# Daftar Isi
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Visi / Vision

• We aim to be the best

To become the largest integrated and most profitable palm based consumer company

Misi / Mission

• Surpassing the highest standards of Quality
• Maintaining the highest level of Integrity
• Achieving the maximum returns for our Shareholders
  • Returns to the Society and Community
  • Trend setting, Innovation, and Technology

• Nilai-nilai Perusahaan
Our Shared Values

Integrity

to put statements or promises into actions so that one can earn the trust of others

Loyalty

to cultivate the spirit of knowing, understanding, and implementing the Company’s core values as part of SMART family

Positive Attitude

to display encouraging behaviour towards the creation of a mutually appreciative and conducive working environment

Innovation

to come up with ideas or to create new products/tools/systems that can increase productivity and company growth

Commitment

to perform our work whole heartedly in order to achieve the best results

Continuous Improvement

to continuously enhance the capability of self, working unit, and organisation to obtain the best results


<table>
<thead>
<tr>
<th>Tanggal</th>
<th>Kuartal 1</th>
<th>Kuartal 2</th>
<th>Kuartal 3</th>
<th>Kuartal 4</th>
<th>Kuartal 1</th>
<th>Kuartal 2</th>
<th>Kuartal 3</th>
<th>Kuartal 4</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1st Quarter</td>
<td>2nd Quarter</td>
<td>3rd Quarter</td>
<td>4th Quarter</td>
<td>1st Quarter</td>
<td>2nd Quarter</td>
<td>3rd Quarter</td>
<td>4th Quarter</td>
</tr>
<tr>
<td>Tertinggi</td>
<td>2,000</td>
<td>3,100</td>
<td>4,300</td>
<td>4,200</td>
<td>3,950</td>
<td>4,000</td>
<td>4,725</td>
<td>6,300</td>
</tr>
<tr>
<td>Terendah</td>
<td>900</td>
<td>1,880</td>
<td>2,700</td>
<td>3,650</td>
<td>3,500</td>
<td>3,300</td>
<td>3,300</td>
<td>4,000</td>
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<tr>
<td>Penutupan (akhir Kuartal)</td>
<td>1,990</td>
<td>2,825</td>
<td>4,000</td>
<td>3,650</td>
<td>3,650</td>
<td>3,300</td>
<td>4,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Jumlah Saham Diperdagangkan</td>
<td>38,899,000</td>
<td>48,780,000</td>
<td>70,030,000</td>
<td>48,516,500</td>
<td>59,673,500</td>
<td>5,718,000</td>
<td>7,616,500</td>
<td>1,973,000</td>
</tr>
</tbody>
</table>

The Indonesia Stock Exchange (IDX), which is a result of the merger between Jakarta Stock Exchange and Surabaya Stock Exchange, closed its 2007 trading with its composite index at 2,739,704, a remarkable increase of 52% compared to 2006. Total market capitalisation also increased by 59% to Rp 1,982 trillion.

During 2007, the Company’s share price increased by 64% from Rp 3,650 to Rp 6,000 per share, with a market capitalisation of Rp 17.23 trillion at the end of 2007. This increase was supported by the bullish outlook on the palm oil industry shown by the rise of the international market CPO price during 2007.

Starting July 2007, the stock exchange has reclassified our Company’s share from Consumer Goods to Agriculture category.

The following table shows the quarterly highest, lowest, closing price, and trading volume of the Company’s share on the IDX during 2006 and 2007.
Shareholders’ Structure per 31 December 2007

Throughout 2007, PT Purimas Sasmita has increased its ownership in the Company to 95.21%, from 72.19% at the beginning of the year.

PT Purimas Sasmita

Public

4.79%

95.21%

Struktur Pemegang Saham per 31 Desember 2007

Selama tahun 2007, PT Purimas Sasmita telah meningkatkan kepemilikannya di Perseroan menjadi 95.21%, dari 72.19% pada awal tahun.

Share Listing History

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Amount</th>
<th>Note</th>
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<tbody>
<tr>
<td>Initial public offering</td>
<td>Nov 1992</td>
<td>150,000,000</td>
<td></td>
</tr>
<tr>
<td>Distribution of bonus shares</td>
<td>May 1994</td>
<td>60,000,000</td>
<td>Distribution of bonus shares</td>
</tr>
<tr>
<td>Distribution of share dividends</td>
<td>July 1997</td>
<td>42,000,000</td>
<td>Distribution of share dividends</td>
</tr>
<tr>
<td>Distribution of bonus shares</td>
<td>Jan 2001</td>
<td>45,360,000</td>
<td>Distribution of bonus shares</td>
</tr>
<tr>
<td>Stock split</td>
<td>May 2005</td>
<td>1,189,440,000</td>
<td>Stock split</td>
</tr>
<tr>
<td>Debt-to-equity conversion</td>
<td>June 2005</td>
<td>1,385,393,366</td>
<td>Debt-to-equity conversion</td>
</tr>
<tr>
<td>Total shares outstanding</td>
<td>Dec 2007</td>
<td>2,872,193,366</td>
<td>Total shares outstanding</td>
</tr>
</tbody>
</table>

Sejarah Pencatatan Saham

Penawaran umum perdana: Nov 1992, 150,000,000
Pembagian saham bonus: May 1994, 60,000,000
Pembagian saham dividen: July 1997, 42,000,000
Pembagian saham bonus: Jan 2001, 45,360,000
Pemecahan nilai nominal saham: May 2005, 1,189,440,000
Konversi hutang menjadi saham: June 2005, 1,385,393,366
Jumlah saham beredar: Dec 2007, 2,872,193,366

Dividend Policy

The Company’s dividend policy is to declare up to 30% of net income as dividends. The dividend declaration, amount, and payment of future cash dividends will depend on many factors, including:

- results of operations, cash flows, and financial position;
- dividend received from subsidiaries;
- future industry prospects and capital expenditure programs;
- schedule of debts repayment; and
- other factors deemed relevant by the Board of Directors and our shareholders.

For the year 2005, the Company did not distribute any dividends to the shareholders due to negative retained earnings position of the Company. For the year 2006, the Company distributed dividends of Rp 46 per share. This dividend was announced on 14 May 2007 and paid to the shareholders on 25 June 2007. At the upcoming Annual General Meeting of Shareholders, the management will propose to the shareholders to approve distribution of dividends of Rp 5 per share.

Kebijakan Dividen

Kebijakan Perseroan adalah untuk membagikan dividend sampai dengan 30% dari laba bersih. Penetapan dividen, nilai, dan pembayaran dividend kas di masa yang akan datang akan tergantung dari banyak faktor, antara lain:

- hasil operasi, arus kas, dan posisi keuangan;
- penerimaan dividen dari anak-anak perusahaan;
- prospek industri di masa yang akan datang dan program belanja modal;
- jadual pembayaran pinjaman; dan
- faktor-faktor lain yang dianggap relevan oleh Direksi dan para pemegang saham.

## Ikhtisar Keuangan

**Financial Highlights**

### LAPORAN LABA RUGI (Rp Milyar)

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Penjualan bersih</td>
<td>8,080</td>
<td>4,708</td>
<td>4,657</td>
<td>4,275</td>
</tr>
<tr>
<td>Laba kotor</td>
<td>2,225</td>
<td>855</td>
<td>722</td>
<td>616</td>
</tr>
<tr>
<td>Laba usaha (1)</td>
<td>1,663</td>
<td>617</td>
<td>425</td>
<td>352</td>
</tr>
<tr>
<td>Laba (rugi) bersih (2)</td>
<td>1,885</td>
<td>797</td>
<td>571</td>
<td>446</td>
</tr>
<tr>
<td>Rata-rata tertimbang jumlah saham</td>
<td>2,872</td>
<td>2,872</td>
<td>2,189</td>
<td>1,487</td>
</tr>
</tbody>
</table>

### NERACA (Rp Milyar)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Modal kerja bersih</td>
<td>1,577</td>
<td>583</td>
<td>460</td>
<td>326</td>
</tr>
<tr>
<td>Jumlah aktiva</td>
<td>8,063</td>
<td>5,312</td>
<td>4,597</td>
<td>3,973</td>
</tr>
<tr>
<td>Jumlah investasi</td>
<td>155</td>
<td>339</td>
<td>448</td>
<td>413</td>
</tr>
<tr>
<td>Jumlah kewajiban lancar</td>
<td>2,190</td>
<td>1,090</td>
<td>1,031</td>
<td>725</td>
</tr>
<tr>
<td>Hutang jangka panjang</td>
<td>2,040</td>
<td>1,456</td>
<td>1,483</td>
<td>2,944</td>
</tr>
<tr>
<td>Hutang sub-ordinasi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>437</td>
</tr>
<tr>
<td>Ekuitas - bersih</td>
<td>3,528</td>
<td>2,577</td>
<td>1,929</td>
<td>(349)</td>
</tr>
</tbody>
</table>

### RASIO-RASIO (%)

<table>
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<th></th>
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<tr>
<td>Pertumbuhan penjualan</td>
<td>71.6</td>
<td>1.1</td>
<td>8.9</td>
<td>28.3</td>
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<tr>
<td>Pertumbuhan laba kotor</td>
<td>160.4</td>
<td>18.3</td>
<td>17.3</td>
<td>49.8</td>
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<tr>
<td>Pertumbuhan laba usaha (1)</td>
<td>169.5</td>
<td>45.2</td>
<td>20.6</td>
<td>124.0</td>
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<tr>
<td>Pertumbuhan EBITDA</td>
<td>136.5</td>
<td>39.6</td>
<td>28.0</td>
<td>66.3</td>
</tr>
<tr>
<td>Rasio laba terhadap ekuitas</td>
<td>28.0</td>
<td>24.4</td>
<td>15.8</td>
<td>n.a.</td>
</tr>
<tr>
<td>Rasio laba terhadap jumlah aktiv</td>
<td>12.3</td>
<td>11.8</td>
<td>6.6</td>
<td>(27)</td>
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<td>Rasio kewajiban terhadap jumlah aktiv</td>
<td>1.7</td>
<td>1.5</td>
<td>1.4</td>
<td>0.6</td>
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<tr>
<td>Rasio kewajiban terhadap ekuitas (3)</td>
<td>1.3</td>
<td>1.1</td>
<td>1.4</td>
<td>44.1</td>
</tr>
<tr>
<td>Umur hutang (hari) (4)</td>
<td>44.7</td>
<td>44.6</td>
<td>40.6</td>
<td>36.8</td>
</tr>
<tr>
<td>Umur piutang (hari) (5)</td>
<td>27.0</td>
<td>21.6</td>
<td>18.2</td>
<td>15.2</td>
</tr>
<tr>
<td>Perputaran persediaan (6)</td>
<td>5.4</td>
<td>5.7</td>
<td>6.9</td>
<td>7.5</td>
</tr>
</tbody>
</table>

### INFORMASI LAINNYA

| Nilai tukar US$ - penutupan (Rp per US$ 1) | 9,419 | 9,020 | 9,830 | 9,290 | 8,465 |
| Nilai tukar US$ - rata-rata (Rp per US$ 1) | 9,142 | 9,165 | 9,715 | 8,950 | 8,569 |
| Harga rata-rata CPO - FOB Belawan (US$ per ton) | 716 | 416 | 376 | 430 | 402 |

### OTHER INFORMATION

Notes:

(1) As restated after the reclassification of management fee income
(2) As restated to reflect the proforma impact of the stock split (1 to 5 shares) which was effected in May 2005
(3) Debt to equity = total debt / (equity + subordinated loan + minority in net assets of subsidiaries)
(4) Days payable = (average trade accounts payable + average other payables to third parties) / cost of goods sold * 365 days
(5) Days receivable = average trade accounts receivable / net sales * 365 days
(6) Inventory turnover = cost of goods sold / average inventory

Keterangan:

(1) Disajikan kembali setelah adanya reklasifikasi atas pendapatan jasa pengelolaan
(2) Disajikan kembali setelah disesuaikan untuk menggambarkan proforma dampak pemecahan nilai nominal saham (1 menjadi 5 saham) yang terjadi pada bulan Mei 2005
(3) Rasio kewajiban terhadap ekuitas = jumlah kewajiban / (ekuitas + hutang sub-ordinasi + hak minoritas atas aktiva bersih anak perusahaan)
(4) Umur hutang = (rata-rata hutang usaha + rata-rata hutang lain-lain kepada pihak ketiga) / beban pokok penjualan * 365 hari
(5) Umur piutang = rata-rata piutang usaha / penjualan bersih * 365 hari
(6) Perputaran persediaan = beban pokok penjualan / rata-rata persediaan

Notes:

(1) As restated after the reclassification of management fee income
(2) As restated to reflect the proforma impact of the stock split (1 to 5 shares) which was effected in May 2005
(3) Debt to equity = total debt / (equity + subordinated loan + minority in net assets of subsidiaries)
(4) Days payable = (average trade accounts payable + average other payables to third parties) / cost of goods sold * 365 days
(5) Days receivable = average trade accounts receivable / net sales * 365 days
(6) Inventory turnover = cost of goods sold / average inventory
Tren Penjualan / Sales Trend

Milyar / Billion Rupiah

2003 2004 2005 2006 2007

3,332 4,275 4,657 4,708 8,080

Tren Laba Kotor, EBITDA, dan Laba Bersih / Gross Profit, EBITDA, and Net Income Trend

Milyar / Billion Rupiah

2003 2004 2005 2006 2007

-108 446 304 628 989

Marjin Kotor, Marjin Usaha, dan Marjin Bersih / Gross, Operating, and Net Margin

(dalam prosentase / in percentage)

2003 2004 2005 2006 2007

12.3 14.4 15.5 18.2 27.5

12.2 13.3 13.1 6.5 20.6
## Ikhtisar Operasional
### Business Highlights

### PERKEBUNAN KELAPA SAWIT

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Area Tertanam - ha</th>
<th>Young (4 - 6 years)</th>
<th>Prime (7 - 18 years)</th>
<th>Old (&gt; 18 years)</th>
<th>Total Mature Plantations</th>
<th>Immature Plantations</th>
<th>Total Planted Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>7,761</td>
<td>4,809</td>
<td>73,610</td>
<td>13,117</td>
<td>95,775</td>
<td>29,415</td>
<td>125,190</td>
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<tr>
<td>2006</td>
<td>4,809</td>
<td>73,610</td>
<td>13,117</td>
<td>91,535</td>
<td>91,480</td>
<td>26,515</td>
<td>118,050</td>
</tr>
<tr>
<td>2005</td>
<td>11,088</td>
<td>66,706</td>
<td>13,686</td>
<td>91,480</td>
<td>92,699</td>
<td>6,111</td>
<td>102,556</td>
</tr>
<tr>
<td>2004</td>
<td>17,546</td>
<td>62,990</td>
<td>12,163</td>
<td>95,101</td>
<td>91,500</td>
<td>4,631</td>
<td>98,810</td>
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<tr>
<td>2003</td>
<td>26,804</td>
<td>55,164</td>
<td>9,542</td>
<td>11,076</td>
<td>11,076</td>
<td>27,087</td>
<td>96,141</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Area Inti Tertanam - ha</th>
<th>Young (4 - 6 years)</th>
<th>Prime (7 - 18 years)</th>
<th>Old (&gt; 18 years)</th>
<th>Total Mature Plantations</th>
<th>Immature Plantations</th>
<th>Total Nucleus Planted Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5,136</td>
<td>2,753</td>
<td>54,281</td>
<td>13,117</td>
<td>73,856</td>
<td>26,588</td>
<td>100,444</td>
</tr>
<tr>
<td>2006</td>
<td>2,753</td>
<td>54,281</td>
<td>13,117</td>
<td>70,150</td>
<td>70,945</td>
<td>24,581</td>
<td>94,731</td>
</tr>
<tr>
<td>2005</td>
<td>9,843</td>
<td>47,416</td>
<td>13,686</td>
<td>73,383</td>
<td>73,383</td>
<td>19,300</td>
<td>80,325</td>
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<td>2004</td>
<td>17,010</td>
<td>44,210</td>
<td>12,163</td>
<td>73,200</td>
<td>73,200</td>
<td>21,790</td>
<td>76,977</td>
</tr>
<tr>
<td>2003</td>
<td>24,995</td>
<td>37,657</td>
<td>9,542</td>
<td>72,194</td>
<td>72,194</td>
<td>27,087</td>
<td>74,902</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total Area Plasma Tertanam - ha</th>
<th>Young (4 - 6 years)</th>
<th>Prime (7 - 18 years)</th>
<th>Old (&gt; 18 years)</th>
<th>Total Mature Plantations</th>
<th>Immature Plantations</th>
<th>Total Plasma Planted Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2,625</td>
<td>2,056</td>
<td>19,329</td>
<td>-</td>
<td>21,304</td>
<td>-</td>
<td>24,746</td>
</tr>
<tr>
<td>2006</td>
<td>2,056</td>
<td>19,329</td>
<td>19,290</td>
<td>-</td>
<td>20,290</td>
<td>-</td>
<td>23,319</td>
</tr>
<tr>
<td>2005</td>
<td>1,245</td>
<td>19,290</td>
<td>19,290</td>
<td>-</td>
<td>19,290</td>
<td>-</td>
<td>22,231</td>
</tr>
<tr>
<td>2004</td>
<td>536</td>
<td>19,290</td>
<td>18,780</td>
<td>-</td>
<td>18,780</td>
<td>-</td>
<td>21,833</td>
</tr>
<tr>
<td>2003</td>
<td>1,809</td>
<td>19,290</td>
<td>17,507</td>
<td>-</td>
<td>17,507</td>
<td>-</td>
<td>21,239</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>TBS Dihasilkan - ton</th>
<th>Nucleus</th>
<th>Plasma</th>
<th>Total FFB Harvested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,688,383</td>
<td>1,575,068</td>
<td>1,325,881</td>
<td>1,164,640</td>
</tr>
<tr>
<td>2006</td>
<td>336,627</td>
<td>322,739</td>
<td>306,554</td>
<td>310,748</td>
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<tr>
<td>2005</td>
<td>2,025,010</td>
<td>1,912,489</td>
<td>1,686,435</td>
<td>1,475,388</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Hasil TBS - ton per ha</th>
<th>Nucleus</th>
<th>Plasma</th>
<th>Average FFB Yield per ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>22.9</td>
<td>22.5</td>
<td>21.2</td>
<td>18.1</td>
</tr>
<tr>
<td>2006</td>
<td>15.4</td>
<td>15.1</td>
<td>19.9</td>
<td>18.7</td>
</tr>
<tr>
<td>2005</td>
<td>21.1</td>
<td>20.7</td>
<td>20.9</td>
<td>18.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>CPO Dihasilkan - ton</th>
<th>Nucleus</th>
<th>PK Dihasilkan - ton</th>
<th>PK Produced - ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>509,095</td>
<td>490,870</td>
<td>103,911</td>
<td>75,690</td>
</tr>
<tr>
<td>2006</td>
<td>111,637</td>
<td>461,523</td>
<td>97,715</td>
<td>70,990</td>
</tr>
<tr>
<td>2005</td>
<td>23,33</td>
<td>385,546</td>
<td>85,417</td>
<td>70,990</td>
</tr>
<tr>
<td>2004</td>
<td>5,12</td>
<td>342,777</td>
<td>23.33</td>
<td>70,990</td>
</tr>
<tr>
<td>2003</td>
<td>23.33</td>
<td>342,777</td>
<td>23.33</td>
<td>70,990</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Lokasi Perkebunan - ha</th>
<th>Sumatra</th>
<th>Kalimantan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>39,210</td>
<td>38,984</td>
<td>38,352</td>
</tr>
<tr>
<td>2006</td>
<td>55,747</td>
<td>42,638</td>
<td>36,825</td>
</tr>
<tr>
<td>2005</td>
<td>62,410</td>
<td>59,918</td>
<td>59,576</td>
</tr>
<tr>
<td>2004</td>
<td>62,780</td>
<td>55,747</td>
<td>36,565</td>
</tr>
<tr>
<td>2003</td>
<td>62,780</td>
<td>55,747</td>
<td>36,565</td>
</tr>
</tbody>
</table>
Profil Umur Tanaman 2007 (Inti dan Plasma) / Planted Age Profile 2007 (Nucleus and Plasma)

