

50 years



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annualreport2008

Our Accolades

“ International recognitions from industry leaders for our endeavors to be the best ”



Celebrating 50 years
Presence in Indonesia

2004 - 2008 GOLD AWARD - Indonesia
Retailer Asia Pacific Top 500

2007 - 2008 BEST OF BEST AWARD
Retailer Asia Pacific Top 500



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content

| | |
|---|----|
| Awards | 01 |
| Company Milstones | 05 |
| Vision and Mission | 07 |
| History of Share Listing | 10 |
| Financial Highlights | 11 |
| Letter from Board of Commissioners | 13 |
| Letter from Board of Directors | 17 |
| <i>Operational Review - Matahari Department Store</i> | 21 |
| <i>Operational Review - Matahari Food Business</i> | 27 |
| Good Corporate Governance | 34 |
| Audit Committee Report | 41 |
| Human Resources | 44 |
| Matahari's Presence in Indonesia | 47 |
| Mark of Excellence in 2007 | 49 |
| Management Profile | 51 |
| Corporate Information | 57 |

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VISION

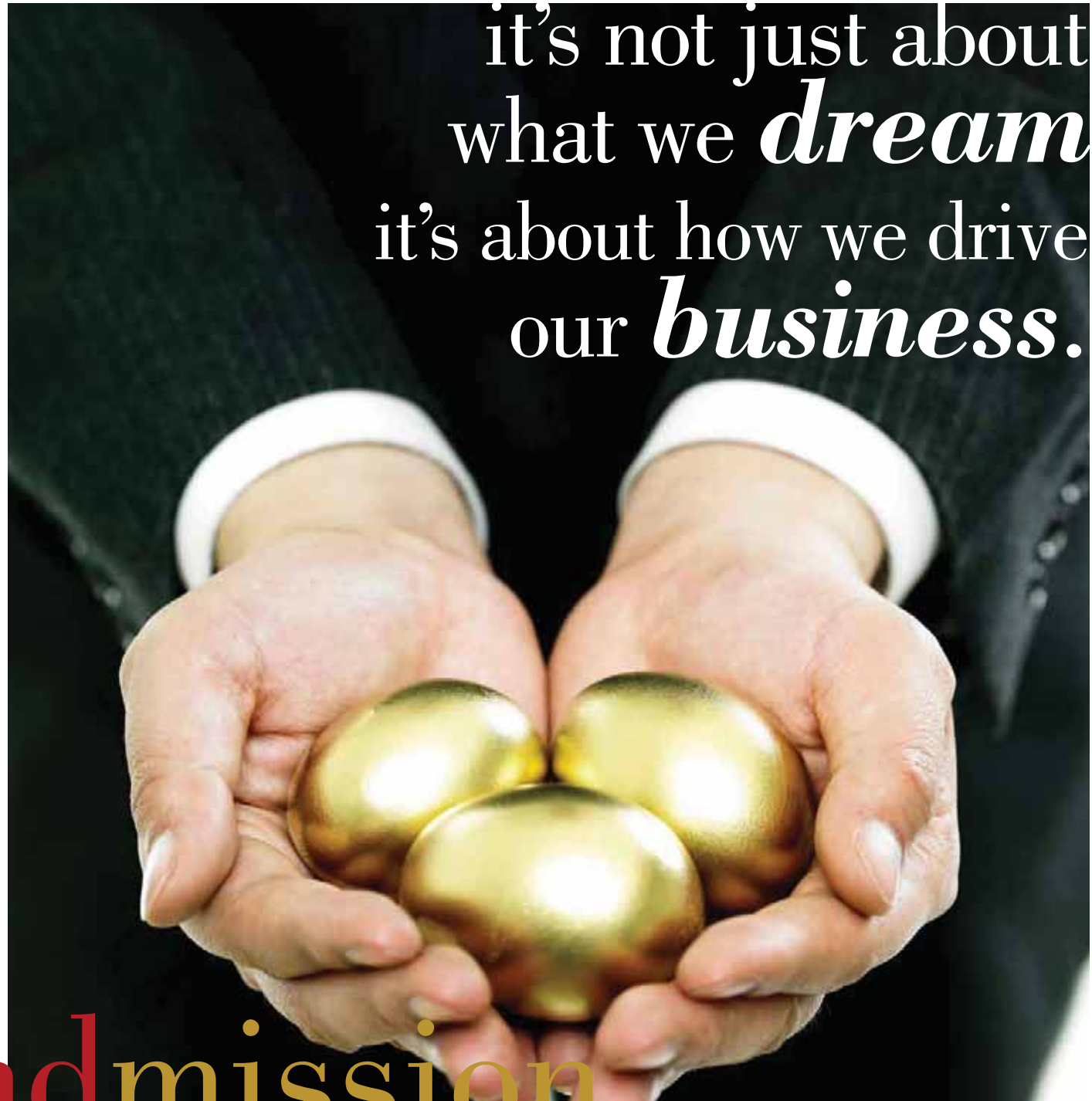
To be Consumer's Most Preferred Retailer.

