister of Justice of the Republic of Indonesia based on Decree No. C2.7620.HT.01.01-Th.89, dated August 19, 1989 and published in BNRI No. 75 dated September 18, 1990, Supplement No. 3456.

Articles of Association of Wahana Sampoerna have been amended several times. The latest amendment of Wahana Sampoerna Articles of Association is as stated in Deed of Statement of Shareholders Resolution in lieu of EGMS No. 6, dated July 21, 2008, drawn up before Khusnul Yaqin, S.H., M.Hum., Notary in Surabaya, which was approved by the MOLHR based on Decree No. AHU-50789.AH.01.02.of 2008, dated August 13, 2008 and published in BNRI No. 13 dated 13 February 2009, Supplement No. 4261.

b. Business Activities

Wahana Sampoerna engages in the field of property, trade and services.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of Wahana Sampoerna, the capital structure and the shareholding composition of Wahana Sampoerna are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp5,000,000,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>3.000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td>Rp15,000,000,000</td>
</tr>
<tr>
<td>1. The Company</td>
<td>1.729</td>
</tr>
<tr>
<td>2. Panamas</td>
<td>1</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>1.730</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>1.270</td>
</tr>
</tbody>
</table>


d. Management and Supervision

Based on Deed of Statement of Shareholders Resolution No. 50, dated July 10, 2015, drawn up before Aryanti Artisari, S.H., M.Kn., a Notary in South Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification of Change of Wahana Sampoerna Data No. AHU-3531997.AH.01.11.of 2015 dated 10 July 2015.
and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of Wahana Sampoerna is as follows:

**Board of Commissioners**

Commissioner : Sugiharto Hartono

**Board of Directors**

Director : Maria Lingkan Setyawati Bera

e. Summary of Significant Financial Statement

The following table illustrates the significant financial information taken from the audited financial statements of Wahana Sampoerna as of and for the six-month period ended June 30, 2015, and for the years ended December 31, 2014, 2013 and 2012. The Financial Statements had been audited based on the auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), independent public accountants, with unqualified opinion.

The financial information of Wahana Sampoerna for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of Wahana Sampoerna for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Total Asset</td>
<td>21.4</td>
<td>16.3</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>6.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Total Equity</td>
<td>15.3</td>
<td>10.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Six Months</th>
<th>A year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Revenue</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(0.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other income</td>
<td>5.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>6.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Current period/year profit</td>
<td>5.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

The six-month period ended June 30, 2015 compared to the six-month period ended June 30, 2014 (unaudited) and the comparison of financial position on June 30, 2015 and December 31, 2014

Profit before income tax of Wahana Sampoerna increased by 1,441.5% or Rp6.1 billion mainly caused by the increase in other income of Rp6.0 billion mainly from income on the sales of land and building. This affected on the increase in net profit of the current period of 1.127.5% or Rp4.6 billion.

Total asset increased by 31.6% or Rp5.2 billion due to the increase in other short term financial asset of Rp5.0 billion. Liabilities increased by 2.9% or Rp0.2 billion, from the increase in tax payable. Equity increased by 48.0% or Rp5.0 billion from the current period net profit.

The year ended December 31, 2014 compared to the year ended December 31, 2013 and the comparison of financial position on December 31, 2014 and 2013.

Profit before income tax of Wahana Sampoerna decreased by 39.8% or Rp0.5 billion mainly caused by the decrease in income of land and building lease in 2014. This affected the decrease in current year profit by 40.5% or Rp0.4 billion.

Wahana Sampoerna asset increased by 45.5% or Rp5.1 billion because of the increase in other short term financial asset. Liabilities increased by 1,193.0% or Rp5.5 billion caused by increase of advanced payment of land sales. Equity decreased by 3.7% or Rp0.4 billion because of dividend payment in 2014 of Rp1.0 billion which partially balanced by profit gained in 2014 of Rp0.6 billion.

5. **HMSE**

a. **Brief History**
HMSE is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Sidoarjo. HMSE was established in 1990 pursuant to Deed of Establishment No. 78 dated April 19, 1990, as amended by Deed of Amendment No. 27, dated October 10, 1991 and Deed of Amendment No. 104 dated November 28, 1991, all drawn up before Rukmasanti Hardjasatya S.H., a Notary in Jakarta, which were approved by the Minister of Justice of the Republic of Indonesia based on Decree No. C2-7694 HT.01.01.Th91, dated December 14, 1991 and published in BNRI No. 29 dated March 11, 1995, Supplement No. 3165.

Articles of Association of HMSE have been amended several times. The latest amendment is as stated in Deed of Statement of Shareholders Resolution In lieu of EGMS No.165, dated July 17, 2009, drawn up before Khusnul Yaqin, S.H., M.Hum., a Notary in Surabaya, which was approved by the MOLHR based on Decree No. AHU-41743.AH.01.02.of2009, dated August 26, 2009 and registered in Company Register at the Integrated Licensing Services Office of Sidoarjo dated August 2, 2012.

b. Business Activities

HMSE engages in cigarette manufacturing and trading.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of HMSE, the capital structure and the shareholding composition of HMSE are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp10,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares Amount</td>
</tr>
<tr>
<td>Authorized Capital</td>
<td>500,000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td></td>
</tr>
<tr>
<td>1. The Company</td>
<td>399,999</td>
</tr>
<tr>
<td>2. Panamas</td>
<td>1</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>400,000</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>100,000</td>
</tr>
</tbody>
</table>

d. Management and Supervision

Based on Deed of Statement of Shareholders Resolution No. 30, dated February 12, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., a Notary in Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification of Change of HMSE Data No. AHU-AH.01.10-06069, dated February 21, 2014 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of HMSE is as follows:

**Board of Commissioners**

Commissioner : Henny Susanto

**Board of Directors**

Director : Efendy Anggono

e. Summary of Significant Financial Statement

The following table illustrates the summary of significant financial statement taken from the audited financial statements of HMSE as of and for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on the auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers) with unqualified opinion.

The financial information of HMSE for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of HMSE for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>2014</th>
<th>2013</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Asset</td>
<td>4.4</td>
<td>4.6</td>
<td>9.2</td>
<td>36.2</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>46.7</td>
<td>44.8</td>
<td>37.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Total Equity</td>
<td>(42.3)</td>
<td>(40.2)</td>
<td>(27.8)</td>
<td>(13.8)</td>
</tr>
</tbody>
</table>
HMSE had stopped its production since July 2013 and becomes a dormant company. Financial position statements and profit loss and other comprehensive income statements for the six-month periods ended June 30, 2015 and 2014 and for the years ended December 31, 2014, 2013, did not show significant movement, except for matters related to production discontinuation.

6. Persada

a. Brief History

Persada is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Jakarta. Persada was established in 2003 pursuant to Deed of Establishment No. 10 dated September 2, 2003, drawn up before Aulia Taufani S.H., as a substitution of Sutjipto, SH, at that time Notary in Jakarta, which was approved by the MOLHR based on Decree No. C-22371 HT.01.01.TH.2003, dated September 18, 2003 and published in BNRI No. 88 dated November 4, 2003, Supplement No. 11021.

Articles of Association of Persada have been amended several times. The latest amendment of Persada Articles of Association is as stated in Deed of Statement of Shareholders Resolution on the Amendment of Articles of Association No. 122, dated October 15, 2009, drawn up before Aulia Taufani, S.H., as a substitution of Sutjipto, S.H., at that time Notary in Jakarta, which was approved by the MOLHR based on Decree No. AHU-54515.AH.01.02.of 2009, dated November 10, 2009 and published in BNRI No. 77 dated September 24, 2010, Supplement No. 21150.

b. Business Activities

Persada engages in cigarette manufacturing and trading.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of Persada, the capital structure and the shareholding composition of Persada are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp1,000,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares Amount</td>
</tr>
<tr>
<td>Authorized Capital</td>
<td>10,000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td>2,475</td>
</tr>
<tr>
<td>Panamas</td>
<td>25</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>2,500</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>7,500</td>
</tr>
</tbody>
</table>

Based on Deed of Statement of Shareholders Resolution No. 95, dated September 30, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., a Notary in Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification of Change of Persada Data No. AHU-33077.40.22.2014, dated October 1, 2014 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of Persada is as follows:

**Board of Commissioners**

Commissioner : Roy Kusuma Hekekire

**Board of Directors**

Director : Henny Susanto

e. Summary of Significant Financial Statement
The following table illustrates the significant financial information taken from the audited financial statements of Persada as of and for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on auditing standards set forth by IAPI by KAP Tanudireja, Wibisana, Rintis & Rekan; formerly KAP Tanudireja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), independent public accountants, with unqualified opinion.

Financial information of Persada for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of Persada for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Asset</td>
<td>10.4</td>
<td>10.3</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Equity</td>
<td>7.4</td>
<td>10.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Six Months</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Net sales/(sales returns)</td>
<td>(0.0)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Cost of Goods Sold, sales expense</td>
<td>0.0</td>
<td>(0.6)</td>
</tr>
<tr>
<td>and general and administrative expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Current period/year profit</td>
<td>0.1</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Persada had stopped its production since September 2013 and becomes a dormant company. Financial position statements and profit loss and other comprehensive income statements for the six-month periods ended June 30, 2015 and 2014 and for the years ended December 31, 2014 and 2013, did not show significant movement, except for matters related to production discontinuation.

7. Handal (in liquidation process)
   a. Brief History

Handal is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Surabaya. Handal was established in 1981 pursuant to Deed of Establishment No. 22 dated, November 11, 1981, drawn up before Sastra Kosasih, Notary in Surabaya, as amended by Deed of Amendment No. 5 dated 3 June 1986, drawn up before Ny. Nursetiani Budi, S.H., as a substitution of Sastra Kosasih, S.H., Notary in Surabaya, which was approved by the Minister of Justice of the Republic of Indonesia based on Decree No. C2.6706.HT01.01-TH86, dated 27 September 1986 and published in BNRI No. 95 dated November 28, 1986, Supplement No. 1477.

Articles of Association of Handal have been amended several times. The latest amendment of the Articles of Association is as stated in Deed of Statement of Shareholders Resolution In lieu of EGMS No. 5, dated August 12, 2008, drawn up before Khusnul Yaqin, S.H., M.Hum., a Notary in Surabaya, which was approved by the MOLHR based on Decree No. AHU-63857.AH.01.02.of 2008, dated September 16, 2008 and published in BNRI No. 99 dated December 9, 2008, Supplement No. 27040.

b. Business Activities

Handal engages in freight forwarding and warehousing services.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of Handal, the capital structure and the shareholding composition of Handal are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Par Value of Rp5,000,000,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares Amount</td>
</tr>
<tr>
<td>Authorized Capital</td>
<td>10,000</td>
</tr>
<tr>
<td>Issued and Fully Paid-Up Capital</td>
<td></td>
</tr>
<tr>
<td>1. The Company</td>
<td>4,999</td>
</tr>
<tr>
<td>2. Panamas</td>
<td>1</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>5,000</td>
</tr>
<tr>
<td>Shares in Portfolio</td>
<td>5,000</td>
</tr>
</tbody>
</table>
d. Management and Supervision

Based on Deed of Statement of Shareholders Resolution No. 1 dated March 3, 2014, drawn up before Aryanti Artisari, S.H., M.Kn., Notary in Jakarta, which was notified to the MOLHR based on Receipt Letter of Notification of Change of Handal Data No. AHU-AH.01.10-10050, dated March 11, 2014 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of Handal is as follows:

**Board of Commissioners**

Commissioner : Sugiharto Hartono

**Board of Directors**

Director : Maria Lingkan Setyawati Bera


e. Summary of Significant Financial Statement

The following table illustrates the summary of significant financial statement taken from the audited financial statements of Handal as of and for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), independent public accountants, with unqualified opinion.

Financial information of Handal for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of Handal for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Asset</td>
<td>31.9</td>
<td>31.4</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Total Equity</td>
<td>31.9</td>
<td>31.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Six Months</th>
<th>A year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>-</td>
<td>(0.0)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>-</td>
<td>0.8</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Current year/period profit</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Handal is a dormant company, the financial position statements and the profit loss and other comprehensive income statements for the six-month periods ended June 30, 2015 and 2014 and for the years ended December 31, 2014, 2013, did not show significant movement.

8. TD

a. Brief History

TD is a limited liability company duly established pursuant to and under the prevailing laws and regulations in the Republic of Indonesia, domiciled in Pasuruan. TD was established in 1978 pursuant to Deed of Establishment No.19 dated June 9, 1978, as amended by Deed No. 23 dated September 28, 1978, both drawn up before Soehartono, S.H., a Notary in Surabaya, which were approved by the Minister of Justice of the Republic of Indonesia based on Decree No. Y.A.5/342/8, dated November 21, 1978 and published in BNRI No. 93 dated November 22, 1983, Supplement No. 994.

Articles of Association of TD have been amended several times. The latest amendment of the Articles of Association is as stated in Deed of Statement of Shareholders Resolution in lieu of EGMS No. 7, dated July 21, 2008, drawn up before Khusnul Yaqin, S.H., M.Hum., a Notary in Surabaya, which was been approved by the MOLHR based on Decree No. AHU-49518.AH.01.02.of2008, dated August 11, 2008 and published in BNRI No. 30 dated April 14, 2009, Supplement No. 10281.
b. Business Activities

TD engages in the field of property development.

c. Capital and Shareholding Structures

Based on the latest Articles of Association of TD, the capital structure and the shareholding composition of TD are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares Amount</th>
<th>Par Value Amount (Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized Capital</td>
<td>250,000</td>
<td>Rp500,000,000,000</td>
</tr>
</tbody>
</table>

**Issued and Fully Paid-Up Capital**

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares Amount</th>
<th>Par Value Amount (Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company</td>
<td>205,935</td>
<td>Rp411,870,000,000</td>
</tr>
<tr>
<td>Wahana Sampoerna</td>
<td>565</td>
<td>Rp1,130,000,000</td>
</tr>
<tr>
<td>Total Issued and Fully Paid-Up Capital</td>
<td>206,500</td>
<td>Rp413,000,000,000</td>
</tr>
</tbody>
</table>

**Shares in Portfolio**

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares</th>
<th>Par Value Amount (Rp)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43,500</td>
<td>Rp87,000,000,000</td>
</tr>
</tbody>
</table>

d. Management and Supervision

Based on Deed of Statement of Shareholders Resolution No. 51, dated July 10, 2015, drawn up before Aryanti Artisari, S.H., M.Kn., a Notary in Jakarta, which had been notified to the MOLHR based on Receipt Letter of Notification of Change of TD Data No. AHU-AH.01.03-0950845 dated July 10, 2015 and as at the date of this Prospectus is published, the composition of the Board of Commissioners and Board of Directors of TD is as follows:

**Board of Commissioners**

Commissioner : Maria Lingkan Setyawati Bera

**Board of Directors**

Director : Jefry Andi Tjokroaminoto

e. Summary of Significant Financial Statement

The following table illustrates the significant consolidated financial information taken from the audited consolidated financial statements of TD as of and for the six-month period ended June 30, 2015, and as of and for the years ended December 31, 2014, 2013 and 2012. The consolidated financial statements had been audited based on auditing standards set forth by IAPI by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly KAP Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), independent public accountants, with unqualified opinion.

Consolidated financial information of TD for the six-month period ended June 30, 2014 is taken from the consolidated unaudited financial statements of TD for the six-month period ended June 30, 2014 prepared and presented in accordance with the Financial Accounting Standards in Indonesia.

**Consolidated Income Statement**

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total Asset</td>
<td>276.8</td>
<td>269.9</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>69.6</td>
<td>70.5</td>
</tr>
<tr>
<td>Total Equity</td>
<td>207.2</td>
<td>199.4</td>
</tr>
</tbody>
</table>

**Consolidated Balance Sheet**

<table>
<thead>
<tr>
<th>Description</th>
<th>Six Months</th>
<th>A year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Net Sales</td>
<td>37.5</td>
<td>43.3</td>
</tr>
</tbody>
</table>
The six-month period ended June 30, 2015 compared to the six-month period ended June 30, 2014 (unaudited) and the comparison of financial position on June 30, 2015 and December 31, 2014

Profit before income tax decreased by 44.8% or Rp7.2 billion mainly caused by the decrease in sales of Rp5.8 billion and the increase in cost of goods sold of Rp2.0 billion. This affected the decrease in the current period profit by 47.0% or Rp7.6 billion. Equity increased by 3.9% or Rp7.8 billion because of the increase in the current year net profit

The year ended December 31, 2014 compared to the year ended December 31, 2013 and the comparison of financial position on December 31, 2014 and December 31, 2013.

Profit before income tax of TD decreased by 10.5% or Rp2.4 billion mainly caused by the decrease in sales by Rp22.7 billion. The decrease in sales was also followed by the decrease in cost of goods sold by Rp19.9 billion. This affected the decrease in the current year net profit by 12.1% or Rp2.7 billion.

TD asset increased by 8.3% or Rp 20.8 billion due to the increase in business accounts receivable by Rp17.3 billion and the increase in other short term financial accounts receivable by Rp17.5 billion partially balanced by the decrease in inventories by Rp7.5 billion and fixed asset by Rp8.2 billion. Liabilities increased by Rp1.3 billion. Equity increased by Rp 19.5 billion originated from current year net profit.

9. SIP

a. Brief History

SIP is a company duly established pursuant to and under the laws of Singapore. SIP was established under the Companies Act, Chapter 50 of Singapore on February 21, 1995.

b. Business Activities

SIP engages in equity holding.

c. Capital and Shareholding Structures

SIP has issued and paid-up capital of S$260,643,391 consisting of 242,950,000 common shares, which are wholly owned by the Company.

d. Management and Supervision

Director : Paul Norman Janelle
Director : Michael Sandritter
Director : Tan Wei Tiong (Chen Weizhong)

e. Summary of Significant Financial Statement

The following table illustrates the summary of significant financial statement taken from the audited financial statements of SIP as of and for the six-month period ended June 30, 2015 and as of and for the years ended December 31, 2014, 2013 and 2012. The financial statements had been audited based on Singapore Standards on Auditing by PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants, with unqualified opinion.

Financial information of SIP for the six-month period ended June 30, 2014 is taken from the unaudited financial statements of SIP for the six-month period ended June 30, 2014.
SIP is a dormant company, the financial position statements and the profit loss and other comprehensive income for the six-month periods ended June 30, 2015 and 2014 and for the years ended December 31, 2014 and 2013 did not show significant movement.

G. DESCRIPTION ON THE COMPANY’S BUSINESS GROUP

As at this Prospectus is published, the structure of the business group of the Company is as follows:

H. MANAGEMENT AND CONTROL BETWEEN THE COMPANY AND SUBSIDIARIES

Relationship management between the Company and Subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Nama</th>
<th>Company</th>
<th>SIP</th>
<th>STCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Gledhill</td>
<td>PC</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charles Herve Bendotti</td>
<td>VPC</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Niken Kristiawan Rachmad</td>
<td>C</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>RB Permana Agung Dradjattun</td>
<td>IC</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Goh Kok Ho</td>
<td>IC</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paul Norman Janelle</td>
<td>PD</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Andre Dahan</td>
<td>D</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wayan Mertasana Tantra</td>
<td>ID</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Peter Alfred Kurt Haase</td>
<td>D</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Troy J. Modin</td>
<td>D</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Michael Sandritter</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Yos Adiguna Ginting</td>
<td>D</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Description: PC: President Commissioner; IC: Independent Commissioner; C: Commissioner; PD: President Director; D: Director; ID: Independent Director
I. MATERIAL AGREEMENT WITH THIRD PARTIES

The following are agreements with third parties, in connection with the business activities of the Company, as of June 30, 2015, which are still valid:

**Tobacco Purchase Agreement with PT Sadhana**

On March 31, 2008, the Company signed a tobacco purchase agreement with PT Sadhana to purchase most of domestic tobacco needs for five years based on market price. The agreement is valid for five years and will be extended automatically for a period of the next five years.

On June 30, 2015, the Company had advance payment of Rp0.47 trillion (December 31, 2014: Rp1.33 trillion, December 31, 2013: Rp0.96 trillion, December 31, 2012: Rp2.51 trillion) for purchase of tobacco which had not been realized. The advance payment has been fully secured by Standby Letter of Credit.

**Production Cooperation Agreement with TPO**

The Company entered into cooperation agreements with a number of TPOs to produce SKT. These agreements are generally valid for a period varying from one to three years and may be extended upon agreement of both parties. As a result of the continuous decrease in SKT sales, caused by the change of adult smoker preference, in June 2015 the Company had changed the contractual production volume, which caused compensation of Rp604.3 billion to all TPOs. Compensation to TPO was included in the production expenses for the six-month period ended June 30, 2015 and paid on July 3, 2015.

The amount of production and management services cost paid to TPO is Rp 1.486.5 billion for the periods ended June 30, 2015, December 31, 2014: Rp 1.557.7 billion, June 30, 2014 (unaudited): Rp 801.5 billion, December 31, 2013: Rp1,639.4 billion, December 31, 2012: Rp1,798.4 billion, including production cost.

**Transaction Agreement with Related Parties**

Transactions with related parties have been approved in the EGMS dated June 27, 2006 and October 18, 2006. Thereafter, the Company entered into various agreements with PMID or related parties with respect to:
- goods supply (tobacco, raw material, cigarette packaging materials, machinery and spare parts).
- services provision (tobacco warehouse management, management services, information system services, sales and brand management services, technical services for research and development and personnel services).
- trademark license, sub-license, contract manufacturing, financing.

**TD Project Development Cooperation Agreement with PT Ciputra Surya Tbk**

TD signed a project development cooperation agreement with PT Ciputra Surya Tbk for 20 years with respect to TD’s property, effective as of April 7, 2005. The percentage of TD’s revenue towards the consolidated net sales is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 (unaudited)</td>
<td>2014 (unaudited)</td>
</tr>
<tr>
<td>Percentage of TD’s revenue towards the consolidated net sales</td>
<td>0.08%</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

**Loan Facility Agreement with Banks**

The Company has a credit facility in the form of loan, overdraft, bank guarantees and letters of credit from several banks with total facilities and unused credit facilities as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2015</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Credit Facility US$ (in million)</td>
<td>101.0</td>
<td>115.0</td>
</tr>
<tr>
<td>Rp (in million)</td>
<td>3,446,476</td>
<td>2,796,476</td>
</tr>
<tr>
<td>Unused Credit Facility US$ (in million)</td>
<td>20.3</td>
<td>107.0</td>
</tr>
<tr>
<td>Rp (in million)</td>
<td>1,695,416</td>
<td>1,547,587</td>
</tr>
</tbody>
</table>

J. TRANSACTION WITH AFFILIATED PARTIES

In carrying out Company’s daily business activities, the Company entered into a number of transactions with its affiliates. The Company believes that the agreements and transactions with affiliated parties have set out reasonable terms or terms that the Company at least believes to give similar profit to the Company as if the transaction was done
with non-affiliated parties. The Company may from time to time entered into additional transactions with its affiliated parties, with reasonable market terms or on terms that the Company at least believes to give similar profit to the Company as if the transaction was done with non-affiliated parties. The Company describes below the material transactions that it has entered into with affiliated parties. Based on BAPEPAM-LK Regulation No. IX.E.1 there are two types of relevant transactions, namely affiliated party transactions and conflict of interest transactions. Affiliated Party transaction is defined as a transaction conducted between a public company or a controlled company with an affiliated party of the public company or an affiliated party of a member of the board of directors, the board of commissioners, or a major shareholder (defined as a shareholder who owns at least 20.0% of the issued shares of the company or other lower threshold as determined by OJK). Generally, such transactions, including detailed information and a summary of appraisal report regarding the transactions, must be announced within two Business Days from the date of the transactions, unless there is an exemption. If there is an exemption, the transactions may not be required to be disclosed to the public and reported to OJK. Transactions that are not required to be disclosed to the public and reported to OJK include, among others: (i) any transaction that is the main business activities of the public company or its controlled subsidiaries; (ii) any transaction that supports the main business activities of the public company or its controlled subsidiaries; or (iii) any transaction that occurs before the public offering of the public company, or before the submission of a registration statement that has been disclosed in the prospectus, insofar as there is no change of the terms and conditions of the transaction that may cause losses to the company. Any affiliated party transaction by a public company which causes conflict of interest must be approved by the majority shareholders who do not have a conflict of interest in the proposed transaction and certain disclosures must be made to the shareholders prior to the general meeting of shareholders held to approve such conflict of interest transactions. “Conflict of Interest” is defined in the OJK regulation as a conflict between the economic interests of a public company and the personal economic interests of any member of the board of commissioners, board of directors or a principal shareholder which may causes losses to the company. OJK has the power to enforce this regulation, and the Company's shareholders may also perform the enforcement action pursuant to this regulation.

The following are agreements with affiliated parties, in connection with the business activities of the Company, as of June 30, 2015, which are still valid:

**Lease Agreement with PMID**

On June 27, 2012, the Company entered into a lease agreement with PMID, which the Company leases land and building located in Karawang, West Java for the period of October 1, 2012 to September 30, 2022. This agreement was later amended by a lease agreement dated June 27, 2013. Total cost of the lease is Rp463.6 billion with the amount and schedule of lease payment as follows:

- the first five year lease period from October 1, 2012 to September 30, 2017 is Rp 199.1 billion of which Rp112.0 billion had been paid on October 1, 2012, and Rp87.1 billion on July 1, 2013. On June 30, 2015, deferred lease income of Rp96.5 billion (December 31, 2014: Rp 117.9 billion, December 31, 2013: Rp160.9 billion, December 31, 2012: Rp106.4 billion).
- the second five year lease period from October 1, 2017 to September 30, 2022 is Rp264.5 billion, which shall be paid by no later than October 1, 2017.

**Distribution Agreement with PMID**

On January 10, 2005, PMID signed an agreement for the appointment of Panamas, a subsidiary wholly owned by the Company as the sole distributor of PMID’s tobacco products in Indonesia effective as of January 10, 2005 until February 28, 2015 (the rights of sole distributor is effective as of January 10, 2005). On December 22, 2009, the rights and obligations of Panamas as the sole distributor was transferred to the Company, which is effective as of January 1, 2010. Based on the first amendment of the distribution agreement dated February 17, 2015, the term of the agreement was extended from March 1, 2015 to 28 February, 2025.

PMID has the right to terminate the agreement (i) immediately by written notice, if there is a change of control in the Company or in the context of nationalization, or (ii) by giving 90 days written notice in advance to the Company, if PMID manufactures and sell products under the license agreement between PMID and its related parties in Switzerland is terminated. Each party may also terminate the agreement immediately by written notice to the other party, if one party is declared bankrupt or unable to pay its obligations, or in a procedure of settlement, in a state of grave violation and such violation is not remedied within 60 days upon notification letter, or in case of force majeure. Termination with or without causes, may be done by giving a written notice to the other party 270 days in advance.

**Intercompany Agreement with Philip Morris Finance SA**

At the Company's extraordinary general meeting of shareholders on September 18, 2015, the Company's shareholders approved two intercompany loan agreements between the Company and Philip Morris Finance SA.

Pursuant to the terms of the intercompany loan agreements, which were executed on September 19, 2015 (i) Philip Morris Finance SA has made available to the Company uncommitted revolving facilities in a maximum amount up to 100% of the equity of the Company based on its latest annual audited consolidated financial statements, which was Rp13,498,1 billion as at December 31, 2014 ("Intercompany Loan I") and (ii) the Company has made available to
Phillip Morris Finance SA uncommitted revolving facilities in a maximum amount up to 100% of the net profit of the Company based on its latest annual audited consolidated financial statements, which was Rp.10,181.1 billion on December 31, 2014 ("Intercompany Loan II").

Each advance under these facilities is provided for a tenor of up to 24 months. Outstanding advances under Intercompany Loan I will bear an interest at a rate to be agreed between the Company and Phillip Morris Finance SA, which shall be equal to or lower than the lowest lending rate offered by certain reference banks for loans of a corresponding term. Outstanding advances under Intercompany Loan II will bear interest at a rate to be agreed between the Company and Phillip Morris Finance SA, which shall not be lower than (i) deposit rate that the Company may obtain; (ii) the lowest lending rate offered by certain reference banks for loans of a corresponding term; or (iii) the interest rate charged by Phillip Morris Finance SA to the Company under Intercompany Loan I for loans of a corresponding terms. The intercompany loans are not secured.

The intercompany loan agreements are valid until September 1, 2025 and are extendable by mutual agreement of both parties. The facilities are to be used for general corporate purposes. On September 23, 2015, a drawdown of U.S.$128.5 million was made and on September 30, 2015, two drawdowns of U.S.$410.0 million and U.S.$80.0 million respectively, were made on the facilities and on October 1, 2015, there has been a drawdown of U.S.$234 million. All such drawdowns are conducted based on Intercompany Loan I. Up to the date of this prospectus, the balance amount is U.S.$314 million.

The Company has obtained a fairness opinion on the two intercompany loans from KJPP Nirboyo Adiputro, Dewi Apritanti & Rekan, which is concluded based on its analysis that the transactions under the intercompany loan agreements are fair.

K. INFORMATION ABOUT THE COMPANY’S FIXED ASSET

The Company has 187 plots of land located in various regions in Indonesia including Surabaya, Malang and Pasuruan Regency in East Java Province as well as Karawang Regency in West Java Province with land title in the form of Right to Build ("HGB") with a total area of 2,552,804 m2. Up to the date this Prospectus is published, as many as 42 plots of land owned by the Company with a total area of 769,707 m2 are in the process of HGB certificate period extension. In addition, the Company also has five Strata Titles registered on behalf of the Company in relation to the offices of the Company located at One Pacific Place, 16th, 17th, 18th, 19th and 20th floors, South Jakarta DKI Jakarta, with a total area of 9,290 sqm.

L. CASES FACED BY THE COMPANY

The Company is not recorded/registered, neither as plaintiff/respondent/co-defendant nor as the defendant/convict and is not involved in civil, criminal and/or other disputes in courts and/or arbitration in Indonesia or disputes related to labor issues, apart from tax disputes, industrial relations disputes with an employee, and civil cases in connection with the Company's plot of land. The civil lawsuit, registered with case number 16/Pdt./G/2007/PN.Kab.Pas.Bgl., was related to the ownership of a plot of land with HGB Certificate No. 47/Desa Ngadimulyo registered on behalf of the Company covering an area of 33,600 sqm, where 11,210 sqm of the area is claimed as inherited land of the plaintiffs. The parties to the dispute are Tamin (Plaintiff I), Hasanuddin HS (Plaintiff II), Safikyah (Plaintiff III), Afidatul Khusnah (Plaintiff IV) and Nurhadi Sahid (Plaintiff V) against, among others, the Company (as Defendant II) , District Head/Head of the Sukorejo Regional District (Defendant III), Land and Building Tax Office of Malang cq. Land and Building Tax Office of Pasuruan (Co-Defendant I) and Regional Land Office of East Java in Surabaya cq. Land Office of Pasuruan District (Co-Defendant II). At the district court level, the exception of the Company as Defendant II was accepted, in which the claim of the plaintiffs was declared obscure (obscure libel) and therefore the claim of the plaintiffs could not be accepted. This decision was upheld by the High Court, but at cassation appeal, the Supreme Court declared to re-open the hearings and return the case to be re-examined by the District Court with the consideration to determine the area of land owned by the plaintiffs which was actually principal to the case, because there was uncertainty of ownership for the area of land disputed by the plaintiffs and the Company. On October 17, 2012, the District Court of Bangil had ruled on the case which substantially rejected the claim of the plaintiffs relating to the ownership status of the land with an area of 11,210 m2. Subsequently, the plaintiffs filed an appeal against the verdict, which had been registered to the High Court of Surabaya with case number 694/Pdt/2014/PT.Sby. Up to date there is no decision of the High Court of Surabaya related to the appeal case.

Industrial Relations Dispute:

There is a labor dispute between the Company and an employee relating to the termination of employment (PHK) on the grounds of no wrongdoings. The Company and the employee have conducted their fourth bipartite negotiation on June 25, 2015. The results of the bipartite negotiation was that the Company and the employee agree to continue the labor dispute to the next process which was mediation process (tripartite negotiation). The Company had submitted a written request to the Head of manpower Services Office of Surabaya to register and resolve the industrial dispute by way of mediation (tripartite negotiation) and the mediation process is still ongoing.

Taxation dispute:
Appeal on Decree of the Director General of Tax No. KEP-2978/WPJ.11/2014 dated December 17, 2014:

On March 2, 2015, the Company (as the appellant) filed an appeal to the Tax Court by Letter of Appeal No. HMS/III/15/059 (which had been received by the Secretariat of Tax Court on March 9, 2015) on the Decree of the Director General of Tax No. KEP-2978/WPJ.11/2014 dated December 17, 2014 concerning Objection of Taxpayer on Tax Underpayment Assessment Letter of Income Tax Year 2008. Through this appeal, the Company stated that there should be no correction to the Positive Fiscal Adjustment of Rp69,822,825,254.00 that consists of “512913 Other Gen Exp – Corporate Comms” cost of Rp27,398,234,998.00 and the marketing/promotion cost of Rp42,424,590,256.00. According to the Company, the amount of income tax accrued by the Company was Rp107,892,000.00 and not Rp31,109,226,300.00 (in accordance with Decree of Director General of Tax No. KEP - 2978/WPJ.11/2014 dated December 17, 2014). The appellee of the appeal was the Director General of Tax.

In addition to taxation dispute above, the Company has also filed an objection on several Tax Assessment Letters to the Director General of Tax.

However, the disputes above do not have material impact on the business activities and financial condition of the Company.

M. INSURANCE

The operational of the Company has operation risks, including fire, earthquake, flood, machines and equipments damage, public loss, product liability, employer liability, and cargo damage.

To reduce such risks, the Company and all of its subsidiaries have a comprehensive insurance for damages occurred to fixed asset and inventories, including business interruption and cargo risk by water transportation. This insurance policy covers their asset and broken machines and broken raw materials and goods during transportation period. The Company also has insurance for certain natural disasters such as earthquake, volcanic eruption, fire and explosion after earthquake and/or volcanic eruption, and tsunami. However, the Company does not have insurance for losses due to disease or pest in line with industry practice.
VIII. BUSINESS LINE AND PROSPECT OF THE COMPANY AND SUBSIDIARIES

A. OVERVIEW

The Company is the largest tobacco company in Indonesia, with 109.7 billion cigarettes sold and an overall market share of 34.9% in Indonesia in 2014, according to the Company's estimates. The Company has more than 100 years of operating history, and in 2005 it was acquired by PMI, one of the world's largest tobacco companies.

The Company produces exclusively "kretek" cigarettes, which are cigarettes made with a blend of cloves and tobacco. The Company also distributes the Marlboro brand of cigarettes throughout Indonesia, through a long-term distribution agreement with PMID.

As of 2014, Indonesia was the largest cigarette market in the world by volume, excluding China, with approximately 314 billion cigarettes sold in 2014. It is also among the fastest-growing cigarette markets in the world: since 2010 overall cigarette revenues in Indonesia have grown at a compound annual growth rate (“CAGR”) of more than 10%. Indonesia is the fourth-largest country in the world by population, with over 250 million people. According to Oxford Economics, Indonesia's GDP is projected to grow between 5% and 6% each year from 2015 to 2019, and the population of persons older than 20 years is projected to grow by 1.4% CAGR from 2014 to 2019, while BCG expects middle-class and affluent smokers to make up 53% of Indonesia’s population in 2020, compared to 30% in 2012. Sampoerna expects these trends to support continued demand for its cigarettes, as its product mix focuses on mid- and premium-priced cigarettes. In 2014, 68.0% of the Company's total domestic sales by volume were in the premium-priced segment, with substantially all of the remainder in the mid-priced segments. Together, those two segments constitute 82.6% of the Indonesian cigarette market.

The Company has an unmatched cigarette brand portfolio in Indonesia, with seven brand families, including five of the top-ten best-selling brand families in Indonesia. Out of these seven brand families, the Company produces the cigarettes for five of these brand families and distributes (without manufacturing) the cigarettes for two, including Marlboro. The Company produces both machine-made kretek cigarettes (known as SKM cigarettes) and hand-rolled kretek cigarettes (known as SKT cigarettes). The non-clove cigarettes that the Company sells, including Marlboro, are known as "white" (or SPM) cigarettes. The Company is the Indonesian market leader, by volume, in each of these three segments, with an approximate share of 39.0% in the hand-rolled segment, 29.9% in the machine-made segment and 79.8% in the white cigarettes segment in 2014, according to the Company's estimates.