Profil Kepemilikan Kebun 2007 / Plantation Ownership Profile 2007

Produksi Tandan Buah Segar / Fresh Fruit Bunches Production

Produksi CPO dan PK / PK and CPO Production
Para pemegang saham yang terhormat,

Dengan bangga kami menyampaikan bahwa tahun 2007 merupakan satu lagi babak yang luar biasa dalam perjalanan Perseroan menuju perusahaan berbasis kelapa sawit terintegrasi yang terbesar dan paling menguntungkan di Indonesia.

Dengan keahlian manajemen baik di bidang keuangan maupun operasional, serta harga minyak kelapa sawit (CPO) yang meningkat sepanjang tahun 2007, Perseroan berhasil mencapai rekor dalam pertumbuhan kinerja. Rekor baru untuk laba bersih sebesar Rp 989 milyar dan rekor produksi CPO sebesar 509 ribu ton berhasil dicapai pada tahun berjalan. Hasilnya adalah rasio laba terhadap ekuitas juga meningkat menjadi 28,0%. Perseroan berhasil meningkatkan areal tertanamnya sebesar tujuh ribu hektar menjadi 125 ribu hektar, dimana 77% diantaranya merupakan tanaman menghasilkan. Respon publik terhadap pencapaian kinerja Perseroan juga positif, terlihat dari meningkatnya harga saham Perseroan sebesar 64% dibandingkan dengan akhir tahun sebelumnya.

Kami berterima kasih kepada para Direksi atas prestasi yang mengagumkan serta komitmen dan partisipasi mereka selama tahun berjalan. Sesuai dengan pandangan Direksi, kami yakin bahwa industri kelapa sawit akan tetap cemerlang dengan adanya posisi permintaan dan pasokan CPO dunia yang ketat.

CPO merupakan minyak nabati yang paling diminati para konsumen karena harganya yang paling murah dan bebas dari trans-fatty acid. Bahkan beberapa pihak juga mempertimbangkan CPO sebagai salah satu bahan baku yang paling murah untuk bio-energi, sehingga akan menciptakan permintaan tambahan akan CPO. Jumlah permintaan yang terus meningkat sementara jumlah pasokan yang relatif stabil pada akhirnya menyebabkan peningkatan harga CPO.

Menanggapi situasi pasar, Perseroan berencana untuk terus mendayagunakan keunggulan kompetitif Perseroan, seperti: operasi yang terintegrasi secara vertikal dan skala ekonomi yang

Dear Valued Shareholders,

We proudly affirm that 2007 was another tremendous chapter in the Company’s journey to become the largest integrated and most profitable palm based consumer company in Indonesia.

Through proficient operational and financial management, as well as the upward crude palm oil (CPO) price throughout 2007, the Company has successfully achieved record growth performance. A new record high net income of Rp 989 billion and a record high CPO production of 509 thousand tons were realised in the current year. Return on equity consequently increased to 28.0%. The Company managed to enhance its planted area by seven thousand hectares to 125 thousand hectares, 77% of which were mature estates. The public responded positively to the Company’s achievements, which was reflected in the 64% increase in our share price compared to a year before.

We thank the Board of Directors for performing their duties well, their high commitment and outstanding involvement throughout the year. We share the Board of Directors’ confidence that the palm oil industry will remain bullish considering the tight supply and demand situation of CPO globally.

Being the cheapest edible oil and free from trans-fatty acid, CPO is positioned as consumers’ top preference for food purposes. In fact, some users also consider CPO as one of the most cost-efficient feedstock for bio-energy, which will create additional demand for CPO. While demand grows substantially, supply increase remains stable, ultimately supporting strong CPO price levels.

In response to the market situation, the Company’s growth plan is to continuously capitalise on its competitive advantages, such as: vertically-integrated operations and economies of scale, state of the art management system, experienced management team, strong brand awareness, continuous research and development, and sufficiency in seed supply. In terms of planted hectarage, the Company’s growth will continue through green-field projects as well as acquisitions.

Management proficiently handled the challenges from increasingly stringent environmental constraints through its shared concern about the natural environment. For the past 15 years, the Company has been concretely applying
besar, sistem manajemen yang terbaik, tim manajemen yang berpengalaman, merek yang kuat, riset dan pengembangan yang berkesinambungan, dan ketersediaan pasokan bibit yang cukup. Dalam hal luas areal tanaman, Perseroan akan terus berekspansi, baik melalui proyek penanaman maupun akuisisi.

Manajemen telah menangani dengan baik tantangan berupa meningkatnya persyaratan lingkungan yang lebih ketat dengan memberikan perhatian terhadap lingkungan. Selama 15 tahun terakhir, Perseroan telah secara nyata menerapkan teknik-teknik operasional yang ramah lingkungan, oleh karena itu kami dengan tangan terbuka mendukung standarisasi Roundtable on Sustainable Palm Oil dalam rangka mewujudkan perkebunan kelapa sawit yang berkelanjutan.

Akhirnya, kami menyampaikan apresiasi kami kepada Komite Audit atas bantuan mereka dalam melaksanakan fungsi pengawasan dan penasehat kepada Direksi, serta terima kasih yang sebesar-besarnya untuk partisipasi semua pemangku kepentingan, termasuk para pemegang saham, rekan bisnis, dan para pelanggan, yang telah berpartisipasi dan memberikan kontribusi dalam keberhasilan Perseroan. Kami berharap kerjasama yang baik ini akan tetap berlanjut demi mencapai pertumbuhan dan nilai jangka panjang yang berkesinambungan.

environmentally friendly techniques in running its plantations, hence we are welcoming the Roundtable on Sustainable Palm Oil standardisation for accomplishing sustainable oil palm plantations.

Last but not least, we would like to convey our appreciation to the Audit Committee for their kind assistance in performing observation and advisory functions to the Board of Directors, and our deepest gratitude to all stakeholders including shareholders, business associates, and customers, who have participated in their respective manners and contributed extensively to our outstanding performance. We wish to broaden our excellent cooperation towards the achievement of greater long-term sustainable growth and value.
Dear Shareholders,

The year 2007 saw a new record performance established for PT SMART Tbk and its subsidiaries. On behalf of the Board of Directors, I am pleased to deliver the remarkable accomplishment of our Company as comprehensively described in this Annual Report.

During the year under review, we broke a new record in terms of financial as well as operational performance. The outstanding achievement resulted from the rising world CPO prices together with our Company’s improving CPO production. Net sales increased significantly by 72% to Rp 8.08 trillion from Rp 4.71 trillion in 2006, which was 41% over our target for the year. This contributed to an increase in net income to Rp 989 billion, up 57% compared to the preceding year, and 12% over the target. The increase in net income was lower than the increase in net sales, mainly due to the higher export tax and current income tax expenses.

The growth in world supply of palm oil could not keep pace with the rising global palm oil demand, thus causing the price of palm oil to increase to US$ 716 per ton in 2007 (average price of FOB Belawan), an increase of 72% from the previous year. FOB Belawan price of CPO at the end of 2007 closed at US$ 925 per ton; the highest price over the last 10 years.

The Company’s performance would have been even better if not for several external challenges, such as the prolonged drought in late 2006 that affected our production in early 2007. Although weather conditions gradually improved since the first quarter of 2007, strong recovery in production did not occur until the second half of 2007.

The Company managed to achieve a higher fresh fruit bunches (FFB) production of approximately 2 million tons, a 7% increase from 2006. During 2007, CPO and palm kernel (PK) production were 509 thousand tons and 112 thousand tons, a 4% and 7% increase from last year, respectively. We are expecting the recovery in production to accelerate in 2008, in line with better weather conditions estimated for the year.


Kami juga hendak melaporkan bahwa selama tahun berjalan, kami telah bekerja sama dengan Komite Audit untuk terus mengembangkan proses-proses tata kelola perusahaan yang baik sesuai dengan praktek terbaik yang ada.

Kami memandang bahwa prospek industri kelapa sawit sangat positif, didukung oleh permintaan akan minyak nabati yang kuat dan peningkatan harga CPO. Permintaan akan produk sawit didukung oleh meningkatnya permintaan akan minyak nabati di negara-negara berkembang seperti Cina dan India serta permintaan lain dari sektor energi yang terbahirukan. Profil umur perkebunan kami sangat menguntungkan Perseroan untuk memanfaatkan kesempatan yang ada di industri ini.

Kami akan terus memperluas perkebunan serta kapasitas bisnis hilir kami, sebagai dasar bagi pertumbuhan jangka panjang yang ramah lingkungan dan bertanggung jawab terhadap masyarakat dan lingkungan.

At the end of 2007, our planted area was 125 thousand hectares, an increase by more than seven thousand hectares achieved through new planting. Our Cocoa Butter Substitute facility in Belawan was completed at end of 2007 and started commercial operation in early 2008. This facility will enable us to broaden our product line and improve margin contribution from our specialty fats business. We are also in the process of constructing two mills, two kernel crushing plants and one refinery in Kalimantan, which are targeted for completion in 2008.

The Company’s equity reached Rp 3.53 trillion in 2007, a 37% increase compared to the prior year, after distribution of Rp 132 billion dividend against 2006 earnings on 25 June 2007. With respect to the 2007 earnings, we will propose a final dividend of Rp 5 per share subject to shareholders’ approval at the approaching Annual General Meeting of Shareholders.

We are please to report that throughout the year, we worked together with the Audit Committee to progress with our processes on corporate governance in line with best practices.

We are very positive on the palm oil industry’s prospects, supported by strong demand from edible oil markets and buoyant CPO prices. Demand for palm products is bolstered by expanding needs for edible oils in emerging markets such as China and India as well as further demand from the renewable energy sector. Our plantation age profile favorably positions us to capture opportunities in the industry.
We will continue to harness the potential of our people, technology, and market presence to strengthen our competitive advantages. Our operating strategies will remain focus on operational efficiency of our integrated business which spans our plantations, mills, refineries, and distribution infrastructure.

In this opportunity, we would like to convey our deepest appreciation to our stakeholders, including our shareholders, business partners, creditors, and also customers for having the confidence in us throughout the year. In addition, we wish to extend our sincerest gratitude for the enduring efforts and solid teamwork of our management and staffs to realise the outstanding accomplishments in 2007.

Muktar Widjaja
Direktur Utama / President Director
Struktur Perusahaan (Corporate Structure)

**PT SMART Tbk**
Perkebunan Kelapa Sawit dan Industri Hilir / Oil Palm Plantations and Downstream

- **Anak-anak Perusahaan yang Mayoritas dan 100% Dimiliki (100% and Majority Owned Subsidiaries):**
  - Tapian Nadenggan (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Kresna Duta Agroindo (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Maskapai Perkebunan Leidong West Indonesia (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Satya Kisma Usaha (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Perusahaan Perkebunan Panigoran (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Propertindo Prima (100%)
    - Transportasi / Transportation
  - Langgeng Subur (100%)
    - Tanaman Hias / Ornamental Plants
  - Gemamina Kencana * (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Berau Sarana Jaya * (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Sangatta Andalan Utama * (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Rama Flora Sejahtera * (100%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Nabati Energi Mas * (100%)
    - Industri Kimia / Chemical Industry
  - Alam Sumber Rahmat * (90%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Pelangi Sungai Siak * (85%)
    - Perkebunan Kelapa Sawit / Oil Palm Plantations
  - Pratama Ronaperintis * (70%)
    - Perusahaan Investasi / Investment Holding

- **Perusahaan-perusahaan Asosiasi (Associate Companies):**
  - Sinar Oleochemical International (40%)
    - Oleokimia / Oleochemical
  - Hortimart Agrogemilang (39%)
    - Pembibitan / Seeds
  - Sinar Mas Super Air (35%)
    - Pemupukan Melalui Udara / Aerial Manuring
  - Universal Transindo Mas (35%)
    - Transportasi / Transportation
  - Trans Indojaya Mas (35%)
    - Transportasi / Transportation

**Keterangan / Notes:**
Struktur Perusahaan per tanggal 31 Desember 2007 / The Corporate Structure as per 31 December 2007

*) Perusahaan yang belum beroperasi secara komersial / Companies which have not been commercially operated
Established in 1962, PT Sinar Mas Agro Resources and Technology Tbk (abbreviated PT SMART Tbk) currently is one of the largest, publicly-listed, integrated palm-based consumer companies in Indonesia. Through its subsidiaries, SMART currently has palm plantations with total coverage area of approximately 125 thousand hectares, including plasma. SMART’s primary activities are cultivating and harvesting of palm trees, processing of fresh fruit bunches into crude palm oil (CPO) and palm kernel (PK), and refining CPO into value-added products such as cooking oil, margarine, and shortening. SMART also distributes, markets, and exports consumer palm-based products. Besides bulk and industrial oil, SMART’s refined products are marketed under several brands, such as Filma® and Kunci Mas®. Today, these brands have been recognised for their high quality, presently commanding significant market share in their respective market segments in Indonesia.

Following are the milestones of SMART during its 46 years’ journey.

1962
Incorporated under the name of PT Maskapai Perkebunan Sumcama Padang Halaban.

1999

2002
CPO production reached 314,000 ton. Divested its tea and banana plantations to concentrate more on the core business. Received ISO 9001:2000 certification for quality management of mills.
Mengakuisisi dua perkebunan kelapa sawit dan satu perkebunan teh.

Acquired two oil palm plantations and one tea plantation.

Mengubah nama perusahaan menjadi PT Sinar Mas Agro Resources and Technology Corporation.

Changed its name into PT Sinar Mas Agro Resources and Technology Corporation.

Mencatatkan sahamnya di Bursa Efek Jakarta dan Surabaya.

Listed its shares on Jakarta and Surabaya Stock Exchanges.

Produksi CPO mencapai 158.000 ton. Mengakuisisi perkebunan kelapa sawit di Kalimantan Timur. Bekerja sama dengan Super Air dari Selandia Baru dalam hal pemupukan melalui udara.

CPO production reached 158,000 ton. Acquired palm plantations in East Kalimantan. Engaged in a joint venture with Super Air from New Zealand for aerial manuring.

Sistem SAP selesai diterapkan.

SAP system was completely installed.

Menerima sertifikasi ISO 14001:2000 atas lingkungan.

Received ISO 14001:2000 certification for environment.

Mendivestasikan PT Sinar Pure Foods International.

Divestment of PT Sinar Pure Foods International.