MISSION

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

vision and mission

it's not just about
what we *dream*
it's about how we drive
our *business*.





1958 First store in Pasar Baru, Jakarta
first store outside Jakarta - Sinar Matahari Bogor

1972 Pioneer of Departement Store concept in Indonesia

1992 IPO at Jakarta Stock Exchange and Surabaya Stock Exchange

1980 Opening of

1995

Core Business Expansion to Supermarket Operation. **1st Rights Issue - Rp 75 B**

1996 Issuance of 5-year US\$ 100 Million Bond.

2nd Rights Issue - Rp 226 B

1997 Multipolar became majority shareholder.

3rd Rights Issue - Rp 902 B

2000 Launch of Matahari Club Card (MCC)

2001 Settlement of 5 year US\$ 100 Million Bond

2002 • New Management Team • Core Business Restructuring : Matahari Departement Store, Matahari Supermarket & TimeZone • Independent and transparent Business Units. **Issuance of 5-year Obligasi I - Rp 450 B**

2003 • Consolidation Year • Closure of Non-profitable stores • Re-focus to internal infrestucture, resources & company's foundation

2004 • Launch of Hypermart • Top 500 Asia Pacific Retail Award : #1 - Indonesia. **Issuance of 5-year Obligasi II - Rp 300 B & Syariah I Rp 150 B**

2005 • Successfull Aggressive expansion : 10 Departement Store, 4 Kids2Kids, 13 Hypermart, 4 Out Price, 1 Matahari Supermarket • First Matahari Dept. Store in China • Top 500 Asia Pasific Retail Award: #1- Indonesia

2006 • Cont'd aggressive expansion : +18 new Hyper / MDS / Specialty Stores. • Top 500 Asia Pasific Retail Award: #1- Indonesia • **Issuance of 3-year USD 150 M, Unsecured Notes < 10%** • **Company Ratings : B1 (Moody's) and B+ (S&P's).**

2007 • Continued aggressive expansion : +15 new MDS / Hypermart / Specialty Stores & 3rd Distribution Center in Eastern Indonesia • Launch of Parisian new departement store concept • Top 500 Asia Pacific Retail Award : Best of the Best • Top 500 Asia Pacific Retail Award : #1 - Indonesia • **4th Rights Issue - Rp 1 Trillion** • **Successfull participation in REIT program** • **Company Ratings : B+ (Standard & Poor's), B1 (Moody's), and A+ (PEFINDO)**

2008 • **Aggressive expansion** : 6 MDS (incl. 3 New Generation Store), 7 Hypermart, 2 Foodmarts, 2 Foodmart, 4 Times Book Stores • **Achievement** : 2008 TOP 500 Asia Pacific Retail Award: **Best of The Best, 2008 TOP 500 Asia Pacific Retail Award : #1 - Indonesia**, Service Quality Gold Award Excellent 2008, Indonesia Most Admired Company 2008 • **Company Ratings** : B+ with Stable Outlook (Standard & Poor's), B1 with Stable Outlook (Moody's), and A+ with Stable Outlook (PEFINDO).

0708 company milestone



our customers'
appreciation
for our efforts
to be the best.

0910

The Company continuously performs at its best in all business aspects through a series of prudently managed, investment value enhancing business strategies.

The achievements made by the Company in the financial market are its proven commitment in becoming the retail industry leader in Indonesia and strengthening the trust and loyalty of its valued stakeholders.