Over the past ten years, the Indonesian cigarette market has experienced a shift in adult smoker demand from hand-rolled cigarettes to machine-made cigarettes, with a growing adult smoker preference for low-tar, low-nicotine cigarettes. In 2014, SKM cigarettes accounted for 62.9% of the Company's domestic sales volumes, while SPM cigarettes accounted for 22.4% and SPM cigarettes for 14.7%. Adult Indonesian smokers have also increasingly shifted toward mid- and premium-priced segments of the market, which supports the Company's mid- and premium-priced portfolio.

The Company's portfolio includes the following leading brand families:
- Sampoerna A, which includes the Company's leading brand, A Mild, a machine-made clove cigarette, with the highest market share in the market;
- Dji Sam Soe, which includes the traditional hand-rolled Dji Sam Soe clove cigarette that has historically been the Company's flagship SKT cigarette, with the leading share of the SKT segment;
- Sampoerna U, which is a family of machine-made clove cigarettes and includes U Mild, the Company's leading product in this family;
- Sampoerna Kretek, which is a local brand of hand-rolled cigarettes; and
- Marlboro, the world's best-selling international brand and leader in the SPM segment, which the Company distributes throughout Indonesia.

In 2012, 2013, 2014 and the first half of 2015, the Company sold 107.7 billion, 111.3 billion, 109.7 billion and 55.3 billion cigarettes in Indonesia. The Company has a strong sales force of more than 3,600 people covering the entire country, with a nationwide distribution network of six main distribution centers and 106 sales offices. The Company sells its cigarettes primarily to wholesalers, as well as to agents, and directly to general and modern trade outlets. In 2014, the Company sold 84% of its cigarettes (by volume) to wholesalers, 6% to agents and 10% to general and modern trade outlets. Through these channels, the Company's cigarettes are available for purchase at approximately 2.4 million points of sale throughout Indonesia.

The Company produces all of its cigarettes in Indonesia and operates seven production facilities in the country, two for machine-made cigarettes and five for hand-rolled cigarettes. In addition, the Company also has co-operation agreements with 38 TPOs. These TPOs collectively employ over 48,000 kretek rollers to produce Sampoerna's SKT...
cigarettes.

In 2012, 2013 and 2014, the Company generated consolidated net revenues of Rp66,626.1 billion, Rp75,025.2 billion and Rp80,690.1 billion and profit for the year of Rp9,945.3 billion, Rp10,818.5 billion and Rp10,181.1 billion. For the six months ended June 30, 2014 and 2015, the Company’s consolidated net revenues were Rp39,093.5 billion and Rp43,742.8 billion and its profit for the period was Rp5,031.3 billion and Rp5,011.8 billion.

Sampoerna has been listed on the Indonesia Stock Exchange since 1990, under the stock code HMSP, and as of June 30, 2015, it was the second-largest company on the IDX, by market capitalization.

**B. NON-GAAP MEASURES AND OTHER FINANCIAL AND OPERATING DATA**

This Prospectus includes certain financial measures, which are not measures under non-GAAP measures, including adjusted net revenues, adjusted cost of goods sold, and EBITDA.

Adjusted net revenues, adjusted gross margin, adjusted costs of goods sold, EBITDA, adjusted EBITDA margin and free cash flow as well as the other non-GAAP measures presented in this Prospectus are supplemental measures of the Company’s operating performance or liquidity that are not required by, or presented in accordance with GAAP. They are not measurements of financial performance or liquidity under GAAP and should not be considered as an alternative to profit for the year/period, profit before income tax, gross profit or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of liquidity. They have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for, their own analysis of the Company’s financial condition or results of operation, as reported under GAAP.

The Company believes that adjusted net revenues, adjusted costs of goods sold, adjusted gross margin, EBITDA; adjusted EBITDA margin and free cash flow facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization expenses). EBITDA has been presented because the Company believes that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such a non-GAAP measure when reporting their results. The Company also presents adjusted net revenues, which consists of net revenues less value-added tax (“VAT”) on white cigarettes and excise taxes on hand-rolled kretek cigarettes, machine-made kretek cigarettes and white cigarettes, because the Company believes that other companies in the cigarette manufacturing industry outside of Indonesia frequently present their revenues, costs of goods sold and operating margins net of applicable excises and VAT in their respective jurisdictions and that, as a result, measures similar to “adjusted net revenues” are frequently used by securities analysts, investors and other interested parties in evaluating similar companies in the cigarette manufacturing industry. Adjusted net revenues, adjusted costs of goods sold, adjusted gross margin, EBITDA and adjusted EBITDA margin have limitations as analytical tools, and potential investors should not consider them in isolation from, or as a substitute for, analysis of the Company’s financial condition or results of operations, as reported under GAAP. Due to these limitations, adjusted net revenues and EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of the Company’s business. The Company does not consider these non-GAAP measures to be a substitute for, or superior to, the information under GAAP and they may not be comparable to similarly titled measures disclosed by other companies.

<table>
<thead>
<tr>
<th>Description</th>
<th>Fort the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted net revenues(^{(1)})</td>
<td>19,976.6</td>
<td>18,448.3</td>
</tr>
<tr>
<td>Adjusted gross margin (%(^{(2)}))</td>
<td>51.4</td>
<td>53.4</td>
</tr>
<tr>
<td>EBITDA(^{(3)})</td>
<td>7,054.3</td>
<td>7,067.0</td>
</tr>
<tr>
<td>Adjusted EBITDA margin (%(^{(4)}))</td>
<td>35.3</td>
<td>38.3</td>
</tr>
<tr>
<td>Capital expenditure(^{(5)})</td>
<td>481.8</td>
<td>752.1</td>
</tr>
<tr>
<td>Free cash flow(^{(6)})</td>
<td>2,799.5</td>
<td>5,267.1</td>
</tr>
<tr>
<td>Net debt/(net cash)(^{(7)})</td>
<td>4,223.5</td>
<td>N/A</td>
</tr>
<tr>
<td>Accounts receivable days(^{(8)})</td>
<td>5.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Inventory days(^{(9)})</td>
<td>91.9</td>
<td>N/A</td>
</tr>
<tr>
<td>Excise payable days(^{(10)})</td>
<td>45.1</td>
<td>N/A</td>
</tr>
<tr>
<td>Accounts payable days(^{(11)})</td>
<td>42.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Dividend Payout Ratio (%(^{(12)}))</td>
<td>42.0</td>
<td>98.4</td>
</tr>
</tbody>
</table>

Notes:

\(^{(1)}\) Adjusted net revenues are net revenues less effect on net revenues of excise payable days, adjusted for changes in accounts receivable, net debt, and changes in excise payable days.
\(^{(2)}\) Adjusted gross margin is gross margin adjusted for changes in accounts receivable, net debt, and changes in excise payable days.
\(^{(3)}\) EBITDA is earnings before interest, taxes, depreciation and amortization.
\(^{(4)}\) Adjusted EBITDA margin is EBITDA margin adjusted for changes in accounts receivable, net debt, and changes in excise payable days.
\(^{(5)}\) Capital expenditure is the sum of investment in property, plant, and equipment, and intangible assets.
\(^{(6)}\) Free cash flow is net cash flow from operating activities adjusted for changes in accounts receivable, accounts payable, and inventory.
\(^{(7)}\) Net debt is total debt less cash and cash equivalents.
\(^{(8)}\) Accounts receivable days are the number of days it takes to collect accounts receivable.
\(^{(9)}\) Inventory days are the number of days it takes to sell inventory.
\(^{(10)}\) Excise payable days are the number of days it takes to pay excise taxes.
\(^{(11)}\) Accounts payable days are the number of days it takes to pay accounts payable.
\(^{(12)}\) Dividend Payout Ratio is the ratio of dividends paid to net income.

(in billion Rupiah, unless in percentage or number of days)
The Company believes that it has the following key competitive strengths:

**Market leadership in the large and attractive Indonesian tobacco market**

The Company has been the largest tobacco company in Indonesia since 2006. Since the acquisition by PMI in 2005, the Company's sales volume has almost doubled, increasing by more than 52 billion units from 2005 to 2014. The Company's overall market share of total cigarette sales in Indonesia has increased from 26.4% in 2005 to 34.9% in 2014, which the Company believes is largely the result of the strong equity of its brands. The Company is the market leader in each of the three major cigarette segments in Indonesia (namely SKT and SKM, which the Company produces, and SPM, which the Company distributes for PMI) and enjoys a leading position across key geographical areas. For 2014, the Company had a share of the SKT segment of 39.0% (by volume), while its share of the SKM segment was 29.9% and its share of the SPM segment was 79.8%. The Company also enjoys a leading position across key geographical areas. For 2014, the Company had a share of the SKT segment of 39.0% (by volume), while its share of the SKM segment was 29.9% and its share of the SPM segment was 79.8%. The Company is also the only tobacco company that is the leader across key geographies for the first half of 2015, with a 38.3% market share in West Indonesia, a 33.1% market share in Java and a 37.0% market share in East Indonesia. In 2014, the Company's SKM cigarettes accounted for 22.0% of all cigarettes sold in Indonesia, while its SKT cigarettes accounted for an additional 7.8% and
the SPM cigarettes it distributes accounted for 5.1%. Those figures are a result of the Company’s strong brand equity and distribution capabilities.

With the world’s fourth-largest population of over 250 million people, and one of the highest rates of smoking prevalence in the world, Indonesia is the second-largest cigarette market by volume in the world (following China). Smoking prevalence among adult males (18 years and older) in Indonesia was 70.5% in 2014, according to Nielsen Indo

The competitive environment in the cigarette market in Indonesia has been dynamic, with approximately 950 players. Primarily driven by the Company's growth in market share, the top three players in Indonesia have steadily grown their combined market share of total cigarette sales volume in Indonesia from 74.9% in 2005 to 77.8% in the first half of 2015, with the fourth and fifth players having another combined 10.7% market share in the first half of 2015. The Company is the only large cigarette player in Indonesia to have gained market share from 2005 to 2014.

Unmatched portfolio of leading brands and products backed by deep adult smoker insights

The Company’s unmatched brand portfolio consists of seven brand families, of which five brand families (Sampoerna A, Dji Sam Soe, Marlboro, Sampoerna U and Sampoerna Kretek) are ranked among the top ten cigarette brands by market share in Indonesia, according to the Company’s estimates based on Nielsen Retail Audit. In the SKT segment, Dji Sam Soe, the oldest cigarette brand in Indonesia, with a heritage of more than 100 years, and Sampoerna Kretek, the Company’s second-oldest brand, are the top two SKT brands in Indonesia by sales volume and market share. The Company leads in the SKM LTLN sub-segment with Sampoerna A and Sampoerna U, which are the top two brands in the SKM LTLN sub-segment by sales volume. In addition, Sampoerna A is the best-selling brand family in Indonesia according to Nielsen Retail Audit, accounting for 14.4% of total cigarette sales by volume in Indonesia in 2014 (according to the Company’s estimates). The Company has received numerous awards in recent years in recognition of its leading brands, including the Most Valuable Indonesian Brands 2014 Award from Brand Finance & SWA Magazine in July 2014, and the Everlasting Brand Award from Warta Ekonomi magazine for Dji Sam Soe in September 2014. Sampoerna also distributes international brands in the SPM segment and is the sole distributor in Indonesia of the number one global brand, Marlboro. The Company has a well-balanced product portfolio, which spans across the premium- and mid-priced segments, supporting steady demand across economic cycles. The Company's product portfolio also caters to the growing SKM segment, which constituted 73.5% of the overall domestic industry sales by volume in 2014. The Company supports its leading brands and products with strong adult consumer-backed research capabilities, which enable the Company to gain insights into the latest adult consumer trends in terms of taste and packaging preferences, as well as pricing elasticity.

Balanced, well-invested production platform supported by sourcing expertise

The Company demonstrates strong execution capabilities across its entire value chain. The Company has a balanced production platform with seven of its own production facilities (two for machine-made cigarettes and five for hand-rolled) and arrangements with 38 TPOs for the production of hand-rolled cigarettes. The utilization of these TPOs provides the Company with flexibility to adjust its product mix and production capacity. The Company's current production facilities for machine-made cigarettes operated with a utilization rate of 84.1% in 2014 and are substantially invested, with limited incremental upgrade or expansionary capital expenditure needs in the immediate future. The Company's production platform is supported by long-term relationships with its key clove and tobacco leaf suppliers, which source tobacco leaf and clove from a large and widespread farmer base consisting of thousands of farmers spread across Sumatra, Java, Sulawesi, Bali and Maluku, providing a steady supply of raw materials. The Company actively enhances its supplier relationships and sourcing capabilities through several initiatives with its tobacco leaf and clove suppliers, including having established 22 “hubs” across Java, Sulawesi and Bali in order to help educate clove farmers with regard to increasing the quality and productivity of clove and to build strong, long-lasting and committed relationships. Further initiatives also include the Company's adoption of GAP through training clove and tobacco leaf farmers and maintaining an agronomy center for improving tobacco leaf and clove crop yield.

Strong sales and marketing capabilities complemented by an extensive distribution network

The Company maintains an extensive distribution network with best-in-class systems throughout Indonesia through six
distribution centers and 106 sales offices, with access to more than 14,000 wholesalers, 33 agents and approximately 400,000 general and modern trade outlets across Indonesia. This network provides the Company with approximately 2.4 million points of sale and a significant competitive advantage, given the fragmented geographical nature of Indonesia. The Company's products have achieved strong penetration in the Indonesian market and are widely available across the country. The Company has a strong sales force of more than 3,600 sales persons, with touch points across the entire country and access to both traditional and modern trade channels, which it believes is one of the most efficient sales force, in Indonesia. The Company leverages on PMI's world-class marketing expertise to engage adult smokers through means such as engagements and promotional activities with potential adult smokers. The Company has over 3,000 adult smoker engagement activities per year, which reach over 500,000 potential adult smokers. The Company's adult smoker insights team also works closely with the Company's sales and marketing department, using market insights to develop products that meet adult smokers' preferences.

Retail advocacy is also an important component of the Company's strategy with its cornerstone initiative Sampoerna Retail Community ("SRC") program. Based on a granular segmentation analysis, the Company identifies the best retail outlets to enroll in the SRC program, with the main goal of building an emotional link with retailers by providing them with business advisory and refurbishing/product display solutions services. The Company takes a conservative approach to expansion of the SRC program, to maximize its return on investment, increasing the number of stores from 3,938 outlets in 2009 to 9,985 outlets in 2014, a CAGR of 20.5%. In 2014, the Company had a market share of 60.6% of sales through SRC stores, as compared to its national market share of 34.9%.

**Track record of net revenue growth, profitability and cash generation**

Since PMI's acquisition of the Company in 2005, the Company has had a track record of strong growth, profitability and cash generation.

From 2010 to 2014, the Company's adjusted net revenues (non-GAAP measure), EBITDA (non-GAAP measure) and net profit (GAAP measure) for the year grew at a compound annual rate of 13.6%, 11.8% and 12.2%, respectively. For the six months ended June 30, 2015, compared to the six months ended June 30, 2014, the Company's adjusted net revenues (non-GAAP measure) grew by 8.3%. In 2014, the Company had an adjusted gross margin (non-GAAP measure) of 53.0% and an adjusted EBITDA margin (non-GAAP measure) of 37.2%, which the Company believes are some of the highest among Indonesia's publicly listed fast-moving consumer goods companies. The Company has also demonstrated strong cash generation, with dividend payments of Rp7,670.3 billion (including interim dividend of Rp876.6 billion), Rp9,945.0 billion and Rp10,650.7 billion in 2012, 2013 and 2014, representing a pay-out ratio of 95.1%, 100.0% and 98.4% of profit for the year respectively.

**A winning organization with a strong and experienced management team with a focus on talent development and acquisition**

The Company has a dedicated management team with extensive local market knowledge and a long track record in the execution of business strategies. The management team comprises of members with both international and local expertise, with an average experience of 18 years within the PMI/Sampoerna network, and is complemented by global standard corporate governance oversight, with two out of five members of the Board of Commissioners being independent.

The Company is dedicated to developing and attracting future talent, with more than 900 new hires made in 2014, excluding employees compensated based on the number of cigarettes rolled. The Company intends to continue to develop internal talent as well as tap the talent pool at PMI. Every year, it accepts candidates for its graduate training, with 60 students in its graduate training intake class for 2015, and sends employees on secondments including long-term assignments to PMI for specific training on best global practices. Over the last few years, the Company has placed 199 of its employees on international assignments and hosted 150 employees from other PMI affiliates.

**Leading international corporate standards**

The Company benefits from the strong support of PMI, one of the largest and the most well-known international tobacco companies in the world. Being part of PMI’s global network provides the Company with many benefits, such as global relationships with third-party suppliers, joint purchasing power with PMI and access to PMI’s talent, capital, technology ("IT"), research and development capabilities and best practices.

Through knowledge sharing with PMI, the Company is able to quickly adapt to changing restrictions/laws that may affect the cigarette industry in Indonesia from time to time, given PMI's experience in other markets which have experienced similar regulatory changes.

**Superior growth profile**

The Company has enjoyed a superior growth profile from 2010 to 2014, driven by a combination of industry volume growth, market share gains and price increases.

From 2010 to 2014 the Company's adjusted net revenues (non-GAAP measure) increased by a CAGR of 13.6%. This
growth was driven by robust volume growth in the Indonesian cigarette market of 23.3% from 2010 to 2014, a CAGR of 5.4%, which was a result of, among others, Indonesia's increasing levels of disposable income, as Indonesia's middle class expanded. In addition, during this period, the Company delivered volume growth at a CAGR of 3.3% in excess of industry volume growth, based on the fact that its portfolio has been weighted toward growing price and product segments and on the back of targeted product launches and strong long-term relationships with wholesalers, retailers and agents. In addition, the Company raised its prices, which was partly affected by the shift in product mix, resulting in an overall contribution of the price mix to adjusted net revenues growth of 4.9% per year from 2010 to 2014. Coupled with increases in adjusted cost of goods sold (non-GAAP measure), which resulted in 0.8% of negative contribution per year to the growth of the Company's gross profit, the Company recorded growth in gross profit of 12.8% CAGR from 2010 to 2014. Selling expenses and general and administrative expenses also increased, which resulted in 0.6% of negative contribution to the Company's EBIT (defined as gross profit less selling expenses and general and administrative expenses) growth per year and enabled the Company to record EBIT growth at a CAGR of 12.2% from 2010 to 2014.

The following chart illustrates this growth profile from 2010 to 2014:

The Company believes that its ability to penetrate potential and existing markets by making targeted launches based on its superior adult smoker insights, and its ability to flexibly adjust the price and mix of its products in reaction to adult smoker preference and the market environment, place it in a strong position for continued growth in the future.

Excellent Research and Development

The Company's research and development department oversees new product development, commercialization and management of its products. The Company's activities are designed to assist it in reducing manufacturing costs through the development of improved processing and manufacturing technologies and the development of new products and also to deliver products that match preferences of adult smokers. These activities are mainly carried out at its laboratory in Sukorejo, which is one of the "superlabs" within the PMI global network. The Company places particular emphasis on process engineering and has developed a number of processing techniques, including innovative clove processing technology that reduces waste, with consequential savings in costs. The Company also emphasizes the development of new products and its laboratory was responsible for the development of its A Mild cigarettes, the first low tar, low nicotine cigarettes in Indonesia and A Mild Blue, a cigarette with a tar level of 10 milligrams.

The Company also has an agronomy center in Sukorejo. At the agronomy center, the Company undertakes activities that relate to pre-cultivation such as seed multiplication and purification, seed production and variety improvement, cultivation such as high population trials, farming mechanization and clove fertilizer and post-harvest programs, and also provides training.

The Company also engages in internet market research and maintains a number of sources of information regarding pricing and market conditions for tobacco products. Through its market sources, the Company monitors the supply, demand and trading price of the Company's products. As part of this function, the Company obtains market information that it considers important in creating production and sales volume targets.

D. BUSINESS ACTIVITIES

The Company has an unmatched cigarette portfolio in Indonesia, with seven brand families, including five of the top-ten best-selling brand families of cigarettes in Indonesia. The Company produces the cigarettes for five of these brand families and distributes (without manufacturing) the cigarettes for two, including Marlboro. The Company produces kretek cigarettes, which are cigarettes made with a blend of cloves and tobacco, both in a machine-made variety (known as "SKM" cigarettes), and a hand-rolled variety (known as "SKT" cigarettes). The non-clove cigarettes that the Company sells, including Marlboro, are known as "white" (or SPM) cigarettes. In 2014 SKM cigarettes accounted for 62.9% of the Company's sales volumes, while SKT accounted for 22.4% and SPM for 14.7%. The Company is the Indonesian market leader, by volume, in each of these three segments, with an approximate share of 39.0% in the hand-rolled segment, 29.9% in the machine-made segment and 79.8% in the white cigarettes segment in 2014,
according to Company estimates. Within the machine-made krettek segment, the Company produces both full-flavored variants, which are those with tar levels above 20 milligrams, SKM FF, and SKM LTLN, which are those with tar levels equal to or below 20 milligrams. Hand-rolled kretteks have a higher tar and nicotine content than a typical machine-made cigarette, in large part because they contain more tobacco than a typical white cigarette and do not have a filter.

The following table shows the sales volume of the Company's SKM, SKT and SPM cigarettes as a percentage of total cigarette sales in Indonesia for the periods indicated, according to Company estimates.

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended in December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>SKM SKM LTLN</td>
<td>20.6</td>
<td>19.9</td>
</tr>
<tr>
<td>SKM FF</td>
<td>2.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>23.0</td>
<td>21.4</td>
</tr>
<tr>
<td>SKT</td>
<td>7.2</td>
<td>8.0</td>
</tr>
<tr>
<td>SPM</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>35.3</td>
<td>34.6</td>
</tr>
</tbody>
</table>

The following table shows the sales volume of the Company's SKM, SKT and SPM cigarettes as a percentage of total cigarette sales in their respective segments for the periods indicated, according to the Company's estimates.

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended in December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>SKM SKM LTLN</td>
<td>49.8</td>
<td>48.1</td>
</tr>
<tr>
<td>SKM FF</td>
<td>7.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Total SKM</td>
<td>20.8</td>
<td>29.3</td>
</tr>
<tr>
<td>SKT</td>
<td>37.9</td>
<td>39.3</td>
</tr>
<tr>
<td>SPM</td>
<td>81.1</td>
<td>79.9</td>
</tr>
</tbody>
</table>

The Company sells almost all of its cigarettes in Indonesia, though it exports a small portion of krettek cigarettes, cigarillos and/or roll-your-own cigarettes to eleven countries, primarily in South East Asia. In 2014, machine-made krettek cigarettes constituted 62.9% of the Company's total domestic sales by volume, compared to 56.8% in 2013, while hand-rolled krettek cigarettes constituted 22.4% in 2014, compared to 28.7% in 2013, and white cigarettes constituted the remaining 14.7% in 2014 and 14.5% in 2013. The proportionate increase in sales of machine-made cigarettes and the accompanying proportionate decrease in sales of hand-rolled cigarettes reflect a market trend over the past ten years in which the Indonesian cigarette market has experienced a shift in adult smoker demand from hand-rolled cigarettes to machine-made cigarettes, with a growing adult smoker preference for low-tar, low-nicotine cigarettes. Over the same period, adult Indonesian smokers have also increasingly shifted toward mid- and premium-priced segments of the market, which supports the Company’s mid- and premium-priced portfolio. The Company is actively investing in the machine-made cigarette market and in the mid- and premium-priced segments in order to capture this growth.

The Company's portfolio includes the following leading brand families:

- **Sampoerna A**, which includes the Company’s leading brand, A Mild, a machine-made clove cigarette, with the highest market share in the market;
- **Dji Sam Soe**, which includes the traditional hand-rolled Dji Sam Soe clove cigarette that has historically been the Company's flagship SKT cigarette, with the leading share of the SKT segment;
- **Sampoerna U**, which is a family of machine-made clove cigarettes and includes U Mild, the Company's leading product in this family;
- **Sampoerna Krettek**, which is a local brand of hand-rolled cigarettes; and
- **Marlboro**, the world's best-selling international brand and leader of the SPM segment, which the Company distributes throughout Indonesia.

The following table shows a breakdown of the Company’s sales volume by product type and brand family for the periods indicated (including brands that were launched and those that were discontinued during the periods presented).

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Domestic Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SKM Sampoerna A</td>
<td>23,482</td>
<td>22,202</td>
</tr>
<tr>
<td>Sampoerna U</td>
<td>7,871</td>
<td>8,430</td>
</tr>
</tbody>
</table>
PT Hanjaya Mandala Sampoerna Tbk

Dji Sam Soe Magnum\(^{(1)}\) 4,790 2,726 6,724 3,235 1,788

Others – SKM - 20 21 2,188 2,998

Total 36,143 33,378 68,969 63,268 56,588

SKT
Dji Sam Soe 6,211 6,544 13,142 17,614 21,906
Sampoerna Kretek 4,710 5,576 10,653 13,274 13,665
Panamas Kuning 343 448 824 1,038 1,040

Total 11,264 12,568 24,619 31,926 36,611

Total kretek cigarettes sold 47,407 45,946 93,588 95,194 93,199

SKM
Marlboro 7,936 8,188 16,106 16,138 14,519

Total cigarettes sold domestically 55,343 54,134 109,694 111,332 107,718

Exports 868 530 1,193 933 1,164

Total 56,211 54,664 110,887 112,265 108,882

Note:
\(^{(1)}\) Djı Sam Soe Magnum is an extension of the Djı Sam Soe brand family into the SKM FF and SKM LTLN sub-segments.

Historically, the Company's original focus was on kretek cigarettes (where hand rolled cigarettes formed a majority of its production). As a result of the shift in adult smoker preferences towards machine-made cigarettes, the Company produces more machine-made cigarettes than hand-rolled cigarettes since 2009. This has caused a decline in the total number of hand-rolled cigarettes that the Company sells. The Company manages this trend by supporting its SKT products through reinforcement of their quality and brand loyalty, while investing in SKM products to capture a larger market share. As adult smoker preferences shift toward machine-made cigarettes, the Company believes that its relatively smaller market share in the SKM FF sub-segment presents an opportunity for it to grow its business by leveraging on the existing recognition of its brands and on its distribution capabilities to expand its market reach in the machine-made full flavor segment.

**Kretek Cigarettes**

The Company exclusively produces kretek cigarettes, and it believes that its flagship brand families, Djı Sam Soe, Sampoerna A, Sampoerna U and Sampoerna Kretek are the premier kretek cigarettes brands in Indonesia. In Indonesia, the Government regulates the pack sizes for cigarettes. Kretek cigarettes may only be sold in packs of 10, 12, 16, 20 and 50 cigarettes per pack (depending on the type of cigarette).

The Company currently produces and distributes 18 different SKUs of kretek cigarettes, grouped into five brand families. These SKUs and brand families are as follows:

<table>
<thead>
<tr>
<th>Type of cigarette</th>
<th>Brand family</th>
<th>SKUs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Machine-made</strong></td>
<td>Sampoerna A</td>
<td>Sampoerna A Mild 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna A Mild Menthol 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna A Mild 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Avolution 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Avolution Menthol 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna A Motion 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna A Mild Blue 16</td>
</tr>
<tr>
<td></td>
<td>Sampoerna U</td>
<td>U Mild 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>U Mild Cool 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna U Bold 12</td>
</tr>
<tr>
<td></td>
<td>Djı Sam Soe</td>
<td>Djı Sam Soe Magnum Filter 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Djı Sam Soe Magnum Blue 16</td>
</tr>
<tr>
<td><strong>Hand-rolled</strong></td>
<td>Djı Sam Soe</td>
<td>Djı Sam Soe 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Djı Sam Soe 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Djı Sam Soe Super Premium 12 Snapbox</td>
</tr>
<tr>
<td></td>
<td>Sampoerna Kretek</td>
<td>Sampoerna A Hijau 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sampoerna Hijau PAS 12</td>
</tr>
<tr>
<td></td>
<td>Panamas Kuning</td>
<td>Panamas 12</td>
</tr>
</tbody>
</table>
The Company estimates that its hand-rolled kretek cigarettes accounted for approximately 45.4%, 44.0% and 39.0% of the total sales volume of hand-rolled kretek cigarettes in Indonesia in 2012, 2013 and 2014, respectively. This decline in the Company's share of sales volume in the hand-rolled kretek segment is a result of Dji Sam Soe cigarettes passing the critical pricing point of Rp1,000 per unit.

Sampoerna A Family
The Company's leading brand family by sales volume is Sampoerna A, a machine-made kretek, which accounted for 43.3% of the Company's net revenues in 2014. Sampoerna A has been the leading brand family by market share in the Indonesian cigarette market since 2010, with an overall market share of 14.4% by sales volume, and a 34.7% share by sales volume of the machine-made kretek low-tar low-nicotine segment. The Company's net revenues from sales of Sampoerna A products increased from Rp31.4 billion in 2013 to Rp34.9 billion in 2014, representing an 11.3% increase.

With the changing adult smoker preferences in Indonesia towards machine-made cigarettes and towards the mid- and premium-priced segments, the Company has realized robust price increases that have outpaced applicable excise tax increases, allowing for increased margins both in absolute and percentage terms.

The leading product in the Sampoerna A family is A Mild, which was launched in 1989 and is an SKM LTLN cigarette, the first such product on the Indonesian market. A Mild is sold in 12 and 16 units per pack. The Company also offers A Mild Menthol, a variation of A Mild with the addition of menthol flavoring.

In addition to A Mild, the Sampoerna A brand family also includes Sampoerna Avolution, a "super slim" SKM LTLN cigarette, which was the first of its kind in Indonesia and, the Company believes, is an important element of the Company's image as a driver for innovation in the industry. The Company also produced a menthol version of Sampoerna Avolution.

The Company continues to strive to be a pioneer in the Indonesian cigarette market by introducing new strategic products, even if for a very limited distribution. For example, in April 2015, the Company introduced A Motion within the Sampoerna A family. A Motion is an SKM LTLN product distinguished primarily by its packaging, which is offered in four different surprise colors which are revealed only after the outside plastic wrap is removed. Similarly, in April 2015, the Company launched A Mild Blue, a SKM LTLN cigarette with a tar level of less than 10 milligrams.

Sampoerna U Family
The Company positions its Sampoerna U family, which accounted for 10.9% of its net revenues in 2014, as a mid-priced product in the SKM LTLN sub-segment. The leading product in the brand family is U Mild, which was introduced in 2005. The Company also offers U Mild Cool, a menthol variant of U Mild.

The U Mild brand has been one of the Company's strongest performers over the last ten years, with sales volume growing from 1.0 billion cigarettes in 2005 to 16.9 billion cigarettes in 2014, representing a compound annual growth rate of 37.4%. As sales volumes of U Mild have increased, U Mild has shifted from a lower excise tax tier into the highest excise tax tier as of the first quarter of 2015, as a result of which the Company's margins on U Mild have decreased slightly in absolute terms. However, as U Mild is now in the highest excise tax tier, any further increases in price (above corresponding increases in excise tax rates) would result in increased margins.

In 2015, the Company introduced U Bold, an SKM FF cigarette, to capture the shift in adult smoker preference towards machine-made cigarettes and increase its share of the full-flavor SKM segment.

Dji Sam Soe Family
The Dji Sam Soe brand family, which has historically focused primarily on hand-rolled cigarettes, is one of the Company's flagship brand families. Since 2005, the Company has expanded the Dji Sam Soe portfolio of machine-made cigarettes, such as to introduce cigarettes in the SKM FF sub-segment under the Dji Sam Soe Magnum brand family in 2005 and cigarettes in the SKM LTLN sub-segment under the Dji Sam Soe Magnum Blue family in 2014.

One of the Company's principal products has been the hand-rolled kretek Dji Sam Soe cigarette, the leading premium SKT cigarette in the Indonesian market. In 2014, the hand-rolled kretek Dji Sam Soe cigarette accounted for 14.7% of the Company's net revenues. Dji Sam Soe is sold in packs of 12 and 16 cigarettes and a premium-priced snapbox version of 12 cigarettes. Although the Company's sales volume and market share within the SKT segment have declined in recent years, the hand-rolled kretek Dji Sam Soe cigarette has continued to retain its leading position both in terms of market share and pricing within the SKT segment. However, given the overall decrease in sales volumes within the SKT segment, the Company has adopted a more conservative pricing strategy for hand-rolled Dji Sam Soe cigarettes, increasing prices more slowly than applicable excise tax increases, which has led to lower margins in percentage terms, though higher in absolute terms, since 2010.

In 2005, the Company introduced Dji Sam Soe Magnum, a machine-made kretek cigarette, as a line extension of the Dji Sam Soe brand family into the machine-made full flavor kretek segment. Sold in 12 cigarettes per pack, Dji Sam
Hanjaya Mandala Sampoerna Tbk

Soe Magnum was introduced to expand the Company's existing portfolio and extend the Dji Sam Soe brand family into the full flavor segment, in which the Company has historically been and still is underrepresented, in order to capture the shift in adult smoker preference towards machine-made cigarettes. Since its launch, sales volumes of Dji Sam Soe Magnum have grown from 70 million units in 2005 to 5.3 billion cigarettes in 2014, representing a CAGR of 61.9%.

In April 2014, the Company launched Dji Sam Soe Magnum Blue, the first machine-made low-tar, low-nicotine kretek product in the Dji Sam Soe family, to further strengthen the Company's presence in the mid-priced SKM LTLN sub-segment. It is sold in 16-cigarette packs.

Other Kretek Cigarettes

In addition to its Dji Sam Soe, Sampoerna A and Sampoerna U brand families, the Company produces two other hand-rolled kretek cigarettes, Sampoerna Kretek and Panamas Kuning. These brands cater to adult smokers with local brand preferences in certain parts of Indonesia. Sampoerna Kretek is mostly sold in Java, while Panamas Kuning is a regional brand in Sumatra. In 2014, these brands collectively accounted for approximately 10.5% of the Company's sales volume and approximately 8.5% of its net revenues.

White Cigarettes

The Company has been the exclusive distributor of Marlboro cigarettes in Indonesia since 2005. The Company distributes Marlboro pursuant to a long-term distribution agreement between PMID and the Company. The brands that the Company distributes in Indonesia consist of Marlboro Red, Marlboro Gold Lights, Marlboro Black Menthol, Marlboro Menthol Lights and Marlboro Ice Blast, all of which are machine-made white cigarettes. These products are manufactured by PMID at its machine-made production facility in Karawang, Indonesia. PMID's production facility at Karawang, Indonesia is segregated from and managed independently of the Company's production facilities in Karawang.

The Indonesian government requires that white cigarettes be sold in packs of 20 units.

The Company estimates that its share of the white cigarettes sold in Indonesia in 2012, 2013 and 2014, based on sales volumes, was 71.7%, 77.7% and 79.8%, respectively.

In addition to Marlboro, the Company also distributes Peter Jackson Rich Gold cigarettes, which are part of the Peter Jackson brand family.

Brand Launches and Discontinuation

The Company launches new brands, or discontinues the production of existing brands, based on perceived adult smoker demand, market opportunities, brand performance (for existing brands) and strategic opportunities. For example, the Company discontinued its Vegas Mild and Trend Mild brands in 2014, for strategic reasons, and launched a new brand of machine-made cigarettes, Dji Sam Soe Magnum Blue in 2014 in order to build on its existing SKT Dji Sam Soe franchise and expand into the SKM LTLN sub-segment.

Other Businesses

The Company owns TD, a property development company, through a joint operation with PT Ciputra Surya Tbk. The Company also indirectly owns GTD, a golf resort. These other businesses contributed Rp158.0 billion, or approximately 0.2%, to the Company's consolidated net revenues in 2014.

E. PRODUCTION PROCESS

The kretek cigarette production process can be divided into two stages. The first stage consists of preparing and mixing the tobacco with clove, with the resulting blend being called "cut filler". The second stage includes the transfer of the cut filler into filtered cigarettes through the packaging of the finished cigarettes. Furthermore, if there are rejected products or products that did not pass quality control then a portion of raw materials from those products can be reused in the production process. The diagram below illustrates the kretek cigarette production process.
Production Facilities

The Company has two production facilities for machine-made kretek cigarettes, one in Karawang and one in Sukorejo, and five production facilities for hand-rolled kretek cigarettes, with three facilities in Surabaya and one facility each in Malang and Kraksaan. All of the Company's primary production processes take place in Karawang and Sukorejo plant.