FILMA menerima status 'Superbrands' dan 'Indonesian Customer Loyalty Award' dan 'Indonesian Customer Loyalty Award'. Mengkonversikan hutang pemegang saham sebesar US$ 205 juta menjadi ekuitas. Menjadi anggota aktif RSPO\(^1\).

FILMA received 'Superbrands' status and 'Indonesian Customer Loyalty Award'. Completed conversion of US$ 205 million shareholder's loan into equity. Became an active member of RSPO\(^1\).

Menerima sertifikasi HACCP\(^2\) untuk pabrik penyulingan minyak dalam memenuhi standar keamanan pangan.

Menerima sertifikasi standar ISO 17025 atas kompetensi laboratorium kalibrasi dan pengujian.

Menerima sertifikasi HACCP\(^2\) untuk pabrik penyulingan minyak dalam memenuhi standar keamanan pangan.

Received HACCP\(^2\) certification for refineries relating to food safety standards. SMARTRI\(^3\) received ISO 17025 certification for the competence of testing and calibration laboratories.

Produksi CPO mencapai rekor tertinggi sebesar 509.000 ton. Laba bersih mencapai rekor tertinggi sebesar Rp 989 milyar.

CPO production reached record high of 509,000 tons. Net income reached record high of Rp 989 billion.

Keterangan / Notes:

\(^1\) Roundtable on Sustainable Palm Oil

\(^2\) Hazard Analysis and Critical Control Point

\(^3\) SMART Research Institute
PT SMART Tbk

Peta Operasi
Map of Operations

- Sumatra
  - Sumatra Utara / North Sumatra
  - Riau
  - Bangka
  - Jambi

- Jawa / Java
  - Jakarta
  - Jawa Barat / West Java
  - Jawa Tengah / Central Java
  - Jawa Timur / East Java

- Kalimantan
  - Kalimantan Timur / East Kalimantan
  - Kalimantan Selatan / South Kalimantan
  - Kalimantan Tengah / Central Kalimantan

- Sulawesi
  - Sulawesi Selatan / South Sulawesi

- Bali

• Perkebunan Kelapa Sawit dan Pabrik Pengolahan CPO / Oil Palm Plantations and CPO Mills
• Pusat Distribusi / Distribution Centers
• Pabrik Penyulingan CPO / CPO Refineries
**Plantations**
We cultivate oil palm plantations with a total area of approximately 125,000 hectares (including plasma). Our nucleus plantations comprise 80% of total hectarage, which have attained an annual fresh fruit bunches yield of 22.9 ton per hectare.

**Extraction**
We then extract the fresh fruit bunches in our mills, with the capacity of 2,875,000 tons per annum, into crude palm oil and palm kernel.

**Refining**
Our crude palm oil is largely processed in our refineries, which have a total capacity of 840,000 tons per annum. Our refineries also purchase a significant volume of crude palm oil from our affiliate plantation companies. Our refineries produce value-added branded and bulk products.

**Crushing**
We have kernel crushing plants with a total capacity of 219,000 tons per annum. A significant portion of our palm kernel is crushed in our kernel crushing plants producing a higher value of palm kernel oil and palm kernel meal (PKM).

**Marketing**
We distribute and market our products domestically and internationally as a ‘one-stop shop’ supplier.
KEUNGGULAN KOMPETITIF

Keunggulan-keunggulan kompetitif utama kami adalah sebagai berikut:

a. Operasi yang terintegrasi secara vertikal
Kami memiliki, mengoperasikan, dan mengelola perkebunan kelapa sawit, pabrik pengolahan kelapa sawit, dan pabrik penyulingan, termasuk berbagai fasilitas pendukung yang mengolah minyak kelapa sawit (CPO) dan inti sawit.

Integrasi secara vertikal ini memungkinkan kami untuk:
- memaksimalkan marjin laba dengan memonitor harga pasar dan menyesuaikan tingkat produksi CPO dan produk turunannya, tergantung pada kontribusi marjin laba yang lebih tinggi. Saat harga CPO tinggi, marjin laba CPO akan lebih tinggi dari produk turunannya. Oleh karena itu, kami akan menjual CPO dengan porsi yang lebih besar ke pasar daripada memprosesnya lebih lanjut di divisi hilir kami. Sebaliknya, jika marjin laba untuk produk turunan kelapa sawit lebih tinggi daripada CPO, maka kami akan menjual sebagian besar CPO ke divisi hilir kami untuk diproses lebih lanjut;
- better control the quality of our products along the supply chain;
- increase our logistics and distribution efficiencies; and
- produce a broad number of palm oil products for a variety of end-use markets.

COMPETITIVE STRENGTHS

Our principal competitive strengths include the following:

a. Vertically integrated operations
We own, operate, and manage all of our oil palm plantations, mills and refineries, and the manufacture of end user products from crude palm oil (CPO) and palm kernel.

Vertical integration allows us to:
- maximise our profit margins by closely monitoring market prices for, and adjusting output of, CPO and refined palm oil products, depending on which provides the higher profit margin. When CPO prices are high, our CPO profit margins may be higher than on our value-added refined palm oil products. We may therefore sell a greater proportion of CPO directly to the spot market, at the expense of refining this CPO at our downstream refinery operations. Conversely, if the profit margins for refined palm oil products are higher than selling CPO directly into the spot market, we may sell a greater proportion of CPO to our downstream operations for refining;
- increase our logistics and distribution efficiencies; and
- produce a broad number of palm oil products for a variety of end-use markets.

• kontrol yang lebih baik atas kualitas produk sepanjang supply chain;
• meningkatkan efisiensi dalam proses logistik dan distribusi; dan
• memproduksi berbagai macam produk kelapa sawit dengan kegunaan yang bervariasi, sehingga memungkinkan kami untuk menjangkau pasar minyak kelapa sawit dan minyak nabati yang lebih luas.

b. Kegiatan operasi yang sangat efisien
Kami memiliki dan mengelola sekitar 125.000 hektar perkebunan kelapa sawit, termasuk plasma. Disamping itu, kami juga mengelola sekitar 235.000 hektar perkebunan kelapa sawit lainnya yang dimiliki oleh perusahaan afiliasi kami. Dengan jumlah lahan yang dikelola seluas 360.000 hektar, kami memperoleh manfaat dari adanya skala ekonomis, baik dalam hal riset dan pengembangan, pengadaan bahan baku serta akses ke pasar domestik dan internasional. Kami yakin bahwa hal inilah yang membawa kami menjadi salah satu perusahaan kelapa sawit terintegrasi yang paling efisien di Indonesia, dalam hal hasil produksi dan biaya operasi.

c. Teknologi informasi sebagai dukungan kepada manajemen
Kami yakin bahwa perusahaan kami memimpin industri dalam hal penggunaan teknologi informasi melalui sistem informasi manajemen “WAR ROOM” kami, yang merupakan pusat pengawasan multi fungsi dan pengendalian manajemen yang terpadu. Sistem ini merupakan integrasi yang unik antara aplikasi SAP (yang telah diimplementasikan sejak tahun 1998), Google Earth, Sistem Informasi Geografis (GIS), Reuters, CCTV, dan koneksi internet dalam rangka menyediakan informasi internal, industri, dan pasar global secara umum.

WAR ROOM kami memainkan peranan penting dalam mengawasi dan mempertahankan kinerja operasional yang tinggi, mengidentifikasi keunggulan kompetitif, mengambil keputusan strategis, dan memanfaatkan kesempatan bisnis, dimana seluruhnya menunjang pertumbuhan jangka panjang Perseroan.

Sistem yang terdepan ini memungkinkan kami untuk mengambil keputusan dengan data-data berdasarkan fakta yang lengkap dan mengumpulkan informasi yang tercini seolah-olah kami berada di setiap lokasi perkebunan kami, yang terbentang di antara tiga daerah waktu di Indonesia. Lebih lanjut, sistem ini memungkinkan of different uses, thereby allowing us to reach a greater portion of the palm oil and edible oil markets.

b. Highly efficient operations
We have approximately 125,000 hectares of palm plantation in our care, including plasma projects. In addition to that, we manage another approximately 235,000 hectares of palm plantation that belongs to our affiliate companies. With a total planted area of 360,000 hectares under our management, we benefit from economies of scale in research and development, sourcing of materials and access to domestic and international markets. We believe that it has made us one of the most efficient integrated palm plantation companies in Indonesia, in terms of production yields and operating costs.

c. Information technology as the management support
We believe that we are leading the industry in the use of information technology (IT) with our “WAR ROOM” management information system, which serves as a one-stop multi-function monitoring and management control centre. This is a unique integrated system that deploys SAP applications (implemented since 1998), Google Earth, Geographical Information System (GIS), Reuters, CCTV, and internet connectivity to provide internal, industry, and general global market information.

Our WAR ROOM plays an essential role in monitoring and sustaining high operational performance, identifying our competitive strengths, making strategic decisions, and seizing business opportunities, which eventually shores up the Company’s long-term growth.

This state of the art system enables us to make decisions with complete factual input, and to gather information in as great a detail as if we are in the field on each of our plantations, which span across the three time zones in Indonesia. Furthermore, it allows us to monitor the performance of our plantation, by blocks of 30 hectares, on-line, and on a daily basis. The system identifies how each block performs against its benchmark and targets. We would then customise the improvement process and focus our efforts on priority areas.

Being connected to the relevant agro-related internet websites and other reliable information sources, the WAR ROOM assists us in scouting for the latest agribusiness intelligence, such as: detecting price trends of edible oils, supply-demand scenarios, consumption patterns, industrial threats, and market prospect.
Consistent with our stringent requirements in information technology, we continue to enhance our IT infrastructure with new initiatives to provide cost effective monitoring features to support our plantation expansion programmes.

Konsisten dengan kebutuhan akan teknologi informasi yang semakin meningkat, kami terus mengembangkan infrastruktur teknologi informasi dengan inisiatif-inisiatif baru, untuk menyediakan fitur pengawasan yang hemat biaya dalam rangka mendukung program ekspansi perkebunan kami.

Melalui koneksi dengan website internet agribisnis yang relevan dan sumber informasi lainnya yang dapat diandalkan, WAR ROOM membantu kami mengamati perkembangan terakhir dalam industri agribisnis, seperti mendeteksi tren harga minyak nabati, skenario permintaan dan pasokan, pola konsumsi, ancaman terhadap industri, dan prospek pasar.
d. Experienced and capable management team

Our key leadership has extensive experience in the oil palm plantation and palm oil products businesses. They are supported by an experienced management team with established and combined track records of more than 100 years in the oil palm plantation industry. We leverage the strengths of this team with their superior operational and financial skills, which are essential in growing our businesses while sustaining our operational excellence.

To ensure continued and sustained performance benchmarks across our Company, we have developed an internal tool to measure key performance indicators (KPI) in every business unit, a tool called Nerve System. The Nerve System is developed in line with the Balanced Scorecard concept.

We have also implemented the SMART COIN (COorporate INtensification) Programme in every department, at both head office and the various operating divisions. This serves as our management tool to continuously identify and rectify shortcomings in each department, within a specified time frame.

e. Strong brand awareness

We have two leading brands of cooking oil in Indonesia—Filma® and Kunci Mas®. Based on AC Nielsen survey, in 2007, those two brands combined have total market share of 29% at the modern trade level, which is the largest in Indonesia. In margarine, our main brands are Palmboom® and Filma®.

The price of these branded products have historically been less sensitive to CPO price movements, giving us opportunities to earn higher margins in the long-term. We believe that the increasing growth of the burgeoning Indonesian middle class sector will continue to change the way people shop and consume foods, which will benefit branded refined product manufacturers. We intend to improve our marketing infrastructure to increase the profile of our branded refined products in Indonesia, and in our export markets.

f. Continuous research and development

The Company believes that research and development is a key to improve our productivity, efficiency, and overall competitiveness. We have an inhouse research institute, called SMARTRI (SMART Research Institute) based in Riau. The main thrust of our research efforts are plant breeding and tissue culture, soil and water management, crop protection, post harvest, and environmental sustainability. These research activities are undertaken in collaboration with national and international research institutes and universities, which
riset sendiri yang disebut sebagai SMARTRI (SMART Research Institute) yang berlokasi di Riau. Aktivitas riset kami yang terutama adalah pembiakan tanaman dan kultur jaringan, manajemen tanah dan air, perlindungan hasil panen, paska panen, dan lingkungan yang berkelanjutan. Riset ini dilakukan berkolaborasi dengan institusi riset nasional dan internasional serta universitas-universitas, termasuk Centre de coopération Internationale en Recherche Argonomique pour le Développement (CIRAD) dari Perancis. Laboratorium SMARTRI kami telah menerima akreditasi ISO 17025, sebagai tanda pemenuhan standar mutu pengujian dan kalibrasi.

**g. Kecukupan pasokan benih**

Benih yang berkualitas tinggi merupakan hal yang penting dalam menentukan produktivitas jangka panjang perkebunan. PT Ivo Mas Tunggal, salah satu perusahaan afiliasi kami, memiliki kerja sama strategis dengan Dami Australia Pty Ltd, dalam memproduksi benih dengan hasil tanaman buah segar yang tinggi yang berasal dari Papua Nugini, melalui perusahaan joint venture bernama PT Dami Mas Sejahtera. Benih generasi baru, “Dami”, merupakan kombinasi yang sempurna dari benih jenis Dura dan Pesifera, yang dapat menghasilkan pertumbuhan dan hasil panen yang lebih baik, sekitar 20% di atas benih konvensional. Perseroan memiliki kesepakatan jangka panjang dengan PT Dami Mas Sejahtera untuk memasok benih demi mendukung rencana ekspansi Perseroan.

Perpaduan dari keunggulan-keunggulan kompetitif tersebut menghasilkan kinerja finansial dan operasional yang luar biasa di tahun 2007 dan juga mendukung kesuksesan di tahun-tahun mendatang.

include Centre de coopération Internationale en Recherche Argonomique pour le Développement (CIRAD) from France. Our laboratory in SMARTRI is ISO 17025 accredited, as a mark of excellence in testing and calibration.

**g. Sufficiency in seed supply**

Good quality seeds are crucial to the long-term productivity of our plantations. One of our affiliated companies, PT Ivo Mas Tunggal, has a strategic partnership with Dami Australia Pty Ltd, to produce high yielding seeds originating from Papua New Guinea, through its joint venture company, PT Dami Mas Sejahtera. The new generation seed, “Dami”, is the perfect combination of the Dura and Pesifera species, attaining better growth and yield of approximately 20% higher than conventional seeds. Our Company has a long-term seed supply arrangement with PT Dami Mas Sejahtera to support our expansion plan.

The combined competitive strengths have culminated in our outstanding financial and operating performance in 2007, and serves to underpin continued success in the future.
**Franky Oesman Widjaja**

**President Commissioner**

He earned his Bachelor of Commerce from Aoyama Gakuin University, Japan in 1979. He was Director (1982-1983) and Commissioner of PT Sinar Mas Multiartha Tbk (1983-2003); Commissioner (1984-1994) and Director of PT Pabrik Kertas Tjiwi Kimia (1994-2002); Commissioner (1985-1994), Vice President Director (1994-2004), President Commissioner (2006-2007), and Vice President Commissioner of PT Duta Pertiwi Tbk (since 2007); Commissioner (1985-1990) and Vice President Director of PT Indah Kiat Pulp & Paper Tbk (1992-2002). He was also President Director (1991-1992) and Vice President Director of PT SMART Tbk (1992-2003). Presently holds positions as the Head of the Agribusiness and Consumer Food Products Division and as a President Commissioner of PT SMART Tbk (since 2003). He was appointed as Daily Chairman of Indonesian Palm Oil Board and Advisor of Indonesian Palm Oil Association (since 2007).

**G. Sulistiyanto Soeherman**

**Vice President Commissioner**


**Hajjah Ryani Soedirman**

**Independent Commissioner**

She graduated from Sekolah Tinggi Ilmu Politik dan Kemasayarakatan (STIPK) 17th August 1945 majoring in Public Administration. She was a President Commissioner of PT Central Karya Pratama (1970-1997); and as General Manager of PT Sakti Central Utama (1980-1997); member of the Regional House of Representatives for Ujung Pandang (1987-1992); Senior Manager of Government Relation...

Letjen TNI (Purn) Soetedjo
Komisaris Independen

DR. Teddy Pawitra
Komisaris Independen

Letjen TNI (Purn) Soetedjo
Independent Commissioner
He graduated from National Military Academy. Besides his military career, he also held some political positions such as Chairman of Indonesian Armed Forces fraction in Indonesian House of Representative (1987-1992); Deputy Chairman in Indonesian Parliamentary House (1992-1997); and the member of Indonesian Supreme Advisory Council (1997-2003). He was an advisor of PT SMART Tbk (1997-2002); Commissioner of PT Fabrik Kertas Tjiwi Kimia Tbk (2002-2003); Commissioner of PT Lontar Papyrus Pulp and Paper Industry, PT Pindo Deli Pulp and Paper Mills (2002-2006); and also a Commissioner of PT Purinusa Ekapersada. He was appointed as Independent Commissioner of PT SMART Tbk (since 2003); PT Indah Kiat Pulp & Paper Tbk (since 2002); PT Pindo Kertas Tjiwi Kimia Tbk (since 2003); PT Pindo Deli Pulp and Paper Mills (since 2006); and PT Lontar Papyrus Pulp & Paper Industry (since 2006).

DR. Teddy Pawitra
Independent Commissioner
He is a Ph.D in Economics (Cum Laude), Faculty of Economics, Airlangga University, Surabaya in 1985 (in cooperation with Erasmus University, Rotterdam). He started his career at Drs. Utomo & Mulia as an Assistant (1965-1966), Assistant Manager (1966), Manager (1966-1968), and later as Director (1968-1969) of PT Gading Mas Surabaya; Finance Director (1970-1975) and President Director (1976-1994) of PT Star Motors Indonesia. He was a President Director of PT German Motor Manufacturing
Arthur Tahya

Commissioner


Rachmat Gobel

Commissioner

He earned his Bachelor’s Degree of Science in International Trade from Chuo University, Tokyo, Japan in 1987, and his Honorary Doctorate Degree from Tokushoku University, Tokyo, Japan (2002). He started his career as Assistant President Director of PT National Gobel (1989-1991). Presently, he holds various key positions including as President Commissioner of PT Panasonic Gobel Indonesia (since 2004). He joined PT SMART Tbk as a Commissioner (since November 2004).
Muktar Widjaja
Direktur Utama


Jo Daud Dharsono
Vice President Director

Simon Lim
Wakil Direktur Utama

H. Oeminto
Direktur

Budi Wijana
Direktur

Simon Lim
Vice President Director
He graduated from Trisakti University, Jakarta, majoring in Accounting, in 1988. He obtained his MBA degree from Asian Institute of Management, Philippines through a full scholarship from ADB Japan in 1992. He joined with Drs. Utomo & Co. (Arthur Andersen) Jakarta (1987-1990). He was Finance Director of PT Ferro Mas Dinamika (1992-1994) who later on joined Sinar Mas Agribusiness Division as an Executive Director (1994-2004) and as a Director of PT SMART Tbk (1995-2003). Currently, he holds position as Commissioner of PT Duta Pertiwi Tbk (since 2001); Managing Director Finance of Sinar Mas Group Agribusiness Division (since 2004); and as Vice President Director of PT SMART Tbk (since June 2003).

H. Oeminto
Director
He started his career at Harrisons & Crosfield Limited or PT PP London Sumatra (1956-1984) with latest position as District Inspector. He joined PT Sadang Mas in 1985 as Technical Advisor and promoted to Assistant Vice President in 1988 and later on as Vice President Agronomy of PT SMART Tbk (1990-2001), Deputy Managing Director of Agronomy (since 2001), and as Director of PT SMART Tbk (since 1992).

Budi Wijana
Director
He graduated from Economic Faculty, Atma Jaya Catholic University, Jakarta, in 1986 and obtained his Magister Management degree from University of Tarumanagara, Jakarta, in 1995. He started his career as an auditor at Atmaja & Co Public Accountant. In 1989, he joined Sinar Mas Plantation as Accounting Manager until promoted to Vice President Business Control of Agribusiness Division. Currently, he also holds position as a Director of PT SMART Tbk (since June 2003).
• Profil Direksi
Profile of Directors

Rafael Buhay Concepcion, Jr.
Direktur

Edy Saputra Suradja
Direktur

Rafael Buhay Concepcion, Jr.
Director
He studied at the University of the Philippines where he obtained a Bachelor of Science in Economics in 1988. He obtained a Master in Business Management from the Asian Institute of Management, Philippines through a scholarship from SGV Philippines in 1992. He started his career in the corporate planning directorate of San Miguel Corporation, Philippines (1989-1990). He joined Pilipinas Shell Petroleum Corporation in 1992 where he worked on regional projects and has extensive experience in corporate and financial planning. He joined PT SMART Tbk in 1997 and has held the position of Director in PT SMART Tbk since June 2004.

Edy Saputra Suradja
Director
He graduated from Economic Faculty, Parahyangan Catholic University, Bandung, majoring in Management in 1985. He started his career as Accounting Section Head of PT Sadang Mas (1985 to 1986). He was a CEO of Sinar Mas Plantation V (2000-2002). Currently, he holds positions as CEO of Sinar Mas Plantation III and as Director of PT SMART Tbk (since November 2004).
The focus of our management is to transform our Company into a Learning Organisation. It is important for any organisation to reach the learning stage so that it can consistently lead in this competitive era and to increase its competitive edge in its business. A learning organisation continuously produces invaluable intangible assets such as: information, knowledge, and lessons learned (insights) that are crucial to generate a sustainable competitive advantage. History has shown that the value of the intangible assets is significantly greater than the value of tangible assets.

We have long recognised the importance of human resources, company culture, and management system. We have consistently invested in those drivers to sharpen our competitive edge.

The learning engine in our Company comprised four building blocks, namely: Business Review, Analysis, Improvement and Intelligence (BRAIN). Business Review enables top executives to continuously monitor the performance of plantations and refineries. It also helps them to make timely and fact-based decisions. The scorecard of each business unit is monitored through a corporate management cockpit in WAR ROOM on a periodical basis. In the same place, the top management could perform Business Analysis to track down the related key performance indicators (KPI) of the corresponding business unit using Nerve System. The Nerve System in our Company is internally developed based on the Balanced Scorecard concept and it emulates the mechanics of the brain and its nerves in the human body. It is an integrated system that connects all divisions’ KPI within the Company in a logical manner.

Subsequent to problem identification and analysis, the remedy process continues with Business Improvement. Currently, Business Improvement initiative has covered all our activities from our...
plantations to our downstream operation (refinery and marketing), and also to our corporate office processes under the 
COIN (Corporate Intensification) program. The number of improvement initiatives has gradually gained momentum, a 
testament of how the organisation has embraced Follow up until dONE (F1) spirit.

The Company’s learning engine also emphasises knowledge sharing. The heart of knowledge sharing principle is the 
development of Human Strategic Capital. As the Company continues to grow and cultivate the Process Excellence 
culture, management talent is the key factor for sustainable development. In our organisation, this process falls under 
Business Intelligence.

The continuing transformation process has helped us 
to improve our effectiveness and efficiency. The benefits 
are reflected in the Company’s operational and financial 
performance. We believe our consistent and persistent efforts 
to develop our strategic business drivers (human, system, and 
culture) during the last eight years, makes us well poised to 
become the best, largest, and most profitable integrated palm 
based consumer company in Indonesia.
We believe that people are our most important asset. During the year, we focused on further improving our integrated human resource management system that incorporates corporate culture, internal infrastructure, and human capital.

Our emphasis has been on recruiting and selecting, developing resources, growing the best people, and shaping our Company’s culture around the shared values of:

- Integrity,
- Positive Attitude,
- Commitment,
- Continuous Improvement,
- Innovation, and
- Loyalty.

We adopted these values from our founder, Mr. Eka Tjipta Widjaja, who consistently applied, adhered, and upheld these values in his actions and decisions.

Our effort to get quality people starts with selective recruitment. Recruitment drives are initiated through institutions such as universities, vocational schools, other educational institutions, and through networking in relevant professional sectors.

Our scholarship programmes ensure that we attract the best talents, while making contributions to the national education system. These programmes also spark significant interest from the best and the brightest, and established SMART as an employer of choice.

We are strongly committed to develop our current workforce, which totals 14,822 people under our direct employment. This is in line with our objective to become a high performance Learning Organisation.

This is done through continuous external and in-house training, learning processes and innovation activities, coupled with on the job training under close supervision and coaching from key members of management.

In 2007, training was continually conducted thoroughly, both at the head office and site, within managerial and operational levels. Training was focused on personal development and technical skills.

We are continuously enhancing the supporting facilities for training to meet every demanding needs. We are building a new training centre in Central Kalimantan, increasing our total number of existing training centers to seven. Out of the seven
satu pusat pelatihan baru di Kalimantan Tengah, sehingga menambah jumlah pusat pelatihan kami menjadi tujuh buah. Dari tujuh pusat pelatihan, enam diantaranya terletak dekat area operasi kami di Sumatra dan Kalimantan, sementara satu pusat pelatihan terletak di lingkungan kantor pusat.

Untuk meningkatkan produktivitas dan efisiensi karyawan, kami menyelenggarakan penilaian secara periodik, dimana karyawan diberikan kesempatan untuk mendiskusikan kinerja dan bidang yang perlu ditingkatkan. Proyek Full Time Equivalent juga telah diimplementasikan untuk menganalisa beban kerja karyawan untuk mengetahui jumlah karyawan yang seimbang untuk tiap tugas tertentu.

Sejalan dengan pertumbuhan Perseroan, kami terus mengidentifikasi karyawan yang berbakat untuk memastikan kesiapan mereka, melalui program pengembangan kompetensi.

training centers, six are located near to our operation areas in Sumatra and Kalimantan, and one is within the head office area.

To improve productivity and efficiency of the workforce, we perform periodical individual assessments, where the employees are given the opportunity to discuss their performance and areas for improvement. A project called Full Time Equivalent is implemented to analyse employee’s work load so as to ensure the good balance of employees for each specific task.

As our Company grows, we are constantly identifying our talented workforce to ensure their readiness via a competency development programme.
We produce a full range of refined branded products, such as cooking oil, margarine, butter oil substitute, shortening and fats for end-customers, restaurants, hotels, and cafés as well as industrial markets.

Kami memproduksi berbagai macam produk bermerek seperti minyak goreng, margarin, minyak pengganti mentega (butter oil substitute), shortening dan lemak nabati, untuk para konsumen, restoran, hotel, dan kafe serta kalangan industri.

**Minyak Goreng / Cooking Oil**
- Filma®
- Kunci Mas®
- bissOil *

**Margarin / Margarine**
- Filma®
- Menara®
- Mitra®
- Palmboom®
- Palmvita®
- Pusaka®

**Shortening**
- Delicio® White Fat
- Palmvita® White Fat
- Palmvita® Baker’s Fat
- Palmvita® Gold Creaming Fat
- Menara® Baker’s Fat
- Mitra® Baker’s Fat
- Pusaka® White Baker’s Fat

**Butter Oil Substitute**
- Palmboom® B.O.S
- Palmvita® Gold B.O.S V38

**Frying Fat**
- Good Fry®

**Specialty Fats**
- Delicio® Coating Fat
- Delicio® Toffee Fat
- Delicio® White
- Delicoa 38® CBS

Keterangan:
* Merek minyak goreng baru yang diluncurkan pada bulan Juli 2007, yang berfokus pada segmen konsumen Muslim.

Note:
* New cooking oil brand launched in July 2007, which focuses on Muslim consumer segment.
Informasi Perusahaan
Corporate Information

Nama Perusahaan: PT Sinar Mas Agro Resources and Technology Tbk (disingkat PT SMART Tbk)

Didirikan: 18 Juni 1962 di Jakarta


Modal Dasar: Dalam portepel 5.000.000.000 saham, Ditempatkan dan disetor penuh 2.872.193.366 saham, Nilai nominal Rp 200 per saham

Kepemilikan: PT Purimas Sasmita 95,21%, Publik 4,79%

Aktivitas Usaha: Penanaman dan pemanenan pohon kelapa sawit, pengolahan tandan buah segar menjadi minyak kelapa sawit dan inti sawit, serta penyulingan minyak kelapa sawit menjadi produk dengan nilai tambah seperti minyak goreng, margarin, dan shortening.

Yang Dapat Dihubungi:
Plaza BII, Menara 2, Lantai 30, Jl. MH Thamrin No. 51, Jakarta
Telepon: 62-21-3181388 (hunting)
Faksimili: 62-21-3181389
Alamat email: investor@smart-tbk.com

Website: www.smart-tbk.com

Auditor:
Kantor Akuntan Publik Mulyamin Sensi Suryanto, terafiliasi dengan Moore Stephens International Limited
Wisma Dharmala Sakti, Lantai 7
Jl. Jend. Sudirman Kav. 32, Jakarta
Telepon: 62-21-5708111
Faksimili: 62-21-5722737

Biro Administrasi Efek:
PT Sinartama Gunita
Plaza BII, Menara 3, Lantai 12, Jl. MH Thamrin No. 51, Jakarta
Telepon: 62-21-3922332
Faksimili: 62-21-3923003

Name of Company: PT Sinar Mas Agro Resources and Technology Tbk (abbreviated PT SMART Tbk)

Incorporated: 18 June 1962 in Jakarta

Listed: 20 November 1992 in Jakarta and Surabaya Stock Exchanges (merged into Indonesia Stock Exchange), Ticker: SMAR

Capital: Authorised 5,000,000,000 shares, Issued and fully paid 2,872,193,366 shares, Nominal value Rp 200 per share

Ownership: PT Purimas Sasmita 95.21%, Public 4.79%

Business Activities: Cultivating and harvesting of palm trees, processing of fresh fruit bunches into crude palm oil and palm kernel, and refining CPO into value-added products such as cooking oil, margarine, and shortening.

Contacts:
Plaza BII, Tower 2, 30th Floor, Jl. MH Thamrin No. 51, Jakarta
Phone: 62-21-3181388 (hunting)
Facsimile: 62-21-3181389
Email address: investor@smart-tbk.com

Website: www.smart-tbk.com

Auditor:
Mulyamin Sensi Suryanto Public Accountant Firm, affiliated with Moore Stephens International Limited
Wisma Dharmala Sakti, 7th Floor
Jl. Jend. Sudirman Kav. 32, Jakarta
Phone: 62-21-5708111
Facsimile: 62-21-5722737

Share Administration Bureau:
PT Sinartama Gunita
Plaza BII, Tower 3, 12th Floor, Jl. MH Thamrin No. 51, Jakarta
Phone: 62-21-3922332
Facsimile: 62-21-3923003
• Alamat Kantor
Office Addresses

Kantor Pusat:
Plaza BII, Menara 2, Lantai 30, Jl. MH Thamrin No. 51, Jakarta
Telepon: 62-21-3181388 (hunting)
Faksimili: 62-21-3181389

Pabrik:
Jl. Rungkut Industri No. 20, Surabaya
Telepon: 62-31-8439861
Faksimili: 62-31-8438476

Jl. Balmerah Baru III, Belawan II, Medan
Telepon: 62-61-6941162
Faksimili: 62-61-6941808

Kantor Cabang:
Jl. Soekarno Hatta No. 183, Jambi
Telepon: 62-741-571855
Faksimili: 62-741-572147

Jl. Monginsidi No. 14-16, Medan, Sumatra Utara
Telepon: 62-61-4556566
Faksimili: 62-61-4556470

Jl. Sriwijaya No. 12, Pangkal Pinang, Bangka
Telepon: 62-717-434404
Faksimili: 62-717-31795

Jl. Ahmad Yani Km 23,7, RT 16/IV
Landasan Ulin, Banjarmasin, Kalimantan Selatan
Telepon: 62-511-4705508
Faksimili: 62-511-4705509

Jl. Ring Road III RT 01 No. 88
Samarinda Utara, Kalimantan Timur
Telepon: 62-541-251281
Faksimili: 62-541-251156

Jl. HM Arsyad No. 88 RT 16 RW 04
MB Ketapang, Sampit, Kalimantan Tengah
Telepon: 62-531-22329
Faksimili: 62-531-23518

Head Office:
Plaza BII, Tower 2, 30th Floor, Jl. MH Thamrin No. 51, Jakarta
Phone: 62-21-3181388 (hunting)
Facsimile: 62-21-3181389

Factory:
Jl. Rungkut Industri No. 20, Surabaya
Phone: 62-31-8439861
Facsimile: 62-31-8438476

Jl. Balmerah Baru III, Belawan II, Medan
Phone: 62-61-6941162
Facsimile: 62-61-6941808

Branch Office:
Jl. Soekarno Hatta No. 183, Jambi
Phone: 62-741-571855
Facsimile: 62-741-572147

Jl. Monginsidi No. 14-16, Medan, North Sumatra
Phone: 62-61-4556566
Facsimile: 62-61-4556470

Jl. Sriwijaya No. 12, Pangkal Pinang, Bangka
Phone: 62-717-434404
Facsimile: 62-717-31795

Jl. Ahmad Yani Km 23,7, RT 16/IV
Landasan Ulin, Banjarmasin, South Kalimantan
Phone: 62-511-4705508
Facsimile: 62-511-4705509

Jl. Ring Road III RT 01 No. 88
North Samarinda, East Kalimantan
Phone: 62-541-251281
Facsimile: 62-541-251156

Jl. HM Arsyad No. 88 RT 16 RW 04
MB Ketapang, Sampit, Central Kalimantan
Phone: 62-531-22329
Facsimile: 62-531-23518
PROSPEK INDUSTRI

Sepanjang tahun 2007, harga minyak kelapa sawit mengalami tren yang sangat positif, dengan peningkatan harga yang mencapai hampir dua kali lipat dari harga pada tahun sebelumnya. Kondisi ini diperkirakan akan tetap bertahan di tahun-tahun mendatang karena prospek minyak kelapa sawit yang tetap menjanjikan, melihat pertumbuhan pasokan minyak kelapa sawit yang tidak dapat mengejar peningkatan permintaannya.