The Karawang and Sukorejo production facilities contain integrated operations of both primary and secondary production capabilities, including the Company's main printing facilities. The key machinery used in these production facilities are imported from Germany and Italy. The Karawang and Sukorejo production facilities have 11 processing lines and 34 processing lines, respectively. The Company's latest machines are capable of producing 600 packs per minute. The Company generally operates its production facilities 24 hours a day, seven days a week.

The Company closed down two hand-rolling production facilities in 2014 as a result of decreased SKT sales arising from adult smoker market trends favoring SKM products.

Production capacity

The table below sets out certain information about the Company's production capacity and volume, including through its TPOs, for the periods indicated.

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SKM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td>66,343</td>
<td>82,955</td>
<td>83,951</td>
</tr>
<tr>
<td>Production volume</td>
<td>58,950</td>
<td>63,156</td>
<td>70,618</td>
</tr>
<tr>
<td>Utilization rate(3)</td>
<td>88.9%</td>
<td>76.1%</td>
<td>84.1%</td>
</tr>
<tr>
<td><strong>SKT(2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td>28,399</td>
<td>30,322</td>
<td>24,500</td>
</tr>
</tbody>
</table>
Description

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKM</td>
<td>36,730</td>
<td>31,744</td>
<td>24,722</td>
</tr>
<tr>
<td>Utilization rate</td>
<td>129.3%</td>
<td>104.7%</td>
<td>100.9%</td>
</tr>
</tbody>
</table>

Notes:
(1) Utilization rate is the ratio of the total actual output from the total standard production capacity.
(2) SKT figures include capacity and production volume to which the Company has access through its 38 TPOs. Hand-rolled cigarette production capacity for the year is calculated as the product of (i) standard output per hour, (ii) total number of hand-rollers, (iii) 40 working hours per week and (iv) 52 weeks per year.

Machinery owned by the Company is currently sufficient to accommodate the needs of production, so that the Company does not require an investment of machinery/others or network system services in order to develop/improve its products.

Primary Production Process

The primary production process of cigarettes consists of combining and blending tobacco leaf and, in the case of kretek cigarettes, clove, into the finished cut filler.

Primary Processing

The Company has two fully automated primary processing facilities, one in Karawang and one in Sukorejo, each capable of processing 15 tons of tobacco per hour. These facilities are equipped with the latest drying technology, which is more efficient and can deliver better taste compared to conventional processes.

The primary processing facilities are used to process the tobacco into cut tobacco with additional casing that is ready to be blended with other materials (expanded tobacco leaf and clove) in the mixing line.

Clove Processing

Clove is used in kretek cigarettes for the distinctive aroma and taste that its essential oils provide. The Company has two advanced clove processing lines from Italy, one in Karawang and one in Sukorejo, each capable of processing six tons of cloves per hour. During this stage of production, clove is processed into dried cut cloves to make the clove compatible in size and shape with tobacco ingredients for the cigarette blend. The Company's advanced clove processing facilities ensures minimal eugenol loss during the process.

Mixing Process

The mixing process is the last part of the primary production process. During this stage the tobacco, flavor, and dried cut cloves are blended together to produce a homogenized cut filler. The Company uses automated equipment to ensure the ingredients are blended in correct proportions and are consistently homogenized to produce the intended taste and aroma. Quality control stations exist at the major production facilities that monitor every stage of the blending of tobacco leaf and clove in order to ensure the quality of the Company's products.

Secondary Production Process

The secondary production process of cigarettes consists of making cigarettes from the cut filler and packaging the cigarettes for distribution.

Machine-Made Cigarettes

The Company has automated production facilities in Karawang and Sukorejo. Those facilities are equipped with cigarette-making and packing machines. The Company's cigarette-making machines combine cut filler with other materials such as filters and tipping paper. The cigarettes are then placed into individual packs, affixed with the government excise tax stamp, and wrapped in pack film to preserve the taste and aroma. Ten packs of cigarettes are then bundled with outer film and packed into boxes. The Company utilizes online quality inspections to maintain quality control.

The Company prints the cartons and boxes used for packaging at its own printing facilities. There are two printing facilities, one at each production facility in Karawang and Sukorejo. The Company employs Rotogravure and Offset machines at its printing facilities which are able to produce multi-color printing, including the graphic health warnings required by the Government. The machines are also capable of embossing and micro debossing, such as for the packaging of its Sampoerna A Mild Menthol and Djì Sam Soe Super Premium products.
Hand-Rolled Cigarettes

Cigarettes classified by the Government as hand-rolled, which are subject to lower excise taxes than machine-made cigarettes, must be rolled, cut and packaged by hand. As of the end of 2014, the Company had approximately 18,000 hand-rollers at its hand-rolling facilities. The Company has hand-rolling facilities in Surabaya (Taman Sampoerna, Rungkut I and Rungkut II), Malang and Kraksaa. Hand-rollers' work starts with the cigarette rolling process and the cutting process. Skilled rollers each produce approximately 325 to 410 kretek cigarettes per hour. After the rollers make the cigarettes, cutters clip excess tobacco from the ends of each cigarette and then bundle the cigarettes into groups of 50. The cigarettes are then put into packs and the Government excise tax stamp is affixed on each pack. Individual packs are then packed by hand into cartons and boxes.

The Company also has cooperation arrangements with 38 TPOs located throughout Java that produce hand-rolled kretek cigarettes for the Company. Under these arrangements, the Company provides the raw materials and supplies such as the cut filler, tipping paper, packaging, and other materials, the rolling machines and tools, expertise and administrative assistance, with the TPOs providing the production facilities, production output, and storing warehouses for a fee. The Company applies strict quality control standards to the hand-rolled kretek cigarettes the TPOs produce. Under contractual arrangements with the TPOs, the TPOs are paid fees based on the number of units and types of product produced.

F. MARKETING AND ADVERTISING

The Company has carefully developed its advertising strategy on market research based on adult smoker insights where the main strategy is to develop and increase the brand equity of its products. Television, billboards, print advertisements, point-of-sale materials and promotions and adult smoker engagements, as well as web-based advertising, are integral parts of the Company's marketing and advertising campaigns in Indonesia. In 2014 and for the six months ended June 30, 2015, the Company spent Rp2,532.7 billion and Rp1,179.7 billion on advertising and promotion, respectively.

The Government has set limits on tobacco advertising, sponsorship and promotion. Trademark advertising of cigarette brands is permitted on the television networks broadcasting in Indonesia, with strict limitations on the timing of airings. However, the depiction of individuals smoking cigarettes or the entire cigarette pack is not allowed on any advertising or promotion materials, although brand logos or trademarks may be displayed. Since June 2014, the Company has also been required to place graphical health warning labels on all of its cigarette packs to be sold in Indonesia as well as on all promotional materials, including television, billboards, in-store advertisements and web-based advertising since December 2013. In addition, new regulations implemented in 2015 will restrict outdoor advertising in certain areas of Jakarta and other cities.

The Company has also implemented a retail access prevention program that is aimed at increasing its trade partners' awareness regarding the ban of cigarette sales to, and purchase of cigarettes by, minors. In 2014, the Company expanded the program's coverage to more than 24,000 retail outlets of the SRC and its other trade partners across Indonesia.

Responsibility for the marketing of the Company's products in Indonesia is placed under the management of a marketing director who is supported by a brand management team responsible for the strategy of each brand family in Indonesia.

Sales and Distribution

The Company's nationwide distribution network is an important factor in the Company's competitive position and the success of its overall operations. This network allows the Company to avoid being dependent upon unaffiliated distribution groups and to eliminate unpredictability with respect to distribution schedules, availability, routes and other distribution factors.

The Company's distribution network comprises six distribution centers, 80 area distribution warehouses located at points of sale and 25 smaller distribution point centers which service the more remote islands of Indonesia. The products from the Company's production facilities and TPOs are sent first either to a distribution center or where it is more cost effective directly to an area distribution warehouse or distribution point center. The products are then sent either through one of the intermediary distribution point centers or directly to sales agents, wholesalers, retailers, key accounts and independent modern trade outlets.

The Company's distribution network consists of over 550 people and a transportation fleet of more than 450 trucks and vans. For international sales, exports are shipped from the Company's manufacturing plants to its international affiliates in the export country. PT Serasi Logistic, PT Adi Sarana Armada Tbk and PT Puninar Jaya provide the majority of the transport for all of the Company's goods requiring long distance land shipment and also for cigarettes from its production facilities to its distribution centers, area distribution warehouses, and distribution centers. Drivers are outsourced by a third party service provider.
The Company's sales network has extensive coverage and includes the Company's own salespeople as well as sales personnel employed by the wholesalers with whom the Company has relationships under the Company's "STAR Sampoerna Task Force program" or "STAR program" through which the Company provides certain incentives for the sales staff of the wholesalers, such as provision of motorcycles for use and ownership upon their attainment of certain targets. As of June 30, 2015, the Company's sales force comprised 2,665 in its own sales force and more than 990 as part of its contracted sales force, including under its STAR program.

Through its sales network, the Company sells to wholesalers, agents, retailers such as general stores, key accounts, and independent modern trade outlets, usually local independent minimarts. In 2014, the Company sold 84% of its cigarettes (by volume) to wholesalers, 6% to agents and 10% to general and modern trade outlets. Through these channels, the Company's cigarettes are available for purchase at approximately 2.4 million points of sale throughout Indonesia. The Company's business is not dependent upon a single customer or any significant customers.

Key accounts comprise accounts with international and national modern trade chain stores across Indonesia that are critical for the Company's business. The Company's percentage of key account contracts as a percentage of the total sales account has continued to increase.

Through its SRC program, one of its community outreach programs, the Company assists general stores to help them improve their stores and sales. Under the program, the Company invests a budgeted sum to assist in renovating the store and offers training to the store owners on certain logistics such as merchandise shelving, inventory stock management and financial management planning. As of June 30, 2015, the Company has assisted 9,985 retail stores throughout Sumatra, Jakarta, Java and East Indonesia under this SRC program. Although there is no requirement as part of the program for these store owners to sell or carry the Company's products, these SRC stores have proved to be strong points of sale for the Company's products.

The Company provides credit terms to third parties of up to one week or cash upon delivery for payment of its products, depending on the type of purchaser.

The Company maintains a reasonable inventory of finished products at its depots throughout Indonesia. In 2014 and for the six months ended June 30, 2015, the Company typically turned over inventory on average every 16.2 days and 20.7 days, respectively.

The Company distributes its products sold outside of Indonesia through contract manufacturing arrangements with affiliates in export destinations. The products are sold by the affiliates in the export country, which then distribute the product in the export country.

Product sold by the Company conducted in one time selling procedure hence it is not possible to do return the product. However to maintain the Company’s product quality, it is possible for the Company to take back their product that has been long circulated in the market and replace it with the new product

**Pricing**

Price changes in the Company's products are typically initiated by the Government's tax changes, which historically involve tax increases, as well as the Company's initiatives to increase its revenue and profits. In setting a price for a product, the Company considers various factors, including the positioning of the brand or product, the perceived value of the product in the relevant market, the price of competing products and considerations of maintaining a reasonable pricing structure with respect to its wholesalers and retailers, to strike a balance between the potential impact on sales volume and pricing gains on revenue and profit. The Company's products are priced to capture primarily the medium-priced and premium-priced segments. Because of the Company's strong brand equity and perceived product quality with its *Dji Sam Soe* and *Sampoerna A* brands, the Company has been able to command premium pricing for its products in their respective market segments.

The Company sets a distribution price for each of its brands, which is the price per pack paid to the Company by the wholesalers, agents, retailers, key accounts and other purchasers. The distribution price is the primary driver of profitability, and revenues from the Company's cigarette brands reflects volume sales for each brand at the relevant distribution price. The retail price for the Company's products is set by individual retailers in relation to the distribution price of the relevant brand. While the Company does not set the retail price of its products, it regularly monitors the retail prices of its products in the market and makes adjustments to its distribution price accordingly. The Company evaluates its distribution prices on a monthly basis.

The table below sets forth the average retail prices of the Company's principal brands for the periods indicated. Average retail price is calculated as the simple average retail sales price for the respective year and the six months ended June 30 based on Nielsen Retail Audit.
The Company intends to capitalize on its leading position and leverage its existing leading brands by consolidating its...
marketing and innovation efforts behind these brands. It plans on solidifying Sampoerna A brand’s market leadership position by increasing its market share in geographic locations in which the Company is under-represented, such as in Java. Through Dj Sam Soe Magnum Blue and Sampoerna U, the Company plans on expanding geographically and strengthening its brand perception. On the SKT side, the Company is focused on reinforcing product quality for Dj Sam Soe and improving the product offering and brand positioning for Sampoerna Kretek. On the SKM side, the Company is expanding its presence in the SKM FF sub-segment by launching new products such as U Bold and enhancing brand fundamentals and geographical expansion through Dj Sam Soe Magnum.

Expanding its presence in growing market segments

The Company plans to continue expanding its presence in growing market segments and actively penetrate geographical areas and market segments where its market share is currently below its national average. It is actively expanding its position and market share in the SKM segment, as demand for machine-made kreteks is currently the major growth area in the Indonesian cigarette market. Sampoerna leads in the SKM LTLN sub-segment, where it had a segment share of 48.7% in 2014. It is also increasing its penetration in the SKM FF sub-segment, where it increased its share of segment from 1.1% in 2010 to 5.3% in 2014. The Company intends to continue to focus on increasing its market penetration in Java, where its market share increased from 25.1% in 2005 to 32.9% in 2014, according to Nielsen Retail Audit. Examples of initiatives designed to increase market penetration include expanding trade channels and introducing new products and marketing campaigns.

Continued focus on operational and supply chain processes

The Company plans to expand its sourcing initiatives, such as its close cooperation and partnerships with farmers, by establishing “hubs” for clove farmers to educate them on agricultural improvements in clove production, develop agronomy programs to improve productivity and yield, and implement a Clove Intensification System (“CIS”) for intensifying clove production and achieving higher yield. The Company plans to manage its raw material costs via planned, long-term inventory management. It intends to continue to increase its presence in key tobacco leaf growing areas and to implement its long-term tobacco leaf inventory and procurement plans through initiatives to establish closer cooperation with PT Sadhana and other tobacco suppliers, such as its Integrated Production System (“IPS”) for guaranteeing its long-term supply of quality tobacco leaf, thereby increasing supply predictability. It also plans to continue its focus on optimizing its supply chain and distribution networks, such as consolidation of its warehouses in two key areas in West and East Java and working with wholesalers in the supply chain.

Proactively advocating sensible regulatory and excise tax environment

In line with PMI's stated policies on tobacco regulation, the Company supports effective science-based regulation of tobacco products based on the principle of harm reduction in order to promote sustainable growth. To be effective, the Company believes that tobacco regulatory policy must be based on evidence that it will achieve its aim of improving public health. In Indonesia, the Company has been long advocating the issuance of regulations that ban sales of tobacco products to children; in particular the Company has supported the issuance of GR 109/2012 and its implementing regulations to address the public health concerns of the Government. In addition, the Company is also committed to taking part in voluntary efforts to prevent minors from smoking as demonstrated through the Company's retail access prevention program that is aimed at increasing its trade partners’ awareness regarding the ban of cigarette sales to, and purchase of cigarettes by, minors, as set forth in GR 109/2012. In 2014, the Company expanded the program’s coverage to more than 24,000 retail outlets of the SRC and its other trade partners across Indonesia.

The Company believes that its contribution to the tax revenue base of the Government and direct and indirect employment of a significant labor force across Indonesia affords the Company greater opportunities for participation in dialogue with the Government. One such dialogue involves simplification of the current excise tax structure which has been simplified to 12 tiers as of January 2015 from 19 tiers in 2009. The Company also plans to continue its effort to combat the illicit trade and counterfeiting of the Company’s products through PMI’s Illicit Trade Strategies and Prevention unit.

I. RAW MATERIALS AND SUPPLIERS

The primary raw materials used in the manufacture of cigarettes are tobacco leaf, cigarette paper, flavoring, and, in most instances, filter material. In addition, raw materials for kretek cigarettes include cloves. Kretek cigarettes consist of approximately 70% tobacco and 30% cloves by weight. Tobacco in the Company's cigarettes typically consists of mainly Indonesian tobacco with the remainder being imported tobacco. In 2012, 2013 and 2014 and the six months ended June 30, 2015, raw material costs constituted approximately 65.8%, 68.4%, 68.2% and 63.8% of the Company's total production costs for its SKM and SKT cigarettes. Most of these raw material costs consisted of costs for tobacco and cloves.

The Company procures its raw materials locally in Indonesia, as well as through regional or global procurement arrangements through PMI. The Company procures the majority of its tobacco supply and generally all of its clove supply in Indonesia. The Company also imports tobacco because certain types of tobacco that are required for production of some of the Company's products are not produced in sufficient amounts by farmers in Indonesia.
Machinery parts, tipping paper, acetate tow, filters and boards for packaging material are purchased globally primarily from suppliers through PMI global procurement.

**Tobacco**

Indonesian tobacco is grown by thousands of small farmers located mainly in Java and Lombok. There are two types of Indonesian tobacco sold by farmers, differing in form. *Krosok* is a whole-leafed tobacco dried either in the oven, in the shade, or in the sun. On the other hand, the harvested leaves of *Rajangan* type tobacco are first cut into small slices before they are dried in the sun. Aside from its physical form, tobacco is also classified based on its curing method, aroma and taste. After the drying process, farmers pack the tobacco based on its qualities and sell it to hundreds of buying stations across the tobacco-growing areas. Cured tobacco needs to pass another step called ‘threshing’ before it can be used in cigarette production. The threshing process, carried out by suppliers, transforms the cured and dried tobacco into packed tobacco under controlled parameters and quality control standards that are intended to maintain product integrity.

*Rajangan* tobacco, as the main component of kretek cigarettes, is only produced domestically and is difficult to substitute with tobacco from other countries. In order to anticipate possible fluctuating crop production while maintaining output quality, the Company usually maintains relatively large tobacco inventories.

Most of the Company’s tobacco needs are supplied by domestic tobacco producers. In 2014 and for the six months ending June 30, 2015, the Company purchased 90.0% of its tobacco from its top five tobacco leaf suppliers, with its key tobacco supplier supplying the majority of such amounts.

In order to support its domestic tobacco requirements, the Company has implemented its IPS with tobacco suppliers with a view towards sustainable domestic tobacco production. The implementation of IPS in tobacco farming is sought as a beneficial solution to support the importance of agriculture in the local economy. This system involves a holistic approach to promote effective tobacco production and farming by providing support to farmers with a package including farm inputs, financing, and technical assistance. This program has been implemented across tobacco production areas such as Rembang, Bllitar, Jember, Lumajang and Lombok and the IPS program has already contributed more than 60% of the Company’s domestic requirements in 2014. In Rembang, a non-tobacco farming area was transformed as a result of IPS into one of the main sources of the Company’s tobacco material with production of more than 5,000 tons of cured tobacco in 2014.

**Clove**

Clove is a key ingredient of kretek cigarettes and is harvested from the flower buds of clove trees. Clove trees are perennial trees, can reach up to 20 to 30 meters in height, and generally take approximately seven years to bear fruit and approximately 15 years to reach optimum production after planting. Clove is grown by more than one million farmers throughout Indonesia primarily in Java, Bali and Sulawesi. The general nationwide peak production period lasts for approximately four months, from July to October. When an area is ready for harvest, the harvesting window for clove buds itself is open for only about two to four weeks. After the clove buds are harvested, typically the stem is separated in the same day. Next, the cloves that have been picked are dried in the sun for five to seven days before sale.

The Company purchases clove from several suppliers that in turn purchase from farmers, other poolers, and traders. The Company generally purchases clove at spot prices. Long-term purchase agreements and commodity swaps or forward contracts for clove are not available. In 2012, 2013 and 2014 and the six months ended June 30, 2015, the Company purchased all of its clove supply from its top five suppliers. The Company may not be able to procure sufficient or stable supplies of raw materials for its manufacturing process as a result of factors that affect tobacco leaf and clove production and harvesting or for other reasons, and a delay or shortage in the supply of raw materials, particularly clove, could have a material adverse effect on its business, results of operations and prospects.

Clove prices can fluctuate significantly, and have done so in recent years, because of a number of factors, primarily supply and demand, which, in turn, are affected by variances in crop sizes from year to year and general movements in the markets. Clove prices also differ for different grades of cloves. Market prices for clove in Indonesia have experienced volatility in the past, with prices more than doubling from 2010 to 2011, due in part to a significant increase in industry-wide production of kretek cigarettes that year. Prices moderated somewhat in 2012 but have remained significantly higher than their pre-2011 levels. In order to mitigate the burden of price increases and better predict the cost of clove, the Company typically keeps substantial inventories of clove. As a result, the Company typically realizes the full burden of increases in clove prices only over the course of a few years, rather than fully during the same year in which they occur. Due to timing of inventory usage, the Company experienced the effects of the 2011 clove price increase primarily in 2012 and 2013.

With the objective of clove sustainability, the Company has set up, through its suppliers, clove hubs in clove farming areas throughout Indonesia to educate and cooperate with clove farmers on the implementation of GAP. These practices include fertilizer application, trees maintenance and soil improvement with a view to increase clove quality and productivity, which will benefit farmers and the industry in achieving clove sustainability. Since 2012, the Company has set up 22 such clove hubs throughout the islands of Java, Sulawesi and Bali.
In an effort to modernize the clove production process by introducing knowledge and innovative technologies into the market, in 2014 the Company launched CIS with the objective of increasing yield and improving clove sustainability. The program entails connecting agricultural knowledge with technology such as sensors to monitor the growth and behavior of clove trees and improve their yield and performance. The Company expects to establish its first trial through a cooperation agreement implementing the CIS program by the end of 2015.

**Paper and Packaging**

The Company purchases paper and packaging related materials primarily through global procurement arrangements between PMI and suppliers. The cigarette paper used by the Company is supplied by PT Bukit Muria Jaya and PT Pusaka Prima Mandiri (Indonesia), who watermark the paper with the Company logo. Tipping paper is supplied to the Company by Benkert Malaysia & Tann Philippines, whilst cigarette packaging material, composed of cardboard and polypropylene, is purchased from various suppliers.

**Filters**

The Company purchases raw material filters such "cellulose acetate" from several companies, such as Daicel (Japan) and Eastman (Korea and the United States) through global procurement arrangements through PMI. The Company processes the raw material into filters in accordance with the size of the cigarette to be produced.

**Flavorings**

The Company purchases flavorings, known as "sauce" or "casing", from the PMI flavor production center and from local suppliers, who in turn obtain their supply from several international flavoring suppliers. The Company has always prioritized the taste authenticity of tobacco leaf and clove so its products are of a low "sauce" variety, known in Indonesia as "pure" blends.

**Storage**

The Company stores its raw materials in nine warehouses at different locations, five of which are located in West Java and four in East Java.

**J. ENVIRONMENT**

The Company is subject to applicable national and local environmental laws and regulations in Indonesia. Environmental protection in Indonesia is governed by various laws, regulations and decrees.

The granting of an Environmental License is based on either (i) an environmental feasibility decision approving the AMDAL based on the recommendation of the AMDAL Assessment Commission (Komisi Penilai Amdal), that is issued by the Minister of Environment, governor, mayor or regent (as applicable) or (ii) a recommendation of UKL & UPL issued by the appropriate Government or regional government institution responsible for environmental management and control of the relevant area.

In addition to the Environmental Permit, Law 32/2009 also requires permits relating to environmental protection and management such as permits for all waste disposals, storage and handling activities, including those for hazardous waste. Waste disposal may only be conducted in specified locations determined by the State Minister of Environment. Waste water disposal is further regulated by Government Regulation No. 82 of 2001 on Water Quality Management and Water Pollution Control. This regulation requires responsible parties to submit reports regarding their disposal of waste water detailing their compliance with the relevant regulations. Such reports are to be submitted to the relevant mayor or regent, with a copy provided to the State Minister of Environment, on a quarterly basis.

The Company's production facilities are ISO:14000 (Environment) certified. The Company also has specific programs across its business units designed to meet applicable environmental compliance requirements and reduce its carbon footprint and wastage as well as water and energy consumption. Waste resulted from Company's production activities in the form of solid waste are entirely handled by third .The Company has developed and implemented a consistent environmental and occupational health, safety and security management system, which involves policies, standard practices and procedures at all its manufacturing centers. The Company also conducts regular safety assessments at its offices, production facilities and warehouses. The Company assesses and reports the compliance status of all its legal entities on a regular basis based on the management and controls it has in place and its review of climate change. The Company also encourages clove tree rehabilitation through provision of free clove seedlings to local farmer communities through its programs pertaining to Good Agricultural Practices. The Company also cooperates with its tobacco suppliers, including its major supplier, PT Sadhana, on encouraging reforestation programs.

**K. CORPORATE SOCIAL RESPONSIBILITY**
The Company is committed to carrying out sustainable corporate social responsibility ("CSR") programs and to sustainable social investments that benefit its employees and business partners, the environment, and the communities where it operates and sources tobacco leaf and clove.

In carrying out this commitment, the Company promotes its contributions and CSR initiatives under its signature program, Sampoerna Untuk Indonesia (Sampoerna for Indonesia), which drives its various initiatives focused on access to education, economic opportunity, empowering women and disaster relief and preparedness, along with its other social responsibility activities.

The Company also believes in a partnership approach by having strategic, long-term partnerships with corporate, community, government, civil society organizations, universities and other key stakeholders and collaborates directly via its Sampoerna Volunteers Club ("SVC"). Through the SVC, its employees have the ability to take an active role in various initiatives addressing economic, educational, social, and environmental issues.

Each year, the Company provides scholarships for the children of Sampoerna employees. The Company has distributed approximately 4,300 scholarships to elementary and secondary level students and approximately 600 scholarships and/or financial assistance packages for university students, aimed at encouraging employees to play an active role in encouraging their children to continue on to higher education. The Company's support for educational programs is heavily concentrated in the areas where the Company sources tobacco leaf and clove, which approximately 9,600 people have participated in, and has expanded its focus on specific education programs pertaining to the Company's Good Agricultural Practices and Agricultural Labor Practices initiatives. Moreover, approximately 71,000 people have benefited from Sampoerna Corner, an initiative within eight university campus libraries that provide an engaging environment for students to access knowledge resources.

The Company supports the attainment of individual and community financial independence through participative empowerment programs. The Company has established the Sampoerna Entrepreneurship Training Center ("SETC"), on a 27 hectare site in Pasuruan, East Java and since its establishment in 2007 SETC has been visited by approximately 55,000 people. SETC has been acknowledged by the Ministry of Cooperative and Small and Medium Enterprise as a National Entrepreneurship Driver in developing small business start-ups. In total, SETC has trained approximately 22,000 people (including 9,300 tobacco farmers) and 3,300 start-up small and medium enterprises.

The Company also supports a number of initiatives for women such as community training programs for women on healthy living, financial literacy training and other learning program initiatives and has also established the Sampoerna Rescue Team in 2002, followed by the establishment of Sampoerna Rescue Training Center in Pasuruan, East Java in 2012 to support public preparedness in the face of natural disasters. The Company's efforts to empower women have benefitted approximately 3,700 women through the community training programs and 2,300 women through small and medium enterprise training.

The Company's disaster relief and preparedness efforts include Sampoerna Rescue, a search and rescue training centre, as well as a tsunami early warning system program, which has benefitted approximately 270,000 people, humanitarian missions, which have benefitted approximately 75,000 people, and free medical services, which have benefitted approximately 52,000 people.

L. AWARDS

The Company has won a number of awards, including the following:

- Responsible Business Leader Award from the International Corporate Social Responsibility Summit – June 2015
- Social Empowerment Award from the International Corporate Social Responsibility Summit – June 2015
- Indonesia CSR Awards from the Coordinating Ministry of Human Development & Culture of the Republic of Indonesia – November 2014
- Indonesia Customer Satisfaction Award for Dji Sam Soe and A Mild from SWA Magazine and Frontier Marketing Research – November 2014
- Padmamitra CSR Award from The Ministry of Social Affairs of the Republic of Indonesia – November 2014
- Everlasting Brand Award from Warta Ekonomi magazine for Dji Sam Soe – September 2014
- Living Legend Company and Most Powerful & Valuable Company Award – September 2014
- Most Valuable Indonesian Brands 2014 Award from Brand Finance & SWA Magazine – July 2014
- Indonesia's Best Public Company Overall, Indonesia's Best Public Company for Food, Beverages & Tobacco Category, ASEAN's Best Public Company Overall, and ASEAN's Best Public Company for Food, Beverages & Tobacco Category – June 2014
- Corporate Image Award: Best at Managing Corporate Reputation from TEMPO Media Group & Frontier – June 2014
- Occupational Safety and Health Management System Award from The Ministry of Manpower and Transmigration of the Republic of Indonesia – May 2014
- Surabaya Tourism Destination Award (Champion of Honor) from the Municipal Government of Surabaya – May 2014
- The 6th Global CSR Award – April 2014
M. INTELLECTUAL PROPERTY

The Company produces and distributes brand name goods and is therefore dependent on the maintenance and enforcement of its trademarks and brand names. The Company also owns numerous licenses as well as substantial trade knowledge relating to its products. The Company believes that its significant trademarks are protected in all material respects in the markets in which it currently operates.

The Company is also the exclusive distributor of Marlboro cigarettes in Indonesia. The Company distributes Marlboro pursuant to a long-term distribution agreement with PMID.

N. INDUSTRY OVERVIEW

Macroeconomic Overview

Indonesia is the fourth largest country, by population in the world, with a total population of approximately 253 million and a population of persons older than 20 years of approximately 159 million, as of 2014. The population of persons older than 20 years is projected to grow by 1.4% CAGR from 2014 to 2019, according to Oxford Economics.

With nominal GDP per capita in Rupiah that is expected to increase at a CAGR of 9.2% from 2014 to 2019 and disposable income per capita at a CAGR of 4.2%, according to Oxford Economics, rising income levels and positive consumer confidence are expected to drive an increase in consumer spending in Indonesia.

Table 1: Indonesian Macro-Economic Data.

<table>
<thead>
<tr>
<th>Description</th>
<th>%</th>
<th>6.4</th>
<th>6.2</th>
<th>6.0</th>
<th>5.6</th>
<th>5.0</th>
<th>4.9</th>
<th>5.7</th>
<th>5.7</th>
<th>5.6</th>
<th>5.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP per capita¹¹ (US$)</td>
<td></td>
<td>3.136.8</td>
<td>3.660.2</td>
<td>3.718.4</td>
<td>3.662.7</td>
<td>3.514.5</td>
<td>3.478.7</td>
<td>3.951.2</td>
<td>4.592.7</td>
<td>5.141.4</td>
<td>5.660.7</td>
</tr>
<tr>
<td>Nominal GDP per capita¹² (Rupiah)</td>
<td></td>
<td>28.474</td>
<td>32.076</td>
<td>34.851</td>
<td>38.066</td>
<td>41.643</td>
<td>45.861</td>
<td>50.151</td>
<td>54.663</td>
<td>59.474</td>
<td>64.620</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td></td>
<td>5.1</td>
<td>5.4</td>
<td>4.0</td>
<td>6.4</td>
<td>6.4</td>
<td>6.8</td>
<td>4.6</td>
<td>4.2</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Total population (billion)</td>
<td></td>
<td>241</td>
<td>244</td>
<td>247</td>
<td>250</td>
<td>253</td>
<td>256</td>
<td>259</td>
<td>262</td>
<td>264</td>
<td>267</td>
</tr>
<tr>
<td>— Population (20+) (billion)</td>
<td></td>
<td>148</td>
<td>151</td>
<td>153</td>
<td>156</td>
<td>159</td>
<td>161</td>
<td>164</td>
<td>166</td>
<td>169</td>
<td>171</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td></td>
<td>7.1</td>
<td>7.1</td>
<td>6.1</td>
<td>5.9</td>
<td>5.8</td>
<td>5.8</td>
<td>5.6</td>
<td>5.3</td>
<td>5.2</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: Oxford Economics, July 2015

Note: "E" refers to estimates

(1) Reflects gross domestic product (in U.S. dollar) divided by total population.
(2) Reflects gross domestic product (in local currency) divided by total population.
(3) Reflects real personal disposable income (in local currency) divided by total population.

The table below illustrates Indonesia’s economic outlook based on population, nominal GDP per capita and consumer confidence compared to other countries.
The Indonesian population is also becoming more affluent: according to BCG, middle-class and affluent consumers ("MAC"), defined as consumers with a monthly household expenditure of Rp2 million and above, represented approximately 30% of the Indonesian population in 2012, and is expected to grow to 53% of the population by 2020, and consumer spending is expected to increase correspondingly. Close to 80% of Indonesia's MAC population reside in Java and Sumatra. BCG expects the MAC population to remain concentrated in Java and Sumatra in the near future.

Table 2: Indonesian Consumer Confidence

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer confidence index (I)</td>
<td>111.3</td>
<td>116.5</td>
</tr>
</tbody>
</table>

Source: Bank of Indonesia

Note: Consumer confidence index measures consumers' expectations about: current income and job availability against prior six months, appropriate time to buy durable goods and general economic conditions and job availability expectations over the next six months.
Indonesia Tobacco Market Overview

According to PMI, Indonesia is the largest cigarette market in the world, excluding China, with sales volume of approximately 314 billion units in 2014. Among the top three cigarette markets, the Indonesian cigarette market is the only one registering positive volume growth. The Company believes the market will continue to show a positive volume growth of 1-3% in the next few years.

Figure 3: Top 40 Cigarette Markets (2014)

Table 3: Market Volume Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
<td>314.0</td>
<td>59.3</td>
<td>1</td>
<td>Indonesia</td>
<td>314.0</td>
<td>59.3</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>310.0</td>
<td>(72.0)</td>
<td>2</td>
<td>Iran</td>
<td>47.2</td>
<td>12.3</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>186.2</td>
<td>(32.7)</td>
<td>3</td>
<td>Bangladesh</td>
<td>83.5</td>
<td>9.8</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>94.8</td>
<td>(10.1)</td>
<td>4</td>
<td>Belarus</td>
<td>29.6</td>
<td>8.1</td>
</tr>
<tr>
<td>5</td>
<td>Turkey</td>
<td>93.9</td>
<td>0.5</td>
<td>5</td>
<td>Algeria</td>
<td>32.5</td>
<td>8.1</td>
</tr>
</tbody>
</table>
The Indonesian cigarette market is unique, with kreteks (or clove cigarettes, which are made with a blend of cloves and tobacco) accounting for 93.6% of overall sales volumes in 2014. White cigarettes (made with only tobacco) accounted for only 6.4% of overall sales volumes in 2014, with rising prices and changes in the excise tax system dampening demand for white cigarettes in recent years. The continued prevalence of kretek cigarettes, and growth in market share for kreteks compared to white cigarette in recent years, suggest that adult Indonesian smokers continue to have a strong preference for kreteks over white cigarettes. The Company expects this preference for kreteks to remain strong going forward.

Figure 4: Historical Sales Volume of Cigarettes in Indonesia (billion units)

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kretek</td>
<td>93.8</td>
<td>93.6</td>
</tr>
<tr>
<td>Machine-made</td>
<td>74.8</td>
<td>73.5</td>
</tr>
<tr>
<td>– Full Flavor</td>
<td>33.5</td>
<td>31.8</td>
</tr>
<tr>
<td>– LTLN</td>
<td>41.3</td>
<td>41.6</td>
</tr>
<tr>
<td>– Hand-rolled</td>
<td>18.9</td>
<td>20.1</td>
</tr>
<tr>
<td>White</td>
<td>6.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Company estimates

Kreteks cigarettes can either be hand-rolled or machine-made. The market demand in the past few years has shifted from hand-rolled kreteks in favor of machine-made kreteks. The latter, especially mild or LTLN (low tar / low nicotine) kreteks, has driven the growth in market volume and is expected to do so in the future.

Smoking is commonplace in Indonesia where 70.5% of adult males were smokers in 2014, according to Nielsen Indonesia Consumer Tracking. In the Indonesian smoking population, average daily cigarette consumption per person has been increasing, with average daily consumption per adult male smoker increasing from 13.41 units per day in 2009 to 14.43 units per day in 2014, according to Nielsen Indonesia Consumer Tracking.