Peningkatan permintaan akan minyak kelapa sawit terutama disebabkan oleh faktor-faktor sebagai berikut:

• Minyak kelapa sawit dikenal sebagai minyak nabati dengan biaya produksi yang paling murah dan hasil produksi yang paling tinggi, dibandingkan dengan minyak nabati lainnya. Kenyataan ini menjadikan minyak kelapa sawit sebagai minyak nabati dengan tingkat konsumsi tertinggi diantara minyak nabati lainnya dalam tiga tahun terakhir;

• Peningkatan konsumsi minyak nabati di negara-negara berkembang seperti Cina dan India sejalan dengan peningkatan populasi dan pendapatan per kapita di negara-negara tersebut;

• Munculnya perhatian terhadap masalah transfat, dimana transfat dianggap sebagai penyebab penyakit jantung. Beberapa negara bahkan telah mengeluarkan larangan atau mewajibkan pencantuman kadar trans fatty acid pada kemasan produk-produk makanan. Transfat adalah produk sampingan dari proses hidrogenisasi, yakni suatu proses pengubahan minyak berbentuk cair menjadi setengah padat. Minyak kelapa sawit adalah alternatif yang paling memungkinkan sebagai pengganti minyak nabati lainnya karena secara alami sudah berbentuk setengah padat sehingga tidak memerlukan proses hidrogenisasi, dan oleh karena itu tidak mengandung transfat;

• Meningkatnya popularitas bio-energi menimbulkan permintaan tambahan dari minyak nabati termasuk minyak kelapa sawit, selain permintaan tradisional untuk keperluan makanan.

INDUSTRY OUTLOOK

Throughout 2007, the CPO price was on a remarkable upward trend with an almost doubling of prices compared to the year before. Such condition is foreseen to reside in coming years as the outlook for palm oil remains bullish, seeing that supply growth could not keep pace with the growth in demand.

The rising demand of palm oil is largely driven by the following factors:

• Compared to other edible oils, palm oil is the most competitive in terms of cost and yield. This has led to palm oil becoming the highest consumed oil amongst all for the past three years;

• Growing edible oils consumption in emerging countries like China and India as their populations and incomes per capita increase;

• The emergence of the transfat issue where transfat has been accused of causing coronary diseases. Some countries have banned or made compulsory the labeling of trans fatty acid content in food. Transfat is a by product of hydrogenation, a process for converting soft oil to semi-solid form. Palm oil is the most viable alternative for other edible oils since being naturally semi-solid, it does not require hydrogenation and therefore has zero transfat;

• Mounting popularity of biofuel that forms additional demand from vegetable oils including palm oil over and above the traditional demand for food purposes.

On the other hand, supply of palm oil continues to be limited given the following facts:

• Limited land available for plantation. Developed countries are shifting their land use from producing food to producing fuel while Asian countries, especially Malaysia being the second biggest producer of palm oil, has been running out of land bank. The most potential area for the development of palm oil is located in Indonesia, particularly in Kalimantan and Papua;

• Palm oil requires a relatively long period for optimum productivity. Oil palm plantations need seven years to reach their prime age to produce optimally;

• Unexpected weather conditions due to global climate change that affects the normal vegetable oils production curve, including palm oil;

• Environmental issues such as the future standard certification from RSPO which would favor the palm oil being produced by ‘green’ oil palm plantation.
Di lain pihak, pasokan minyak kelapa sawit tetap terbatas, dengan adanya kenyataan berikut ini:

- Keterbatasan lahan yang tersedia untuk perkebunan. Negara-negara maju merubah peruntukan lahan mereka dari pemenuhan produksi makanan menjadi pemenuhan produksi bahan bakar, sementara negara-negara Asia, terutama Malaysia yang merupakan produsen kelapa sawit terbesar kedua, telah mengalami keterbatasan lahan baru. Lokasi yang paling berpotensi untuk pengembangan kelapa sawit adalah Indonesia, khususnya di Kalimantan dan Papua;
- Kelapa sawit memerlukan waktu yang relatif lebih panjang untuk mencapai produksi yang optimal. Perkebunan kelapa sawit memerlukan waktu tujuh tahun untuk mencapai umur produktif dan berproduksi secara maksimal;
- Kondisi cuaca yang tidak dapat diprediksi seiring dengan perubahan iklim global, mempengaruhi kurva normal produksi minyak nabati, termasuk minyak kelapa sawit;
- Kepedulian lingkungan seperti standar sertifikasi yang akan datang dari RSPO, dimana akan lebih memilih minyak kelapa sawit yang diproduksi oleh perkebunan kelapa sawit yang ‘hijau’.

FAKTOR YANG MEMPENGARUHI KINERJA

FAKTOR YANG MEMPENGARUHI KINERJA

Pendapatan berbasis minyak nabati Perseroan berasal dari penjualan minyak kelapa sawit (CPO), inti sawit (termasuk minyak inti sawit dan palm kernel meal) dan produk turunan kelapa sawit seperti minyak goreng, refined bleached and deodorised stearin, margarin dan shortening.

Faktor utama yang mempengaruhi operasi dan kinerja kami adalah:

a. Lahan Tertanam


b. Volume Panenan Tandan Buah Segar

Jumlah panenan TBS per hektar bervariasi dari tahun ke tahun, terutama tergantung pada jumlah tanaman kelapa sawit yang mencapai umur utama produksi, serta faktor-

FACTORS INFLUENCING OUR RESULTS

We derive almost of our vegetable-oil based revenue from sale of crude palm oil, palm kernel (including palm kernel oil and palm kernel meal), and refined palm oil-based products, such as cooking oil, refined bleached and deodorised stearin, margarine, and shortening.

The primary factors affecting our operations and performance are as follows:

a. Planted Hectarage

The typical life span of an oil palm tree is approximately 25 years. An oil palm plantation will reach production age approximately three years after planting in the field. However, when harvesting begins, the fresh fruit bunch yield from oil palm trees is still relatively low. During the ages of four to six years, the yield is in the range of eight to 25 tons per hectare. As the oil palm plantation continues to mature, the yield increases, generally reaching maximum production at the prime age of seven through 18 years. The yield during prime age ranges from 25 to 32 tons per hectare. Beyond 18 years, the yield declines to a range of 18 to 27 tons per hectare.
b. Volume of Fresh Fruit Bunches Harvested

The amount of fresh fruit bunches harvested per hectare varies from year to year depending primarily on the number of oil palm plantations in prime production age, as well as the following factors:

- quality of the oil palm seed;
- soil and topography condition of the land;
- local and global weather patterns;
- tree density;
- fertilisers application;
- upkeep program;
- disease or crop pests;
- number of harvesting rounds;
- harvesting technique;
- haze from forest fires;
- labour strikes or other disturbances; and
- natural disasters.

To increase our crude palm oil yield per hectare of oil palm plantation, we train our plantation workers and provide them with incentives to collect loose fruits from the ground for processing together with harvested fresh fruit bunches. Oil content from these loose fruits is higher than that of fresh fruit bunches harvested directly from oil palm trees.

c. Milling Process and Extraction Rates

The amount of crude palm oil we can extract from the fresh fruit bunches depends largely on the quality and ripeness of the fresh fruit bunches, and the speed at which we can deliver the fresh fruit bunches to the mills. If TBS are not delivered to the mills within 24 hours, the quality of crude palm oil will be impacted. Therefore, our mills are regularly maintained to ensure that they are operating efficiently.

In the optimum maturity profile, our plantation can produce approximately 5.9 tons to 7.1 tons of crude palm oil per
hectare per annum, or approximately 23.5% of fresh fruit bunches by weight. In addition, we can separate a further 1.2 tons of palm kernel, or approximately 5% of fresh fruit bunches by weight, during the processing of crude palm oil. We can process approximately 43% of the palm kernel by weight into palm kernel oil, and produce approximately 53% of palm kernel meal that is used as animal feed. We recycle the remaining empty fruit bunches as fertiliser and fuel.

As oil palm plantations mature, the extraction rates for crude palm oil and palm kernel generally increase. Prime production occurs during the seventh to 18th years of growth. Further, oil extraction rates are expected to increase if collection of loose fruits is intensified during the harvesting process and oil loss at the processing facilities during the extraction process is reduced.

d. Market Prices

The prices of crude palm oil and palm kernel products (including palm kernel oil and palm kernel meal) and refined palm oil based products such as RBD olein, RBD stearin, and palm fatty acid distillate have generally been based upon, or affected by, international prices for particular commodities. The average CPO price (FOB Belawan) in 2007 was US$ 716 per ton, an increase of 72% compared to the average price in 2006. We are of the view that going forward, subject to any unforeseen circumstances, CPO prices will remain firm due to the strong growth in demand and tight supply of edible oils.
**TINJAUAN OPERASI**

**Area Perkebunan**

Per tanggal 31 Desember 2007, Perseroan memiliki area tertanam perkebunan kelapa sawit seluas 125,190 hektar (termasuk plasma), terdiri dari 31 perkebunan yang tersebar luas di pulau Sumatra, Kalimantan, dan Bangka di Indonesia. Area tertanam tersebut bertambah sebesar 6% atau 7,140 hektar dibandingkan akhir tahun 2006 sekitar 118,050 hektar, sehubungan adanya penanaman baru. Dari area tanaman seluas 125,190 hektar hampir 77% (95,775 hektar) adalah tanaman menghasilkan, dan sekitar 78%-nya merupakan tanaman utama yang berumur antara 7 sampai 18 tahun. Sekitar 20% atau 24,746 hektar dari area tertanam Perseroan adalah area perkebunan plasma. Dengan program plasma, Perseroan memiliki perjanjian eksklusif atas penjualan dan pembelian tandan buah segar yang dihasilkan oleh para petani selama 25 tahun, sejalan dengan umur perkebunan kelapa sawit. Kami membeli tandan buah segar dari petani plasma dengan harga berdasarkan suatu formula yang ditetapkan oleh Pemerintah.

Tabel berikut ini menampilkan profil perkebunan kami berdasarkan umur dan lokasinya per tanggal 31 Desember 2007:

<table>
<thead>
<tr>
<th>Keterangan</th>
<th>Belum Menghasilkan / Immature (1-3 tahun / years)</th>
<th>Menghasilkan / Mature (&gt; 3 tahun / years)</th>
<th>Muda / Young (4-6 tahun / years)</th>
<th>Utama / Prime (7-18 tahun / years)</th>
<th>Tua / Old (&gt;18 tahun / years)</th>
<th>Jumlah / Total</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inti 1</td>
<td>2,687</td>
<td>19,113</td>
<td>5,136</td>
<td>13,1</td>
<td>23%</td>
<td>95,775</td>
<td>Sumatra &amp; Bangka</td>
</tr>
<tr>
<td>Sumatra &amp; Bangka</td>
<td>4,293</td>
<td>34,917</td>
<td>2,449</td>
<td>36,490</td>
<td>-</td>
<td>73,856</td>
<td>Kalimantan</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>22,295</td>
<td>38,939</td>
<td>5,136</td>
<td>55,603</td>
<td>13,117</td>
<td>100,444</td>
<td>Total Nucleus</td>
</tr>
<tr>
<td>Plasma 2</td>
<td>2,625</td>
<td>19,294</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,919</td>
<td>Sumatra &amp; Bangka</td>
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<tr>
<td>Sumatra &amp; Bangka</td>
<td>1,281</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>Percentage of Total Planted Area</td>
</tr>
</tbody>
</table>

**OPERATIONS REVIEW**

**Plantations Area**

As of 31 December 2007, our oil palm planted area totalled 125,190 hectares (including plasma), comprising of 31 plantations spread across Sumatra, Kalimantan, and Bangka, Indonesia. New planting activities resulted in an increase of 6% or 7,140 hectares, from approximately 118,050 hectares as at end of 2006. Of the 125,190 hectares planted area almost 77% (95,775 hectares) are mature estates, and approximately 78% of these are in the prime age of between 7 to 18 years. Approximately 20% or 24,746 hectares of our total planted area was under the plasma programme. Under this programme, we have exclusive sales and purchase agreements with plasma landholders for the fresh fruit bunches they produce, typically for a period up to 25 years in line with the life of the oil palm plantations. We purchase the fresh fruit bunches at a price based on a formula determined by the Government.

The following table sets forth our plantations by their respective maturities and locations as of 31 December 2007:

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<tr>
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<td>-</td>
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</tr>
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</table>

Keterangan:
1) Perkebunan inti adalah perkebunan yang dimiliki oleh Perseroan.

Notes:
1) Nucleus plantations are plantations owned by the Company.
2) Plasma plantations are plantations that are owned and operated by local small landholders and which, in most cases, we manage. These landholders are not affiliated with us. We assist them in securing financing in order to develop the land. We also purchase fresh fruit bunches from these landholders.
Cultivation
We purchase most of our seed requirements from PT Dami Mas Sejahtera, our affiliate company, which is a joint venture with Dami Australia Pty Ltd. Its seeds production is more than sufficient to support our expansion plans.

Germinated seeds are delivered to the pre-nurseries at our plantations. After approximately three months in the pre-nursery, we plant the oil palm seedlings in the main nurseries. Here we grow the oil palm plants for nine months before we plant them in the fields. The young oil palm trees are generally planted approximately nine meters apart, which results in approximately 128 to 140 trees per hectare. From planting in the fields to commercial maturity, effective maintenance of the young oil palm plantations is essential. To achieve optimal productivity from the young trees, our plantation management systems ensure that:

- immature oil palm trees are fertilised efficiently and correctly;
- the area surrounding each young oil palm tree is kept free from other vegetation (which may compete with the oil palm tree for fertiliser, water, and sunlight);
- leguminous cover crop is established (to convert nitrogen in the air into nitrogen that is useful for the palm trees); and
- the young oil palm plantations are protected from pests and disease.

Harvesting
During 2007, we harvested 1.69 million tons of fresh fruit bunches from our nucleus plantations, 7.2% higher compared to previous year. The yield per hectare for nucleus plantations increased to 22.9 tons per hectare in 2007 from 22.5 tons per hectare in the preceding year. This performance could have been even better if had not been affected by low rainfall in Indonesia that lasted from the third quarter of 2006 until the second quarter of 2007, caused by the El Nino condition.

Palm Oil Processing
We produce crude palm oil and palm kernel at our processing facilities located at our plantations. We operate twelve crude palm oil mills and two palm kernel crushing mills. Seven crude palm oil milling facilities and two palm kernel crushing mills are located at our plantations in Sumatra and Bangka, while the other five mills are in Kalimantan. We have an aggregate annual crude palm oil milling capacity of 2,875,000 tons of fresh fruit bunches per annum and an aggregate annual palm kernel crushing capacity of 219,000 ton of palm kernel per annum.

In 2007, CPO production increased by 3.7% to 509 thousand tons from 491 thousand tons last year, although the oil extraction rate slightly decreased to 23.33% from 23.38% in 2006. PK production increased by 7.4% to 112 thousand tons...
from 104 thousand tons in the preceding year, while the kernel extraction rate increased to 5.12% from 4.95% in 2006.

We have sufficient capacity to process all fresh fruit bunches harvested at our plantations during the prime harvesting period. The utilisation rates of our processing facilities fluctuate because of the need to have sufficient processing capacity to meet the demand of peak harvesting season. Accordingly, during the peak harvesting season our utilisation rates are higher than our average annual utilisation rate, while at other times of the year its rate is lower. Our average mills utilisation rate in 2007 was 84%, an increase from 79% last year.

Refinery
We produce refined palm oil-based products such as RBD olein, margarine, and shortening, primarily from our own CPO production. We produce the refined palm oil products through our refineries in Surabaya (East Java) and Belawan (North Sumatra). Our current refining capacity is 840,000 tons of CPO per annum. Both of our refineries have received international certifications such as ISO 9001:2000 as well as Hazard Analysis and Critical Control Point as international recognition of our fully standardised operations. At end of 2007, we added a new facility in Belawan (North Sumatra) to produce cocoa butter substitute products with a capacity of approximately 30,000 tons per annum.

With our fully integrated operations, from plantations down to refineries, we have the flexibility to sell either CPO or refined products in export and local markets. The following factors determine our selection of products and markets:

- local and international prices of CPO, palm kernel oil, and refined products;
- export tax rate for respective products;
- foreign currency exchange rates; and
- cost incurred to deliver the products to our customers.

During 2007, we processed 594 thousand tons of CPO in our refineries with an average utilisation rate of 70.8%. The decrease of utilisation rate by 9.7% compared to the preceding year was decided based on the increase in market price of CPO.
FINANCIAL REVIEW

Sales
Our products consist of crude palm oil and palm kernel related products, as well as refined products such as cooking oil, margarine, and shortening. Approximately 50% of our sales in 2007 were derived from export to Singapore, Malaysia, China, Philippines, Vietnam, and Europe.

Our pricing is determined by the movement in the international price of crude palm oil and palm kernel products, which are dependent on the supply and demand of related products and Indonesian government policies including the export taxes for these products. Crude palm oil sales in Indonesia are invoiced in Rupiah and are generally based on international US dollar prices for crude palm oil. The price of branded palm oil based products is primarily dependent on local consumer demand and our marketing strategy, and is less sensitive to changes in supply and demand than unbranded RBO olein.

Total revenues in 2007 grew by 71.6% to Rp 8,080 billion, mainly due to the increase in average selling price by 66% and the increase in sales volume by 3%. During 2007, the average international crude palm oil price (FOB Belawan) increased to US$ 716 per ton from US$ 416 per ton in the previous year. Our increase in average selling price was lower than the increase in the international market price because of the appreciation of Rupiah to the US dollar during the year 2007 to Rp 9,142 per US dollar from Rp 9,165 per US dollar in 2006. Our sales volume increased by 3% to 1,311 thousand tons from 1,270 thousand tons in 2006. The following table sets forth sales volume by products.

<table>
<thead>
<tr>
<th>Produk / Products</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minyak kelapa sawit / Crude palm oil</td>
<td>497</td>
<td>363</td>
</tr>
<tr>
<td>Produk inti sawit / Palm kernel-based products</td>
<td>180</td>
<td>165</td>
</tr>
<tr>
<td>Produk olahan tidak bermerek / Unbranded refined products</td>
<td>465</td>
<td>605</td>
</tr>
<tr>
<td>Produk olahan bermerek / Branded refined products</td>
<td>166</td>
<td>130</td>
</tr>
<tr>
<td>Lainnya / Others</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Jumlah kuantitas penjualan / Total sales volume</td>
<td>1,311</td>
<td>1,270</td>
</tr>
</tbody>
</table>

Branded products consist of cooking oil, margarine, and shortening. It contributed 16% of the total sales in 2007. The sales amount of branded refined products in 2007 grew by 77.6% to Rp 1,284 billion from Rp 723 billion in the previous year.
**Cost of Goods Sold**

Cost of goods sold comprises of raw materials, manuring, upkeep, harvesting costs, and other overhead costs.

Raw material costs mainly comprise of fresh fruit bunches purchased from plasma farmers and crude palm oil purchases for our refineries and for trading purposes. Raw material costs are the largest component of our cost of goods sold.

Manuring and upkeep costs represent fertiliser applied to the plantations and plantation infrastructure maintenance, such as roads and bridges.

Harvesting costs mainly comprise of labor and transportation related to the harvesting of the fresh fruit bunches in the plantations.

Other overhead costs represents the packaging, utilities such as electricity and water, fixed assets depreciation and plantation amortisation, transportation, fuels, insurance premiums, and salaries.

Cost of goods sold in 2007 increased by 51.9% to Rp 5,854 billion from Rp 3,854 billion in 2006, which was mainly due to the increase in average fresh fruit bunches purchase price from plasma and average crude palm oil purchase price in line with the hike in international market prices.

**Gross Profit**

The increase in cost of goods sold was not as high as the increase in sales, resulting in an improving gross profit margin of 27.5% compared to 18.2% in 2006.

**Operating Expense**

Operating expenses consist of selling expenses, and general and administrative expenses. Selling expenses mainly comprises of transportation, salaries and benefits, advertising and promotion, and export tax. General and administrative expenses mainly consist of salaries and benefits, rentals, depreciation, and allocation from management and commission fees. The management and commission fees are the fees income from affiliated companies, in which the Company provided several services related to plantation management, accounting and tax, information technology, search for manpower, etc.

In 2007, selling expenses increased significantly by 147.8% to Rp 423 billion from Rp 171 billion in the previous year, mostly due to the higher export tax rate imposed by the government.
At the same time, general and administrative expenses increased to Rp 139 billion in 2007 from Rp 67 billion in 2006, largely due to higher salaries and employee benefits.

Operating Profit
In line with the increase in gross profit, the Company’s operating profit in 2007 was more than doubled reaching Rp 1,663 billion from Rp 617 billion in 2006.

EBITDA
Corresponding to the increase in operating profit, the Company’s EBITDA during 2007 achieved a remarkable record of Rp 1,885 billion, a 136.5% increase from Rp 797 billion in the preceding year.

Other Income or Expenses
Other income or expenses primarily consists of financial expenses and foreign exchange gain or loss. Foreign exchange gain or loss represents the changes in value of assets or liabilities denominated in foreign currencies during the year under review. Generally, our foreign exchange gain or loss is attributable to changes in the value of foreign currency denominated debt. Since our reporting currency is in the Rupiah, an appreciation of Indonesian Rupiah against the US dollar generally results in a foreign exchange gain, while a depreciation of Indonesian Rupiah generally results in a foreign exchange loss.

Other income or expenses decreased to a negative level of Rp 151 billion in 2007 from a positive level of Rp 14 billion in 2006, mainly due to foreign exchange loss of Rp 51 billion as compared to a gain of Rp 113 billion in 2006. This was attributable to a loss on translation of net US dollar monetary liabilities to Rupiah due to the depreciation of the Rupiah against the US dollar as at year end. The Rupiah weakened from Rp 9,020 per US dollar as at 31 December 2006 to Rp 9,419 as at 31 December 2007.

The net finance expenses in 2007 also increased by 26.9% to Rp 149 billion compared to Rp 118 billion last year, due to drawdown of additional bank loan facilities.
Net Profit
The Company’s net profit showed a substantial increase of 57.5% to Rp 989 billion in 2007 from Rp 628 billion in the previous year. Earnings per share for 2007 were Rp 344 per share.

Assets
Current assets totaled Rp 3,767 billion at end of 2007, more than double the amount from the previous year of Rp 1,674 billion. The major increase was contributed to the increases in trade receivables and inventories, increase in advances to contractors for ongoing expansion projects, and increase in the short-term investments balance. Increases in trade receivables and inventories were in line with the increase in international prices of palm products. Inventory quantities also increased as shipments were delayed resulting from adverse coastal weather conditions. As of 31 December 2007, there was no allowance for doubtful account as we believe that all of the receivables were collectible. As per end of 2007, 85% of the Company’s trade receivables were due in less than 30 days.

Non-current assets grew by 18.1% to Rp 4,296 billion at end of 2007 from Rp 3,639 billion in 2006. The increase mainly resulted from the expansion of oil palm plantations by approximately 7,140 hectares and the ongoing construction of two mills, a refinery, and two kernel crushing plants in Kalimantan.

Our total assets at end of 2007 were Rp 8,063 billion, 51.8% higher than the preceding year’s Rp 5,312 billion.

Liabilities
Current liabilities at end of 2007 were Rp 2,190 billion, more than double the amount from the previous year of Rp 1,090 billion. The increase mainly came from new working capital loans.

Non-current liabilities increased by 42.9% to Rp 2,345 billion at end of 2007 from Rp 1,642 billion in the preceding year. The increase was mainly contributed to the increase in due to related parties.

Total liabilities at end of 2007 increased by 66.0% to Rp 4,535 billion from Rp 2,731 billion in 2006. Most of our debts are US dollar denominated. As of 31 December 2007, our gearing remained at a healthy level with a net debt to equity ratio of 0.59 and bank debt to EBITDA ratio of 0.74.
Our equity sharply increased to Rp 3,528 billion from Rp 2,577 billion in the previous year. The increase was mainly due to the high net profit recorded in 2007. The Company’s retained earnings totaled Rp 1,021 billion at end of 2007 after distribution of Rp 132 billion in dividends on 25 June 2007 against 2006 earnings. This balance sheet position allows us to distribute dividends to the shareholders for the net income obtained in 2007.

**Research and Development**

Research and Development (R&D) is an integral part of our plantation operations, as a support for the growth of the Company. Our R&D institute provide recommendations and innovation solutions for continual improvement in productivity. The main research facility, SMART Research Institute (SMARTRI), is located in Riau, Sumatra. This main research center is well supported by a network of R&D subunits located throughout Indonesia. The analytical laboratory is also incorporated within the R&D facility.

The R&D division is well served by a team of qualified scientists who are experts in their respective areas of research. The R&D division also collaborates with other leading and renowned agricultural and technical research centers such as CIRAD (Centre de coopération Internationale en Recherche Agronomique pour le Développement) and Indonesian universities. In September 2006, SMARTRI received an Accreditation Certificate SNI 19-17025-2000 from National Accreditation Committee for consistently implementing general requisitions of testing and calibrating laboratory.

The main thrust of our research efforts are:

- **Plant Breeding and Tissue Culture**
  Conventional plant breeding methods are used to develop high yielding traits and other important characteristics such as shorter palms, drought and disease tolerance, better oil quality with higher unsaturation or carotene levels. Our tissue culture laboratory was commenced operations in 2007. During the first half of 2007, we selected and cloned our first ortet palms based on the strictest scientific procedures. We are continuously exploring the latest techniques in tissue culture to extend the new oil palm planting materials that meet the requirements of the industry.

- **Soil and Water Management**
  Studies are conducted in order to develop new environmentally friendly agricultural practices, which focus on significant increase in productivity while maintaining low production cost. One key activity relates to fertiliser management, where we...

• Pengelolaan Tanah dan Air
Penelitian-penelitian dilakukan dalam rangka mengembangkan praktek perkebunan yang ramah lingkungan dan berfokus pada peningkatan produktivitas secara signifikan seraya mempertahankan biaya produksi yang rendah. Salah satu aktivitas yang penting yaitu mengenai pengelolaan pupuk, dimana kami mengatur dosis penggunaan pupuk yang dapat memberikan kinerja ekonomis yang optimal dan mempertahankan kesuburan tanah, serta melindungi sumber daya alam yang ada.

• Perlindungan Hasil Panen
Penanganan hama yang terintegrasi diimplementasikan secara menyeluruh untuk meminimalkan resiko hilangnya hasil panen karena hama dan penyakit. Sistem pengelolaan ini dilakukan melalui praktek-praktek yang ramah lingkungan.

• Paska Panen
SMARTRI terus mencari metode yang berkesinambungan terkait dengan penanganan limbah produksi minyak sawit. Kami merupakan salah satu yang terbaik di industri dalam hal penanganan limbah. Pemanfaatan jangan kosong, limbah cair produksi, dan serat sawit sebagai pupuk organik bukan hanya memberikan dampak positif bagi lingkungan, namun juga menghasilkan penghematan biaya pemupukan yang signifikan.

• Crop Protection
Integrated pest management is fully implemented in order to minimise any risk of crop losses due to pests and diseases. This management system is deployed through environmentally friendly practices.

• Post Harvest
SMARTRI is continuously looking into sustainable methods of managing waste from the palm oil industry. We are getting one of the best ratings in terms of waste management in the oil palm industry. The valorisation of empty fruit bunches, palm oil mill effluent and fibers as organic fertilisers results not only in a positive environmental impact, but also in significant savings for the Company in terms of fertiliser expenditure.

• Environment
The development and implementation of environmentally friendly agricultural practices remains a key priority of our Company. Together with WWF Indonesia, SMARTRI identifies forests with high conservation value, and integrates these into our plantation development programme, thus preserving biodiversity in the plantations.

R&D efforts of SMARTRI will continue to support the Company in achieving greater sustainability in the cultivation of palm oil through increasing productivity and profitability, providing employment at all levels of the population and at the same time preserving the environment for the well-being of future generations.
Lingkungan

Pengembangan dan pengimplementasian praktek perkebunan yang ramah lingkungan menjadi prioritas utama Perseroan. Bekerjasama dengan WWF Indonesia, SMARTRI mengidentifikasi hutan dengan nilai konservasi tinggi dan mengintegrasikannya ke dalam program pengembangan perkebunan, sehingga mempertahankan biodiversifikasi dalam perkebunan kami.

Upaya-upaya R&D akan terus dilakukan untuk mendukung Perseroan dalam mencapai pengelolaan kelapa sawit yang lebih berkesinambungan melalui peningkatan produktivitas dan profitabilitas, membuka lapangan kerja, serta pada saat yang sama melestarikan lingkungan demi generasi yang akan datang.

INFORMASI LAINNYA

Penggabungan Usaha dan Akuisisi

Selama tahun 2007, tidak ada transaksi penggabungan dan akuisisi yang dilakukan.

Investasi dan Ekspansi

Selama tahun berjalan, kami telah berhasil melakukan ekspansi perkebunan kelapa sawit seluas sekitar 7,140 hektar. Selain itu, terdapat beberapa proyek yang sedang berjalan, antara lain satu pabrik penyulingan baru termasuk fasilitas pendukungnya dengan kapasitas 300,000 ton per tahun, dua pabrik pengolahan kelapa sawit baru dengan keseluruhan kapasitas sebesar 625,000 ton per tahun, dan dua pabrik pengolahan inti sawit dengan keseluruhan kapasitas 135,000 ton per tahun. Proyek-proyek ini seluruhnya berlokasi di Kalimantan dan diharapkan dapat mulai beroperasi pada tahun 2008. Kami juga mulai membangun satu pabrik penyulingan lainnya di Jakarta dengan kapasitas 240,000 ton per tahun, yang diharapkan dapat diselesaikan pada tahun 2009.

Perjanjian Penting atas Investasi Modal

As of 31 Desember 2007, the Company has agreements with suppliers and contractors related to the construction of two refineries in South Kalimantan and Jakarta. Such commitments aggregate to approximately Rp 205.1 billion.

Events After Auditor’s Report

Up to 11 April 2008, there are no material subsequent events after the date of the auditor’s report.

Legal Cases

There are no material legal cases involving the Company, Directors, or Commissioners of the Company.

OTHER INFORMATION

Mergers and Acquisitions

There were no merger or acquisition transactions carried out during 2007.

Investments and Expansions

During the year under review, we successfully expanded our oil palm plantations by approximately 7,140 ha. There are several projects under development, i.e. a new refinery including supporting facilities with a capacity of 300,000 tons per annum, two new mills with a total capacity of 625,000 tons per annum, and two kernel crushing plants with a total capacity of 135,000 tons per annum. All these projects are located in Kalimantan and expected to commence operations in 2008. We are also starting the construction of another refinery in Jakarta with a capacity of 240,000 tons per annum, expected to be completed in 2009.

Significant Agreements for Capital Investment

As of 31 December 2007, the Company has agreements with suppliers and contractors related to the construction of two refineries in South Kalimantan and Jakarta. Such commitments aggregate to approximately Rp 205.1 billion.

Events After Auditor’s Report

Up to 11 April 2008, there are no material subsequent events after the date of the auditor’s report.

Legal Cases

There are no material legal cases involving the Company, Directors, or Commissioners of the Company.
PT SMART Tbk defines good corporate governance as a comprehensive concept of high level risk management. More than just another common standard that must be complied with, it is regarded an inevitable necessity to achieve the Company’s goals and enhance long-term stakeholders’ value.

There are three governing bodies in a company that stand alone but relate to each other in order to enable the company to administrate its business well. These are the General Meeting of Shareholders (GMS), the Board of Commissioners (BOC), and the Board of Directors (BOD). PT SMART Tbk has put these three bodies in place to maximise their contribution to the Company’s success.

**GENERAL MEETING OF SHAREHOLDERS**

The authority of the General Meeting of Shareholders includes decisions concerning the change in the Articles of Association, the rights and obligations of the shareholders, issuance of new shares, and appropriation of the annual profit.

In compliance with Article 19 and 20 of the Company’s Articles of Association, and Rule No. IX.I.1 of the Indonesian Capital Market Supervisory Board (Bapepam) Regulation, the Company held an Annual General Meeting of Shareholders (AGM) and Extraordinary General Meeting of Shareholders (EGM) on 7 May 2007.

The AGM approved:

• the 2006 financial and operations results reported by the BOD,
• the distribution of final dividend for financial year 2006 amounting to Rp 46 per share, and
• reappointment of the BOD’s and BOC’s members.

Whilst the EGM approved on:

• the proposal of transactions which deemed to have conflict of interest (under the Rule No. IX.E.1 of Bapepam’s regulation),
• the proposal to sell a 45,000,000 share ownership in PT Ivo Mas Tunggal to PT Purimas Sasmita, and
• granting power of attorney to the BOD and BOC to repurchase the Company’s issued shares.

**BOARD OF COMMISSIONERS**

The duty of the Board of Commissioners, also known as the Supervisory Board, is to supervise and give advice to the BOD in exercising its management duties.

Based on the Articles of Association, the BOC shall consist of at least three members, whose appointment and dismissal are carried out through the GMS. The term of BOC shall end at the closing of the third AGM after the date of the appointment and can be extended for another term. The GMS has the right to dismiss the members of BOC at any time, after allowing them to provide proper explanation and clarification.
DEWAN KOMISARIS

Tanggung jawab Dewan Komisaris, yang juga dikenal sebagai Dewan Pengawas, adalah mengawasi dan memberikan saran kepada Direksi dalam melaksanakan tugas manajemennya.

Berdasarkan Anggaran Dasar, Dewan Komisaris terdiri dari sedikitnya tiga anggota, dimana penunjukan dan pemberhentian masing-masing anggota dilakukan melalui RUPS. Masa jabatan Dewan Komisaris berakhir pada saat penutupan RUPST yang ketiga setelah tanggal pengangkatan dan dapat diangkat kembali untuk periode berikutnya. RUPS mempunyai hak untuk memberhentikan anggota Dewan Komisaris sewaktu-waktu, setelah mempersilahkan mereka untuk memberikan penjelasan dan klarifikasi.


Per 31 Desember 2007, anggota Dewan Komisaris adalah sebagai berikut:

- Komisaris Utama : Franky Oesman Widjaja
- Wakil Komisaris Utama : G. Sulistiyanto Soeherman
- Komisaris : Arthur Tahya
- Komisaris : Rachmat Gobel
- Komisaris Independen : Hajjah Ryani Soedirman
- Komisaris Independen : Letjen TNI (Purn) Soetedjo
- Komisaris Independen : DR. Teddy Pawitra


Currently, the BOC consists of seven commissioners, who will hold their position until 2010. Three of the BOC members are the Independent Commissioners. This is in compliance with Bapepam’s and Jakarta Stock Exchange’s regulations, where more than 30% of the BOC are required to be Independent Commissioners.