Cigarette consumption volume in Indonesia has been resilient throughout the Indonesian economic cycles, including periods of slow economic growth or recession such as the Asian financial crisis from 1997 to 1999 and the global financial crisis from 2008 to 2010. The Company believes that consumption volumes were maintained throughout these periods as Indonesian smokers had choices of differently priced cigarette categories and hence did not necessarily have to reduce consumption. In recent years however, the market has seen a trend of "premiumization" as adult smokers favor more premium cigarettes, in line with the increasing adult consumer affluence.

Table 5: Industry Price Segmentation (Volume)
As Indonesia is an archipelago, companies need to maintain extensive distribution networks for the delivery of goods. Most of the major tobacco players have their own distribution network, shipping products to strategic locations before distributing further on an island by island basis. Small, local retail shops account for more than 90% of cigarette sales, with modern retail outlets only handling a very small portion.

Electronic cigarettes are not widely used in Indonesia. Badan Pengawas Obat dan Makanan ("BPOM"), Indonesia’s Food and Drug Monitoring Authority, is planning to prevent the distribution of electronic cigarettes in Indonesia due to health risks.

**Competitive Landscape**

The Indonesian tobacco market has three major players, being Sampoerna, Gudang Garam and Djarum. According to data from Nielsen Audit Retail, these top three players have a combined 77.7% market share, in 2014, in terms of sales volume. Outside of the top three, BAT and PT Nojorono Tobacco International ("Nojorono") are the next two market players with a combined market share of 10.5%. Approximately 950 smaller scale producers that mainly target localized markets make up the remaining 11.8%.

Sampoerna has steadily gained market share in the last 10 years. In 2006, Sampoerna overtook Gudang Garam in overall market share and subsequently has held the largest overall market share for each of the subsequent years. The combined market share for the top three players has also steadily increased from 74.9% in 2005 to 77.7% in 2014 and the Company expects this trend to continue.

**Table 6: Historical Market Share by Sales Volume per Cigarette Category**

<table>
<thead>
<tr>
<th>Company</th>
<th>Cigarette Category(1)</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sampoerna</td>
<td>SKT</td>
<td>7.2</td>
<td>7.8</td>
</tr>
<tr>
<td></td>
<td>SKM FF</td>
<td>2.4</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>SKM LTLN</td>
<td>20.6</td>
<td>20.3</td>
</tr>
<tr>
<td></td>
<td>SPM</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>35.3</td>
<td>34.9</td>
</tr>
<tr>
<td>Gudang</td>
<td>SKT</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>SKM FF</td>
<td>16.9</td>
<td>16.5</td>
</tr>
<tr>
<td></td>
<td>SKM LTLN</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>SPM</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>23.2</td>
<td>23.3</td>
</tr>
<tr>
<td>Djarum</td>
<td>SKT</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>SKM FF</td>
<td>7.4</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>SKM LTLN</td>
<td>7.6</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>SPM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>19.3</td>
<td>19.5</td>
</tr>
<tr>
<td>BAT</td>
<td>SKT</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>SKM FF</td>
<td>1.4</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td>SKM LTLN</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>SPM</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Nojorono</td>
<td>SKT</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>SKM FF</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>SKM LTLN</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>SPM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>11.5</td>
<td>11.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Reflects Company estimates for Sampoerna and Nielsen Retail Audit for other players

Note:
(1) SKT stands for "Sigaret Kretek Tangan"; SKM FF stands for "Sigaret Kretek Mesin Full Flavor"; SKM LTLN stands for "Sigaret Kretek Mesin Low Tar / Low Nicotine"; SPM stands for "Sigaret Puthis Mesin".

Sampoerna, the largest kretek and hand-rolled kretek producer based in Surabaya, leads across the SKT, SKM and SPM segments. In the SKT segment, the company's flagship brand is Dji Sam Soe, the best-selling hand-rolled kretek in Indonesia and among the country's oldest branded consumer products. In the SKM segment, Sampoerna produces A-Mild, the first low-tar, low-nicotine kretek to be introduced in the market. In the SPM segment, Sampoerna leads the market with its distribution of Marlboro cigarettes.
Gudang Garam, the second largest kretek producer, is based in Kediri (East Java). It specializes in producing kretes and manufactures both hand-rolled and machine-made kretes of various types. Gudang Garam leads the market in production for the SKM FF sub-segment.

Djarum, the third largest kretek producer, is based in Kudus and the company's major SKM brands are Djarum Super and LA Lights.

Table 7: Top 10 Brand Families per Company for the Top Three Players

<table>
<thead>
<tr>
<th>Type of Cigarette</th>
<th>Sampoerna</th>
<th>Gudang Garam</th>
<th>Djarum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand—rolled kretek (SKT)</td>
<td>Dji Sam Soe</td>
<td>GG Red</td>
<td>Djarum Coklat</td>
</tr>
<tr>
<td></td>
<td>Sampoerna Kretek</td>
<td></td>
<td>Djarum 76</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Djarum Istimewa</td>
</tr>
<tr>
<td>Machine-made kretek (SKM)</td>
<td>Sampoerna A</td>
<td>GG Surya</td>
<td>Djarum Super</td>
</tr>
<tr>
<td></td>
<td>Sampoerna U</td>
<td>GG FIM</td>
<td>Djarum Super MLD</td>
</tr>
<tr>
<td></td>
<td>Dji Sam Soe Magnum</td>
<td>GG Surya Pro Mild</td>
<td>LA Lights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GG Mild</td>
<td>Djarum Black</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GG Signature</td>
<td></td>
</tr>
<tr>
<td>White-Cigarettes (SPM)</td>
<td>Marlboro</td>
<td>GG Surya</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Djarum Super</td>
<td></td>
</tr>
</tbody>
</table>

Source: Reflects Company estimates for Sampoerna and Nielsen Retail Audit for other players

Despite numerous cigarette brands available in the Indonesian cigarette market, the market is relatively skewed towards a limited number of brand families. According to Nielsen Retail Audit for other players in Indonesia and the Company's estimates for Sampoerna, the top 10 and 20 brand families accounted for 63.4% and 79.8% of total cigarette sales volume in 2014, respectively.

Of the top ten brand families, five belong to Sampoerna, with a combined market share of 34.7% in 2014. Sampoerna A is the leading brand family, followed by GG Surya and Djarum Super.

Table 8: Market Share by Sales Volume of Top 10 Brand Family

<table>
<thead>
<tr>
<th>Brand</th>
<th>Company</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Sampoerna</td>
<td></td>
<td>15.0</td>
<td>14.4</td>
</tr>
<tr>
<td>GG Surya</td>
<td>Gudang Garam</td>
<td>10.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Djarum Super</td>
<td>Djarum</td>
<td>8.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Dji Sam Soe</td>
<td>Sampoerna</td>
<td>7.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Marlboro</td>
<td>Sampoerna</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Sampoerna U</td>
<td>Sampoerna</td>
<td>5.0</td>
<td>5.4</td>
</tr>
<tr>
<td>GG FIM</td>
<td>Gudang Garam</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Dunhill</td>
<td>BAT</td>
<td>3.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Clas Mild</td>
<td>Nojorono</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Sampoerna Kretek</td>
<td>Sampoerna</td>
<td>3.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Total      | Sampoerna    | 65.5    | 63.4    | 61.8    | 59.6    |

Source: Reflects the Company’s estimates for Sampoerna and Nielsen Retail Audit for other players

Sampoerna is the market leader, with a market share of over 33% across all three regions of Indonesia. Its nearest competitor, Gudang Garam, has market share in the range of 22-25%. BAT holds third position in West Indonesia, whereas Djarum is the second largest player in Java and third largest player in East Indonesia.
Sampoerna’s market share in Indonesia for 2014 is low compared to other selected markets where PMI has been able to increase market share beyond 35%, indicating Sampoerna’s potential for further growth in Indonesia.

**Figure 6: PMI Market Share Across Selected Markets**

Source: Company and PMI data

**Raw Material Sourcing**

The primary raw materials used in the manufacture of cigarettes are tobacco leaf, cigarette paper, flavoring, and, in most instances, filter material. In addition, raw materials for kretek cigarettes include cloves. Kretek cigarettes consist of approximately 70% tobacco and 30% cloves by weight. Tobacco in the Company’s cigarettes typically consists of mainly Indonesian tobacco with the remainder being imported tobacco.

The Company procures its raw materials locally in Indonesia, as well as through regional or global procurement arrangements through PMI. The Company procures the majority of its tobacco supply and generally all of its clove supply in Indonesia. Machinery parts, tipping paper, acetate tow and boards for packaging material are purchased globally from suppliers through PMI global procurement.
Tobacco

Indonesian tobacco is grown by thousands of small farmers located mainly in Java and Lombok. There are two types of Indonesian tobacco sold by farmers, differing in form. Krosok is whole-leaved tobacco dried either in the oven, in the shade, or in the sun. On the other hand, the harvested leaves of Rajangan type tobacco are first cut into small slices before they are dried in the sun. Aside from its physical form, tobacco is also classified based on its curing method or aroma or taste. After the drying process, farmers pack the tobacco based on their qualities and sell to hundreds of buying stations across the tobacco-growing areas. Cured tobacco needs to pass another step called ‘threshing’ before it can be used in cigarette production. The threshing process, carried out by suppliers transforms the cured and dried tobacco into packed tobacco under controlled parameters and quality control standards that are intended to maintain product integrity.

Rajangan tobacco, as the main component of kretek cigarettes, is only produced domestically and is hard to substitute with tobacco from other countries. In order to anticipate possible fluctuating crop production volume caused by unfavorable climate conditions while maintaining output quality, the Company usually maintains relatively large tobacco inventories.

Clove

Clove is a key ingredient of kretek cigarettes and is harvested from the flower buds of clove trees. Clove trees are perennial trees, can reach up to 20 to 30 meters in height, and generally take approximately seven years to bear fruit and approximately 15 years to reach optimum production after planting. Clove is grown by more than one million farmers throughout Indonesia primarily in Java, Bali and Sulawesi. The general nationwide peak production period lasts for approximately four months, from July to October. When an area is ready for harvest, the harvesting window for clove buds itself is open for only about two to four weeks. After the clove buds are harvested, typically the stem is separated in the same day. Next, the clove that have been picked are dried in the sun for five to seven days before sale.

Clove prices can fluctuate significantly, and have done so in recent years, because of a number of factors, primarily supply and demand, which, in turn, are affected by variances in crop sizes from year to year and general movements in the markets. For example, clove prices increased significantly in 2011, due in part to a significant increase in industry-wide production of kretek cigarettes that year. Clove prices also differ for different grades of cloves. Market prices for clove in Indonesia have experienced volatility in the past, with prices more than doubling from 2010 to 2011. Prices moderated somewhat in 2012 but have remained significantly higher than their pre-2011 levels.

Taxes

Law No. 39 of 2007 on Excise ("Excise Law") has the objectives of limiting consumption on certain products and to protect employment. Currently, there are 3 products being excised, namely tobacco, alcoholic beverages and ethyl alcohol. The Government has the right to impose excise on other products that are deemed necessary. The Excise Law also stipulates the maximum excise rate of 57%, and the type of excise system to be applied.

Particularly on tobacco products, the excise system has gone through several changes. Before 2007, the Government applied a multi-tier ad valorem system. It then moved to a multi-tier mixed system. In 2009, a fully specific system with 19 rate tiers, along with an "excise roadmap" which outlined the reduction of tiers over a period of time, was introduced. The number of tiers has been gradually reduced to 12 in 2015.

The prevailing Indonesian excise tax system remains complex due to its four-dimensional nature, which is based on product type, production type, annual production by company, and retail price (banderol price). Based on the relevant regulations on excise rates of tobacco products, cigarettes are separated into several categories and the Company produces the following three categories: machine-made kretek, hand-rolled kretek, and white cigarettes. The annual production volume tiers are broken down into the following four groups: over 2 billion cigarettes, between 350 million and 2 billion cigarettes, between 50 million and 350 million cigarettes, and below 50 million cigarettes per cigarette/production type. Within each tier, there is a defined minimum banderol price per stick. Therefore, such a complex system may be prone to exploitation by manufacturers who may seek to minimize their excise burden.

In particular, in the hand-rolled kretek category, which has significantly higher employment levels per unit of production than machine-made kretek, the lower excise tax is effectively a subsidy to maintain employment within this sector as stipulated in the law.

The Government recognizes the importance of the tobacco industry to its revenue and the Indonesian economy. Approximately 95% of the total excise tax revenue in Indonesia is derived from tobacco products. In 2014, the tobacco industry is estimated to have contributed Rp112 trillion in terms of excise tax revenues, or 9.8% of total state tax revenue (Rp1,143 trillion).

The Government has also been imposing value-added tax on tobacco products since 1984. The current value-added tax tariff of 8.4% of the banderol price has been in place since 2000 and is currently being reviewed by the Government. In addition to excise and value-added tax, the Government since 2014 has also imposed a regional
cigarette tax of 10% of excise tariff (following the issuance of Law No. 28 of 2009 on Regional Tax and Retribution), which has added an additional tax burden to the tobacco industry and the consumers.

### Table 9: Cigarette Taxes 2015

<table>
<thead>
<tr>
<th>Cigarette Category</th>
<th>Volume Tier (In billion units)1</th>
<th>Price Tier2</th>
<th>Min. HJE / Banderol (Rp / unit)3</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKM</td>
<td>≥ 2.00</td>
<td>1</td>
<td>800.0</td>
</tr>
<tr>
<td></td>
<td>&lt; 2.00</td>
<td>1</td>
<td>589.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>511.0</td>
</tr>
<tr>
<td>SPM</td>
<td>≥ 2.00</td>
<td>1</td>
<td>820.0</td>
</tr>
<tr>
<td></td>
<td>&lt; 2.00</td>
<td>1</td>
<td>521.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>425.0</td>
</tr>
<tr>
<td>SKT</td>
<td>≥ 2.00</td>
<td>1</td>
<td>828.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>606.0</td>
</tr>
<tr>
<td></td>
<td>0.35-2.00</td>
<td>1</td>
<td>418.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>385.0</td>
</tr>
<tr>
<td></td>
<td>&lt; 0.35</td>
<td>1</td>
<td>286.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>286.0</td>
</tr>
<tr>
<td>Source: Ministry of Finance regulation (205/PMK011/2014), Nielsen Retail Audit for Share of Market</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Volume Tier is based on the manufacturer's aggregate annual production of the type of cigarette as compared to certain volume thresholds.
2. Price tier is based on banderol prices compared to certain price thresholds set by the Government.
3. Harga Jual Eceran ("HJE") / banderol price refers to the retail selling price of a pack. Minimum banderol prices are set by the Government for each cigarette tax tier.
4. VAT based on 8.4% from Minimum HJE.

According to data from Nielsen Retail Audit, 63.6% of the cigarette market in Indonesia falls under the SKM – Class IA (V1/P1) tax tier in the first half of 2015.

The table below shows the increase in excise tax for the periods shown. The table reflects excise tax on a Rupiah-per-unit basis, based on volume-weighted average market share.

### Table 10: Development of Excise Tax per Cigarette Category

<table>
<thead>
<tr>
<th>Cigarette Category</th>
<th>Volume-Weighted Average Excise Tax (incl. Regional Tax)1/</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKM</td>
<td>433.8</td>
</tr>
<tr>
<td>SPM</td>
<td>429.9</td>
</tr>
<tr>
<td>SKT</td>
<td>239.3</td>
</tr>
<tr>
<td>Industry</td>
<td>392.0</td>
</tr>
<tr>
<td>Growth (% YoY)</td>
<td>10.7</td>
</tr>
</tbody>
</table>
In August 2015, Indonesia's president Joko Widodo submitted the 2016 budget bill to the Indonesian parliament, and the budget projects revenues from tobacco excise taxes of approximately Rp148.9 trillion, which is a higher number compared to the 2015 budget bill, i.e. Rp139.1 trillion. The budget stated that it will potentially achieve its tobacco excise tax revenue target for 2016 in part from raising the excise tax among other measures. The 2015 budget bill also covers a one-time benefit in the amount of Rp18.5 trillion from the change of the payment provisions for the last two months in 2015, while the 2016 budget bill does not provide details on any specific tobacco excise tax changes, such as the timing of any increases or the allocation of the excise tax over different types of cigarettes, but the overall tax revenue figure could result in potentially higher excise tax rates on the Company's cigarettes in 2016. As a result of the potential excise tax increase, the Company expects a lower volume growth for the full year 2015, in the range of 0% to 1%. However, the Company believes that in the medium term, industry volumes will return to 1% to 3% growth, based on Indonesia's strong demographic pyramid profile, population growth and expanding middle class.

Table 11: Industry Retail Price Increases

<table>
<thead>
<tr>
<th>Description</th>
<th>For the six months ended June 30</th>
<th>For the year ended December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>2015</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>11%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Company estimates

Regulatory and Legal

The Government has set limits on tobacco advertising, sponsorship and promotion. Trademark advertising of cigarette brands is permitted on the television networks broadcasting in Indonesia, with strict limitations on the timing of airings. However, the depiction of individuals smoking cigarettes or the entire cigarette pack is not allowed on any advertising or promotion materials, although brand logos or trademarks may be displayed. Since December 2013, cigarette producers are also required to place graphical health warning labels on cigarette packs to be sold in Indonesia as well as on all promotional materials, including television, billboards, in-store advertisements and web-based advertising. In addition, new regulations implemented in 2015 will restrict outdoor advertising in certain areas in Jakarta and other cities.

The Government has imposed cigarette-free areas since 2009, which include health facilities, educational spaces, children's playgrounds, religious facilities, public transportation, working spaces and public spaces. In a cigarette-free area, smoking, producing, selling, advertising and/or promoting tobacco products are prohibited. Notwithstanding the foregoing, the activities of selling, advertising and promoting cigarettes are permitted in places designated for selling
cigarettes located in cigarette-free areas. Cigarette production activity can also still be carried out at production facilities located in cigarette-free areas.

Litigation has generally not been an issue in Indonesia. Historically, there has been litigation commenced by individuals and organizations against the central government to amend tobacco control legislation and ease the restrictions on the tobacco industry, with varying degrees of results. In addition, there have been instances where tobacco companies were accused of violating marketing/advertising regulations but these accusations were dismissed by judges in favor of the defendants on the grounds that promotional campaigns had been carried out by third parties.
IX. SUMMARY OF SIGNIFICANT FINANCIAL STATEMENT

The summary of financial information should be read in conjunction with the consolidated financial statements and the related notes thereto as of and for the years ended December 31, 2012, 2013 and 2014 and on June 30, 2015 and for the six-month period ended on June 30, 2014 and 2015, included elsewhere in this Prospectus.

The Company has derived the summary consolidated financial information below from its audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2015, each prepared and presented in accordance with IFRS and included elsewhere in this Prospectus. The Audited Consolidated Financial Statements as of and for the years ended December 31, 2012, 2013 and 2014 and as of and for the six months ended June 30, 2015 have been audited in accordance with auditing standards established by the IICPA, by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly known as KAP Tanudiredja, Wibisana & Rekan, (a member of the PricewaterhouseCoopers network of firms), independent public accountants and the report has been signed by a public accountant Nita Sholastika Ruslim, CPA by providing a fairness opinion. The Company also presents financial and other data as of and for the years ended December 31, 2010 and 2011. Certain of the 2010 and 2011 information set out below have been represented and reclassified in order for them to be comparable to those used to prepare the Company's Consolidated Financial Statements included elsewhere in this Prospectus. Except as otherwise described in Note 1 to the Summary Consolidated Financial Statements below, the financial information as of and for the years ended December 31, 2010 and 2011 have been extracted from the Company's audited consolidated financial statements that are not included in this Prospectus but were published on its website (www.sampoerna.com) and filed with OJK. The audited consolidated financial statements dated and for the years ended December 31, 2011 and 2010 have been audited by Tanudiredja, Wibisana & Rekan (a member firm global network of PricewaterhouseCoopers), an independent public accountant, and the report has been signed by a public accountant Andry D. Atmadja, SE, Ak., CPA by providing a fairness opinion without any exception.

The Company has derived the summary interim consolidated financial information below for the six months ended June 30, 2014 from its unaudited interim consolidated financial statements for the six months ended June 30, 2014, prepared and presented in accordance with IFRS and included elsewhere in this Prospectus. These interim consolidated financial statements for the six months ended June 30, 2014, which have been reviewed by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly known as KAP Tanudiredja, Wibisana & Rekan, (a member of the PricewaterhouseCoopers network of firms) include all adjustments consisting of normal and recurring adjustments which are considered necessary for a fair presentation of the consolidated financial position and operating results of the Company for the period presented. With respect to these unaudited financial information, KAP Tanudiredja, Wibisana, Rintis & Rekan have applied limited procedures in accordance with the review standards established by IICPA for a review of such information. They did not audit and do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on such information should be restricted in light of the limited nature of the review procedures applied. The Company's results for any interim period may not be indicative of its results for the full year or for any period.

Summary Consolidated Statements of Financial Positions

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>111.2</td>
<td>65.1</td>
<td>657.3</td>
<td>783.5</td>
<td>2,070.1</td>
<td>3,209.6</td>
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<td>Trade receivables</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Third parties</td>
<td>1,617.8</td>
<td>855.8</td>
<td>1,179.4</td>
<td>983.9</td>
<td>823.3</td>
<td>821.7</td>
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<tr>
<td>Related parties</td>
<td>142.0</td>
<td>153.9</td>
<td>213.7</td>
<td>92.7</td>
<td>68.2</td>
<td>34.7</td>
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<tr>
<td>Other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third parties</td>
<td>94.3</td>
<td>80.3</td>
<td>42.2</td>
<td>26.2</td>
<td>50.2</td>
<td>29.2</td>
</tr>
<tr>
<td>Related parties</td>
<td>6.3</td>
<td>8.0</td>
<td>14.1</td>
<td>269.9</td>
<td>151.3</td>
<td>114.6</td>
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<tr>
<td>Inventories</td>
<td>16,751.6</td>
<td>17,431.5</td>
<td>17,332.6</td>
<td>15,669.9</td>
<td>8,913.3</td>
<td>9,802.5</td>
</tr>
<tr>
<td>Prepaid taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>110.0</td>
<td>2.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other taxes</td>
<td>694.2</td>
<td>676.1</td>
<td>664.5</td>
<td>599.1</td>
<td>511.1</td>
<td>435.6</td>
</tr>
<tr>
<td>Advances for purchase of tobacco and clove</td>
<td>813.9</td>
<td>1,328.7</td>
<td>957.3</td>
<td>2,506.8</td>
<td>2,058.3</td>
<td>1,095.9</td>
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<tr>
<td>Prepayments</td>
<td>300.5</td>
<td>171.4</td>
<td>176.7</td>
<td>160.8</td>
<td>176.1</td>
<td>224.8</td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td>4.3</td>
<td>4.3</td>
<td>10.0</td>
<td>35.5</td>
<td>29.6</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>20,546.1</td>
<td>20,777.5</td>
<td>21,247.8</td>
<td>21,128.3</td>
<td>14,857.5</td>
<td>15,768.6</td>
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<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in associate</td>
<td>55.9</td>
<td>48.3</td>
<td>34.2</td>
<td>24.8</td>
<td>22.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Investment properties</td>
<td>427.4</td>
<td>436.0</td>
<td>363.6</td>
<td>141.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>6,093.4</td>
<td>5,919.6</td>
<td>4,708.7</td>
<td>4,115.1</td>
<td>3,850.7</td>
<td>4,067.3</td>
</tr>
<tr>
<td>Land for development</td>
<td>114.9</td>
<td>114.9</td>
<td>115.8</td>
<td>141.1</td>
<td>173.5</td>
<td>175.3</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>270.2</td>
<td>219.4</td>
<td>149.8</td>
<td>164.9</td>
<td>94.2</td>
<td>42.5</td>
</tr>
<tr>
<td>Goodwill</td>
<td>60.4</td>
<td>60.4</td>
<td>60.4</td>
<td>60.4</td>
<td>60.4</td>
<td>237.3</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>926.1</td>
<td>804.5</td>
<td>574.7</td>
<td>468.9</td>
<td>277.3</td>
<td>151.7</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>7,948.3</td>
<td>7,603.1</td>
<td>6,756.8</td>
<td>5,119.2</td>
<td>4,478.3</td>
<td>4,705.7</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>28,494.4</td>
<td>28,380.6</td>
<td>27,404.6</td>
<td>26,247.5</td>
<td>19,329.8</td>
<td>20,474.3</td>
</tr>
</tbody>
</table>
## Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

### (in billions of Rupiah, except basic earnings per share)

<table>
<thead>
<tr>
<th>Description</th>
<th>Six-month period ended June 30</th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net revenues</strong></td>
<td>43,742.6</td>
<td>39,093.5</td>
</tr>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td>(33,482.3)</td>
<td>(29,241.1)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>10,260.3</td>
<td>9,852.4</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td>(2,753.1)</td>
<td>(2,360.1)</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>(765.3)</td>
<td>(691.7)</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>103.3</td>
<td>61.6</td>
</tr>
<tr>
<td><strong>Other expenses</strong></td>
<td>(124.4)</td>
<td>(134.1)</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>25.3</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(52.4)</td>
<td>(19.0)</td>
</tr>
<tr>
<td><strong>Share of net results of associate</strong></td>
<td>7.5</td>
<td>2.7</td>
</tr>
</tbody>
</table>

### Note:

1. **Share of net results of associate** includes share in results of associates.
2. **Net revenues** include sales and services, net of related costs.
3. **Cost of goods sold** includes materials and supplies, direct labor, and other direct costs.
4. **Gross profit** is calculated as net revenues minus cost of goods sold.
5. **Selling expenses** include marketing, selling, and administrative expenses.
6. **General and administrative** expenses include corporate expenses, research and development, and other overhead costs.
7. **Other income** includes gains and losses from non-operating activities.
8. **Other expenses** include costs related to specific projects or events.
9. **Finance income** includes interest income.
10. **Finance costs** include interest expense.
11. **Share of net results of associate** is based on the company's ownership percentage in associates.

PT Hanjaya Mandala Sampoerna Tbk
**Profit before income tax**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>(1,689.4)</td>
<td>(1,712.0)</td>
<td>(3,537.2)</td>
<td>(3,691.2)</td>
<td>(3,438.0)</td>
<td>(2,846.7)</td>
</tr>
<tr>
<td>Profit for the period/year</td>
<td>5,011.8</td>
<td>5,031.3</td>
<td>10,181.1</td>
<td>10,818.5</td>
<td>9,945.3</td>
<td>8,064.4</td>
</tr>
</tbody>
</table>

**Other comprehensive income/(losses)**

**Items that may be subsequently reclassified to profit or loss:**

- **Actuarial loss from post-employment benefits**
  - (142.4) (122.0) (221.4) (12.5) (227.7) -
  - (107.0) (166.2) (170.8) - -

**Related income tax expense**

- 35.4 40.6 55.2 3.1 56.9 -
  - 2,846.7 2,325.5 - - -

**Items that may be subsequently reclassified to profit or loss:**

- **Cumulative translation adjustments**
  - 0.1 0.3 (1.1) 30.9 (13.4) 15.5

**Other comprehensive losses, net of tax**

- (106.9) (121.7) (166.1) (10.5) (139.9) 15.5

**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling expenses</td>
<td>5,011.8</td>
<td>5,031.3</td>
<td>10,181.1</td>
<td>10,818.5</td>
<td>9,945.3</td>
<td>8,064.4</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>4,904.9</td>
<td>4,909.6</td>
<td>10,015.0</td>
<td>10,805.4</td>
<td>9,805.4</td>
<td>8,052.0</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>42.1</td>
<td>100.9</td>
<td>143.0</td>
<td>80.0</td>
<td>299.0</td>
<td>299.0</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>10,215.5</td>
<td>4,478.3</td>
<td>10,302.7</td>
<td>9,683.8</td>
<td>4,705.7</td>
<td>4,705.7</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>585.7</td>
<td>507.5</td>
<td>78.2</td>
<td>277.3</td>
<td>4,478.3</td>
<td>4,478.3</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,705.7</td>
<td>9,683.8</td>
<td>10,302.7</td>
<td>9,683.8</td>
<td>4,478.3</td>
<td>4,478.3</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>9,683.8</td>
<td>9,683.8</td>
<td>10,302.7</td>
<td>9,683.8</td>
<td>4,478.3</td>
<td>4,478.3</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>10,215.5</td>
<td>10,215.5</td>
<td>10,215.5</td>
<td>10,215.5</td>
<td>10,215.5</td>
<td>10,215.5</td>
</tr>
</tbody>
</table>

**Note:**

1) Certain accounts in the Company's audited Consolidated Financial Statements as of and for the years ended December 31, 2010 and 2011, which are not included in this Prospectus, have been reclassified to conform with the presentation of the Consolidated Financial Statements included elsewhere in this Prospectus.
X. EQUITY

The table below presents Company's equity position which taken from the audited consolidated financial statements of the Company on June 30, 2015, for the years ended December 31, 2014, 2013 and 2012 which are all included in this Prospectus. The equity position of the Company for 2010 and 2011 presented below have been reclassified and restated to conform with the presentation of the consolidated financial statements included elsewhere in this Prospectus. Unless otherwise stated in Note 1 below, the equity position of the Company on December 31, 2010 and 2011 were taken from the audited consolidated financial statements of the Company that are not part of this prospectus and is available on the website of the Company (www.sampoerna.com) and has been reported to OJK.

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity attributable to the owners of the parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised capital - 6,300,000,000 ordinary shares with par value Rp100 (in full Rupiah) per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued and fully paid - 4,383,000,000 ordinary shares</td>
<td>438.3</td>
<td>438.3</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>44.1</td>
<td>99.4</td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>646.4</td>
<td>646.3</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(29.7)</td>
<td>(29.7)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Unappropriated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>12,885.2</td>
<td>12,253.8</td>
</tr>
<tr>
<td>Total equity</td>
<td>14,074.3</td>
<td>13,498.1</td>
</tr>
</tbody>
</table>

Note: (1) After reclassification. Further information regarding information reclassification is included in Chapter IX of this Prospectus.

The Company has filed a Registration Statement to the OJK through letter No. 153/ CLD/HMS/VIII/2015 on August 10, 2015 in regards to the Limited Public Offering by issuance of Rights to shareholders of a maximum of 269,723,076 (two hundred and sixty nine million seven hundred twenty three thousand seventy six) new Shares with a nominal value of Rp 100 (one hundred) per share. Each holder of 65 (sixty-five) old shares whose names are recorded in the DPS of the Company on October 22 2015 at 16:00 pm entitle to four (4) pre-emptive rights, whereby each 1 (one) Right entitles the holder to purchase 1 (one) New Shares with Exercise Price of Rp77,000 (seventy seven thousand Rupiah) per share, to be paid in full at the time of filing the Order Form and Purchase of Shares. The number of shares offered in the Limited Public Offering is 269,723,076 (two hundred and sixty nine million seven hundred twenty-three thousand seventy-six) shares, which will be entirely taken from the portfolio and will be listed on the Stock Exchange in accordance with the regulations.

The proforma consolidated equity position of the Company as of June 30, 2015 before and after the implementation of the Limited Public Offering is as follow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Before LPO</th>
<th>After LPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid-up capital</td>
<td>438.3</td>
<td>465.3</td>
</tr>
<tr>
<td>Additional paid-up capital</td>
<td>44.1</td>
<td>20,512.4</td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>646.4</td>
<td>646.4</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(29.7)</td>
<td>(29.7)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>12,975.2</td>
<td>12,975.2</td>
</tr>
<tr>
<td>Total equity attributable to the owners of the parent</td>
<td>14,074.3</td>
<td>34,569.6</td>
</tr>
<tr>
<td>Total equity</td>
<td>14,074.3</td>
<td>34,569.6</td>
</tr>
</tbody>
</table>

There is no changes in the capital structure that occurred after the last date of the consolidated financial statements of the Company.
XI. LEGAL OPINION

Following is a copy of the Legal Opinion with regard to matters related to the Company, in connection with the LPO of the Company which has been prepared by the Legal Consultant Mochtar Karuwin Komar.
To:
Board of Directors
PT HANJAYA MANDALA SAMPOERNA, Tbk.
Jl. Rungkut Industri Raya No.18
Surabaya 160293

PT Mandiri Sekuritas
Plaza Mandiri, Lantai 28
Jl. Jend. Gatot Subroto Kav. 36-38
Jakarta 12190


Dear Sirs,

In order to comply with the requirement stipulated in the capital market law and regulations, in connection with PT Hanjaya Mandala Sampoerna Tbk. (“Company”) plan to issue new shares which will be carried out by way of conducting a public offer by issuing Rights (“Rights”) and offer to its shareholders to take such right proportionate to their respective shareholding (“Limited Public Offering” or “LPO”), we the undersigned from Mochtar Karuwin Komar Law Offices, registered pursuant to Capital Market Supporting Professionals Registration Letter No. 549/PM/STTD-KH/2004, dated 11 October 2004, in the name of Miranti Malikus Ramadhani, S.H., as the independent legal consultant, and registered as a member of the Capital Market Legal Consultant Association (“HKHPM”) under No. 200425 has been appointed by the Company based on the Appointment Letter from the Board of Directors of the Company No. 091.a/CLD/HMS/VI/2015 dated 25 June 2015, to carry out a legal audit (“Legal Audit”) and to issue a legal opinion (“Legal Opinion”). In the past, we have acted as the Company’s Legal Counsel. This Legal Opinion is prepared by taking into consideration of the provision in the capital market law and regulations issued as of the date of the issuance of this Legal Opinion and requirements set out in the Capital Market Legal Consultant Professional Standard, Attachment to the Decision of HKHPM No. Kep.01/HKHPM/2005 as amended by the Decision of HKHPM No. Kep.04/HKHPM/XII/2012 (“HKHPM Professional Standard”). The Legal Opinion set out herein is in relation the Company’s plan to make a Limited Public Offering for a maximum of 269,723,076 (two hundred and sixty nine million seven and twenty three thousand and seventy six) registered common shares with a nominal of Rp.100.00 (one hundred Rupiah) for each share with the following terms and conditions:

Each holder of 65 (sixty five) existing shares whose name is registered in the Shareholders’ Register of the Company dated 22 October 2015 at 4.00 PM (West Indonesia Time) shall be entitled to 4 (four) Rights. Each holder of 1 (one) Right shall be entitled to subscribe to 1 (one) new share at the exercise price of Rp.77,000.00 (seventy seven Rupiah) per share, which shall be fully paid at the time of ordering to subscribe to new shares, with a ratio of 65:4.

Pursuant to a letter from PT Philip Morris Indonesia to the Company dated 18 September 2015, PT Philip Morris Indonesia, being the Company’s major shareholder, stated its intend to exercise a part of its Rights, in the amount of 600,640 Rights, and to sell the remaining amounting to 264,209,711 (two hundred sixty four million two hundred and nine thousand seven hundred and eleven) Rights to PT Mandiri Sekuritas pursuant to a Rights Sale and Purchase Agreement dated 11 September
2015 as amended on 1 October 2015, both drawn up privately between PT Philip Morris Indonesia and PT Mandiri Sekuritas, an amount of 264,209,711 (two hundred sixty four thousand two hundred and nine thousand seven hundred and eleven) Rights owned by PT Philip Morris Indonesia will be transferred by way of a sale to PT Mandiri Sekuritas.

If the new shares offered in the LPO were not fully subscribed by any Right holder from the public portion, then the remaining shares will be allocated to the other public Rights holder who has made an order more that its entitlement, as contained in the Certificate of Rights or the Additional Share Purchase Order Form in proportion to its exercised Rights. If after the allocation of the additional shares order, there were still remaining shares in the public portion, at a maximum amount of 4,912,725 (four million nine hundred and twelve thousand seven hundred and twenty five) common shares, then PT Mandiri Sekuritas, acting as standby purchaser, shall be obliged to subscribe to such remaining shares of the public portion, whereas the remaining shares that are required to be subscribed by the standby purchaser do not include shares issued as a result of the exercise of Rights which PT Philip Morris Indonesia is entitled under this LPO.

This Legal Opinion is prepared based on: (i) the review of original, copies, photocopies of documents we obtained from the company, and statements and information both oral or written provided by members of the Board of Directors, Board of Commissioner, representative and/or employees of the Company, the result of which are contained in the Legal Audit Report on the Company (“Legal Audit Report”) which is the basis of and shall constitute an inseparable part of this Legal Opinion, and (ii) Prospectus and Abridged Prospectus dated this day and (iii) prevailing laws and regulations.

**BASIS AND SCOPE OF LEGAL OPINION**

This Legal Opinion is made on the basis and scope of and with the following limitations:

1. In October 2004, the Company conducted a public offering of Bond III Year 2004 (based on Note 14 of the 31 December 2009 and 2008 Consolidated Financial Statements, The Company has settled this Bond liabilities on 26 October 2009) and for such purposes a legal audit was conducted as set out in the Legal Audit Report and the Legal Opinion In Connection with the public offer of PT Hanjaya Mandala Sampoerna Tbk. Bond III Year 2004 respectively Ref No. 1526/LGS/X/2004 (“Audit Report Bond III 2004”) and Ref No. 1525/LGS/X/2004 (“Legal Opinion Bond III 2004”). This Legal opinion is provided based on the condition and the business activities of the Company since the Company conducted the offer of the Bond III Year 2004 until the date of issuance of this Legal Opinion.

2. This Legal Opinion is issued based on the Legal Audit Report and constitutes an inseparable part of the Legal Audit Report.

3. In addition, we have also conducted a legal audit on legal documents in relation to the participation/ownership of the subsidiary companies, directly or indirectly (further referred to as “Subsidiaries”), whereby the financial statements of the Subsidiaries are consolidated to the financial statements of the Company and/or the ownership of the Company of 50% (fifty percent) or more. Particularly for Subsidiaries that are incorporated outside of the legal jurisdiction of Indonesian law we rely on the Legal Opinion issued by a legal counsel with competency in such jurisdictions:

   1. A subsidiary incorporated in Singapore is based on Legal Opinion No. 2009004515 dated 5 August 2015 issued by Allen & Gledhill, legal counsel in Singapore;

   2. A subsidiary incorporated in the Philippines is relied on Legal Opinion dated 5
August 2015 issued by Ponce Enrile Reyes & Manalastas Law Offices, Legal counsel in the Philippines;

3. A subsidiary incorporated in the British Virgin Islands is based on the Legal Opinion No. 7-1723.258 dated 10 August 2015 Legal Opinion No. 7-1723.262 dated 9 September 2015 both issued by Farara Kerins, Legal counsel in the British Virgin Islands;

4. A subsidiary incorporated in Brazil based on Legal Opinion dated 7 August 2015 issued by Motta, Fernandes Rocha Advogados, a Brazilian Legal Counsel.

4. This Legal Opinion and our Legal Audit Report are not solely based on our review and interpretation of the information written in the documents provided to us, however, we also based on the substance of those documents, and if there is no legal document available to support the legal transaction which, as a matter of fact, involves the Company, we rely on the facts which support the actual legal relationship pursuant to the concept, practices and legal customaries applicable in Indonesia relating to such transaction or legal relationship.

5. The scope of our review is limited to the following legal aspects:

a. The incorporation of the Company, deed of establishment and articles of association and all amendments, capital and shareholding structures and ownership and changes in ownership of shares in the Company, composition of the Board of Directors and Board of Commissioners of the Company including the duties and authorities of the Board of Directors and Board of Commissioners;

b. The completeness of the licenses, approvals, ratification provided or issued by the Government of the Republic of Indonesia and the registrations conducted by the Company, in this regard includes the Capital Market Supervisory Agency – Badan Pengawas Pasar Modal (“Bapepam”)/ Capital Market And Financial institution Supervisory Agency -Badan Pengawas Pasar Modal dan Lembaga Keuangan (“Bapepam-LK”), The Financial Services Authority - Otoritas Jasa Keuangan (“OJK”), Investment Coordination Board - Badan Koordinasi Penanaman Modal (“BKPM”), Ministry of Trade, Ministry of Law nd Human Rights, Ministry of Finance, Ministry of Manpower and Transmigration and other government institutions which we consider essential and material in connection with the main business activities of the Company;

c. Ownership of the Company’s assets which the Company considers essential and material;

d. Insurance agreements covering the Company’s assets considered essential and material;

e. Labor aspects of the Company which we consider essential and material;

f. Essential and material agreements between the Company and third parties;

g. Information on: (i) civil, criminal, tax, bankruptcy and labor cases which may involve the Company before a court where the Company has legal domicile and/or carry out business activities considered essential and material, and (ii) arbitration cases which may involve the Company before the National Arbitration Board (Badan Arbitrase Nasional Indonesia);
Unofficial Translation

h. The ownership of shares in Subsidiaries, with the following provisions;

(i) if the Company has participation of more than 50% in another company, then a review on such company will be conducted similar to the review conducted on the Company;

(ii) if the Company own participation of more than 50% in another company, but such company does not conduct any business activities or cease to operate its business, then a limited review on such company shall be limited from incorporation to main licenses documents;

(iii) if the Company own participation of 50% or less down to 20%, in an other company, then a limited review on such company shall be limited from incorporation documents to main licenses documents;

(iv) If the Company owns subsidiaries which is a foreign legal entity, then the review will be conducted by a legal counsel who has the capacity or jurisdiction where such company is legally domiciled to issue a legal opinion.

6. In the legal audit process, we adopt the materiality principles as required by the HKHPCM Professional Standard, provided that the materiality value shall be determined by the Company by agreeing to our disclosure of information, data and facts on the Company in the Legal Audit Report and by taking into consideration the materiality principles used in accounting by the Company.

7. Notwithstanding the assumption in 6 above, in conducting the review and preparing the Legal Audit Report and Legal Opinion, we do not give any valuation or opinion on the (i) fairness of the commercial or financial value of all transaction that the Company is a party to or has interest in or relates to the assets that we consider essential and material (ii) commercial or financial value of the Company’s assets, (iii) commercial or legal position in any transaction where the Company is a party to or has interest in or relates to the assets which we consider essential and material, and (iv) adherence, accuracy and the correctness of the Company’s tax payment obligations, Company’s obligation to its creditors, and fulfillment of other legal and contractual obligations of the Company.

8. The Legal Opinion is issued pursuant to the law of the Republic of Indonesia, therefore is not intended to be applicable or interpreted pursuant to other jurisdiction of law.

9. Our responsibility as an independent capital market legal consultant in connection with matters provided in the legal audit process, Legal Audit Report and Legal Opinion is limited to and in accordance with the provision of Article 80 of Law No. 8 of 1995 on Capital Market.

ASSUMPTIONS

We have assumed the following:

(a) the genuiness of all signatures on all documents provided or shown to us by the Company as originals for purpose of preparing the Legal Audit Report and to issue this Legal Opinion and the authenticity of all documents provided or shown to us as originals and that all the documents provided to us in photocopies or other form of copies are true copies of the originals;
(b) the government officials issuing licenses to the Company and Subsidiaries, conducting the registration and notation for the interest of the Company and its Subsidiaries, has the authority and power to take such actions;

(c) all agreements into the transactions entered into by the Company or Subsidiaries, has been legally entered and all decisions made has been conducted in accordance with the stipulated requirements and procedures;

(d) any party representing the Company and Subsidiaries to draw up and sign agreements in which the Company and Subsidiaries are parties to is the authorized party and has full power to execute and implement the agreements and does not violate or contradict with the provisions of the articles of association of the Company and Subsidiaries and the laws and regulations;

(e) any party entering into agreements with the Company and the party representing the party with whom the Company and Subsidiaries enter into the agreements is the authorized party and has full power to sign and implement the agreements and none of the internal provisions of the Company and the Subsidiaries or third parties with whom the Company and the Subsidiaries enter into and sign agreements, or the laws and regulations, are contradicting with the execution and implementation of the agreement documents;

(f) the documents, statements and information provided to us by the Company for purpose of this Legal Audit and Legal Opinion are direct, complete and conform with the actual conditions, and do not change up to the date of this Legal Opinion;

(g) None of the documents provided or shown to us in the form of copies or photocopies have not been amended, supplemented, superseded or updated and constitute the documents necessary for us to prepare the Legal Audit Report and this Legal Opinion;

(h) None of the documents that are material in relation to the Legal Audit Report, were not shown, provided or made available by the Company and Subsidiaries to be reviewed by us in the available virtual data room, whether or not intentionally, if such documents were shown, provided, found and reviewed until the deadline of the Legal Audit will cause the content of the Legal Audit Report and Legal Opinoin to become inaccurate or incomplete, or (ii) the content of the Legal Audit Report and Legal Opinion to be adjusted;

(i) all the general meetings of shareholders have been lawfully held and all resolutions have been adopted in accordance with the stipulated requirements and procedure;

(j) all facts as set out in the respective documents, statements or other documents we reviewed are correct;

(k) The Company and/or Subsidiaries have complied with any and all obligations in accordance with the provisions of the law and regulations, policies and guidelines applicable to the Company and /or the Subsidiaries and its assets , whether or not written, and the provisions of the agreements, contracts, commitments, statements and approvals binding on and applicable to the Company, Subsidiaries and their assets.

LEGAL OPINION

Upon review and examine the documents set out in the Legal Audit Report, dan by taking into consideration of basis and scope, above-mentioned assumptions and qualifications set out below, dengan ini kami memberikan Legal Opinion sebagai berikut:
1. The Company is a limited liability company duly incorporated under the prevailing laws and regulations in the Republic of Indonesia and is domiciled in Surabaya. The Company was incorporated under the name of PT Perusahaan Dagang Dan Industri Panamas under Deed of Establishment No. 69 dated October 19, 1963 as amended by Deed No.46 dated April 15, 1964, both drawn up before Anwar Mahajudin, at the time Notary in Surabaya, approved by the Minister of Justice of the Republic of Indonesia in accordance with Decree of the Minister of Justice No. J.A.5/59/15 dated April 30, 1964 and registered at the Clerk Office of the District Court in Surabaya on May 18, 1964 under No. 654 and No. 655, and published in the State Gazette of the Republic of Indonesia No. 94 dated November 24, 1964, Supplement No. 357 (“Deed of Establishment”).

Having obtained the legalization by the Minister of Justice of the Republic of Indonesia (now the Minister of Law and Human Rights of the Republic of Indonesia) and registration with the District Court in Surabaya also the announcement in the State Gazette of the Republic of Indonesia, the Company was duly established in accordance with the prevailing laws of the Republic of Indonesia.

The Articles of Association of the Company have been amended several times, including the amendments to change its name to become PT Hanjaya Mandala Sampoerna, change the status of the Company to become a public company, to conform to Law No. 40 of 2007 on Limited Liability Companies (“Company Law”) and to conform to the prevailing capital market provisions. Such amendments to the Articles of Association have been made in accordance with the Articles of Association of the Company and the prevailing laws and regulations, including the Company Law, and therefore such amendments are legally valid. The latest Amendment to the Articles of Association are as set out in Deed of Statement of Meeting Resolution on Amendment of Articles of Association of the Company No. 21 dated May 12, 2015, drawn up before Aryanti Artisari, SH, M.Kn., Notary in the South Jakarta Administration City ("Deed No. 21/2015"), which based on this deed the shareholders approved the entire amendment to the Articles of Association of the Company, among others, to conform to the provisions of OJK regulations. This deed has obtained approval from the Minister of Justice and Human Rights of the Republic of Indonesia pursuant to Decree No. AHU-0935168.AH.01.02.TAHUN 2015 and Notification Receipt of Amendment to the Articles of Association No. AHU-AH.01.03-0931826 both dated May 13, 2015 and registered in the Company Registry maintained by the Ministry of Law and Human Rights of the Republic of Indonesia No. AHU-3504523.AH.01.11.TAHUN 2015 dated May 13, 2015 also in the Company Registry maintained with the Trade and Industry Service Office of Surabaya No. 503/7266.D/436.6.11/2015 dated September 7, 2015.

Therefore, the Articles of Association have been adjusted to conform to the Company Law, Bapepam-LK Regulation No. IX.J.1, Attachment to Decree of the Chairman of Bapepam-LK No. KEP-179/BL/2008 dated May 14, 2008 on the Principles of Articles of Association for Companies Conducting Public Offering of Equity Securities and Public Companies, OJK Regulation No.32/POJK.04/2014 regarding Planning and Convening General Meeting of Shareholders of Public Companies and OJK Regulation No. 33/POJK.04/2014 regarding Board of Directors and Board of Commissioners of Issuers or Public Companies. Articles of Association of the Company have contained the substance of Bapepam-LK Regulation No. IX.D.1, Attachment to Decree of the Chairman of Bapepam-LK No. KEP-26/PM/2003 dated July 17, 2003 on Rights, OJK Regulation No. 38/POJK.04/2014 on Capital Increase of Public Companies Without Granting Rights.

In relation to the LPO, in addition to the obligation to obtain approval from the General Meeting of Shareholders with respect to the increase of issued and paid-up capital of the Company resulted from the LPO, there are no other restrictions under the Company’s
Articles of Association which could hold up the Company from conducting LPO and the use of fund.

Currently, the Company is a public limited liability company which receives a Domestic Capital Investment facility (based on Domestic Capital Investment Approval No. 703/I/PMDN/1995 dated December 14, 1995) and the Company’s shares are listed and traded on the Indonesia Stock Exchange (“IDX”) since 1990.

2. The capital structure of the Company since its establishment until now has changed several times, the latest change to the Company’s capital structure is as contained in Deed of Meeting Statement Resolutions for the Amendment to Articles of Association No. 108 dated June 18, 2004 drawn up before Dedy Syamri, S.H., as replacement to Sutjipto, S.H., at the time Notary in Jakarta, as further amended by Deed of Amendment to the Articles of Association No. 82 dated July 15, 2004 drawn up before Aulia Taufani, S.H., as replacement to Sutjipto, S.H., at the time Notary in Jakarta, pursuant to which the shareholders of the Company agreed to decrease the issued and paid-up capital of the Company, which deeds have been approved by the Minister of Justice and Human Rights of the Republic of Indonesia pursuant to Decree No. C-20646 HT.01.04.TH.2004 dated August 16, 2004 and have been registered in the Company Registry maintained with the Department of Industry and Trade under No. 085/BH.13.01/SEPT/2004 dated September 8, 2004 and announced in the State Gazette of the Republic Indonesia No. 80 dated October 5, 2004, Supplement No. 9982 so that the capital structure of the Company became as follows:

- Authorized Capital : Rp. 630,000,000,000.00
- Issued Capital : Rp. 438,300,000,000.00
- Paid-up Capital : Rp. 438,300,000,000.00

Authorized Capital of the Company consists of 6,300,000,000 shares with a nominal value of Rp.100.00 per share.

The capital structure of the Company above has not changed until the issuance of this Legal Opinion.

Since the amendment to the Articles of Association above has been approved, as at the date of this Legal Opinion, the capital structure of the Company is correct and valid in accordance with the prevailing laws and regulations and the Company’s Articles of Association. All such issued and subscribed capital has been fully paid to the shareholders of the Company.

3. Based on the Company’s Shareholders Register prepared by PT Sirca Datapro Perdana, the Share Registrar appointed by the Company, as per August 31, 2015, the Company’s shareholders composition with details of shareholders having 5% ownership or more are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Shareholder</th>
<th>Number of Shares</th>
<th>Nominal Value</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PT Philip Morris</td>
<td>4,303,168,205</td>
<td>Rp. 430,316,820,500.00</td>
<td>98.18</td>
</tr>
</tbody>
</table>
2. Other public (with ownership less than 5%) 79,831,795 Rp.7,983,179,500.00 1.82

Total 4,383,000,000 Rp.438,300,000,000 100

As at the issuance date of this Legal Opinion, the latest capital structure and shareholders composition of the Company is as set out above and to our knowledge, there has been no further change to the capital structure and shareholders composition of the Company as set out above.

4. Whereas the total shares offered to the public through this LPO is in accordance with the above capital structure. This LPO can only be carried out provided that it has complied with all provisions of the Company’s Articles of Association and all prevailing laws and especially in the field of capital market. For this plan, the Company intends to request for approval from the shareholders of the Company in its Extraordinary General Meeting of Shareholders which is planned to be convened on October 9, 2015.

5. On the date of this Legal Opinion, the shares in the portfolio to be offered to public by the Company pursuant to this LPO, are free from encumbrance and other restrictions in any form whatsoever.

6. On the date of this Legal Opinion, the composition of the Board of Commissioners and the Board of Directors of the Company based on Deed of Statement of Meeting Resolution No. 61 dated September 18, 2015, drawn up before Aryanti Artisari, SH, M.Kn., Notary in South Jakarta Administration City, which has been notified to the Minister of Law and Human Rights of the Republic of Indonesia and received based on Receipt of Notification of the Change of the Company’s Data No. AHU-AH.01.03-0966412 dated September 22, 2015 and registered with the Company Registry maintained by the Minister of Law and Human Rights of the Republic of Indonesia No. AHU-3557012.AH.01.11.TAHUN 2015 dated September 22, 2015 (which registration with the Company Registry maintained by the Trade and Industry Service Office of Surabaya is still in process), is as follows:

**Board of Commissioners**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President Commissioner</td>
<td>John Gledhill</td>
</tr>
<tr>
<td>Vice President Commissioner</td>
<td>Charles Herve Bendotti</td>
</tr>
<tr>
<td>Commissioner</td>
<td>Niken Kristiawan Rachmad</td>
</tr>
<tr>
<td>Independent Commissioner</td>
<td>Goh Kok Ho</td>
</tr>
<tr>
<td>Independent Commissioner</td>
<td>Raden Bagus Permana Agung Dradjattun</td>
</tr>
</tbody>
</table>

**Board of Directors**
President Director | Paul Norman Janelle  
---|---  
Director | Andre Dahan  
Director | Yos Adiguna Ginting  
Director | Peter Alfred Kurt Haase  
Director | Troy J. Modlin  
Director | Michael Sandritter  
Independent Director | Wayan Mertasana Tantra

Members of the Board of Commissioners and Board of Directors of the Company have been legally appointed by the General Meeting of Shareholders and has complied with the Company Law, OJK Regulation No. 33/POJK.4/2014 on the Board of Directors and Board of Commissioners of Issuers and Public Companies and IDX Regulation No. I-A Attachment to Decree of the IDX Board of Directors No. Kep-0001/BEI/01-2014 dated January 30, 2014 on the Listing of Shares and Equity Securities Other Than Shares Issued by Listed Companies (especially regarding Independent Commissioners and Independent Directors).

Such members of the Board of Commissioners and the Board of Directors were respectively appointed for the term of office until the closing of the Annual General Meeting of Shareholders in 2020.

As at the date of this Legal Opinion, the Company has validly established an Audit Committee and appointed a Corporate Secretary. The Company also has an Internal Audit unit as required under the capital market regulations. In addition, the Company has established Nomination and Remuneration Committee which has been conformed to the capital market regulations.

**Audit Committee**

For purpose of compliance with Bapepam-LK Regulation No. IX.1.5 Attachment to Decree of the Chairman of Bapepam-LK No. KEP-643/BL/2012 dated December 7, 2012, on the Establishment and Work Implementation Guidance of the Audit Committee, the Company established an Audit Committee. The Audit Committee of the Company was established based on circular resolutions of the Board of Commissioners dated December 19, 2014 (for the appointment of Drs. Hanafi Usman) and May 19, 2015 (for the appointment of Goh Kok Ho and Raden Bagus Permana Agung Dradjattun) as submitted to the OJK and IDX pursuant to Letter No. 078/CLD/HMS/V/2015 dated May 21, 2015. The current composition of the Company’s Audit Committee is as follows:

- **Chairman** : Goh Kok Ho
- **Member** : Drs. Hanafi Usman
- **Member** : Raden Bagus Permana Agung Dradjattun
Nomination And Remuneration Committee

For purpose of compliance with OJK Regulation No. 34/POJK.04/2014 on Nomination and Remuneration Committee of Issuers or Public Companies, the Nomination and Remuneration Committee of the Company was established pursuant to Board of Commissioners Resolution dated May 19, 2015 and June 18, 2015. The composition of the Nomination and Remuneration Committee of the Company on the date of this Legal Opinion is as follows:

Chairman : Goh Kok Ho
Member : Linda Setiawan
Member : Niken Kristiawan Rachmad

Corporate Secretary

For purpose of compliance with OJK Regulation No. 35/POJK.04/2014 on Corporate Secretary of Issuers or Public Companies, the Company appointed Ike Andriani as Corporate Secretary as of August 3, 2015, pursuant to Board of Directors Resolution on Appointment of Corporate Secretary dated August 3, 2015 as reported to OJK and IDX pursuant to the Company’s Letter No. 122/CLD/HMS/VII/2015 dated August 3, 2015 to OJK and the Company’s Letter No. 123/CLD/HMS/VII/2015 dated August 3, 2015 to IDX.

Internal Audit

For purpose of compliance with Bapepam-LK Regulation No. IX.I.7 Attachment to Decree of the Chairman of Bapepam-LK No. Kep-496/BL/2008 dated November 28, 2008 on the Establishment and Guideline for Internal Audit Unit Charters, the Company has an Internal Audit Unit and Internal Audit charter as approved and legalized on July 14, 2009 by the Board of Directors and Board of Commissioners of the Company.


7. The Company, pursuant to its Articles of Association, may engage in the business of cigarette industry, agribusiness and trading. Up to the date of the Legal Opinion, the Company has obtained primary licenses and approvals and conducted registration considered substantial and material for the Company to carry out its current business activities i.e. to engage in the business of cigarette industry, which include corporate licenses/registration such as Company Registration Certificate for the head office and most part of its branch offices, the Taxpayer Registration Number and Taxable Entrepreneur Confirmation Letter, licenses relating to the operational activities of the Company which include capital investment license, permanent business license and expansion licenses issued by BKPM at either the central or regional level covering all production and distribution facilities of the Company, the Importer-Producer Identification Number, the Trading Business License (SIUP) for Large-Scale Company, the Principal and Registration Number for Customable Goods Entrepreneur (NPPBKC) for all its production facilities and third party operators, the determination of Retail Selling Price (HJE) of Company’s products by the Directorate General of Custom and Excise, Nuisance Permit, the Environmental Management Efforts and Environmental Monitoring Efforts (UKL-UPL), the Environmental Evaluation Document (DELH), the Environmental Protection and Management Permits (IPPLH) for several production facilities, the Building Construction
Permits relating to the main buildings of the Company’s production facilities and the registration of the cigarette rolling machines owned by the Company.

As at the date of this Legal Opinion, all primary licenses obtained by the Company as mentioned above remain valid, except for the Nuisance Permit for the Rungkut 2 production facility, several Warehouse Registration Certificates and several registrations of the Company’s cigarette rolling machines which all have been expired and are now in the process of extension. In addition, the Company is currently in the process of filing applications to obtain the Company Registration Certificates for its production facilities in Rungkut 2, Taman Sampoerna and Malang and Hazardous and Toxic (B3) Waste Storage Permits for its production facilities in Rungkut 2 and Taman Sampoerna. These primary licenses, approvals and registrations which have been expired, to the extent of our knowledge, do not materially affect the business, activities and operation of the Company.

Further, the Company stated that the licenses held and obtained by the Company as mentioned above have not been revoked or cancelled by the relevant party/authority and the Company has no knowledge on any events or matters which may cause or be a reason for such party/authority to revoke such licenses, approvals and/or registrations.

With respect to the reporting requirement under the primary licenses held by the Company, to the extent of our knowledge, the Company has prepared and submitted the Capital Investment Activities Report (LKPM) as required by the applicable laws and regulations. To the extent of our knowledge, the Company has also ensured fulfilment to the reporting obligation required under Law No. 11 of 1995 on Excise (as amended).

In connection with approvals on the implementation of the LPO, other than filing the Registration Statement with OJK and approval for listing of additional shares from the IDX and notification to the Minister of Law and Human Rights of the Republic of Indonesia in relation with the increase of the capital of the Company as a result of the LPO, there are no other licenses/approvals/notification obligations from/to relevant government authorities. Currently, the Company has filed the Registration Statement with OJK and obtained approval from the IDX on the schedule of the LPO including schedule for the listing of additional shares resulting from the LPO. Notification on the increase of issued capital of the Company to the Minister of Law and Human Rights of the Republic of Indonesia will be done after the approval from the General Meeting of Shareholders on the LPO has been obtained and new shares resulting from the LPO has been issued and fully paid up.

8. Each shareholder of the Company registered in the Shareholders Register of the Company, including holder of the shares obtained from the LPO, is entitled and authorized to attain and perform all rights attached to the shares as provided in the Articles of Association and the applicable laws, including to attend general meetings of shareholders of the Company, cast votes in such meetings and receive dividends distributed by the Company in accordance with the resolutions of such meetings, in proportion to the shares owned in the Company.

9. As at the date of this Legal Opinion, the ownership and possession by the Company and its Subsidiaries, as well as companies in which such Subsidiaries has participation, of immovable assets in the forms of land with the Right to Build (HGB) land title and office space with the Ownership of Apartment Unit (HMSRS) title which are considered essential and material by the Company are valid and protected by the ownership and possession documents. Several Right to Build (HGB) land titles have expired and the Company has filed application for the extension thereof not less than two years prior to their expirations and the Company remains eligible in respect of requirements to be granted of such titles. To the extent of our knowledge, these immovable assets are not involved in any cases which are material in nature and these immovable assets are not under any liens in any forms and are not encumbered to any parties, except with respect to one parcel of land
As at the date of this Legal Opinion, the ownership and possession by the Company and its Subsidiaries, as well as companies in which such Subsidiaries has participation, of movable assets in the forms of motor vehicles, helicopters and Intellectual Property Rights which are considered essential and material by the Company are valid and protected by the ownership and possession documents. To the extent of our knowledge, these movable assets are not involved in any cases which are material in nature and these movable assets are not under any liens in any forms and are not encumbered to any parties.

As at the date of this Legal Opinion, the Company has entered into global property all risk insurance policies with PT Asuransi Sompo Japan Nipponkoa to insure the assets (including inventories) of the Company and its Subsidiaries against all industrial risks including risks on business interruption, marine cargo insurance policy with PT Asuransi Allianz Utama Indonesia, public and product liability insurance policy with PT Asuransi AXA Indonesia to insure public and product liability and aviation insurance policy with PT MNC Asuransi Indonesia to insure the helicopter and its related passengers, crews and employees, where all of these policies remain valid, except for aviation insurance policy which was expired on 1 September 2015. The Company stated that the insured amount under such insurance policies is sufficient to replace the objects being insured or to cover the risks being insured based on such policies, except for the aviation insurance policy with PT MNC Asuransi Indonesia which has expired.

As at the date of this Legal Opinion, the Company has valid shares participation in the Subsidiaries which financial statements are consolidated into the financial statement of the Company and/or the ownership of the Company is 50% or more with further details as follows:

a. PT Sampoerna Printpack (“PT SPP”) with ownership in the amount of 28,808 shares or representing 80.02% of the total shares issued and paid up in PT SPP.

b. PT Perusahaan Dagang Dan Industri Panamas (“PT Panamas”) with ownership in the amount of 2,110,387 shares or representing 99.9% of the total shares issued and paid up in PT Panamas.

PT Panamas has participation in the following companies:

(i) PT Sampoerna Indonesia Sembilan (formerly PT Asia Tembakau) (“PT SIS”) with ownership in the amount of 8,415 shares or representing 99% of the total shares issued and paid up in PT SIS; and

(ii) PT Agasam (“PT Agasam”) with ownership in the amount of 4,497 shares or representing 99.9% of the total shares issued and paid up in PT Agasam.

c. PT Taman Dayu (“PT TD”) with ownership in the amount of 205,935 shares or representing 99.73% of the total shares issued and paid up in PT TD. PT TD has participation in PT Golf Taman Dayu (“PT GTD”) with ownership in the amount of 75,978,089 shares or representing 96.67% of the total shares issued and paid up in PT GTD.

d. PT Persada Makmur Indonesia (“PT Persada”) with ownership in the amount of 2,475 shares or representing 99% of the total shares issued and paid up in PT Persada.
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e. PT Harapan Maju Sentosa ("PT Harapan") with ownership in the amount of 399,999 shares or representing 99.99975% of the total shares issued and paid up in PT Harapan.

f. PT Wahana Sampoerna ("PT WS") with ownership in the amount of 1,729 shares or representing 99.94% of the total shares issued and paid up in PT WS.

g. PT Union Sampoerna Dinamika ("PT USD") with ownership in the amount of 7,999 shares or representing 99.9875% of the total shares issued and paid up in PT USD.

h. PT Handal Logistik Nusantara (in liquidation) ("PT HLN") with ownership in the amount of 4,999 shares or representing 99.98% of the total shares issued and paid up in PT HLN.

i. Sampoerna International Pte Ltd ("SIPL") with ownership in the amount of 242,950,000 shares or representing 100% of the total shares issued and paid up in SIPL.

SIPL has participation in the following companies:

   (i) Sampoerna Tabacos America Latina LTDA ("STAL") with ownership in the amount of 40,848,431 shares or representing 100% of the total shares issued and paid up in STAL;

   (ii) Sterling Tobacco Corporation ("Sterling Corp") with indirect ownership representing 100% of the total shares issued and paid up in Sterling Corp. where 9,995 shares are owned by SIPL and the remaining 5 shares are each owned by 5 directors of SIPL respectively; and

   (iii) Sampoerna Taiwan Corporation ("STC") with ownership in the amount of 23,000,000 shares or representing 100% of the total shares issued and paid up in STC.

Further, the Company also has participation in Vinataba-Philip Morris Limited ("VPML") with ownership representing 49% of the total shares issued and paid up in VPML.

As at the date of this Legal Opinion, as mentioned in the 2014 Annual Report, several companies in which the Company has shares participation as mentioned above, currently do not actively carry out their business activities or have ceased their business activities or in the process of liquidation. Such companies are as follows:

a. PT Persada, PT Harapan, PT Panamas, STAL and Sterling Corp have ceased their business activities;

b. PT WS and PT USD do not carry out their business activities; and

c. PT HLN and STC are in the liquidation process.

13. As at the date of this Legal Opinion, in accordance with our Due Diligence, the Company has fulfilled its obligation in accordance with the manpower laws and regulations applicable in Indonesia, particularly with respect to the following:

a. The Company has carried out Mandatory Manpower Report for all its offices.

b. The Company has participated in the Manpower BPJS Program and Health BPJS Program for employees in accordance with the applicable laws and regulations.
c. The Company has fulfilled its obligations relating to the payment of contributions for Manpower BPJS Program and Health BPJS Program for the 2015 period.

d. The Company has entered into Collective Labour Agreement with 7 labour unions in its business units and such Collective Labour Agreement has been registered with the relevant Ministry of Manpower and Transmigration.

e. To the extent of our knowledge, the Company has complied with the Provincial Minimum Wage as provided under the applicable regulations on Provincial Minimum Wage, to the extent that the information relating to the minimum wage has been reported by the Company in the Mandatory Manpower Report which remains valid up to now and based on the Minimum Wage Payment List provided by the Company as well as evidence of payment for several office locations of the Company.

f. The Company has permits to employ 23 foreign expatriates which permits remain valid until the date of this Legal Opinion.

14. As at the date of this Legal Opinion, the Company has entered into agreements considered essential and material. To the extent of our knowledge, based on the provisions of these agreements considered essential and material which the Company is a party thereof, there are no restrictions which may directly hinder or limit the Company’s ability to carry out the PUT or negative covenants which harm the interests of the public shareholders.

Further, to the extent of our knowledge, the Company has fulfilled its obligations which have been due based on such agreements and that there has been no breach of or default under the agreements due to a notice or lapse of time or both.

To the extent of our knowledge, agreements with Affiliated Party of the Company have been carried out in compliance with Regulation IX.E.1 on Affiliate Transaction and Conflict of Interest of Certain Transaction.

15. As at the date of this Legal Opinion, in connection with the LPO, the Company has entered into and executed (i) Deed on Agreement on Shares Administration and Execution Agent in connection with the Limited Public Offer (Akta Perjanjian Pengelolaan Administrasi Saham dan Agen Pelaksanaan Dalam Rangka Penawaran Umum Terbatas) No. 26 dated 10 August 2015 as amended by Deed on Amendment and Restatement of Agreement on Shares Administration and Execution Agent in connection with the Limited Public Offer (Akta Addendum dan Pernyataan Kembali Perjanjian Pengelolaan Administrasi Saham dan Agen Pelaksanaan Dalam Rangka Penawaran Umum Terbatas) No. 11 dated 1 October 2015, both were drawn up before Aryanti Artisari, S.H., M.Kn., Notary in the Administration City of Jakarta Selatan, by and between the Company and PT Sirca Datapro Perdana as the Share Registrar (“BAE”) which provide the terms, including the terms of the LPO, and conditions which are common and reasonable for agreement in connection with a Limited Public Offer in Indonesia, and (ii) Deed on Agreement to Purchase the Remaining Shares of Limited Public Offer 2015 PT Hanjaya Mandala Sampoerna Tbk (Akta Perjanjian Pembelian Sisa Saham Penawaran Umum Terbatas 2015 PT Hanjaya Mandala Sampoerna Tbk) No. 40 dated 11 September 2015 as amended by Deed on Amendment and Restatement of Agreement to Purchase the Remaining Shares of Limited Public Offer 2015 2015 PT Hanjaya Mandala Sampoerna Tbk (Akta Addendum dan Pernyataan Kembali Perjanjian Pembelian Sisa Saham Penawaran Umum Terbatas 2015 PT Hanjaya Mandala Sampoerna Tbk) No. 12 dated 1 October 2015 and Deed on Amendment II and Restatement of Agreement to Purchase the Remaining Shares of Limited Public Offer 2015
PT Hanjaya Mandala Sampoerna Tbk (Akta Addendum II dan Pernyataan Kembali Perjanjian Pembelian Sisa Saham Penawaran Umum Terbatas 2015 PT Hanjaya Mandala Sampoerna Tbk) No. 21 dated 6 October 2015 all of which were drawn up before Aryanti Artisari, S.H., M.Kn., Notary in the Administration City of Jakarta Selatan between the Company as Issuer and PT Mandiri Sekuritas as standby purchaser which provides among others that if the new shares offered in the LPO are not entirely subscribed by the HMETD holders from the public portion, the remaining shares will be allocated to other public holders of HMETD who subscribe more than their entitlements, as set out in the HMETD Certificate or Additional Shares Subscription Order Form, in proportion to the rights which have been exercised. If after the allocation of the additional shares there are still remaining shares from the public portion, i.e. a maximum of 4,912,725 common shares, then PT Mandiri Sekuritas, acting as standby purchaser, is obligated to purchase such remaining shares from the public portion, where the remaining shares which must be purchased by the standby purchaser exclude shares which are the portion of PT PMID in this LPO, by taking into consideration that the shares owned by the public shall be 7.5% of the total issued and paid up capital and the shares owned by PT PMID shall be 92.5% of the total issued and paid up capital after LPO is completed.

Agreements and Statements made by the Company in connection with the LPO as described above are valid and binding to the Company and the parties to such agreements, and have been in accordance with the Articles of Association of the Company and the applicable regulations.

16. As disclosed in the Prospectus, all proceeds received by the Company from the result of the LPO, in the maximum of Rp.20,768,676,852,000.00, after being deducted by all costs related to the LPO will be entirely used for working capital including payment of a part of working capital loan facilities. If the proceeds are less than the plan on the result of the LPO, the Company will use its internal cash, considering that the Company has sufficient funds to carry out its operational activities. If the proposed use of proceeds involves transaction which is an affiliated party transaction and/or transaction with conflict of interest as meant in Regulation No. IX.E.1 on Affiliate Transaction and Conflict of Interest of Certain Transaction as attached to the Chairman of Bapepam-LK Decree No. 412/BL/2009 dated 25 November 2009, the Company is obligated to comply with the requirements and provisions as provided in such regulation. In addition, if the proposed use of proceeds involves transaction which is a material transaction as meant in Regulation No. IX.E.2 on Material Transaction and Change of Core Business as attached to Chairman of Bapepam-LK Decree No. 614/BL/2011 dated 28 November 2011, the Company is also obligated to comply with the requirements and provisions as provided in such regulation.

17. As at the date of this Legal Opinion, with respect to the legal aspects disclosed in the Prospectus and Abridged Prospectus as well as the additional information or its changes other than as contained in this Legal Opinion, they are correct and in accordance with the actual circumstances. The Articles of Association of the Company as set out in the Prospectus is the latest Articles of Association of the Company as contained in Deed No. 21/2015 as we described in number 1 above; such latest Articles of Association has complied with the applicable regulations including regulations applicable in the Capital Market field.