As of 31 December 2007, the members of BOC are as follow:

- President Commissioner : Franky Oesman Widjaja
- Vice President Commissioner : G. Sulistiyanto Soeherman
- Commissioner : Arthur Tahya
- Commissioner : Rachmat Gobel
- Independent Commissioner : Hajjah Ryani Soedirman
- Independent Commissioner : Letjen TNI (Purn) Soetedjo
- Independent Commissioner : DR. Teddy Pawitra

Pursuant to the Company’s Articles of Association, the BOC can conduct a meeting at any time when deemed necessary as requested by at least three members of BOC, by written request from BOD meeting, or by one or more shareholders with a combined ownership of at least one-tenth of total ownership of the Company. The meeting itself should be summoned by the President Commissioner, the Vice President Commissioner, or two members of the BOC and shall be chaired by the President Commissioner, the Vice President Commissioner, or by a member of the BOC who is elected by the members of the BOC that are present in the meeting. The meetings of the BOC are lawful and entitled to make lawful and binding decisions only if attended by more than 50% of the members of the BOC. At any meeting, each BOC member is entitled to one vote and to make one proxy vote. The resolutions of the meeting must be adopted by deliberation and consensus. If no agreement can be reached, a simple majority vote is required. In the event of a tie vote, the chairman of the BOC meeting should make the decision. The BOC may adopt valid and binding decisions without convening a BOC meeting if all members of the BOC approve the decision in writing.

Throughout 2007, five BOC meetings were conducted that focused on the review of quarterly financial statements, transactions with affiliated companies, the annual budget, and other matters that required the BOC’s attention. The meetings were also attended by the BOD. The attendance of BOC members at the meetings, including attendance by proxy, during 2007 is disclosed below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Meetings Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franky Oesman Widjaja</td>
<td>5</td>
</tr>
<tr>
<td>G. Sulistiyanto Soeherman</td>
<td>4</td>
</tr>
<tr>
<td>Arthur Tahya</td>
<td>5</td>
</tr>
<tr>
<td>Rachmat Gobel</td>
<td>4</td>
</tr>
<tr>
<td>Hajjah Ryani Soedirman</td>
<td>5</td>
</tr>
<tr>
<td>Letjen TNI (Purn) Soetedjo</td>
<td>5</td>
</tr>
<tr>
<td>DR. Teddy Pawitra</td>
<td>5</td>
</tr>
</tbody>
</table>

Number of Meetings: 5
The main duties of the Board of Directors are to lead and operate the Company in achieving its goals, and to administer the Company’s assets. The BOD is also responsible for representing the Company both inside and outside the court of law in accordance with the provisions in the Company’s Articles of Association.

Based on the Articles of Association, the BOD shall consist of at least three members, whose appointment and dismissal are carried out through the GMS. The term of the BOD shall end at the closing of the third AGM after the date of the appointment and can be extended for another term. The GMS has the right to dismiss the members of the BOD at any time, after allowing them to provide proper explanation and clarification.

Currently, the BOD consists of seven members who will hold their position until 2010. As of 31 December 2007, the members of BOD are as follow:

- President Director : Muktar Widjaja
- Vice President Director : Jo Daud Dharsono
- Vice President Director : Simon Lim
- Director : H. Oeminto
- Director : Budi Wijana
- Director : Rafael Buhay Concepcion, Jr.
- Director : Edy Saputra Suradja

Pursuant to the Company’s Articles of Association, the BOD can conduct a meeting at anytime when deemed necessary as requested by at least three members of BOD, by written request from the BOC meeting, or by one or more shareholders with a combined ownership of at least one-tenth of total ownership of the Company. The meeting itself should be called by members of the BOD who have the right to represent the BOD in accordance with Article No. 11 in the Company’s Articles of Association and shall be chaired by the President Director, the Vice President Director, or by a member of the BOD who is elected by the members of the BOD that are present in the meeting. The meetings of BOD are lawful and entitled to make lawful and binding decisions only if attended by more than 75% of the BOD members approve the decision in writing.
Menurut Anggaran Dasar Perseroan, Direksi dapat mengadakan rapat setiap waktu bilamana dianggap perlu atas permintaan dari paling sedikit tiga orang anggota Direksi atau atas permintaan tertulis dari Rapat Komisaris atau atas permintaan dari satu pemegang saham atau lebih yang memiliki sedikitnya 1/10 (satu per sepuluh) bagian dari seluruh jumlah saham Perseroan. Pemanggilan Rapat Direksi dilakukan oleh anggota Direksi yang berhak mewakili, sesuai ketentuan pasal 11 Anggaran Dasar Perseroan dan dipimpin oleh Direktur Utama atau Wakil Direktur Utama atau salah seorang anggota Direksi yang ditunjuk oleh para Direksi yang hadir dalam rapat. Rapat Direksi adalah sah dan berhak mengambil keputusan yang sah dan mengikat apabila lebih dari 50% dari jumlah anggota Direksi hadir. Setiap anggota Direksi yang hadir berhak mengeluarkan satu suara dan tambahan satu suara untuk setiap anggota Direksi lain yang diwakilinya. Keputusan Rapat Direksi harus diambil berdasarkan musyawarah untuk mufakat. Dalam hal keputusan diambil berdasarkan musyawarah untuk mufakat tidak tercapai, maka keputusan diambil berdasarkan pemungutan suara mayoritas. Apabila suara yang setuju dan tidak setuju berimbang, maka Ketua Rapat Direksi yang akan mengambil keputusan. Direksi dapat juga mengambil keputusan yang sah tanpa mengadakan Rapat Direksi jika lebih dari 75% dari semua anggota Direksi memberikan persetujuan mengenai usul yang diajukan secara tertulis.

Sepanjang tahun 2007, Dewan Gabungan (Komisaris dan Direksi) telah menyelenggarakan lima rapat, yang telah membahas mengenai penelaahan atas laporan keuangan kuartalan, transaksi dengan perusahaan afiliasi, anggaran tahunan, dan hal-hal lainnya. Tabel di bawah ini menunjukkan jumlah kehadiran anggota Direksi pada rapat-rapat yang diselenggarakan selama tahun 2007, termasuk kehadiran yang diwakili dengan surat kuasa:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Meetings Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muktar Widjaja</td>
<td>4</td>
</tr>
<tr>
<td>Jo Daud Dharsono</td>
<td>1</td>
</tr>
<tr>
<td>Simon Lim</td>
<td>5</td>
</tr>
<tr>
<td>H. Oeminto</td>
<td>1</td>
</tr>
<tr>
<td>Budi Wijana</td>
<td>4</td>
</tr>
<tr>
<td>Rafael Buhay Concepcion, Jr.</td>
<td>4</td>
</tr>
<tr>
<td>Edy Saputra Suradja</td>
<td>1</td>
</tr>
</tbody>
</table>

Jumlah Rapat: 5

Untuk meningkatkan kompetensi Direksi secara konsisten, Perseroan menyelenggarakan Forum SMART, yang ditujukan bagi karyawan tingkat menengah dan atas (termasuk Direksi), dimana mereka dapat belajar dan berbagi pengetahuan dan pengalaman di berbagai bidang seperti keuangan, pemasaran, manajemen strategi, dan lain-lain. Direksi juga dianjurkan untuk mengikuti pelatihan-pelatihan dan seminar-seminar yang berhubungan dengan tanggung jawab dan keahliannya masing-masing.

To consistently improve the competency of the directors, the Company regularly holds the SMART Forum for middle-up level employees (including directors), where they can learn and share their knowledge and experiences in various areas of finance, marketing, strategic management, etc. The directors are also encouraged to join trainings and seminars related to their respective responsibilities and area of expertise.

**AUDIT COMMITTEE**

The Audit Committee (AC) is assisting the BOC in performing its supervisory function. AC’s accountability is to assess whether financial and operational reports prepared by the BOD are reliable, as well as to ascertain the true enforcement of appropriate control policies, prevailing laws, rules, and regulations in the Company’s business.

The AC consists of independent professionals, of which the Chairman is the Independent Commissioner. They are appointed at the BOC meeting.

Pursuant to Bapepam Rule No. IX.I.5, the term of the AC may not be longer than the term of the BOD. The term of our AC is three years, the same as the term of the BOD. Currently, the AC consists of three members, who are servicing until 2010. As of 31 December 2007, the members of the Audit Committee are as follow:

- Chairman : DR. Teddy Pawitra
- Member : Drs. Pande Putu Raka, MA
- Member : Drs. Rusli Prakarsa, Akt.

During 2007, the Committee held 11 meetings together with the internal audit team and BOD. The meetings were focusing on internal audit investigation, transactions within affiliated companies, and discussion with the Company’s external auditor. In addition to that, the AC joined the BOC meetings. The attendance of AC members at the meetings during 2007 is disclosed below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Meetings Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muktar Widjaja</td>
<td>11</td>
</tr>
<tr>
<td>Jo Daud Dharsono</td>
<td>11</td>
</tr>
<tr>
<td>Simon Lim</td>
<td>10</td>
</tr>
<tr>
<td>H. Oeminto</td>
<td>4</td>
</tr>
<tr>
<td>Budi Wijana</td>
<td>4</td>
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<td>Rafael Buhay Concepcion, Jr.</td>
<td>4</td>
</tr>
<tr>
<td>Edy Saputra Suradja</td>
<td>1</td>
</tr>
</tbody>
</table>

Jumlah Rapat: 11

Below are brief profiles of the Audit Committee members:
KOMITE AUDIT

Dalam melaksanakan tugas dan tanggung jawabnya, Dewan Komisaris dibantu oleh Komite Audit, yang bertanggungjawab untuk menilai apakah laporan keuangan dan operasional yang dibuat oleh Direksi dapat diandalkan, juga untuk memastikan bahwa kebijakan pengendalian serta penegakan hukum dan peraturan telah diterapkan dalam bisnis Perseroan.

Komite Audit beranggotakan para profesional yang independen dan diketuai oleh Komisaris Independen. Mereka ditunjuk pada saat Rapat Komisaris.


- Ketua : DR. Teddy Pawitra
- Anggota : Drs. Pande Putu Raka, MA
- Anggota : Drs. Rusli Prakarsa, Akt.


<table>
<thead>
<tr>
<th>Nama</th>
<th>Jumlah Kehadiran Rapat</th>
</tr>
</thead>
<tbody>
<tr>
<td>DR. Teddy Pawitra</td>
<td>11</td>
</tr>
<tr>
<td>Drs. Pande Putu Raka, MA</td>
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<td>10</td>
</tr>
<tr>
<td><strong>Jumlah Rapat</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

Berikut adalah profil ringkas para anggota Komite Audit:

**DR. Teddy Pawitra**
Ketua Komite Audit

**Drs. Pande Putu Raka, MA**
Member of Audit Committee
Graduated from the Faculty of Economics of Airlangga University in 1972 and obtained a Master of Arts from Vanderbilt University, USA, in 1977. He started his career at the Ministry

**Drs. Pande Putu Raka, MA**

Anggota Komite Audit


**Drs. Rusli Prakarsa, Akt.**

Member of Audit Committee

Graduated from the Faculty of Economics majoring in Accounting, North Sumatera University in 1969. He started his career as a lecturer in various universities, and started his service in Bank of Indonesia (1971 – 1974), Panin Bank (since 1975) with his last position was a Vice President Commissioner. In 2000, he was appointed as a President Commissioner of PT Bank Internasional Indonesia Tbk, Head of Supervisory Team (during the period of IBRA monitoring), and Head of Management Team until May 2002. In June 2002, he was appointed as a member of Board of Commissioner of PT Bank CIC International (recently called PT Bank Century Tbk). Currently, he is a member of Audit Committee in various companies including PT Duta Pertiwi Tbk.
LAKE COMMITTEE'S REPORT

The members of the Company’s Audit Committee for the year of 2007, were as follow:

1. Chairman: DR. Teddy Pawitra
2. Member: Drs. Pande Putu Raka, MA
   Drs. Rusli Prakarsa, Akt.

During 2007, the Audit Committee has reviewed and discussed the Company’s Quarterly Financial Statements with the management. The Audit Committee has also been involved in discussions of regarding the Company’s Annual Budget.

In 2007, regular meetings between the Audit Committee and Internal Auditors were conducted to discuss their findings reports in order to enhance the Company’s internal controls.

Together with the management and the external auditor, the Audit Committee has also discussed and reviewed the audited Financial Statements for the year ended 31 December 2007.

After due consideration and discussion, the Audit Committee provided the recommendation to the Board of Commissioners that the Financial Statements for the year ended 31 December 2007 could be acknowledged and reported in the Company’s Annual Report.

LAPORAN KOMITE AUDIT

Pada tahun 2007, anggota Komite Audit Perseroan adalah sebagai berikut:

1. Ketua : DR. Teddy Pawitra
2. Anggota : Drs. Pande Putu Raka, MA
   Drs. Rusli Prakarsa, Akt.


Sepanjang tahun 2007, Komite Audit secara rutin mengadakan pertemuan dengan Internal Auditor untuk membahas laporan hasil temuan mereka dalam rangka meningkatkan pengawasan internal Perseroan.

Demikian pula Laporan Keuangan Tahunan yang telah diaudit untuk tahun buku yang berakhir pada tanggal 31 Desember 2007 telah didiskusikan dan ditelaah bersama dengan manajemen dan auditor eksternal.

Berdasarkan penelaahan dan pembahasan tersebut, Komite Audit memberikan rekomendasi kepada Dewan Komisaris agar Laporan Keuangan Perseroan untuk tahun buku yang berakhir tanggal 31 Desember 2007 dapat diterima dan dilaporkan dalam Laporan Tahunan Perseroan.

DR. Teddy Pawitra
Ketua Komite Audit / Chairman of Audit Committee

Drs. Pande Putu Raka, MA
Anggota Komite Audit / Member of Audit Committee

Drs. Rusli Prakarsa, Akt.
Anggota Komite Audit / Member of Audit Committee
OTHER COMMITTEES

Currently, the Company has no Nominating Committee or Remuneration Committee. The Company acknowledges the importance of choosing the best people and sustaining their motivation towards excellence through appropriate remuneration. In line with this, the Company will consider forming both committees in the future.

ARTICLES OF ASSOCIATION

The Company’s Articles of Association are formed based on Corporate Law No. 1 Year 1995. The new Corporate Law No. 40 Year 2007, which has been effective since 16 August 2007 requires all limited liability companies to adjust their Articles of Association accordingly within a year. We are in the process of preparing the amendments of our Articles of Association. We will put our best efforts to ensure that all regulations are complied.

SUBMISSION OF REPORTS AND DISCLOSURE OF INFORMATION

The Company regularly delivers reports to Capital Market and Financial Institutions Supervisory Board (Bapepam-LK), Jakarta Stock Exchange and Surabaya Stock Exchange (currently merged into Indonesia Stock Exchange), and public in regards to compliance with their regulations, on top of responses to intermittent information requirements that may arise during the year.

During 2007, the Company successfully managed the timeliness of the quarterly financial statements reporting to Bapepam-LK and the stock exchange. On top of that, 19 announcements were reported, of which four concerned the disclosure of information that might affect the Company’s share price or investors’ judgment.

We make all information easily accessible by all stakeholders through the Company’s newsletters, quarterly financial reports, annual report, public expose, press releases, and website (www.smart-tbk.com).

INTERNAL CONTROL SYSTEM

The Company has a firm internal control framework, which ensures a sound system of internal controls to safeguard shareholders’ investment and the Company’s assets. Although the system incorporates risks identification, analysis, and management, the Company is aware that such framework is designed to cope rather than abolish risks and therefore cannot provide an absolute assurance against material misstatement or loss. Good comprehensive internal control systems can improve effectiveness and efficiency in financial reporting as well as external law and internal policy adherences.
The Company has an internal audit department that comprises three divisions: Corporate Internal Audit, Plantation Internal Audit, and Downstream Internal Audit. The internal audit department reports to the Board of Directors and Audit Committee, and is independent from the activities it audits. Its responsibilities are to review the above-mentioned control framework in a periodic and systematic manner so as to provide satisfactory assurance that the Company has a sound internal control framework and that the established framework is adhered to and continues to be effective. By running such audit, the Company believes that its overall performance can be constantly maintained and enhanced. The internal audit department completed 111 audit reports, consisting of regular as well as special audits, during 2007.

CORPORATE SECRETARY

The Corporate Secretary directly reports to the Board of Directors. He carries out duties to manage investor relations, public relations, internal communications, and corporate information. Specifically, the Corporate Secretary covers several areas of responsibility such as: developing mutual relations with investors and analysts, sustaining fine liaison with Bapepam-LK and the stock exchange, and administering both the BOC’s and BOD’s activities internally as well as externally.

The Corporate Secretary has fulfilled all requirements in the Capital Market Laws and Regulations where the Company’s securities are listed, for instance: timely submission of periodic financial statements, advance public transparencies in every aspect of the Company’s condition through comprehensive information disclosure in the Annual Report, material information disclosure reports, and press releases.

Presently, the Corporate Secretary of the Company is Jimmy Pramono. Below is a brief profile of the Corporate Secretary.

Jimmy Pramono
Corporate Secretary

In 1987, he graduated from the University of Parahyangan, Bandung, majoring in Accounting and started his career at Drs. Utomo & Co. (Arthur Andersen) as an auditor. In 1996, he joined PT SMART Tbk as Assistant Vice President Finance. Currently, he holds position as Corporate Secretary since October 2006.

Sekretaris Perusahaan bertanggung jawab langsung kepada Direksi. Tugasnya meliputi pengelolaan hubungan dengan investor, hubungan dengan publik, komunikasi internal, dan informasi perusahaan. Lebih rinci, tanggung jawab Sekretaris Perusahaan mencakup beberapa hal seperti: mengembangkan hubungan yang baik dengan investor dan analis, memelihara hubungan baik dengan Bapepam-LK dan Bursa Efek, serta mengkoordinasikan kegiatan Dewan Komisaris dan Direksi baik internal maupun eksternal.

Sekretaris Perusahaan telah memenuhi seluruh Peraturan Pasar Modal dan Bursa Efek dimana saham Perseroan terdaftar, misalnya: penyampaian laporan keuangan periodik secara teratur dan tepat waktu, transparansi publik pada setiap aspek dari kondisi Perseroan melalui pengungkapan informasi secara lengkap dalam Laporan Tahunan, laporan pengungkapan informasi material, dan siaran pers.


Jimmy Pramono
Sekretaris Perusahaan

During 2007, the Company has executed some conflict of interest transactions, which are directly and indirectly related to its main business activities. In accordance with Bapepam Rule No. IX.E.1, Conflict of Interest Transactions require a listed company to obtain approval from the independent shareholders. Therefore, we hold the EGM for such transactions every year. The last approval obtained was at the EGM dated 7 May 2007. The conflict of interest transactions approved are:

- Sales and purchases of fresh fruit bunches, crude palm oil, palm kernel, and all derivative products;
- Provision and acceptance of management, operation, financial, insurance, and marketing services;
- Supply and purchase of materials, machines, equipments used to support main business activities;
- Provision and lease out of office space, warehouse, transportation, and logistic facilities;
- Fund placement that is less than one year;
- Provision of funding and guarantees in order to support the Company’s main business activities;
- Reception of loan in order to support the Company’s main business activities.

To further protect the interest of minority shareholders, all above-mentioned conflict of interest transactions should follow below procedures before executed:

- The BOD submits the proposal of the conflict of interest transactions to the AC;
- AC conducts a review of the proposal through examination and verification. After such review, the AC will grant approval for the proposal;
- The BOC evaluates the conflict of interest transactions proposal that has been approved by the AC and grants approval thereafter.

The conflict of interest transactions shall be executed with regards to the following basic criteria:

- Such transactions are required to carry out the Company’s main business activities;
- Terms and conditions are based on commercial principles...
and arms length basis, reasonable market value, and not less than requirement and condition for similar transactions available in the market at the time when the transaction is executed, appropriate with the benefit directly and indirectly received by the Company;
• Transaction is not contradictory with the prevailing laws and regulations in the Republic of Indonesia; and
• Value of each transaction is not exceeding US$ 35 million or its equivalent in other currencies on the execution date or the signing of such transaction.

All the conflict of interest transactions in 2007 were conducted based on the above-mentioned procedures and basic criteria. These transactions were audited and disclosed in the notes to the financial statements for the year ended 31 December 2007.

RISK FACTORS

Fluctuations in the pricing of our products
Global prices of our products tend to be cyclical. These are affected by the availability of agricultural commodities that are subject to uncontrollable factors affecting supply such as global weather conditions; and factors affecting demand such as changes in population growth, standards of living, and global production of substitute and competitive crops. Other aspects like environmental and conservation regulations, tariffs, and natural disasters also play a part in the price determination.

We constantly analyse and monitor the global demand patterns and trends for crude palm oil and other palm oil products to make prompt and informed decisions regarding our production and sales levels. We also try to manage the risk of market price fluctuations by entering into commodities futures contracts.

Revocation or restriction of land rights granted by the Indonesian Government
Our plantations have been granted with Hak Guna Usaha (i.e. “Right to Cultivate” land for agricultural purposes) land rights by the Indonesian Government which could be extended and renewed up to 95 years (depending on the plantation), most of which will expire after year 2030. We also hold land rights in the form of Ijin Lokasi and in the form of Panitia B. Ijin Lokasi and Panitia B are intermediate land rights granted by the Indonesian Government during the initial stages of the land rights approval process. These rights are less than the full rights over the use of the lands represented by Hak Guna Usaha land rights.
We believe that we have complied with all relevant requirements in relation to the plantations and will take all necessary steps to ensure that our land rights for such plantations are extended.

Poor weather conditions
Our fresh fruit bunch yield is very dependent on weather conditions in Indonesia. Excessive rainfall or extensive period of dry weather will lead to a decrease in the overall yield of fresh fruit bunches from our estates. Excessive rainfall generally leads to poor pollination of palms and reduces the effectiveness of fertilisers, while drought results in less fruit bunches and oil extraction rate. High levels of drought might also trigger fire outbreaks on the plantations.

We have implemented various measures at our plantations to reduce the impact of weather conditions. Historically, crude palm oil prices typically increase when supply is adversely affected by weather conditions, thereby reducing the impact of the decrease in yield.

Dependency on retaining key personnel and attracting additional qualified persons
We believe that our continued success lies in the capabilities and experiences of our existing directors and senior management. Competition for such key personnel is intense in the industry and the loss of any of our key personnel is a possibility. In particular, our directors play an important role in maintaining relationships with our employees, as well as in outlining and executing our overall business strategy.

Kondisi cuaca yang buruk
Hasil tandan buah segar kami sangat tergantung pada kondisi cuaca di Indonesia. Curah hujan yang terlalu tinggi atau musim kering yang terlalu lama akan menyebabkan turunnya hasil tandan buah segar dari perkebunan kami. Curah hujan yang terlalu tinggi akan menyebabkan buruknya penyerbukan tanaman dan penurunan efektivitas pemupukan, sementara kekeringan mengakibatkan berkurangnya tanaman buah segar dan turunnya tingkat ekstraksi minyak. Kekeringan yang terlalu panas juga dapat menimbulkan kebakaran pada lahan perkebunan.

Kami telah mengimplementasikan berbagai macam ukuran pada perkebunan kami untuk mengurangi dampak dari kondisi cuaca. Secara historis, harga minyak kelapa sawit biasanya akan meningkat pada saat pasokan turun karena dampak dari kondisi cuaca sehingga akhirnya mengurangi dampak negatif dari turunnya tingkat produksi.

Ketergantungan dalam mempertahankan personil utama dan merekrut personil baru yang berkualitas
Kami yakin bahwa kelanjutan sukses kami sangat tergantung pada kepemimpinan dan pengalaman dari para direktur dan manajemen senior kami. Dalam industri ini, kompetisi untuk mendapatkan personil kunci sangat ketat dan keluarnya para personil kunci dapat saja terjadi. Secara khusus, direktur kami memegang peran penting dalam hal mempertahankan hubungan dengan karyawan serta dalam hal menentukan dan melaksanakan strategi usaha secara menyeluruh.

dan Panitia B merupakan ijin sementara dari pemerintah Indonesia pada tahap awal proses persetujuan hak atas tanah. Ijin-ijin tersebut tidak memberikan hak guna sepenuhnya seperti HGU.

Kami yakin kami telah memenuhi seluruh persyaratan yang terkait dengan perkebunan dan kami akan mengambil semua langkah yang diperlukan untuk memastikan bahwa HGU perkebunan kami dapat diperpanjang.
At PT SMART Tbk, we have institutionalised the best practices of our Corporate Social Responsibility (CSR) programmes in all areas of our operations, while making concreted efforts to adhere to stringent sustainability guidelines, so as to conserve the natural resources and biodiversity in all the communities we operate in.

Our CSR framework encompasses several comprehensive and commendable practices.

**ENVIRONMENTAL MANAGEMENT**

Environmental sustainability has become our fundamental guiding principle in achieving sustainable palm oil cultivation. These principles have materialised in a series of specific programmes, such as:
- adopting zero burning techniques in land clearing,
- applying cleaner production program in conjunction with the zero waste policy,
- actively participating in the Roundtable on Sustainable Palm Oil (RSPO), and
- collaborating with multi-stakeholders (non-government organisations, financial institutions, government bodies, palm oil associations, etc) to address global environmental concerns.

**Zero Burning**

As one of the pioneers of the industry, we established our zero burning programmes for land clearing as far back as 15 years ago, in accordance with the ASEAN Zero Burning Policy. We do not deploy burning as a means of clearance, mindful of air pollution and the negative impact to the soil nutrient content. Instead, we adopt manual methods such as cutting and chopping the trees with chainsaws and other mechanical tools.

**Zero Waste**

Our zero waste policy advocates Reuse, Recovery, and Recycle (3R), to ensure a cleaner production programme. For instance, organic compost and empty fruit bunches are used as organic fertilisers, and the solid waste from the fibre mills (the fibre of husks from fresh fruit bunches) is used as fuel, to increase energy efficiency. We also use palm oil mill effluent, a liquid waste from the mill, as organic fertilisers the in Land Application method.

With the use of pesticide being governed by national legislation, we are mindful in the use of chemical substances, to ensure minimal impact on the environment. We adopt environmentally friendly methods to control pests and diseases, through biological and mechanical/manual controls. Biological controls deploy natural predators and pathogens or bacteria, while mechanical/manual controls are conducted by handpicking or using light traps.
Participation in RSPO
We have been an active member of the RSPO since February 2005 and have been actively involved in developing verification systems as guidelines for sustainable and environmentally friendly plantation practices in the palm oil industry.

Our plantations in North Sumatra and South Kalimantan are registered with the RSPO Executive Board as trial locations of RSPO principles and criteria model.

We support and lead programmes with the Indonesian National Interpretation Working Group (INA-NIWG) in furthering the national interpretation of RSPO principles and criteria for Indonesia. As an active member of RSPO Indonesia Smallholder Taskforce, we play an integral role in establishing national standards for RSPO applications for smallholders (farmers), together with other palm oil stakeholders in Indonesia.

We carry out comprehensive training programmes for RSPO Principles and Criteria for our new and existing workers.

Since 2005, we have conducted in-depth RSPO gap analysis, an evaluation of current performance of palm oil production, as stipulated by the RSPO generic principles and criteria, for some of our estates and mills. The positive gap analysis results will go further to strengthen our application for RSPO Certification.

Our regular monitoring and assessments are guided by the ISO 14001:2004 Environment Management Systems and ISO 9001:2000 Quality Management Systems, while all refined products are processed according to Hazard Analysis and Critical Control Point (HACCP) standards, to ensure food safety. We have been granted the ISO 14001:2004 certification in two of our estates in North Sumatra, as well as for our mill in South Kalimantan.

Our Company champions long-term commitment as an engaged corporate citizen, leading the industry’s efforts in ensuring sustainable palm oil cultivation. As part of this commitment, we have...
collaborated with the World Wildlife Fund (WWF) Indonesia and the French Agricultural Research Centre for International Development (CIRAD - Centre de coopération Internationale en Recherche Agronomique pour le Développement), to host the International Conference on Oil Palm and Environment (ICOPE) in November 2007. The ICOPE took place in Bali and gathered over 400 scientists and practitioners from more than 17 countries. The objectives of the conference were to highlight environmental issues in the palm oil industry, and allow industry players to share their experience and pool resources to seek possible solutions for the betterment of the industry.

In addition, we work closely with the WWF Indonesia to identify and prevent cultivation of new and existing areas of high conservation value forest.

Despite above-mentioned efforts, the Company has also shown its commitment to adopt sustainable and socially responsible policies in doing business. The Company has been a participant of United Nations Global Compact since May 2006. Global Compact (GC) was initiated by the United Nations, to seek advanced responsibility of corporate citizenship so that business can be part of the solution to the challenges of globalisation. GC asks companies to embrace, support, and enact within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. Currently, we are actively involved as a founding member of Indonesian Global Compact Network, which will be launched in May 2008.
As a major nation-wide employer, corporate social responsibility is not just an obligation. It is part of our mission to contribute to all the communities we operate in. We are continuously leading and supporting various social development programmes that provide livelihood, education, medical assistance, and sporting facilities in the various locations where our operations are located.

Through “Sinar Mas Cares”, an organisation established in May 2004, we have been working with various established foundations across Indonesia to carry out our social developmental programmes. These foundations include the Indonesian Buddhist Tzu Chi Foundation, affiliated to the global Tzu Chi organisation established in Taiwan. Our efforts are also channeled through the Eka Tjipta Foundation, a non-profit organisation, founded by the family of Eka Tjipta Widjaja in March 2006.

Our numerous social programmes include:

**Medical aid**
In 2007, supported by Tzu Chi International Medical Association, we provided general and dental services for more than 3,000 patients in near our estates in Sumatra and Kalimantan. We also provided treatment for victims afflicted with harelip, polyductile, hydrocephalus, hernia, and cataracts. Over 100 patients across Indonesia have been successfully treated via this programme.

In addition, we also organised blood donation drives in conjunction with the Indonesian Red Cross, hosted in our head office in October 2007.

**Educational Programmes**
In our continued support to improve the education standards in Indonesia, we sponsor two scholarships to recognise promising but under-privileged students. These scholastic programmes are conducted under the auspices of the SMART Diploma and Tjipta Agro scholarships.

SMART Diploma is a scholarship in collaboration with the Bogor Agricultural University. We provide funding for our employees. This
mampu. Bantuan beasiswa ini diberikan melalui beasiswa SMART Diploma dan Tjipta Agro.


**Program Khusus Kemanusiaan**


Pada saat yang sama, kami juga memberikan donasi berupa kebutuhan pokok seperti minyak goreng dan beras kepada 650 orang yang membutuhkan di Jakarta Utara.

Pada bulan Juli 2007, kami memberikan bantuan perlengkapan sekolah kepada 56 pelajar, yang menjadi korban kebakaran di sekitar pabrik penyulingan kami di Belawan, Sumatra Utara.

Kontribusi sosial juga kami lakukan di tingkat makro, yakni melalui program yang kami buat untuk memfasilitasi masyarakat dalam menyongsong era bioenergi. Berkolaborasi dengan Yayasan Eka Tjipta, kami mengembangkan program yang disebut Desa Mandiri Energi. Melalui program ini kami melatih dan memembing masyarakat setempat untuk privilege is also open to families who reside in the areas surrounding our operations. They are granted a full scholarship, including expenses to cover living costs during the academic year. In 2007, a total of 74 students were awarded the scholarships.

The **Tjipta Agro Scholarships**, is awarded in conjunction with the Eka Tjipta Foundation. This programme offers partial scholarships for high-performing agricultural undergraduates in 23 universities all over Indonesia. After completing the academic programme, the scholars are encouraged to return to their home town and contribute to the development of their area. Year 2007 saw 60 undergraduates supported by the programme.

**Special Humanitarian Programmes**

Together with the Indonesian Buddhist Tzu Chi Foundation, we initiated special humanitarian programmes which provide disaster relief to the various Indonesian communities affected by natural disasters. When a massive flood hit Jakarta in February 2007, we worked with the police and students of Pondok Pesantren Al Ashriyayh Nurul Iman’s traditional Muslim school to build aid posts, to provide critical supplies like water, food, and medical treatment. These efforts involved almost 1,200 volunteers, including doctors, nurses, and pharmacists.

In the same period, we also donated basic necessities such as cooking oil and rice, to 650 needy people in North Jakarta. In July 2007, we contributed school equipments to 56 students who victims of a fire close to our refinery in Belawan, North Sumatra.

Our contribution to society is also on a macro level, where our designed programmes facilitate the community’s push towards bio-energy. In collaboration with Eka Tjipta Foundation, we develop a programme called **Energy Self-Sufficient Village (Desa Mandiri Energi)**. Under this programme, we train and guide the local village to cultivate Jatropha Curcas and process it into oils for commerce.
and for self use. We also provide the necessary equipment and subsidy for the first year of operating expenses. The aim is to enable the village to become economically self-sufficient in energy needs. The first prototype village that we developed is the Way Isem Village in North Lampung, Sumatra. Currently, we are exploring more locations to be developed.

The Board of Directors and Commissioners undersigned below are fully responsible for this 2007 Annual Report of PT SMART Tbk and the truth of all information contained on it.

**Direksi / Board of Directors**

Muktar Widjaja  
Direktur Utama / President Director

Jo Daud Dharsono  
Wakil Direktur Utama / Vice President Director

Simon Lim  
Wakil Direktur Utama / Vice President Director

H. Oeminto  
Direktur / Director

Rafael Buhay Concepcion, Jr.  
Direktur / Director

Edy Saputra Suradja  
Direktur / Director

**Dewan Komisaris / Board of Commissioners**

Franky Oesman Widjaja  
Komisaris Utama / President Commissioner

G. Sulistiyanto Soeherman  
Wakil Komisaris Utama / Vice President Commissioner

Arthur Tahya  
Komisaris / Commissioner

Rachmat Gobel  
Komisaris / Commissioner

DR. Teddy Pawitra  
Komisaris Independen / Independent Commissioner

Letjen TNI (Purn) Soetedjo  
Komisaris Independen / Independent Commissioner

Hajjah Ryani Soedirman  
Komisaris Independen / Independent Commissioner