18. To the extent of our knowledge, the Company is not registered/recorded, either as plaintiff/defendant/co-defendant or as criminal defendant/convict, and not involved in any civil cases, criminal cases and/or other disputes in courts and/or arbitration in Indonesia or any disputes relating to industrial relations, except for a civil case relating to a parcel of land of the Company (where the Company as defendant II), tax disputes (where the Company as the appellant and the party which filed complaint) and a labour dispute with an employee (currently in the process of tripartite negotiation and has not yet reached a trial proceeding in the industrial relations court) as described in the Due Diligence Report. However, to the extent of our knowledge, these cases/disputes do not have material impact to the business activities and the financial condition of the Company. The Company has
also never been declared bankrupt upon third party request or filed for voluntary bankruptcy.

19. In addition, to the extent of our knowledge, each member of the Board of Directors and Board of Commissioners of the Company currently is not involved in any civil cases, criminal cases and/or any claims, lawsuits or other disputes in courts and/or in arbitrations either within the territory of Indonesia or abroad or administrative disputes with any relevant government institutions (including but not limited to disputes relating to tax obligation or disputes relating to industrial relations), which may substantially affect the position, role and/or going concern of the Company.

QUALIFICATIONS

This Legal Opinion is issued with the qualifications that:

1. the Legal Audit was carried out within the law of the Republic of Indonesia and this Legal opinion was in accordance with the prevailing laws and regulations of the Republic of Indonesia, and therefore is not intended to apply or interpreted pursuant to the law of other jurisdiction;

2. While we have conducted a legal review of the documents made available to us by the Company pursuant to the HKHPM Professional Standard, there remain a possibility that there are other information or documents not known to us which may affect the content of this Legal Opinion;

3. The Legal Audit Report and Legal Opinion were prepared based on the review of the documents of the Company and the Subsidiaries and the written confirmation/statements we obtained from the Company and the Subsidiaries up to the deadline of the Legal Audit exercise;

4. In conducting the Legal Audit and providing the Legal Opinion on a transaction where the Company and Subsidiaries become a party or have interest thereon or on their related assets, we do not give any opinion on the fairness of the commercial or financial value;

5. Our responsibility as the Company’s independent legal counsel in connection with the exercise of the Legal Audit and issuance of the Legal Opinion is limited to and in accordance with the provision in Article 80 of the Capital Market Law;

6. The Company and Subsidiaries have complied with any and all of their obligations pursuant to the (i) prevailing laws and regulations, (ii) licenses they possess, (iii) reporting and registration required to be made, and (iv) provisions under the agreements, commitments entered into between the Company and Subsidiaries with a third party, and that the Company or Subsidiaries have not been declared default or fail to fulfill their obligations under the such regulations, licenses, reporting, registrations or agreements;

7. The documents with respect to Minutes of Meeting or Circular Resolutions provided to us by the Company for review in this Legal Audit process (i) have disclose correct, accurate and complete facts and conform with the actual condition, (ii) have been legally held and all resolutions adopted have been conducted in accordance with the stipulated requirements and, (iii) no other Minutes of Meeting or Circular Resolutions documents that has not been disclosed to us;

8. The Legal Opinion on the Subsidiaries with legal domicile outside of the Republic of Indonesia is based on the legal opinion issued by legal counsel who has the capacity in the legal jurisdiction where the Subsidiaries were located;
(9) In issuing this Legal Opinion, we have not verify whether the Subsidiaries are actively doing its business pursuant to the articles of association and/or licenses obtained;

(10) There are no registration system of legal cases in Indonesian court which are open for public access or uses a uniform data base for obtaining correct, complete and accurate information in connection with a legal cases, lawsuits or disputes that exist, still ongoing or pending;

(11) A company incorporated in Indonesia is required to be registered with the Company Registration Office of the Ministry of Trade and to the Company Register maintained by the Minister of Law and Human Rights, but this registration system is not reliable for purpose of obtaining an updated data on the company such as a complete set of the articles of association, name of the shareholders and amendments from time to time and does not include information in relation to any encumbrances over the assets of the Company or filing of bankruptcy or bankruptcy decision;

(12) This Legal Opinion only relates to opinion from legal aspects and Mochtar Karuwin Komar Law Office do not have capacity and capability to issue opinion outside of the legal aspects which may be related to other aspects such as accounting, finance, technical or taxation, so that this Legal Opinion does not cover matters relating to accountancy, finance, technical or taxation;

(13) Mochtar Karuwin Komar Law Office does not review and only examine the Company’s and Subsidiaries’ Audited Consolidated Financial Statements and the Independent Auditor’s Report as of and for the years ended 31 December 2014, 31 December 2013 and for the six months ended 30 June 2015 and as of and for the years ended 31 December 2014 and 31 December 2013 with comparison numbers for the six months ended 30 June 2014 (unaudited), as well as other Financial Statements for the respective Subsidiaries whether or not audited by Independent Auditor as one of the source of additional information to the Legal Audit;

(14) Any statement which contains the expression “to the extent of our knowledge”, was made based on the statements and/or information, oral or written provided by the members of the Board of Directors, Board of Commissioners, other representatives, and/or employees of the Company or its respective Subsidiaries.

Thus, this Legal Opinion is issued in our capacity as independent Legal Consultant, with integrity and impartiality but without any personal interest, directly or indirectly to the business of the Company or the Subsidiaries and we are responsible for the content of this Legal Opinion.

Sincerely your,
MOCHTAR KARUWIN KOMAR

Signed

Miranti Malikus Ramadhani, S.H.
STTD No. 549/PM/STTD-KH/2004
XII. CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS REPORT

The consolidated financial statements of the Company dated June 30, 2015 and for the period of 6 (six) months ended June 30, 2015 and as of and for the years ended December 31, 2014, 2013 and 2012 included in this Prospectus have been audited by KAP Tanudiredja, Wibisana, Rintis & Rekan, formerly known as KAP Tanudiredja, Wibisana & Rekan (a member firm of PricewaterhouseCoopers global network), independent public accountants, in accordance with auditing standards established by IICPA, with Unqualified Opinion, which report is included in this Prospectus.
XIII. DIVIDEND POLICY

In accordance with the applicable regulations in Indonesia, the Shareholders must approve the distribution of dividends at an annual GMS upon the recommendation of the Board of Directors.

Shareholders on the applicable recording date will be entitled to receive the full amount of dividends approved, subject to any Indonesian withholding tax. The dividends will be paid in Rupiah and must be paid within 30 days after the announcement of the result of the annual GMS approving the distribution of dividend. The dividends received by non-Indonesian shareholders will be subject to a 20% withholding tax in Indonesia unless reduced under an applicable Double Taxation Avoidance Agreement.

The following table shows cash dividend per share that was declared and paid by the Company since 2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014††</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Final Dividend was Declared</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend Declared</td>
<td>8,801.1</td>
<td>10,650.7</td>
<td>9,945.0</td>
<td>7,670.3</td>
</tr>
<tr>
<td>Interim Dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>876.6</td>
</tr>
<tr>
<td>Interim Dividend Payment Date</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>December 23, 2011</td>
</tr>
<tr>
<td>Final Dividend Paid</td>
<td>8,801.1</td>
<td>10,650.7</td>
<td>9,945.0</td>
<td>6,793.7</td>
</tr>
<tr>
<td>Dividend Payout Ratio††</td>
<td>86.4%</td>
<td>98.4%</td>
<td>100%</td>
<td>95.1%</td>
</tr>
</tbody>
</table>

Based on the EGMS decision on September 18, 2015, the shareholders agreed and authorized the distribution of Cash Dividends amounting to Rp3,449.4 billion or Rp787 (in full Rupiah) per share from the Company’s retained earnings in year 2014.

In the last four years, the Company's practice has been to pay a dividend of close to 100% of its net profit for each year, subject to its financial performance and cash flow needs in the future, shareholder approval at its annual general meeting and global and domestic macroeconomic conditions.

There is no negative covenants binding on the Company restricting the Company’s ability to distribute dividends to its shareholders.

Requirements for Distributing

The requirements that must be met in order for a company to distribute dividends (whether final or interim) are provided under the Company Law.

Interim Dividends

Under Article 72 of the Company Law, a company is allowed to distribute interim dividends prior to the close of its financial year to the extent that: (a) the articles of association expressly contain provisions on distribution of interim dividends; (b) the distribution of interim dividends does not result in the net assets of the company being less than its aggregate paid-up capital plus its mandatory reserves; and (c) the distribution of the interim dividend will not cause the company to breach any covenants with its existing creditor(s) or adversely affect the company’s business activities. The articles of association of the Company provide for and regulate the distribution of interim dividends. The distribution of an interim dividend must be determined based on a decision of the Board of Directors with approval from the Board of Commissioners. If the Company suffers losses at the end of the relevant financial year, the Shareholders are required to return any interim dividend distributed to them to the Company. The Board of Directors and Board of Commissioners will be jointly liable for any losses incurred by the Company if the Shareholders that received the interim dividend are not able to return such amount.

Final Dividends

Under the Company Law, a company may distribute a final dividend to Shareholders only if a company has booked a positive profit balance after deduction for setting aside part of its positive profit balance for its mandatory reserves at the close of its financial year (i.e., all net profit booked at the close of its financial year covers all accumulated losses from previous financial years). A part of net profits will have to be set aside for a company’s mandatory reserves until the reserve reaches at least 20% of the company's paid-up and issued capital.

The Company has booked profit in its 2012, 2013 and 2014 Consolidated Financial Statements. As of June 30, 2015, the Company has fully allocated funds for the mandatory reserves prior to the limited public offering.

Dividend Policy

The recommendation, amount and payment of dividends by the Board of Directors and the approval of dividends by
the Board of Commissioners is at their discretion and will depend on a number of factors at the relevant time, including the Company’s net profits, availability of reserves, capital expenditure requirements, results of operations, cash flows, the payment of cash dividends by the Company’s subsidiaries, contractual restrictions and the Company’s overall financial position. These, in turn, depend on a variety of factors, including successful implementation of the Company’s business strategy, financial, competitive and regulatory considerations, general economic conditions and other factors that may be specific to the Company or its industry. Many of these factors are beyond the Company’s control. No inference should or can be made from the Company’s dividend policy or its practice of paying dividends in the past as to the Company’s future profitability or the amount of dividends that the Company’s Board of Directors and shareholders may approve in the future.
XIV. TAXATION

Income Tax on stock dividends will be in accordance with the applicable laws and regulations. Based on the Law of the Republic of Indonesia No. 36 Year 2008 on the Fourth Amendment of Law No. 7 Year 1983 on Income Tax, a dividend or a share of the profits received by a limited liability company as a taxpayer in the country, cooperatives, State-Owned Enterprises, or Regional-Owned Enterprises, of the equity investment in a business entity incorporated and domiciled in Indonesia are not included as an object of income tax provided that:

1. Dividend derived from retained earnings reserves; and
2. For a limited liability State Owned Enterprise and Regional Owned Enterprise which receive dividends, shares ownership of the company that pays a dividend is at least 25% (twenty five percent) of the total issued capital.

In accordance with Regulation of the Minister of Finance of the Republic of Indonesia No. 234/PMK-03/2009 dated December 29, 2009 in regards to Certain Investment Sector which Provide Income to Pension Funds Excluded As Object From Income Tax, the income received by a pension fund whose establishment approved by the Ministry of Finance of the Republic of Indonesia is not included as the object of income tax if the income is received or accrued from the investment include dividends of shares in limited liability companies listed on the Stock Exchange in Indonesia.

In accordance with the Government Regulation No. 14 Year 1997 in regards to the Amendment to Government Regulation No. 41 Year 1994 regarding Income Tax on Income from Sales of Shares Transactions on the Stock Exchange, has been set as follows:

1. On the income received or accrued by the individual taxpayer and the taxpayer from the sale of shares on the Stock Exchange is levied an income tax at 0.1% (zero point one percent) of the gross value of sales transactions and shall be final. The income tax payment is deducted by the Stock Exchange through stockbrokers at the time of settlement of the sale of shares.
2. The founders’ shares are subject to an additional Income Tax of 0.5% (zero point five percent) of the value of all shares of its founders at the time of the Initial Public Offering and shall be final.
3. Payment of additional income tax payable can be made by the Company on behalf of each of the founding shareholders within a period of no more than 1 (one) month after such shares are traded on the Stock Exchange. However, if the founding shareholders do not choose the payment method is based on a 0.5% final income tax, the calculation of the income tax is based on income tax rates generally accepted in accordance with article 17 of Law No. 36 Year 2008.
4. Pursuant to Article 23.a.1 Act No. 36 Year 2008, dividends obtained from shares, whether they are traded in the capital market or not, owed or paid to taxpayers or the permanent establishment is withhold by article 23 of 15% (fifteen percent) of the gross amount.
5. Based on Market Law 17.2.c No. 36 Year 2008, dividends that are distributed to individual taxpayers in the country are subject to income tax article 4 (2) of 10% and shall be final.

Government regulations on income tax from the sale of shares on the stock exchange above also apply to the Pension Fund whose establishment has been approved by the Ministry of Finance of the Republic of Indonesia.

In accordance with Act No. 36 Year 2008 and Government Regulation No. 19 Year 2009 in regards to Income Tax on Dividends received or accrued by the domestic individual taxpayer, therefore the income is in the form of dividends received or accrued by the individual taxpayer in the country are subject to 10% income tax and shall be final.

Dividends received or obtained by shareholder taxpayer in the country apart from the parties qualified above and the permanent establishment of a foreign taxpayer is subject to income tax in accordance with Article 23 of Law 36 Year 2008. Companies that pay dividends is subject to income tax of 15% (fifteen percent) of the gross amount in accordance to the article 23 of the Income Tax Act. Withholding income tax article 23 is a tax credit for annual income tax payable by shareholders of domestic taxpayers and permanent establishments.

Dividends paid or payable to the taxpayer abroad will be charged a rate of 20% (twenty percent) of cash paid (in the case of cash dividends) or 20% (twenty percent) of par value (in the case of stock dividends). To those who are residents of a country that has signed a Double Taxation Avoidance Agreement (P3B) with Indonesia, to meet the General Director of Taxation Number PER -24/PJ/2010 dated 30 April 2010 on the Amendment Regulation of the General Director of Taxation Number PER 61/PJ./2009 on Procedures for Application of Double Taxation Avoidance Treaty, can obtain a lower tariff with the provisions of submitting the Certificate of Domicile (SKD) as defined in Appendix II (Form - DGT 1) or Appendix III (Form - 2 DGT) of General Director of Taxation Regulation before the deadline of the tax return submission period for tax payable. Form-DGT 2 which has been approved by the tax officials of the P3B associate countries is valid for twelve (12) months.

In accordance with Government Regulation No. 24 Year 2000, documents related with the sale of shares are imposed to stamp duty payable. Currently, the stamp duty payable is Rp6,000 for the transactions above Rp1,000,000 and Rp3,000 for transactions below Rp1,000,000. Stamp duty is payable at the time the document is used.
The Company has deposited and reported its corporate income tax in accordance with the tax regulations in Indonesia based on the self-assessment principle. The tax authorities may assess or amend the taxes within a specified period in accordance with the applicable regulations.

Company Tax Liabilities
As a taxpayer, the Company has taxation obligations for income tax (VAT), value added tax (VAT) and the Land and Building Tax (PBB). The Company has fulfilled its tax obligations in accordance with the applicable taxation laws and regulations. As of the date of this prospectus is published, the Company does not have tax arrears. The calculation of corporate income tax for the year ended is a preliminary estimate made for accounting purposes and is subject to amendment as the Company submits Notice of Annual Tax (SPT).

PROSPECTIVE BUYERS OF SHARES IN THIS LPO IS EXPECTED TO CONSULT WITH TAX ADVISORS REGARDING IMPACT OF TAXATION ARISING FROM THE RIGHTS PURCHASE, SALE OR OWNERSHIP OBTAINED THROUGH THIS LPO.
XV. CAPITAL MARKET SUPPORTING INSTITUTIONS AND PROFESSIONS

Capital Market Supporting Institutions and Professions involved in this Limited Public Offering are as follows:

**Legal Consultant**: Mochtar Karuwin Komar  
14th Floor WTC 6  
Jl. Jendral Sudirman Kav. 31  
Jakarta 12920  

Professional Standard:  

Main Task:  
Provides Legal Opinion of the Company in regards to this Limited Public Offering. Legal consultant performs legal due diligence based on the facts of the Company and other information related to it, as delivered by the Company. The result of the due diligence which has been published in the Test Result Report has become the basis of the Legal Opinion in connection with this Limited Public Offering related to all legal aspect. Another task is to examine the information included in the Prospectus related to all legal aspect.

The working guideline used by Mochtar Karuwin Komar in performing its duty as a Legal Consultant is the Profession Standard of the Capital Market Legal Consultants Association, attachment HKHPM Decree No. KEP.01/HKHPM/2005 as amended by the decision HKHPM No. KEP.04/HKHPM/XII/2012.

Appointment Letter:  

**Public Accountant**: KAP Tanudiredja, Wibisana, Rintis & Rekan  
(PricewaterhouseCoopers global network firms)  
Plaza 89  
Jl. H.R. Rasuna Said Kav. X-7 No. 6  
Jakarta 12940  
Indonesia  

Professional Standard:  
No. STTD : 60/BL/STTD-AP/2009  
Date of STTD : March 12, 2009  
Membership Association number : No. Reg. IICPA 1361 valid until December 31, 2015 by the Public Accounting Practice License No. AP.0232  
Working Guidelines : Indonesian Financial Accounting Standards and Generally Accepted Accounting Standards

Main Tasks:  
Carry out audits in accordance with Generally Accepted Accounting Standards established by the Indonesian Institute of Certified Public Accountants (IICPA). Those standards require public accountants to plan and perform the audit in order to obtain reasonable assurance of public accountants that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well
as evaluating the overall financial statement presentation.

Appointment Letter:

Notary:

**Notary Office Aryanti Artisari, S.H., M.Kn.**
Menara Sudirman, Lt. 18
Jalan Jend. Sudirman Kav. 60
Jakarta 12190 – Indonesia

Professional Standards:
- No. STTD : 11/STTD-N/PM/1996
- Date of STTD : March 20, 1996
- Association : Indonesian Notary Association (INI), No.561/BL/STTD-N/2012

Main Tasks:
Compose the deeds of the agreement and the Minutes of the Extraordinary General Meeting of Shareholders in connection with this Limited Public Offering in accordance with the Shares in connection with this Limited Public Offering in accordance with Notary Regulation and Notary Code of Ethics.

Appointment Letter:
The Company appointed the Notary based on Appointment Letter No. 01/VIII/2015 dated August 4, 2015.

Share Registrar (BAE):

**PT Sirca Datapro Perdana**
Wisma Sirca
Jl. Johar, No. 18, Menteng
Jakarta 10340

Professional Standards:

Main Tasks:
Duties and responsibilities of the Share Registrar in the Limited Public Offering is, in accordance with the applicable Capital Market Regulations, among others, determine the Shareholders List (DPS), which shall be entitled, distribute the Rights Certificate or pre-emptive rights in electronic form into collective custody at PT Kustodian sentral Efek Indonesia (KSEI ), receives a request to exercise the Rights, and carry out the reconciliation of funds for the payment of such request with the bank appointed by the Company, carry out allotment process for ordering the purchase of additional shares, carry out the process of issuing and distributing shares in the form of paper or in electronic form into collective custody at KSEI as well as carrying out the process of distribution of Allotment Confirmation Form and make a list of share subscription refunds.

Appointment Letter:

The Capital Market Supporting Institutions and Professions involved in this Limited Public Offering claims no affiliation with the Company as the definition of affiliation to the Capital Market Law.

CAPITAL MARKET SUPPORTING PROFESSIONALS HAS FULFILLED THE PROVISIONS BASED ON GOVERNMENT REGULATION NUMBER 11 YEAR 2011 REGARDING LEVY BY OTORITAS JASA KEUANGAN
XVI. ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION OF
PT HANJAYA MANDALA SAMPOERNA Tbk.

NAME AND DOMICILE

Article 1

1. This Limited Liability Company bears the name of P.T. Hanjaya Mandala Sampoerna Tbk (hereinafter in these Articles of Association referred to as the “Company”), domiciled and has its head office in the Municipality of Surabaya.

2. The Company may open branches, representative offices or business unit offices in other places, within and outside the territory of the Republic of Indonesia as determined by the Board of Directors.

DURATION OF THE COMPANY

Article 2

The Company has been established since the 30 (thirty) day of April 1964 (one thousand nine hundred and sixty-four) for an unlimited period of time.

PURPOSE AND OBJECTIVES AND BUSINESS ACTIVITIES

Article 3

1. The purpose and objectives of the Company are primarily to conduct business in the fields of industry, agribusiness, and trading.

2. To achieve the purpose and objectives referred to above, the Company may perform the following business activities:

(i) Primary business activity:
   to establish and run companies and business in the cigarette industry; including but not limited to kretek cigarette, filter kretek cigarette, klobot cigarette, white cigarette (without clove), cigar;

(ii) Supporting business activities:
   a. to run agribusiness and farming industry, as well as industry producing raw materials and/or unfinished raw materials needed for the cigarette industry;
   b. to purchase and/or submit applications for rights and/or in any other manners acquire immoveable property, and particular farm land, manage the farm land and market farm products;
   c. to market and/or sell its own industry products referred to in sub (i) above and the industry products of other parties, either in the domestic or overseas markets;
   d. to act as agent and/or representative or distributor or supplier of other domestic or offshore companies with respect to goods or merchandises produced and/or sold by the Company referred to in sub (i) and (ii) above and raw materials and/or unfinished materials for cigarette industry;
   e. to carry out other supporting businesses or other businesses related to the above primary business activity.

CAPITAL

Article 4

1. The authorized capital of the Company is Rp.630,000,000,000 (six hundred and thirty billion rupiah) divided into 6,300,000,000 (six billion and three hundred million) shares, each share having a nominal value of Rp.100,000 (one hundred rupiah).

2. Of the said authorized capital, 4,383,000,000 (four billion three hundred and eighty three million) shares or 69.57% (sixty nine point fifty seven percent) with a total nominal value of Rp. 438,300,000,000 (four hundred thirty eight billion three hundred million rupiah) have been issued to, subscribed and fully paid up by the relevant shareholders to the Company.

List of shareholders of the Company with details of the nominal value of shares are mentioned at the end of this deed.
3. Unissued shares will be issued by the Company according to the Company’s need for capital based on the resolution of the Board of Directors with the approval of the General Meeting of Shareholders (hereinafter in these Articles of Association shall be referred to as “GMS”), with due observance of the provisions of these Articles of Association and the prevailing capital market laws and regulations and the regulations of the Stock Exchange, where the shares of the Company are listed. The shares may not be issued at a price below par. Each issued share shall be fully paid up.

The GMS may authorize the Board of Commissioners to approve the implementation of the issuance of unissued shares, which authorization is granted for a period as determined by the prevailing laws and regulations.

4. The GMS which approves the issuance of unissued shares by way of limited public offering should also resolve the followings:
   a. the maximum number of unissued shares to be issued; and
   b. the granting of authorization to the Board of Commissioners to determine the number of unissued shares actually issued in the public offering.

The quorum and voting requirements to adopt resolutions of a GMS approving the issuance of unissued shares must comply with Article 11 of these Articles of Association.

5. If any unissued shares will be issued by way of limited public offering, then:
   a. Any shareholders registered in the Shareholders’ Register on the date determined by the Board of Directors, based on a resolution of the GMS which has approved the issuance of such shares, shall have pre-emptive right to purchase the shares (which rights hereinafter shall be referred to as “Rights”) in proportion to their respective shareholdings (proportionally) by payment of the share price in full within the period and under terms determined by the Board of Directors in accordance with the provisions of these Articles of Association, and the prevailing capital market laws and regulations and the regulation of the Stock Exchange where the shares of the Company are listed.
   b. The Rights must be transferred and/or traded in accordance with the provisions of these Articles of Association, the prevailing capital market laws and regulations and the regulations of the Stock Exchange, where the shares of the Company are listed.
   c. If the holders of the Rights fail to exercise the Rights, then the Board of Directors shall be free to offer such shares to the shareholders who wish to purchase shares in a number that is higher than the number of Rights they have exercised, with due observance of the provisions of these Articles of Association, and the prevailing capital market laws and regulations as well as the regulations of the Stock Exchange where the shares of the Company are listed.
   d. If there are remaining shares after the offering period, the Board of Directors shall have the right to issue the remaining shares to any third party, including party who is acting as a stand-by purchaser in the relevant limited public offering, who has stated its readiness to purchase the remaining shares at a price and under terms and conditions not more favorable than those stipulated in the resolution of the GMS referred to above in item (a), all of this with due observance of the provisions in these Articles of Association and the prevailing capital market laws and regulations as well as the regulations of the Stock Exchange where the shares of the Company are listed.

6. The provisions in paragraphs 3, 4 and 5 above shall also apply mutatis mutandis for the issuance of convertible bonds and/or warrants and/or other similar securities in the nature of equity, all of which with due observance of the provisions in these Articles of Association and the prevailing capital market laws and regulations as well as the regulations of the Stock Exchange where the shares of the Company are listed.

7. If the Company will issues unissued shares to holders of convertible bonds and/or warrants and/or other similar securities in the nature of equity issued by the Company based on the approval of the GMS, then the Board of Directors of the Company shall be entitled to issue such shares without giving the pre-emptive rights to the existing shareholders to acquire or purchase the shares with due observance of the provision of these Articles of Association and the prevailing capital market laws and regulations as well as the regulations of the Stock Exchanges where the shares of the Company are listed.

8. Notwithstanding anything contrary in these Articles of Association, based on the resolution of the GMS, the
Board of Directors shall have the right to issue unissued shares without giving the Rights to the shareholders of the Company, provided that such issuance of unissued shares is:

a. intended to the employees of the Company;
b. intended to the holders of convertible bonds or other securities convertible into shares, issued with the approval of the GMS;
c. conducted pursuant to a reorganization and/or restructuring approved by a GMS; and/or
d. carried out in compliance with the prevailing capital market laws and regulations as well as the regulations of the Stock Exchange where the shares of the Company are listed.

9. Provisions of paragraphs 3, 4, 5, 6, 7 and 8 of this Article shall apply mutatis mutandis to the issuance of shares resulting in an increase in the authorized capital, except for the quorum and the number of votes to decide the resolution of GMS must comply with Article 12 of this Articles of Association.

10. Increase of the paid-up capital shall take effect upon the payment thereof, and the issued shares shall have the same rights with the shares of the same class of shares which have been issued by the Company, without prejudice to the Company’s obligation to report to the Minister of Law and Human Rights of the Republic of Indonesia.

11. The increase of the Company’s authorized capital which causes the subscribed and paid-up capital to become less than 25% (twenty-five percent) of the authorized capital can only be carried out provided that:

a. it has been approved by the GMS to increase the authorized capital;
b. it has been approved by the Minister of Law and Human Rights of the Republic of Indonesia;
c. within 6 (six) months after the approval from the Minister of Law and Human Rights of the Republic of Indonesia as referred to in point (b) above has been obtained, the Company must increase its subscribed and paid-up capital to become at least 25% (twenty-five percent) of the authorized capital;
d. in the event the increase of paid-up capital as referred to in point (c) above cannot be fulfilled entirely, the Company must amend its articles of association so that its authorized capital and the paid-up capital comply with the provision of Article 33 paragraphs (1) and (2) of the Law on Limited Liability Company, within a period of 2 (two) months after the lapse of period as specified in point (c) above;
e. the approval of the GMS as referred to in point (a) above shall include the approval to amend the articles of association as referred to in point (d) above.

12. The amendment to the articles of association for the purpose of increase of the authorized capital shall take effect as of the payment of the capital increase which causes the paid-up capital to become at least 25% (twenty-five percent) of the authorized capital and the newly issued shares shall have the same rights as the other shares issued by the Company, without prejudice to the Company’s obligation to obtain the approval to the amendment of its articles of association from the Minister of Law and Human Rights of the Republic of Indonesia as an implementation of the increase of such paid-up capital.

13. Payment for shares in a form other than cash, whether in the form of tangible goods or intangible goods, shall comply with the following requirements:

a. any form of payment for shares other than cash must be announced to the public at the time of issuing the invitation for the GMS, must be appraised by an appraiser registered with the Financial Services Authority or other government institutions which may replace it (hereinafter shall be referred to as “OJK”) and the goods must be free from any encumbrances in whatsoever manner;
b. any form of payment for shares other than cash must first be approved by a GMS with a quorum as provided under Article 11 of these Articles of Association, and announced at least 14 (fourteen) days after the date of such GMS in 2 (two) Indonesian language daily newspapers, 1 (one) having its circulation at the domicile of the Company and the other having a national wide circulation;
c. in the event the payment for the shares is in the form of shares of another entity registered with the Stock Exchange, the price of such shares shall be determined based on fair market value; and

d. in case the payment originates from retained profits, capital in excess of par value, net profits, and/or any other element of equity capital of the Company, then such retained profits, capital in excess of par value, net profits and/or such other element of equity capital must already have been reported in the Company’s most recent annual financial report which has been audited by an accountant registered with OJK and
issued with an unqualified opinion.

14. If a fraction of a nominal value occurs due to a corporate action taken by the Company, the treatment to such fraction of nominal value of shares, the rights of the holders of such fraction of nominal value of shares and the evidence of ownership of such fraction of nominal value of shares must be decided in the GMS approving the Company’s corporation action which causes the occurrence of the fraction of shares nominal value.

SHARES AND SHAREHOLDERS’ REGISTER

Article 5

1. All shares issued by the Company shall be registered shares.

2. The Company shall only acknowledge an individual or a legal entity as the owner of a share.

3. If for whatever reason a share becomes the property of several persons, the joint owners shall appoint in writing one person among them or another person as their joint proxy. Only such proxy shall be entitled to exercise the legal rights in respect of said share.

4. So long as paragraph 3 above is not implemented, the holder of said shares shall not be entitled to cast a vote in the GMS, and the payment of a dividend for such share shall be postponed.

5. A shareholder shall by law be bound to comply with the provisions of these Articles of Association and with all resolutions adopted in the GMS and with the prevailing regulations.

6. The Company should at least have 2 (two) shareholders.

7. The Company may issue share certificates.

If share certificates are issued, then for each share one share certificate shall be issued. The share certificate shall at least state:

a. The name an address of the shareholder;

b. The serial number of the share certificate;

c. The date of issue of the share certificate;

d. The nominal value of the shares

8. A collective share certificate may be issued as evidence of ownership of 2 (two) or more shares owned by a shareholder.

The collective share certificate shall at least state:

a. The name and address of the shareholder;

b. The serial number of the collective share certificate;

c. The date of issue of the collective share certificate;

d. The nominal value of the shares;

e. The serial number of shares represented;

f. The number of shares represented.

9. The share certificates and the collective share certificates shall contained the signatures of the President Director or the said signature may be printed directly on the share certificates and/or the collective share certificates in accordance with the prevailing capital market laws and regulations and the regulations of the Stock Exchanges where the shares of the Company are listed.

10. For shares listed on the Stock Exchange, the capital market laws and regulations and the regulations of the Stock Exchange shall apply.

11. The Board of Director shall keep and maintain a Shareholders’ Register and a Special Register at the domicile of the Company.

The Board of Directors may appoint a Securities Administration Bureau to carry out registration in the Shareholders’ Register and/or Special Register with due observance of the provisions of the capital market laws and regulations.
12. The Shareholder Register shall record:

   a. the name and address of the shareholders;
   b. the number, serial number and acquisition date of the shares owned by the shareholders;
   c. the amount paid up on each share;
   d. the name and address of the person or legal entity having right of pledge or the fiducia encumbrance right on the shares and the effective date of the right of pledge or the fiducia encumbrance right;
   e. information on share payments in the form other than cash; and
   f. other information as deemed necessary by the Board of Directors and required by the applicable laws and regulations.

13. The Special Register shall register the information on share ownership of the members of the Board of Directors and the Board of Commissioners and their families in the Company and/or other company and the acquisition date of the shares and any changes thereof.

14. The shareholder shall notify in writing any change of address to the Board of Directors. So long as such notification has not been made, all invitations, announcements, correspondences to the shareholders shall be valid if addressed to the shareholder's latest address recorded in the Shareholders' Register.

15. Any shareholder shall be entitled to peruse the Company's Shareholders Register and Special Register during the working hours of the Company and in a manner as determined by the Board of Directors.

16. Only individuals and/or legal entities whose name is recorded in the Shareholders Register are the legal shareholders of the Company and entitled to exercise all rights bestowed upon such shareholders based on the laws, other regulations and these Articles of Association.

17. All shares issued by the Company may be secured in accordance with the provisions of laws and regulations concerning the granting of shares security and regulations in the field of capital market and the Company Law.

   At the request of a shareholder of a holder of share pledge or fiducia encumbrance, the Board of Directors shall record or request the appointed Securities Administration Bureau to record the pledge of fiducia encumbrance in the Shareholder Register, based on evidence acceptable to the Board of Directors.

   The acknowledgment of the share pledge shall be evidenced by the record of the pledge in the Shareholder Register of the Company.

18. Any registration or recording in the Shareholder Register of the Company regarding a sale, transfer, pledge, fiducia encumbrance and assignment relating to shares or rights or interest in the shares must be carried out in accordance with the provisions of these Articles of Association and the regulations of the Stock exchange where the shares of the Company are listed.

DUPLICATES

Article 6

1. If a share certificate is damaged or no longer usable, it may be exchanged with a duplicate upon a written request of the owner concerned against delivery of the damaged or unusable share certificate, the Board of Directors will exchange it with a duplicate share certificate having the same serial number as the original.

2. The original share certificate as meant in paragraph 1 shall then be destroyed and the Board of Directors shall make the minutes of such matter. The minutes shall be reported to the next GMS.

3. If a share certificate is lost or totally damaged, then upon a written request of the owner concerned to the Board of Directors, the Board of Directors shall issue a duplicate after the Company obtain (i) reporting documents from the Indonesian National Police for the loss of share certificate and (ii) the provision of a guarantee from the owner as deemed necessary by the Board of Directors in each specific case.

   The issuance of the duplicate shall be with due observance of the prevailing capital market laws and regulations and the regulations of the stock exchange where the shares of the Company are listed.

4. The Board of Directors shall notify the Stock Exchange where the shares of the Company are listed regarding issuance of a duplicate of a lost share certificate at least 14 (fourteen) days before issuance of the share
certificate duplicate.

5. After the share certificate duplicate has been issued, the relevant original share certificate shall no longer be valid to the Company.

6. All expenses for issuing the share certificate duplicate shall be borne by the shareholder concerned.

7. The provisions in this Article shall also apply mutatis mutandis to the issuance of duplicate of collective share certificate.

COLLECTIVE DEPOSITORY

Article 7

1. Shares on Collective Deposit with a Depository and Settlement Institution shall be registered in the Shareholders’ Register in the name of the Depository and Settlement Institution for the benefit of the account holder at such Depository and Settlement Institution.

2. Shares on Collective Deposit with a Custodian Bank or Securities Company shall be registered in a securities account at the Depository and Settlement Institution in the name of such Custodian Bank or Securities Company for the benefit of the account holder at that Custodian Bank or Securities Company.

3. If shares on Collective Deposit with a Custodian Bank constitute part of the securities portfolio of a Mutual Fund in the form of a collective investment contract and are not included in the Collective Deposit with a Depository and Settlement Institution, the Company will record said shares in the Shareholders’ Register in the name of the Custodian Bank for the benefit of the owner of the participation until in such mutual fund in the form of collective investment contract.

4. The Company or the Securities Administration Bureau shall issue a written confirmation to the Depository and Settlement Institution, or to such Custodian Bank, as evidence of registration of shares of the Company in the name of the Depository and Settlement Institutions or such Custodian Bank in the Shareholders’ Register of the Company. The request to obtain the written confirmation shall be submitted in writing by the Depository and Settlement Institution or by the Custodian Bank to the Company or the Securities Administration Bureau designated by the Company.

5. The Company or the Securities Administration Bureau shall transfer shares on Collective Deposit registered in the name of the Depository and Settlement Institution or the Custodian Bank for the benefit of the account holder at such Depository and Settlement Institution.

6. The Depository and Settlement Institution, the relevant Custodian Bank or relevant Securities Company shall issue a written confirmation to its account holder who is the beneficiary owner of the shares of the Company, as evidence of registration of ownership of such shares in Collective Depository.

7. Any shares of the same classification issued by the Company on a Collective Deposit shall be equal to and exchangeable with any other shares of such classification.

8. The Company shall refuse to register the transfer of shares into a Collective Deposit, if the relevant shares were lost or destroyed, unless the party requesting the registration of such transfer is able to give evidence and/or guarantee deemed sufficient by the Board of Directors that the said party is truly the shareholder and the shares has been truly lost or destroyed.

9. The Company shall refuse to register the transfer of shares into a Collective Deposit if the shares are subject to an encumbrance, attachment pursuant to a court order, or seizure for purpose of a criminal investigation.

10. A holder of a securities account whose shares on a Collective Depository with the Depository and Settlement Institution, Custodian Bank or Securities Company shall be entitled to cast votes in the GMS, in accordance with the number of shares of the Company owned by such account holder.

11. A holder of a securities account who is entitled to cast votes in the GMS is the person whose name is registered as the holder of the securities account of shares of the Company on Collective Deposit with the Depository and Settlement Institution, the relevant Custodian Bank or the relevant Securities Company 1 (one) working day prior to the invitation for the GMS.
The Depository and Settlement Institution, the relevant Custodian Bank and the relevant Securities Company shall submit, within a period as determined by the relevant capital market laws and regulations, a list of the names of such securities account holders and the number of the Company's shares owned by the respective account holders to the Company to be registered in the Shareholders' Register specifically made available for the GMS.

12. The Investment Manager shall be entitled to attend and vote at a GMS with respect to the Company's shares on Collective Deposit with the Custodian Bank constituting part of the securities portfolio of a Mutual Fund in the form of a collective investment contract and not on Collective Deposit with the Depository and Settlement Institution, provided that the said Custodian Bank shall submit the name of the said Investment Manager at the latest 1 (one) working day prior to the date of invitation of GMS.

13. The Company shall deliver dividend, bonus shares or other rights relating to ownership of shares on Collective Deposit with the Depository and Settlement Institution and further, the said Depository and Settlement Institution shall deliver the dividend, bonus shares or other rights to the relevant Custodian Bank and the relevant Securities Company for the benefit of each account holder at the said Custodian Bank and Securities Company who are entitled.

14. The Company shall deliver to the Custodian Bank dividend, bonus shares or other rights relating to share ownership on the shares of the Company on Collective Deposit at such Custodian Bank, which constitute part of the securities portfolio of a Mutual Fund in the form of a collective investment contract and not included on Collective Deposit with the Depository and Settlement Institution.

15. The cut off date for purpose determining those securities account holders entitled to receive dividend, bonus shares or other rights relating to ownership of shares on Collective Deposit shall be determined by the GMS. Such determination may be delegated by the GMS to the Board of Directors. The Custodian Bank and the Securities Company shall submit the list of names of the securities account holders and the number of Company's shares owned by each securities account holder to the Deposit and Settlement Institution, not later than the date establishing the shareholders who are entitled to receive the relevant dividend, bonus shares issue or other right to be further submitted to the Company not later than 1 (one) working day after the record date establishing the shareholders who are entitled to receive the relevant dividend, bonus shares issue or other right.

TRANSFER OF SHARES

Article 8

1. The transfer of shares shall be based on a deed and/or other proof documents regarding the transfer of shares signed by the transferor and the transferee or their legal representatives, except for shares on Collective Deposit with the Depository and Settlement Institution, the transfer of such shares shall be made in accordance with the applicable capital market laws and regulations or the regulations of the Stock Exchange where the shares of the Company are listed.

2. The deed and/or other documents regarding the transfer referred to in paragraph 1 shall be in the form as determined and/or acceptable to the Board of Directors and a copy shall be submitted to the Company, provided that transfer document shall comply with the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

3. The shareholders who requested to convene the GMS as referred to in Article 9 of these Articles of Association may not transfer and/or assign its share ownership within at least 6 (six) months as of the date of the GMS if the request to convene the GMS is approved by the Board of Directors or the Board of Commissioners or by virtue of a court decision.

4. a. The transfer of shares shall be allowed only if all requirements in these Articles of Association and the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed have been complied.

b. The transfer of shares on Collective Deposit shall be made by a book transfer from one securities account to another securities account at the Depository and Settlement Institution, Custodian Bank or Securities Company.

c. Any transfer of shares shall be registered in the Shareholders' Register and shall be signed by authorized pursuant to these Articles of Association, except for shares on Collective Deposit, the transfer of shares shall be carried out pursuant to the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

d. If the Board of Directors refuses to register a transfer of shares, the Board of Directors shall send a notice
of the refusal to the transferring party within 30 (thirty) days after the date the request for registration was received by the Board of Directors.

With respect to shares of the Company listed at the Stock Exchange, the refusal shall be carried out in accordance with the prevailing capital market laws and regulations.

5. The person who acquire the right to a share because of the death of a shareholder or for any other reason which may cause the ownership of a share to change by operation of law may submit a written request to be registered as the holders of such share by producing such evidence of such right as may form time to time be required by the Board of Directors.

All restrictions, prohibitions and provisions of these Articles of Association regulating the right to transfer shares and registration of the transfer of shares shall also apply mutatis mutandis to any transfer of rights referred to in this paragraph.

GENERAL MEETING OF SHAREHOLDERS

Article 9

1. The GMS of the Company shall be:

   a. The Annual GMS, which must be convened by the Board of Directors each year, not later than 6 months after the end of the financial year of the Company.

   b. Other GMS, hereinafter referred to as the Extraordinary GMS, namely the GMS which is convened from time to time according as necessary.

2. The terms GMS in these Articles of Association shall mean both, namely the Annual GMS and the Extra Ordinary GMS, unless expressly stated otherwise.

3. At the Annual GMS:

   a. The Board of Directors shall submit for ratification by the Annual GMS a financial report which have been prepared and audited as required by the relevant regulations, including the capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

   b. The Board of Directors shall submit an annual report, which has been reviewed by the Board of Commissioners, for the approval of the Annual GMS, the report shall contained at least the financial report referred to in item a above dan other reports and information as required by the applicable laws and regulations.

   c. A determination shall be made on the use of net profits of the Company from the preceding financial year.

   d. Other matters which have been proposed shall be determined subject to the applicable laws and regulations.

4. Approval to the annual report and ratification of the financial report by the Annual GMS shall constitute a full discharge and release of any liabilities of the members of the Board of Directors and the Board of Commissioners of their management and supervision carried out during the preceeding financial year, to the extent that such actions are reflected in the annual report and financial report.

5. If the Board of Directors fails to convene the Annual GMS at the stipulated time, then the Board of Commissioners or one or more shareholders together representing 1/100 (one hundredth) or more of the total shares with voting rights are entitled to call and convene the Annual GMS themselves at the expense of the Company, in accordance with the Company Law and the prevailing capital market laws and regulations.

6. The Board of Directors shall call and convene an Extraordinary GMS at the request of (i) one or more shareholders jointly representing 1/10 (one tenth) or more of the total shares with voting rights or (ii) the Board of Commissioners.

Such written request shall be submitted by registered mail by stating the matters to be discussed with the reasons along with relevant materials of matters which must be resolved in the Extraordinary GMS therefore and, if the request is made by the shareholder, a copy of the request should be submitted to the Board of Commissioners.
7. Within 15 (fifteen) days after receipt of the request, the Board of Directors shall make an announcement to convene an Extraordinary GMS in accordance with the provisions of these Articles of Association and the capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

8. If the Board of Directors fails to make an announcement on the proposed convening of the Extraordinary GMS as referred to in paragraph 7 as requested by:

a. The shareholders as referred to in paragraph 6, the shareholders may submit a written request to the Board of Commissioners by way of registered mail, and the Board of Commissioners shall conduct announcement to convene the Extraordinary GMS within 15 (fifteen) days after receipt of such request in accordance with the provisions of these Articles of Association and the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed; or

b. The Board of Commissioners referred to in paragraph 6, then the Board of Commissioners may call the Extraordinary GMS by itself.

9. If the Board of Directors or the Board of Commissioners does not make an announcement to convene an Extraordinary GMS within the required time as referred in paragraphs 7 and 8, then the Board of Directors or Board of Commissioners must announce that (i) there is a request of the Extraordinary GMS referred to in paragraph 6 and (ii) the reason for not convening the Extraordinary GMS.

The announcement shall be made no later than 15 (fifteen) days as of receipt of the request from the relevant shareholders to convene the Extraordinary GMS as referred to in paragraphs 7 and 8(a) through (i) 1 (one) Indonesian language daily newspaper with national circulation, (ii) the Stock Exchange’s website, and (iii) the Company’s website in Indonesian and English languages, in accordance with the prevailing capital market laws and regulations.

10. If the Board of Commissioners does not make an announcement to convene the Extraordinary GMS as referred to in paragraph 8, the shareholders referred to in paragraph 6 may submit a request to convene the Extraordinary GMS to the Chairman of the District Court whose jurisdiction covers the domicile of the Company.

The convening of the Extraordinary GMS by the shareholders who have obtained a court decision shall be conducted at the expense of the Company in accordance with the prevailing capital market laws and regulations.

11. At the time of GMS, the GMS rules of conduct must be distributed and be read out to the attending shareholders prior to the commencement of the GMS.

12. At the opening of the GMS, the chairman of the GMS must provide an explanation to the shareholders on an overview of general condition of the Company, agenda of the meeting, voting mechanism related to the agenda of the meeting, and procedure for the shareholders to use their right to raise questions and/or give opinions.

PLACE, NOTICE, CHAIRMAN AND MINUTES OF THE GMS

Article 10

1. A GMS shall be held at a place where the Company is legally domiciled or has branch office or representative offices of the Company or at the place of main business of the Company, the capital city of the province where the Company is domiciled or place of main business of the Company, or at the province of the domicile of the Stock Exchange where the shares of the Company are listed, so long as the location is within the territory of the Republic of Indonesia.

2. The Company shall first submit a notice to the OJK containing a clear and detail agenda of the GMS no later than five (5) working days prior to the announcement on the convening of a GMS, excluding the date of the announcement of the GMS.

If there is a change to the GMS agenda, such change must be submitted by the Company to OJK no later than the date of invitation of the GMS.

If the agenda of the meeting is regarding the appointment of members of the Board of Directors and/or the Board of Commissioners, curriculum vitae of the candidates for the Board of Directors and/or the Board of Commissioners must be available at the Company’s website at least as of the date of invitation of the GMS until the date of the GMS, or at any time, at the latest on the date of the GMS, provided it is regulated under the laws and regulations.
3. At least 14 (fourteen) days prior to the date on which the invitation for a GMS is given, excluding the date of announcement and the date of the invitation, the Board of Directors shall announce to the shareholders of the plan to convene the GMS through (i) 1 (one) Indonesian language daily newspaper with national circulation, (ii) the Stock Exchange’s website, and (iii) the Company's website in Indonesian and English languages, in accordance with the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

The announcement to convene the GMS shall contain the requirements of the shareholders who are entitled to attend the GMS, the requirements of the shareholders who are entitled to propose an agenda of the GMS, the date of the GMS and the date of invitation of the GMS.

4. The invitation for the GMS shall be carried out through (i) 1 (one) Indonesian language daily newspaper with national circulation, (ii) the Stock Exchange’s website, and (iii) the Company's website in Indonesian and English languages, at the latest 21 (twenty one) days prior to the date of the GMS excluding the date of the invitation and the date of the GMS, in accordance with the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

Invitation for the GMS shall state the day, date, time, place, requirements on the shareholders who are entitled to attend the GMS, and agenda of the GMS and the explanation thereof, and with a notice that the materials to be discussed in the meeting are available at the office of the Company in Jakarta and/or can be accessed on or downloaded from the Company’s website as of the date of the invitation until the date of the GMS.

In the event there is a change of information in the announced invitation of GMS, the Company must revise the invitation of the GMS in accordance with the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

5. If all shareholders with valid voting rights are present or represented in the GMS, then the invitation referred in paragraph 4 shall not be required and the GMS shall be entitled to adopt valid and binding resolutions and the GMS may be convened anywhere within the territory of the Republic of Indonesia.

6. a. The GMS shall be chaired by a member of the Board of Commissioner.

If all members of the Board of Commissioners are absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the GMS shall be chaired by the President Director.

If the President Director is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the GMS shall be chaired by another member of the Board of Directors. If all members of the Board of Directors are absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, then the GMS shall be chaired by the shareholders present designated from and by the participants of the GMS.

b. If all members of the Commissioners have a conflict of interest, then the GMS shall be chaired by the President Director.

If the President Director has a conflict of interest, the GMS shall be chaired by another member of the Board of Directors.

If all members of the Board of Directors have a conflict of interest, the GMS shall be chaired by an independent shareholder designated by the other shareholders present at the GMS.

7. All matters discussed and resolved in the GMS shall be recorded in a Minutes of the GMS including the summary thereof, and the ratification of such Minutes shall be signed by the Chairman of the Meeting and a shareholder or his proxy, appointed by and from those present at the GMS.

The signatures shall not be required if the Minutes of the GMS is drawn up in the form of a Notarial deed.

The Minutes of Meeting shall constitute valid evidence for all shareholders and third parties with respect to resolutions and all matters taking place at the GMS.

8. Minutes of the GMS shall be submitted to the OJK, and the summary of which shall be announced, in accordance with the prevailing capital market laws and regulations, and the regulations of the Stock Exchange where the shares of the Company are listed.
Article 11

1. a. A GMS may be convened if it is attended by shareholder(s) representing more than 1/2 (one half) of the total number of shares with valid voting rights, unless provided otherwise in these Articles of Association.

b. If the quorum referred to in sub paragraph 1a of this article is not met, then an invitation for the second GMS may be issued.

c. The invitation referred to in sub paragraph 1b shall be issued at the latest 7 (seven) calendar days prior to the GMS, excluding the date of the invitation and the date of the GMS stating that the first GMS has been convened but the quorum was not met.

d. The second GMS shall be held at the earliest 10 (ten) days and at the latest 21 (twenty-one) days as of the first GMS.

e. The second GMS shall be valid and entitled to adopt binding resolutions if it is attended or represented by shareholder(s) representing at least 1/3 (one third) of the total number of shares with valid voting rights.

f. If the quorum for the second GMS is not reached, then, the Board of Directors on behalf of the Company may request OJK to determine the quorum.

2. A shareholder may be represented by another shareholder or another person based on a power of attorney made and signed in a form as determined or accepted by the Board of Directors and such power of attorney must be submitted to the Board of Directors at least 3 (three) days prior to the date of the relevant GMS.

The Chairman of the GMS shall have the right to request that the power of attorney be shown to him at the GMS.

3. In the GMS, each share shall give a right to the owner to cast 1 (one) vote.

Shareholders who are entitled to attend the GMS are the shareholders whose names are recorded in the Shareholders Register 1 (one) Working Day prior to the date of invitation of the GMS.

If there is a revision to the invitation of the GMS, the shareholders entitled to attend the GMS are those whose names are recorded in the Shareholders Register 1 (one) Working Day prior to the date of revision of the GMS invitation.

4. Members of the Board of Directors, members of the Board of Commissioners and the employees of the Company shall be allowed to act as proxies in a GMS, but votes cast by them as proxies in the GMS shall not be counted for voting.

5. Voting concerning a person shall be made by an unsigned folded ballot and voting on other matters shall be made verbally, unless the Chairman of the GMS determines otherwise without any objections from one or more shareholders jointly representing 1/100 (one hundredth) of the total number of shares with valid voting rights.

6. Voting, including the act and calculation of blank votes will be done in accordance with the applicable laws and regulations, including laws and regulations in the field of capital market.

7. All resolutions of a GMS shall be adopted on the basis of a deliberation to reach a consensus.

If the GMS resolution based on deliberation to reach a consensus is not accomplished, the GMS resolution shall be adopted based on affirmative votes of more than 1/2 (one half) of the total number of votes validly cast in the GMS, unless provided otherwise in these Articles of Association.

In the event of a tie vote, the relevant proposal shall be deemed rejected.

8. Shareholders may also adopt valid resolutions without convening a GMS, provided that all shareholders have been notified in writing of the resolutions and all shareholders have given their approvals thereof by signing such resolutions.

Resolutions adopted in such a manner shall have the same legal force as resolutions validly adopted in a GMS.
9. If a GMS must be convened relating to a proposal for the Company to enter into a conflict of interest transaction as meant under the capital market laws and regulations, then the GMS must be held in accordance with the prevailing capital market laws and regulations.

10. Proposal of a shareholder should be included in the agenda of the GMS of the Company if:

   a. the proposal concerned have been submitted in writing to the Board of Directors by one or more shareholders representing at least 1/20 (one-twentieth) or more of the total number of shares having valid voting rights;

   b. the proposal shall have been received by the Board of Directors at least 7 (seven) days prior to the date of issuance of the invitation of the relevant GMS; and

   c. in the opinion of the Board of Directors, the proposal is deemed to relate directly to the business of the Company, made in good faith, considers the interest of the Company does not violate the laws and regulations, is an agenda which needs to be resolved by the GMS and by providing the reasons and materials related to the proposal, with due regard to the provisions of these Articles of Association.

11. A GMS may also be convened through remote means, such as teleconference, video conference or other electronic media which enable all shareholders participating in the GMS to see and listen to each other directly and partake in the GMS. Such participation shall be deemed as attendance in the GMS. The convening of such GMS shall be made in a minutes of GMS which is approved and signed by all shareholders participating in the GMS.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Article 12

1. Unless provided otherwise in these Articles of Association, an amendment to the Articles of Association shall be determined by a GMS attended by shareholder(s) representing at least 2/3 (two-thirds) of the total number of shares having valid voting rights and approved by at least 2/3 (two-thirds) of the total number of votes validly cast in the GMS.

2. Amendments to the Articles of Association relating to (i) the change of name, domicile, purpose and objectives of the Company, business activities, duration, the authorized capital and/or status of the Company from a closed company to an open company or the reverse and/or (ii) the reduction of issued and paid-up capital must be submitted to obtain the approval of the Minister of Law and Human Rights of the Republic of Indonesia, at the latest within 30 (thirty) days as of the date of the notarial deed containing the amended Articles of Association.

3. Amendments to the Articles of Association relating to matters other than those mentioned in paragraph 2 of this article shall only require to be notified to the Minister Law and Human Rights of the Republic of Indonesia at the latest within 30 (thirty) days as of the date of the notarial deed containing the amended Articles of Association.

4. If the required quorum in the GMS referred to in paragraph 1 above is not met, then a second GMS may be convened with the same requirements and agenda as required for the first GMS and resolutions shall be valid if attended by shareholder(s) representing at least 3/5 (three fifth) of the total number of shares having valid voting rights and approved by more than 2/3 (two third) of votes validly cast in the second GMS.

   The timing for the invitation and the timing for holding the second GMS shall follow the provision of article 11 paragraph 1 item c of these Articles of Association.

5. If the quorum for the second GMS as referred to in paragraph 4 above is not met, then at the request of the Board of Directors on behalf of the Company, the quorum, voting requirement to adopt resolutions, invitation and the timing for holding the GMS shall be determined by OJK.

6. The resolution on reduction of capital shall be notified in writing to all creditors of the Company and shall be announced by the Board of Directors in 2 (two) Indonesian language daily newspapers, one of which has a wide national circulation and the other published at the Company's domicile at the latest 7 (seven) days as of the date of the resolution on said reduction of capital.
MERGER, DISSOLUTION, ACQUISITION AND SPIN-OFF

Article 13

1. a. Unless regulated otherwise in the capital market laws and regulations, any merger, consolidation, acquisition or spin-off referred in article 127 paragraph 1 of the Law on Limited Liability Company may only be effected based on a resolution of a GMS, in which shareholder(s) representing at least ¾ (three-fourths) of the total number of shares having valid voting rights are present or represented and the resolution is approved by at least ¾ (three-fourths) of the total number of votes validly cast at the GMS.

b. If the quorum in the GMS referred to in paragraph 1 a above is not met, a second Meeting may be convened if attended by shareholder(s) representing at least 2/3 (two-thirds) of the total number of shares having valid voting rights and the resolution is approved by at least ¾ (three-fourth) of the votes validly cast at the second GMS.

c. If the quorum for the Second GMS referred to in paragraph 1b above is not met, then, at the request of the Board of Directors on behalf of the Company, the quorum, voting requirement to adopt resolutions, invitation and time for holding the GMS shall be determined by OJK.

2. Unless regulated otherwise in the capital market laws and regulations, the Board of Directors shall announce in 2 (two) Indonesian language daily newspapers, one of which having national circulation and the other published in the domicile/place of business of the Company and notify the employees of the Company regarding the plan of the merger, consolidation, acquisition and spin-off of the Company, at the latest 30 (thirty) days prior to the invitation of the GMS.

DISSOLUTION AND LIQUIDATION

Article 14

1. a. With due regard to the applicable laws and regulations, dissolution of the Company based on resolution of a GMS may only be made if the GMS is attended by shareholders representing at least ¾ (three fourth) of the total number of shares with valid voting rights and the resolution is approved by at least ¾ (three fourth) of the votes validly cast at the GMS.

b. If the quorum for the GMS referred to in paragraph 1 a is not met, then a second GMS may be convened if attended by at least 2/3 (two third) of the total number of shares with valid voting rights and the resolution is approved by at least ¾ (three fourth) of the votes validly cast at the second GMS.

c. If the quorum for the second GMS referred to in paragraph 1 b above is not met, then at the request of the Board of Directors on behalf of the Company, the quorum, voting requirement to adopt resolutions, invitation and time for holding the GMS shall be determined by OJK.

2. If the Company is dissolved, either by the expiration of the duration or dissolved based on the resolution of the GMS or declared to be dissolved based on a decision of the Court or due to other reasons, then liquidation shall be carried out by a liquidator.

3. The Board of Directors shall act as the liquidator if the resolution of the GMS or the decision referred to in paragraph 2 did not appoint a liquidator.

4. The remuneration for liquidators shall be determined by the GMS or the decision of the court.

5. The liquidator shall notify the Minister of Law and Human Rights of the Republic of Indonesia and announce in at least 1 (one) Indonesian language daily newspaper published/circulated nationally within the period determined by the laws and regulations.

6. The Articles of Association and any amendments thereto which have been effected remain effective until the date an accounting for the liquidation has been ratified by the GMS and full discharge has been given to the liquidators.

BOARD OF DIRECTORS

Article 15

1. The Company shall be managed and led by a Board of Directors which shall consist of at least 2 (two) members, one of whom shall be appointed as the President Director.

2. The appointed member of the Board of Directors shall meet the requirements of the Company Law, the capital market laws and regulations, the regulations of the Stock Exchange where the shares of the Company are listed.
3. The members of the Board of Directors shall be appointed by the GMS, commencing from the date of the GMS appointing them until the closing of the fifth Annual GMS convened following their appointments, without prejudice to the rights of the GMS to dismiss them at any time after the member of the Board of Directors concerned has been given the opportunity to appear and defend himself.

A member of the Board of Directors whose term of office has expired may be reappointed based on the resolution of a GMS.

4. The members of the Board of Directors may be given salary and benefits, the amount of which shall be determined from to time by a GMS, and such authority may be delegated to the Board of Commissioners in carrying its nomination and remuneration function.

5. If for any reason the post of a member of the Board of Directors becomes vacant, then a GMS shall be convened to fill such vacancy within a period of 90 (ninety) days as of the occurrence of the vacancy.

6. If for any reason whatsoever all positions of the Board of Directors become vacant, then a GMS shall be convened to fill such vacancy within a period of 60 (sixty) days as of the occurrence of the vacancy, and temporarily the Company shall be managed by the Board of Commissioners.

7. The term of office of the person appointed to replace a vacant post of a member of the Board of Directors shall be the remaining of the term of office of the member of the Board of Directors being replaced.

8. A member of the Board of Directors shall be entitled to resign from his office by giving a written notice to the Company of his intention at the latest 90 (ninety) days prior to the date of his resignation.

The resigning member of the Board of Directors may still be requested to be accountable in the next GMS for his actions as a Director taken since the date of his appointment until the date of his resignation.

9. The Company shall convene a GMS to decide on the resignation of a member of the Board of Directors no later than 90 (ninety) days after the receipt of the resignation letter.

10. In the event the resignation of member(s) of the Board of Directors cause the number of the members of Directors to become less than 2 (two) members, such resignation shall be valid if approved by the GMS and the new member(s) of the Board of Directors have been appointed to meet the minimum requirement of the total number of the Board of Directors.

11. The term of office of a member of the Board of Directors shall expire if:
   a. he has resigned in accordance with the provision of paragraph 8;
   b. he no longer meet the requirements of the prevailing laws;
   c. he has passed away;
   d. he was dismissed pursuant to a resolution of a GMS.

DUTIES AND POWERS OF THE BOARD OF DIRECTORS

Article 16

1. The Board of Directors shall manage the Company in the interests of the Company and in accordance with the Company’s purposes and objectives.

2. Each member of the Board of Directors shall perform his duties in good faith and with full responsibility with due observance to the prevailing laws and regulations.

3. The Board of Directors shall be entitled to represent the Company either inside or outside the courts in all matters and circumstances, to bind the Company with other parties and other parties with the Company, and to take all actions with respect to management or ownership, but subject to the limitation that for the following actions:
   a. to borrow or lend monies on behalf of the Company (excluding to withdraw monies of the Company from banks) for each transaction in an amount exceeding the threshold determined by the Board of Commissioners from time to time;
   b. to establish a new business enterprise or to participate in other companies either in Indonesia or overseas;

must obtain approval from the Board of Commissioners.
4. The legal act to (i) transfer or dispose the Company's assets in one financial year or (ii) encumber as debt security the Company's assets exceeding 50% (fifty percent) of the net assets of the Company, either in one or more independent or inter-related transactions must obtain the approval of a GMS attended by the shareholders holding at least 3/4 (three fourth) of the total number of shares with valid voting right and approved by at least 3/4 (three-fourths) of the total votes legally cast at the GMS.

5. If the quorum in the GMS referred to in paragraph 4 is not met, then a second GMS may be convened if attended by at least 2/3 (two thirds) of the total number of shares with valid voting rights and approved by at least ¾ (three fourths) of the votes legally cast in the second GMS.

6. If the quorum referred to in paragraph 5 above is not met, then at the request of the Company, the quorum, voting requirement to adopt resolutions, invitation and time for holding the GMS shall be determined by OJK.

7. a. The President Director is entitled and authorized to act for and on behalf of the Board of Directors as well as representing the Company.

b. If the President Director is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, then 2 (two) other Directors of the Company shall be jointly entitled and authorized to act for and on behalf of the Board of Directors as well as representing the Company.

8. The Board of Directors shall be entitled to appoint one or more persons as its proxy by virtue of a specific power of attorney and such power must be exercised in accordance with the provisions of these Articles of Association.

9. To take legal acts in the form of material or conflict of interest transactions as meant under the prevailing capital market laws and regulations, the Board of Directors shall require the approval of the GMS which shall be convened in accordance with the prevailing capital market laws and regulations.

10. The distribution of duties and authorities of each member of the Board of Directors shall be determined by a GMS and if the GMS does not make such determination, it shall be determined by the Board of Directors.

11. If the Company's interest is in conflict with the personal interest of the President Director, the Company shall be represented by 2 (two) other members of the Board of Directors, who do not have a conflict of interest with the Company, and if the Company's interest is in conflict with the interest of all members of the Board of Directors, the Company shall be represented by the Board of Commissioners.

If all the members of the Board of Directors and the Board of Commissioners have conflict of interest with the Company, the Company shall be represented by another party appointed by the GMS.

**MEETING OF THE BOARD OF DIRECTORS**

**Article 17**

1. A Meeting of the Board of Directors must be convened periodically at least once a month and may also be convened at any time deemed necessary by one or more members of the Board of Directors or upon written request of one or more members of the Board of Commissioners or upon a written request of one or more shareholders jointly representing 1/10 (one tenth) of the total number of shares with valid voting rights.

2. The Board of Directors must convene a joint meeting with the Board of Commissioners periodically at least once in 4 (four) months.

3. The attendance of members of the Board of Directors in the meeting referred to in paragraphs 1 and 2 above must be disclosed in the annual report of the Company.

4. The Board of Directors must schedule the meeting referred to in paragraphs 1 and 2 for the following year before the end of the financial year. For the scheduled meeting, the materials of the meeting shall be provided to the participants of the meeting no later than five (5) days prior to the date of the meeting.

5. The invitation for the meeting of the Board of Directors shall be issued by the member of the Board of Directors entitled to represent the Board of Directors pursuant to the provisions of article 16 paragraph 7 of these Articles of Association.

6. The invitation for the meeting of the Board of Directors shall be delivered to each member of the Board of Directors by hand directly against a proper receipt or sent by registered mail, courier, facsimile transmission, electronic mail or other electronic means of communication (if sent by facsimile transmission, electronic mail or other electronic means of communication shall be followed by a written confirmation sent by hand, registered mail or courier) at latest 3 (three) days prior to the date of the meeting of the Board of Directors, excluding the date of the invitation and the date of the meeting of the Board of Directors.
7. The invitation of the meeting of the Board of Directors shall state the agenda, date, time and place of the meeting of the Board of Directors.

8. The Meeting of the Board of Directors shall be held at the domicile of the Company or the place of business of the Company.

   If all members of the Board of Directors are present or represented, such invitation shall not be required and the meeting of the Board of Directors may be held at any place and shall be entitled to adopt valid and binding resolutions.

9. The meeting of the Board of Director shall be chaired by the President Director, and if the President Director is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the meeting of the Board of Directors shall be chaired by a member of the Board of Directors appointed by and from the members Board of Directors present at the meeting of the Board of Directors.

10. A member of the Board of Directors may be represented in the meeting of the Board of Directors only by another member of the Board of Directors by virtue of a power of attorney.

11. The meeting of the Board of Directors shall be valid and shall be entitled to adopt binding resolutions if more than 50% (fifty percent) of the total members of the Board of Directors are present or legally represented in the meeting of the Board of Directors.

12. Resolutions of the meeting of the Board of Directors shall be adopted on the basis of a deliberation to reach consensus.

   Failing such mutual consensus, resolutions shall be adopted by affirmative votes of more than 50% (fifty percent) of the votes legally cast in the meeting of the Board of Directors.

13. If there is a tie vote, the Chairman of the meeting shall make the decision.

14. a. Each member of the Board of Directors present shall have the right to cast 1 (one) vote and 1 (one) additional vote for each member of the Board of Directors he represents.

   b. Voting concerning an individual shall be made by an unsigned folded ballot, while voting concerning other matters shall be made verbally, unless provided otherwise by the Chairman of the meeting without any objection from those present.

   c. Blank votes and invalid votes shall be deemed not legally cast and non-existent and shall not be counted in the calculation of the number of votes cast.

15. Minutes of meeting of the Board of Directors shall be drawn up by a person present at the meeting of the Board of Directors and appointed by the Chairman of the meeting and such minutes shall be signed by the Chairman of the meeting and by all members of the Board of Directors who are present to ascertain the completeness and accuracy of the minutes of the meeting and be provided to all members of the Board of Directors.

   The minutes of meeting of the Board of Directors shall constitute valid evidence to all members of the Board of Directors and third parties with respect to the resolutions and all matters occurring at the meeting of the Board of Directors.

   If the minute is drawn up by a Notary, then such signatures shall not be required.

16. Minutes of the joint meeting of the Board of Directors and the Board of Commissioners shall be signed by the Chairman of the meeting, all of the attending members of the Board of Directors and the Board of Commissioners, and be provided to all members of the Board of Directors and the Board of Commissioners.

   The minutes of meeting shall constitute valid evidence against all members of the Board of Directors, the Board of Commissioners and third party with respect to the resolutions and all matters occurring at the meeting.

   If the minutes of meeting is drawn up by a Notary, then such signatures shall not be required.

17. If there is a member of the Board of Directors and/or Board of Commissioners who was present but did not sign the minutes of meeting referred to in paragraphs 15 and 16, such member shall set out the reasons in writing in a separate letter to be attached to the minutes of meeting.
18. The Board of Directors may also adopt valid resolution without convening a meeting of the Board of Directors, provided that all members of the Board of Directors have been informed in writing concerning the proposed resolutions and all members of the Board of Directors have given their approval by signing such proposed resolutions. Resolutions adopted in said manner shall have the same legal force as those validly adopted in a meeting of the Board of Directors.

19. A meeting of the Board of Directors may also be convened through remote means, such as teleconference, video conference or other electronic media which enable all Directors participating in the meeting of the Board of Directors to see and listen to each other directly and partake in the meeting of the Board of Directors. Such participation shall be deemed as attendance in the meeting of the Board of Directors. The convening of such meeting of the Board of Directors shall be made in a minutes of the meeting which is approved and signed by all Directors participating in the meeting of the Board of Directors.

THE BOARD OF COMMISSIONERS

Article 18

1. The Board of Commissioners shall consist of at least 2 (two) members of the Board of Commissioners, one of whom may be appointed as the President Commissioner and another as Vice President Commissioner.

2. The appointed members of the Board of Commissioners appointed shall comply with the requirements of the Company Law, the prevailing capital market laws and regulations, the regulations of the Stock Exchange where the shares of the Company are listed and other laws and regulations related to the Company's business activities.

3. Members of the Board of Commissioners shall be appointed by the GMS commencing from the date of the GMS appointing them and until the closing of the fifth Annual GMS convened following their appointment, without prejudice to the rights of the GMS to dismiss them at any time.

A member of the Board of Commissioners whose term of office has expired may be reappointed based on the resolution of a GMS.

4. The members of the Board of Commissioners may be given compensation, honoraria or benefits, the amount of which shall be determined from time to time by a GMS.

5. If for any reason the post of a member of the Board of Commissioners becomes vacant, then a GMS shall be convened within a period of 90 (ninety) days as of the occurrence of the vacancy to fill such vacancy.

The term of office of the person appointed to replace a vacant post of a member of the Board of Commissioners shall be the remaining term of office.

6. If for any reason whatsoever all positions of the Board of Commissioners become vacant, then a GMS shall be convened within a period of 60 (sixty) days as of the occurrence of the vacancy to fill such vacancy.

7. A member of the Board of Commissioners shall be entitled to resign from his office by giving a written notice to the Company of his intention at the latest 90 (ninety) days prior to the date of his resignation.

The resigning member of the Board of Commissioners may still be requested to be accountable in the next GMS for his actions as a Commissioner taken since his appointment until the date of his resignation.

8. The Company shall convene a GMS to decide on the resignation of a member of the Board of Commissioners no later than 90 (ninety) days after the receipt of the resignation letter.

9. In the event the resignation of member(s) of the Board of Commissioners cause the number of the members of Commissioners to become less than 2 (two) members, such resignation shall be valid if approved by the GMS and new member(s) of the Board of Commissioners have been appointed to meet the minimum requirement of the total number of the Board of Commissioners.

10. The term of office of a member of the Board of Commissioners shall expire if:
   a. he has resigned in accordance with the provision of paragraph 7;
   b. he no longer meet the requirements of the prevailing laws;
c. he has passed away;

d. he has been dismissed pursuant to a resolution of a GMS.

DUTIES AND POWERS OF THE BOARD OF COMMISSIONERS

Article 19

1. The Board of Commissioners shall supervise the management policy and the management of the Company and give advice to the Board of Directors.

2. The members of the Board of Commissioners, whether individually or collectively, shall at any time within the business hours of the Company be entitled to enter buildings and grounds or other locations used or controlled by the Company and shall be entitled to examine all books, documents and other evidences, to examine and verify the cash situation and other matters and shall be entitled to know about all actions taken by the Board of Directors.

3. The Board of Directors and each member of the Board of Directors shall provide explanations concerning all matters inquired by the Board of Commissioners.

4. The Board of Commissioners shall have the right at any time to temporarily dismiss from office one or more members of the Board of Directors, if said members of the Board of Directors have acted contrary to these Articles of Association and or other prevailing regulations.

5. The temporary dismissal must be notified in writing to the person concerned together with the reasons therefore.

6. Within 90 (ninety) days following such temporary dismissal, the Board of Commissioners shall convene a GMS which shall determine whether the member(s) of the Board of Directors in question shall be dismissed or reinstated to their former position(s), and the temporarily dismissed member(s) of the Board of Directors shall be given the opportunity to attend and defend himself.

7. The GMS referred to in paragraph 6 of this article shall be chaired by a member of the Board of Commissioners and if all members of the Board of Commissioners is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the GMS shall be chaired by a person appointed by and from those present.

8. If the GMS is not held within 90 (ninety) days after the temporary dismissal, then the temporary dismissal shall be void by operation of law and the relevant person shall have the right to assume his former position.

9. If all members of the Board of Directors are suspended and the Company does not have any members of the Board of Directors at all, then the members of the Board of Commissioners shall temporarily manage the Company.

In such case the Board of Commissioners shall be entitled to grant a temporary authority to one or more among them at their collective responsibility.

MEETING OF THE BOARD OF COMMISSIONERS

Article 20

1. A meeting of the Board of Commissioners must be convened periodically at least once in 2 (two) months and may also be convened at any time deemed necessary by one or more members of the Board of Commissioners or upon a written request of one or more members of the Board of Directors or upon a written request of one or more shareholders jointly representing 1/10 (one tenth) of the total number of shares with valid voting rights.

2. The Board of Commissioners must convene a joint meeting with the Board of Directors periodically at least once in 4 (four) months.

3. The attendance of members of the Board of Commissioners in the meeting referred to in paragraphs 1 and 2 above must be disclosed in the annual report of the Company.

4. The Board of Commissioners must schedule the meeting referred to in paragraphs 1 and 2 for the following year before the end of the financial year. For the scheduled meeting, the materials of the meeting shall be provided to the participants of the meeting no later than five (5) days prior to the date of the meeting.

5. The invitation for the Meeting of the Board of Commissioners shall be made by the President Commissioner or Vice President Commissione or 2 (two) Commissioners.
6. The invitation for the meeting of the Board of Commissioners shall be delivered to each member of the Board of Commissioners directly by hand against proper receipt or sent by registered mail, courier, facsimile transmission, electronic mail or other electronic means of communication (if sent by facsimile transmission, electronic mail or other electronic means of communication shall be followed by a written confirmation sent by hand, registered mail or courier), at the latest 3 (three) days prior to the date of the meeting of the Board of Commissioners, excluding the date of the invitation and the date of the meeting of the Board of Commissioners.

7. The invitation for the meeting of the Board of Commissioners shall state the agenda, date, time and place of the meeting of the Board of Commissioners.

8. The meeting of the Board of Commissioners shall be convened at the domicile or at the business place of the Company. If all members of the Board of Commissioners are present or represented, such invitation shall not be required and the meeting of the Board of Commissioners shall be entitled to adopt valid and binding resolutions.

9. The meeting of the Board of Commissioners shall be chaired by the President Commissioner, and if the President Commissioner is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the meeting of the Board of Commissioners shall be chaired by Vice President Commissioner, and if the Vice President Commissioner is absent or prevented from attending for whatever reason, of which impediment no evidence to third parties, the meeting of the Board of Commissioners shall be chaired by a person appointed from the members of the Board of Commissioners present at the meeting of the Board of Commissioners.

10. A member of the Board of Commissioners may be represented in the meeting of the Board of Commissioners only by another Commissioner by virtue of a power of attorney.

11. The meeting of the Board of Commissioners shall be valid and entitled to adopt valid and binding resolutions if more than 50% (fifty percent) of the total members of the Board of Commissioners are present or legally represented in the meeting of the Board of Commissioners.

12. Resolutions of the meeting of the Board of Commissioners shall be adopted based on deliberation to reach a consensus.

Failing such mutual consensus, then the decision is taken based on the affirmative votes of more than 50% (fifty percent) of the valid votes cast in the meeting of the Board of Commissioners.

13. If there is a tie vote, then the Chairman of the meeting of the Board of Commissioners shall make this decision.

14. a. Each member of the Board of Commissioners present shall have the right to cast 1 (one) vote and 1 (one) additional vote for each member of the Board of Commissioners he represents.

b. Voting concerning an individual shall be made by an unsigned folded ballot, while voting concerning other matters shall be made verbally, unless the Chairman of the meeting decides otherwise without any objection from those present.

c. Blank votes and invalid votes shall be deemed not legally cast and non-existent and shall not be counted in the calculation of the number of votes cast.

15. Of all matters discussed and resolved in meeting of the Board of Commissioners, a Minutes of meeting shall be drawn up by a person present at the Meeting appointed by the Chairman of the Meeting and subsequently the Minutes shall be signed by the Chairman of the meeting and all attending members of the Board of Commissioners to ensure the completeness and accuracy of the minutes of the meeting and be provided to all members of the Board of Commissioners.

The Minutes of meeting shall constitute valid evidence to all members of the Board of Commissioners and third parties with respect to the resolutions and all matters occurring at the meeting of the Board of Commissioners.

If the minutes is drawn up by a Notary, then such signatures shall not be required.

16. Minutes of the joint meeting of the Board of Commissioners and the Board of Directors shall be signed by the Chairman of the meeting, the attending members of the Board of Commissioners and the Board of Directors, and be provided to all members of the Board of Commissioners and the Board of Directors.

The Minutes of meeting shall constitute valid evidence to all members of the Board of Commissioners, Board of Directors and third party with respect to the resolutions and all matters occurring at the meeting.
If the minutes is drawn up by a Notary, then such signatures shall not be required.

17. If there is a member of the Board of Commissioners and/or Board of Directors who was present but did not sign the minutes of meeting referred to in paragraphs 15 and 16, such member shall set out the reasons in writing in a separate letter to be attached to the minutes of meeting.

18. The Board of Commissioners may also adopt valid resolutions without convening a meeting of the Board of Commissioners, provided that all members of the Board of Commissioners have been notified in writing of the resolutions and all members of the Board of Commissioners have given their approvals thereof by signing such resolutions.

Resolutions adopted in such a manner shall have the same legal force as resolutions validly adopted in a Meeting of the Board of Commissioners.

19. A meeting of the Board of Commissioners may also be convened through remote means, such as teleconference, video conference or other electronic media which enable all Commissioners participating in the meeting of the Board of Commissioners to see and listen to each other directly and partake in the meeting of the Board of Commissioners. Such participation shall be deemed as attendance in the meeting of the Board of Commissioners. The convening of such meeting of the Board of Commissioners shall be made in a minutes of the meeting which is approved and signed by all Commissioners participating in the meeting of the Board of Commissioners.

FINANCIAL YEAR, ANNUAL WORK PLAN AND ANNUAL REPORT

Article 21

1. The Company's financial year shall run from 1st (first) day of January and shall end on the 31st (thirty first) day of December of the same year. At the end of December each year, the Company's books shall be closed.

2. At the latest 30 (thirty) days prior to the commencement of a financial year of the Company, the Board of Directors shall submit an annual working plan and budget of the Company to the Board of Commissioners for its approval.

3. Within 5 (five) months after the Company's financial year ends, the Board of Directors shall prepare an annual report pursuant to the applicable laws and regulations for submission to the Annual GMS. The annual report shall be made available at the Company's office as of the date of the invitation for the GMS, for perusal by the shareholders.

4. The Board of Directors shall publish the Balance Sheet and the Profit and Loss Statement in 2 (two) Indonesian language daily newspapers, one of which having a national circulation, at the latest 90 (ninety) days after the Company's financial year ends and 7 (seven) days after the Balance Sheet and the Profit and Loss Statement have been ratified by the Annual GMS.

5. The approval to the annual report and ratification of the financial report shall be made by the GMS.

APPROPRIATION OF PROFITS

Article 22

1. The Company's net profits of a financial year as shown in the balance sheet and profit and loss statement that have been ratified by the Annual GMS and constitute a positive balance of profits shall be appropriated in such manner as determined by a GMS. The GMS may authorize the Board of Directors to determine utilization of retained earnings, including any dividending thereof from time to time, subject to limitations, of any imposed, by a GMS.

2. In the event the Annual GMS does not determine the use of net profits, the net profits less the reserves, required by law and these Articles of Association, shall be distributed as dividends.

3. If the profit and loss statement in one financial year showed a loss which cannot be covered by the reserve funds, then such loss shall be recorded and entered into the profit and loss statement and in the subsequent financial year(s), the Company shall be deemed to have made no profits so long as the loss recorded and entered into the profit and loss statement has not been fully covered yet, subject to the prevailing laws and regulations.

4. Profits appropriated as dividends which are left unclaimed after 5 (five) years from the date that they are payable shall be deposited into a reserve fund specially designated for that purpose.
Dividends in such special reserve fund may be claimed by a shareholder entitled thereto before the lapse of 5 (five) years, upon presentation of evidence of his right to such dividends, which can be accepted by the Board of Directors, provided that dividends left unclaimed after the lapse of 10 (ten) years from the date they are payable shall become the property of the Company.

5. The Board of Directors, with the approval of the Board of Commissioners, may declare and distribute interim dividends to shareholders of the Company if the financial position of the Company so permits with the proviso that such interim dividends shall be offset against the dividends which are distributed on the basis of a resolution of the next Annual GMS adopted in accordance with the provisions of these Articles of Association. The distribution of such dividends shall be subject to the prevailing capital market laws and regulations and the regulations of the Stock Exchange where the shares of the Company are listed.

APPROPRIATION OF RESERVE FUNDS

Article 23

1. a. The size of the portion of net profits allocated for the reserve funds mandated by the Law shall be determined by the GMS with due observance to prevailing laws and regulations.

b. The mandatory reserve funds of up to an amount of at least 20% (twenty percent) of the issued capital shall only be used to cover losses suffered by the Company.

2. If the amount of the mandatory reserve funds has exceeded 20% (twenty percent) of the issued capital, then a GMS may decide that the excess of the reserve funds shall be used for the need of the Company.

3. The Board of Directors shall manage the reserve funds so as to make profits in a manner as it deems appropriate with the approval of the Board of Commissioners and by taking into account the prevailing laws and regulations.

CLOSING PROVISIONS

Article 24

All matters that are not provided for or not fully provided for in these Articles of Association shall be determined by the GMS subject to the prevailing laws and regulations.
XVII. INFORMATION REGARDING STANDBY BUYER

1. Information Regarding Standby Buyer

In accordance with the provisions set forth in the Remaining Shares Purchase Agreement of the Company’s LPO No. 40 dated September 11, 2015, as amended by Addendum and Restatement in the Remaining Shares Purchase Agreement No. 12 dated October 1, 2015, which is last amended by Addendum II and Restatement of the Standby Purchase Agreement No. 21 dated October 6, 2015, all drawn up before Aryanti Artisari, S.H., M.Kn., Notary of South Jakarta Administration between Company and PT Mandiri Sekuritas have agreed on the following:

If the new shares offered in this LPO are not entirely taken up by holders of Rights portion of the public, then the remaining shares will be allocated to other public Rights holders who subscribed more than their rights, as noted in Rights Certificate or Additional Share Application Form proportionally based on the rights that have been exercised.

If after the allocation of the additional share subscription, there are public shares portion still remaining, which is a maximum of 4,912,725 (four million nine hundred and twelve thousand seven hundred twenty five) Common Shares, then PT Mandiri Sekuritas, acting as a standby buyer is obliged to buy the remaining shares of the public portion, the remaining shares which must be purchased by the standby purchaser do not include shares that are part of PT Philip Morris Indonesia ("PMID")’s portion in this LPO by noting that the number of shares held by the public is 7.5% (seven point five percent) of the issued and fully paid capital and the share held by PMID amount to 92.5% (ninety-two point five percent) of the issued and fully paid capital after completion of the LPO.

Information regarding Standby Buyer:

PT Mandiri Sekuritas

Highlights

PT Mandiri Sekuritas ("MS") established based on Deed dated December 9, 1991 No. 01 of Sutjipto, S.H., formerly Notary in Jakarta, which has been approved by the Minister of Law of the Republic of Indonesia by virtue of its decree dated December 28, 1991, No. C2-8206.HT.01.01.TH.91 and published in BNRI No. 43 dated February 18, 1992, No. 14, Supplement No. 724/1992.

The Articles of Association were last amended by Deed dated June 22, 2012 No. 30, drawn up before Notary Lenny Janis Ishak, S.H. The Amendment of the Articles of Association has been approved and listed in Legal Entity Administration System Database of Ministry of Justice and Human Rights Republic of Indonesia, as stated in its letter dated August 13, 2012 No. AHU-AH.01.10-29950.

Purpose and Objectives of Business


Management and Supervision

The latest composition of PT Mandiri Sekuritas’ Boards of Commissioners and Directors based on Cover Note No.107/NOT/IV/2015 dated 17 April 2015 of Notary Lenny Janis Ishak, S.H. and latest composition of Directors based on Deed dated April 30, 2014, No. 63 of Notary Lenny Janis Ishak, S.H., as follows:

Board of Commissioners

President and Independent Commissioner: Darwin Cyril Noerhadi
Commissioner: Panji Irawan
Commissioner: Alexandra Askandar

Board of Directors

President Director: Abiprayadi Riyanto
Director: Iman Rachman
Director: Laksono Widito Widodo
Director: C. Paul Tehusijarana
Director: I Nyoman Gede Suarja

Ownership and Shareholder Structure

Based on Deed No. 141 dated December 28, 2012 of Notary Aryanti Artisari, S.H., M.Kn, ownership and shareholders structure of MS are as follows:
### Description

<table>
<thead>
<tr>
<th>Authorised Capital</th>
<th>Par Value of Rp 1,000 per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shares</td>
<td>Nominal Value (Rp)</td>
</tr>
<tr>
<td>Issued and Fully Paid:</td>
<td></td>
</tr>
<tr>
<td>1. PT. Bank Mandiri (Persero) Tbk</td>
<td>638,499,999</td>
</tr>
<tr>
<td>2. Koperasi Karyawan PT. Bank Mandiri Tbk</td>
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</tr>
<tr>
<td>Number of Shares Issued and Fully Paid</td>
<td>638,500,000</td>
</tr>
<tr>
<td>Unissued Shares</td>
<td>361,500,000</td>
</tr>
</tbody>
</table>

### Key Financial Highlights

*(in millions of Rupiah)*

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>2,382,573</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,370,320</td>
</tr>
<tr>
<td>Total Equities</td>
<td>1,012,252</td>
</tr>
<tr>
<td>Total Operating Income</td>
<td>701,616</td>
</tr>
<tr>
<td>Operating profit</td>
<td>153,618</td>
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<tr>
<td>Net profit</td>
<td>86,752</td>
</tr>
<tr>
<td>Net profit attributable to:</td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>86,721</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>31</td>
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<tr>
<td>Total comprehensive income for the year</td>
<td>88,336</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>88,305</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>31</td>
</tr>
</tbody>
</table>

2. **Key Points of Remaining Shares Purchase Agreement**

If the new shares offered in this LPO is not entirely taken up by holders of Rights portion of the public, then the rest will be allocated to the other holders of public Shares Rights who book more than their rights, as noted in Rights Certificate or Additional Share Application Form proportionally based on the rights that have been exercised. If, after the allocation of the additional share subscription, the stock is still a residual portion of the public, a maximum of 4,912,725 (four million nine hundred twelve thousand seven hundred twenty five) Common Shares with nominal value of Rp100 (one hundred Rupiah) per share, then Standby Buyer is obliged to buy the remaining shares of the public portion, on condition as follows:

- If the new shares offered in this LPO is not entirely taken up by shareholders (holder of Rights Shares), then the rest will be allocated proportionally (proportionally following exercised Rights Shares) to the Shareholders who subscribe for more than their rights as noted in Rights Certificate;
- If after the allotment of the New Shares, including the application of additional shares, there are some remaining shares, then the remaining shares will be purchased by Standby Buyer, and Standby Buyer hereby undertakes and commits to buy all remaining shares at the exercise prices and under the same conditions;
- Standby Buyer shall pay to the Company, the exercise price for the remaining shares, which will be transferred to the Company’s account at the bank that will be outlined in the Prospectus, which will be well-received not later than 1 (two) working days after allotment date;
- Standby Purchasers obligation to take part or to buy the remaining part of the New Shares as described above depends on the fulfillment of the following terms and provisions:
  1. Registration Statements for the LPO has become effective;
  2. General Meeting of Shareholders has approved the LPO and the issuance of New Shares to the shareholders;

PT Mandiri Sekuritas has stated its capability and has obtained sufficient funding to act as a standby buyer.

### XVIII. SHARES PURCHASE REQUIREMENT

Company has appointed Share Registrar, PT Sirca Datapro Perdana as Company’s Shares Administration and implementing agency LPO, based on Deed of Shares Administration Management Agreement and implementing agency regarding Company LPO No. 26 dated Agustus 10, 2015, as amended by Addendum and Restatement Agreement Shares Administrative Management and Placement Agent for the Company’s LPO No. 11 dated October 1, 2015, both drawn up before Aryanti Artisari, S.H., M.Kn., Notary in South Jakarta.

1. **Entitled Applicant**

Shareholders whose names are registered in the Shareholder Register are eligible to apply for New Shares in this LPO.
provided that each 65 (sixty-five) existing shares entitled to 4 (four) Rights Shares wherein every 1 (one) Rights Share is entitled to purchase 1 (one) New Share with nominal value of Rp100 (one hundred Rupiah) per share on Exercise Price.

The applicant entitled to purchase new shares are:

a. Rights Certificate holder whose name is listed in the Rights Certificate or legally obtained Rights Shares in accordance with applicable regulation; or
b. Rights holders Electronic recorded in Collective Custody at KSEI until the last date of the Rights Shares trading period.

Applicant may consists of individual, Indonesian and/or Foreign and/or Institution and/or Legal Entity/Enterprise both Indonesia/Foreign as regulated in the Capital Market Law along with its regulations.

To facilitate as well as to fulfill the registration schedule of entitled shareholders, the shareholders who hold shares of the Company in the form of paper which will exercise its right to acquire the Rights and have not perform registration shift of their share ownership are advised to register at the Share Registrar before the registration deadline of Shareholders, October 22, 2015.

2. **Distribution of Rights**

For shareholders whose shares are recorded in collective custody at KSEI, Rights will be distributed electronically to the securities account in KSEI through respective securities account of stock exchange members or custodian bank in KSEI not later than 1 (one) Exchange Day after the date of recording on DPS entitled to the Rights, on October 23, 2015. The Prospectus and guidelines will be distributed by the Company through KSEI and can be obtained by shareholders of respective stock exchange members or custodian bank.

For shareholders whose shares are not included in collective custody at KSEI, the Company will issue Rights Certificate on behalf of shareholders, which may be taken by the entitled shareholders or their proxies at Share Registrar every day and working hours starting on October 23, 2015, by bringing:

a. A copy of valid identification (for individual shareholder) and a copy of articles of association (for legal entity/institution shareholder). Shareholder also required to show the original document of those copies.

b. The original power of attorney (if authorized) attached with copy of other valid identification both for the giver and the receiver of power authority (the original identity of the giver and the proxy shall be shown).

3. **Rights’ Registration/Exercise Procedure**

Exercise of the Rights can be performed from October 26, 2015 until October 30, 2015.

a. The holders of Rights in Collective Custody at KSEI who will exercise their rights shall apply for implementation through the Stock Exchange Member/Custodian Bank appointed as the manager of the securities. Furthermore Exchange Member/Custodian Bank make request or exercise instruction through the Central Depository system - Book Entry Settlement System (C-BEST) in accordance with procedures established by KSEI. In doing instruction execution, Exchange Member/Custodian Bank must meet the following requirements:

i. Rights holders should provide funding exercise of the Rights at the time of filing the application.

ii. Adequacy of Rights and payment funds for Rights exercise shall be available in the securities account holder of Rights who perform exercise.

One next working day KSEI will deliver a List of Rights holders in the Collective Custody at KSEI who exercise their rights and make a deposit payment of the exercise of the Rights to the bank account of the Company.

New shares as the result of Rights exercise will be distributed by the Company Share Registrar of the Company electronically to the account determined by KSEI to be distributed to each securities account holder of Rights who exercise their rights concerned by KSEI. New shares will be distributed the results of the implementation of the Company/Share Registrar of the Company no later than two (2) working days after the request is received from KSEI and payment of the funds have been well received (in good funds) in a bank account of the Company.

b. Rights holders in the form of paper/Rights Certificate who will exercise their rights must apply Rights exercise request to the Share Registrar of the Company, by submitting the following documents:

i. Original Rights Certificate, signed and completely filled.

ii. The original proof of payment of the transfer / book entry / giro / check / cash to the Company's account of the bank where the deposit payment take place.

iii. A copy of valid ID card/Passport/Permits (for individual), or a copy of Articles of Association with attachment of Director/Management (Institution/Legal Entity).

iv. The original power of attorney (if authorized) stamped Rp 6,000 (six thousand Rupiah) accompanied by a photocopy of ID card/Passport/Permits from the Giver and Attorney.

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v. If the holders of the New Shares of Rights requires implementation results in electronic form, the request for execution to the Registrar of the Company through exchange members or custodian bank appointed to submit additional documentation in the form of:

- Original letter of authorization from the holders of Rights to exchange members or custodian bank to apply for implementation of the pre-emptive rights and to manage the effect on the shares of the exercise of the Rights in Collective Custody at KSEI on behalf of the authority.
- Original Securities Deposit Form issued by KSEI that has been completed and signed in full. The Company will issue shares results in the form of physical exercise of the Rights Shares Collective Letters (SKS) if the holder does not want to stock execution results included in the Collective Custody at KSEI.

Any and all costs of conversion on the transfer of shares of the Company in the form of paper into electronic form and/or otherwise from electronic form into a form letter to be paid and imposed entirely by the Company's shareholders.

Registration of Rights Certificate exercise is being performed at Share Registrar's office on Monday to Friday, 09.00-15.00 Western Indonesian Time.

If the filling of Rights Certificate is not in accordance with the instructions/share subscription terms set forth in Rights Certificate and Prospectus, then this may result in rejection of the reservation. Rights only deemed to have been carried out at the time of such payment has been proven to be received well (in good funds) in the bank accounts of the Company in accordance with the provisions contained in the terms of purchase.

4. Additional Shares Application

Entitled Shareholders which do not sell their rights or buyer/holder of Rights whose names are mentioned on Rights Certificate or Rights holder on Collective Custody at KSEI, may order additional shares exceeding the rights owned by filling subscription of additional shares column provided on Rights Certificate and/or Additional Shares Application at least 100 of shares or multiple.

a. For holders of Rights in the form of paper/Rights Certificate who wishes the New Shares allotment to be in electronic form must file request to the Share Registrar of the Company through member of Stock Exchange/Custodian Bank by submitting the following documents:

- An original copy of Additional Share Application Form that has been filled out completely and correctly.
- An original power of attorney from the Holder of Rights to member of Stock Exchange or Custodian Bank to apply for the subscription of Additional New Shares and managing the securities from New Shares as a result of allotment in collective custody at KSEI and other powers that may be granted in connection with the subscription of New Shares in addition to the name principal.
- Copy of valid ID card/Passport/Permits (for individual), or a copy of Articles of Association with attachment of Director/Management (Institution/Legal Entity).
- The original proof of payment of the transfer / book entry / giro / check / cash to the Company's account of the bank where the deposit payment take place.
- Original Securities Deposit Form issued by KSEI filled out completely for the purposes of the distribution of shares resulting from exercise by Share Registrar.

b. For holders of Rights in the form of paper / Rights Certificate who want the New Shares’ allotment results remain in the form of paper / physical credits must apply to the Share Registrar of the Company to submit the following documents:

- An original copy of Additional Share Application Form that has been filled out completely and correctly.
- Copy of valid ID card/Passport/Permits (for individual), or a copy of Articles of Association with attachment of Director/Management (Institution/Legal Entity).
- A valid original power of attorney (if authorised) with Rp6,000 seal (six thousand Rupiah) accompanied by a copy of ID card/Passport/Permits from the Giver and Attorney.
- The original proof of payment of the transfer / book entry / giro / check / cash to the Company's account of the bank where the deposit payment take place.
- Copy of valid ID card/Passport/Permits (for individual), or a copy of Articles of Association with attachment of Director/Management (Institution/Legal Entity).
- The original proof of payment of the transfer / book entry / giro / check / cash to the Company's account of the bank where the deposit payment take place.

Payment of any additional application can be implemented and should have been received on the bank account of the Company on November 3, 2015 at the latest (in good funds). Orders that do not meet the guidance in accordance with
the booking conditions may result in rejection of reservations.

5. Allotment of Additional Shares Application

Allotment of the additional shares application will be determined on November 4, 2015, at the following conditions:

a. If the total number of shares subscribed, including application of additional shares do not exceed total shares offered in this LPO, then all additional shares applications will be fulfilled;

b. If the total number of shares subscribed, including application of additional shares exceeds the total number of shares offered in this LPO, then the buyer who book additional shares will be enforced rationing system in proportion to the additional Rights application held by each shareholder who requested additional shares.

6. Payment Requirements for Rights Certificate Holder (Not Including Collective Custody at KSEI) and Additional New Shares Application

Payment of the subscription of shares in this LPO which applications are submitted directly to the Share Registrar of the Company must be paid in full (in good funds) in Rupiah at the time of submission of the application by cash / check / bank draft / book entry / transfer by stating the Rights Certificate number or Additional Shares Application Form number and the payment should be transferred to the bank account of the Company as follows:

Bank Deutsche Bank
Branch: Jl. Panglima Sudirman 101-103, Surabaya
Account No.: A/C. 1023423-00-1
Name: PT Hanjaya Mandala Sampoerna Tbk

All checks and money orders will be cashed upon receipt. When at the time of check cashing or bank draft was rejected by the bank, the subscription of the New Shares is void. If payment is made by check / transfer / giro, the payment date is calculated based on the date of receipt of the check / transfer / giro that the funds have been received well (in good funds) in the bank accounts of the Company as mentioned above.

For the subscription of additional New Shares, the payment is made on the day of application which the payment should have been received well (in good funds) in the bank account mentioned above the Company no later than November 3, 2015. Any costs that may arise in the context of the purchase of shares in this LPO is imposed to the applicant. Shares application that do not meet the requirements of the payment will be canceled.

7. Shares Subscription Receipt

Company through the Share Registrar of the Company which receives the subscription of the New Shares will submit Share Subscription Receipt which has been stamped and signed to the customer as a proof of the New Share Subscription to then be used as one piece of evidence at the time of taking the New Shares. For Rights Holders in the Collective Custody at KSEI will receive a confirmation of the application to exercise pre-emptive rights (exercise) from C-BEST at KSEI through Account Holder in KSEI.

8. Cancellation of Share Subscription

The Company reserves the right to cancel the booking of the New Shares, either in part or as a whole by taking into account the applicable requirements. Notification of cancellation will be delivered with a notification letter of allotment and refund to the exchange members/custodian bank/shareholders in the form of notes.

Things that may cause the cancellation of the New Shares reservations are as follow:

a. Filling additional Rights Certificate or FPPS is not in accordance with the instructions/requirements of New Shares booking requirements listed in Rights Certificates and Prospectus
b. Non-fulfillment of payment terms
c. Non-fulfillment of complete required application documents

9. Refund of Reservation Money

In the case of non-fulfillment of partially or completely from reservations or additional New Shares in the event of cancellation of share subscription, the Company will refund some or all of the reservation money in Rupiah by transfer to a bank account of the buyer. Refunds by the Company will be held on November 6, 2015 (no later than 2 (two) Business Days after allotment date on November 4, 2015). Refunds that are made up to November 6, 2015 will include interest.

In the event of a delay for the refund that exceeds 2 (two) business days after the Allotment date, the amount of the refund will be subject to a fine that will be calculated starting from the 3rd (third) business day after the Allotment date until the date of the refund is calculated based on the average deposit interest rate over 1 (one) month in the bank in which the refunds are placed. The Company should not be subject to any fine for a delay of a refund if the delay is
caused by the buyer when including the name of the bank and the bank account.

For Rights holders in KSEI collective custody who exercise their rights through KSEI, the refund will be made by KSEI.

10. Distribution of Shares resulting from exercised Rights

Share resulting from exercised Rights for subscribers who carry out pre-emptive rights according to their rights through KSEI, will be credited the effects to the account within two (2) working days after the request of the exercised Rights is received from KSEI and payment of funds have been well received in the bank account of the Company.

Shares resulting from exercised Rights for the Rights holders in the form of a clearing account letter (warkat) who exercise pre-emptive rights according to their rights will be registered under a collective share certificate or shares in the form of a clearing account letter (warkat) no later than 2 (two) working days after the request is received from the Share Registrar (BAE) of the Company and after payment of funds is effective in good funds) in the bank account of the Company.

The certificate of collective share of the New Shares resulting from allotment on ordering additional New Shares will be available for pickup or will be distributed electronically in the Collective Custody at KSEI no later than two (2) working days after the allotment.

The new collective share certificate resulting from the exercised pre-emptive rights can be obtained on any Business Day (Monday - Friday, 09:00 - 15:00 pm), which began on October 28, 2015 until November 3, 2015. Certificate of collective shares resulting from allotment can be obtained starting November 6, 2015. Pick up is done in BAE office by showing/submitting the following documents:

a. Original ID card/passport/permits (for individuals) is valid; or
b. Photocopy of the articles of association (for institution/legal entity) and the composition of the board of directors/commissioners is still valid;
c. A valid original power of attorney (for the institution/legal entity or individual that is authorized) stamped Rp6.000 (six thousand Rupiah) along with a photocopy of ID card/passport/permit of the giver and the proxy;
d. The original share subscription report.

11. Allocation of the Remaining Shares not Subscribed by the Rights Holders

If the shares offered in the Limited Public Offering is not fully subscribed or purchased by Rights holders, the remains will be allocated to other Rights holders who have exercised their rights and have an order greater than their rights as set forth in the Rights, proportionally in accordance with the Rights that has been exercised.
XIX. OVERVIEW OF THE RIGHTS

The Shares offered in this LPO is at a maximum of 269,723,076 (two hundred sixty nine million seven hundred and twenty three thousand seventy six) New Shares with nominal value of Rp100 (one hundred) per share. Every holder of 65 (sixty five) existing shares whose name is listed in the Company’s Shareholders Register on October 22, 2015 at 16:00 WIB is entitled to 4 (four) Rights, in which each 1 (one) Right gives its holder the right to purchase as much as 1 (one) New Share with an Exercise Price of Rp77,000 (seventy seven thousand Rupiah) per share. The amount of funds to be received by the Company in this LPO is at a maximum of Rp20,768,676,852,000 (twenty trillion seven hundred sixty eight billion six hundred seventy six million eight hundred fifty two thousand Rupiah).

OVERVIEW OF THE RIGHTS

Shares offered in this LPO is issued based on Rights to be issued by the Company to shareholders who are entitled. Rights may be traded during the trading period through the transfer of ownership of Rights to the book-entry system of Rights between Account Holders in KSEI.

Rights holders who wish to conduct trading are required to have an account with a securities company or custodian bank that has become an Account Holder in KSEI. The following are notable provisions in the Rights:

1. Entitled for Rights Certificate

Shareholders who are entitled to obtain Rights are those recorded in the DPS of the Company on October 22, 2015 at 16.00 Western Indonesian Time.

2. Holders of Valid Rights Certificate

Holders of valid Rights are:

a. Shareholders who are entitled to obtain Rights which Rights are not sold; or
b. Last buyer/holder of Rights whose names are mentioned in the endorsement column of the Rights Certificate; or
c. Holders of Rights in the KSEI collective depository, until the last date of Rights trading period.

3. Rights Certificate Trading

Rights holder may trade its Rights Certificate during trading period, starting October 26, 2015 until October 30, 2015.

Trading of scripless Rights shall be subject to the prevailing laws and regulations in the territory of the Republic of Indonesia, including but not limited to tax laws and capital market regulations including the stock exchange regulations in which the Rights are traded, namely the Indonesia Stock Exchange, and KSEI regulations. If the Rights holders experience hesitations in making a decision, you should consult at your own expense with an investment advisor, stockbroker, investment manager, legal advisor, public accountant, or other professional advisers.

Rights that are in the Collective Custody at KSEI traded on the Indonesia Stock Exchange, while Rights in the form of Rights Certificate can only be traded outside the exchange.

Settlement of Rights trading conducted through the Stock Exchange will be implemented by way of transfer between securities accounts on behalf of the Custodian Bank or Securities Company in KSEI.

All fees and taxes that may arise as a result of trade and transfer of Rights shall be the responsibility Rights holders or prospective holders of Rights.

4. Form of Rights Certificate

For shareholders whose shares have not been included in the Collective Custody system at KSEI, the Company will issue Rights Certificate which includes the name and address of the holder of Rights, number of shares held, the number of Rights that can be used to purchase New Shares, the number of New Shares to be purchased, the amount of the price to be paid, the amount of additional New Shares reservations, endorsements column and other necessary information.

For shareholders whose shares are in the Collective Custody system at KSEI, the Company will not publish Rights Certificate, but will do the crediting of Rights to the securities account in the name of the Custodian Bank or the Securities Firm appointed by each shareholder in KSEI.

5. Application of Rights Certificate Split
For holder of Rights Certificate who wish to sell or transfer a part of its Rights, the Rights Certificate holder may contact Share Registrar of the Company to obtain desired denomination Rights. Rights holder may split Rights Certificate from October 26, 2015 until October 29, 2015.

Each split will cost Rp22,000 (twenty two thousand Rupiah) per Rights Certificate, bounded to the applicant. The cost already include Value Added Tax.

Split Rights Certificate can be obtained within 1 (one) Exchange Day after the request is received by Share Registrar of the Company.

6. Rights Value

The value of Rights offered by legitimate holder of Rights will vary from one to another, based on supply and demand of the market.

For instance, the calculation of the value of Rights below is one of the ways to calculate the value of Rights, but does not guarantee that the results obtained by calculating the value of Rights is the real value of the Rights.

The elaboration below is expected to provide an overview to calculate the value of Rights:

- Closing price on the last trading day before Rights trading = Rp a
- Exercise price per share = Rp b
- The ratio of the number of old shares needed to obtain Rights = A
- Total shares on the last trading day before Rights trading = B
- Theoretical new share price = \( \frac{(Rp \ a \times A) + (Rp \ b \times B)}{A + B} \) = Rp c

Therefore, theoretically the Rights price is: = Rp a - Rp c

7. Use of Rights Certificate

Rights Certificate is a proof of right granted by the Company to the Rights holders to purchase New Shares. Rights Certificate only be issued to shareholders who are entitled who are not yet converted their shares and used to order the New Shares. Rights Certificate not apply in the form of photocopies. Rights Certificate can not be exchanged for cash or any of the Company. Proof of ownership of pre-emptive rights to holders of Rights in Collective Custody at KSEI will be provided by KSEI through exchange members or custodian bank.

8. Split Rights

In accordance with Bapepam Regulation No. IX.D.1 on the Rights, Attachment to the Decision of the Chairman of Bapepam No. Kep-26 / PM / 2003 dated July 17, 2003, the fraction of the Rights must be sold by the Company and the proceeds must be inserted into the account of the Company.

9. Others

All costs incurred with regard to the transfer of the Rights shall be borne by the holder of Rights Certificate or prospective holder of Rights.
XX. DISTRIBUTION OF PROSPECTUS AND RIGHTS CERTIFICATE

The Company has announced important information related to this LPO by way of publication in the newspaper.

1. For Shareholders whose shares are in the KSEI Collective Deposit system, Rights will be electronically distributed through the respective securities account with the IDX or Custodian Bank in KSEI at the latest 1 (one) Business Day after recording date on LPO’s DPS, on October 23, 2015. Prospectus and exercise guidelines are available with the Share Registrar of the Company.

2. For Shareholders whose shares are not in the KSEI Collective Deposit system, the Company will issue Rights Certificate on behalf of shareholder and could obtain Rights Certificate, Prospectus, Additional Share Application Form and other forms starting October 23, 2015 by showing original identification (ID/Passport/KITAS) and handing over the copy of the documents and original copy of Power of Attorney for those cannot obtain on Share Registrar of the Company:

PT Sirca Datapro Perdana
Wisma Sirca
Jl. Johar No. 18, Menteng
Jakarta 10340
Telp. (021) 390-0645, 390-5920
Fax. (021) 390-0671, 390-0652

If the shareholders of the Company whose names are recorded in the DPS on October 22, 2015 at 16.00 Western Indonesian Time have not obtained the Prospectus and Rights Certificate and have not contacted PT Sirca Datapro Perdana as the Share Registrar of the Company, then all risks of loss are not the responsibility of PT Sirca Datapro Perdana or the Company, but would be the responsibility of the relevant shareholder.
XXI. ADDITIONAL INFORMATION

If there is any information in this Prospectus which is unclear or if a shareholder requires additional information in relation to this LPO, shareholders may contact:

Corporate Secretary and Investor Relations
PT Hanjaya Mandala Sampoerna Tbk

Jakarta Corporate Representative Office:
One Pacific Place, 18th Floor
Sudirman Central Business District (SCBD)
Jl. Jend. Sudirman Kav 52-53
Jakarta 12190, Indonesia
Website: www.sampoerna.com
Phone: (021) 5151 234; Fax: (021) 5152 234
Email: investor.relations@sampoerna.com