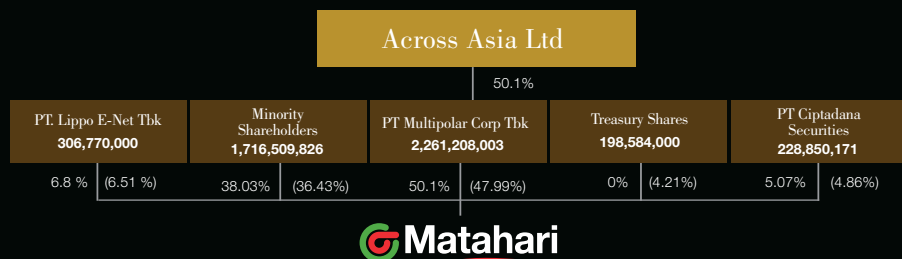
history of share listing

| Description | Listing Date at BEJ | Listing Date at BES | Total Shares |
|----------------------------------|---------------------|---------------------|---------------|
| Initial Public Offering | 15 December 1992 | 18 Desember 1992 | 8,700,000 |
| Company Listing | 15 December 1992 | 18 Desember 1992 | 33,366,320 |
| Conversation of Convertible Bond | 19 July 1993 | 6 August 1993 | 926,457 |
| Conversation of Convertible Bond | 6 August 1993 | 6 August 1993 | 1,727,628 |
| Conversation of Convertible Bond | 13 August 1993 | 6 August 1993 | 824,250 |
| Conversation of Convertible Bond | 13 August 1993 | 13 August 1993 | 3,297 |
| Conversation of Convertible Bond | 25 August 1993 | 18 August 1993 | 1,648,500 |
| Conversation of Convertible Bond | 2 September 1993 | 24 August 1993 | 3,297 |
| Conversation of Convertible Bond | 13 September 1993 | 3 September 1993 | 3,297 |
| Conversation of Convertible Bond | 23 September 1993 | 20 September 1993 | 3,297 |
| Conversation of Convertible Bond | 24 September 1993 | 17 November 1993 | 2,884,875 |
| Conversation of Convertible Bond | 23 March 1994 | 22 March 1994 | 3,297 |
| Conversation of Convertible Bond | 30 March 1994 | 21 March 1994 | 3,297 |
| Conversation of Convertible Bond | 16 May 1994 | 11 May 1994 | 9,891 |
| Bonus Share | 15 July 1994 | 14 July 1994 | 100,215,406 |
| Conversation of Convertible Bond | 17 October 1994 | 10 October 1994 | 9,891 |
| Rights Issue I | 30 June 1995 | 30 June 1995 | 75,166,500 |
| Rights Issue II | 10 October 1996 | 10 October 1996 | 225,499,500 |
| Stock Split | 15 September 1997 | 15 September 1997 | 450,999,000 |
| Rights Issue III | 3 November 1997 | 3 November 1997 | 1,803,996,000 |
| Rights Issue IV | 11 January 2007 | 11 January 2007 | 2,005,928,000 |
| Total Listed Shares | | | 4,711,922,000 |

financial highlights

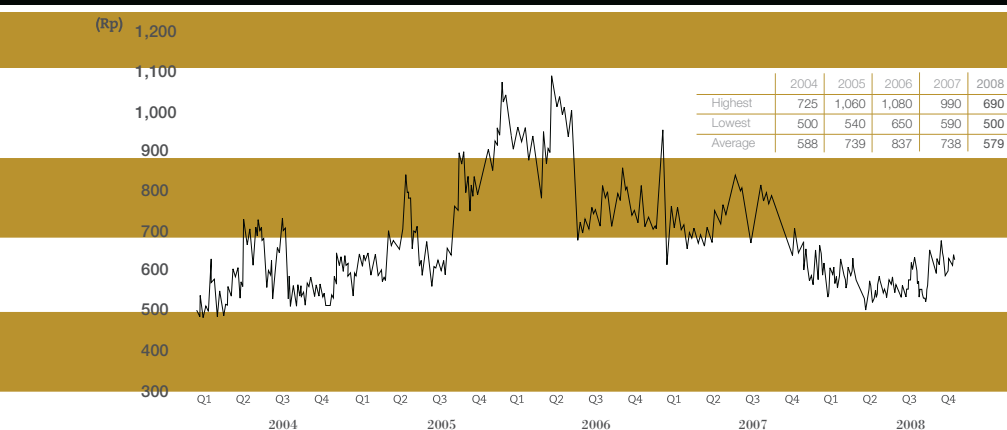
company shareholding structure

(as of 31 December 2008)



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

share price performance



dividend history

(for the last 5 years)

| Year | Net Profit (in mio Rp) | Dividend/Share (Rp) | Number of Shares | Total Cash Dividend (in mio Rp) | Dividend Payout Ratio (%) |
|------|---------------------------|------------------------|---------------------|------------------------------------|------------------------------|
| 2003 | 115,466 | 13 | 2,705,994,000 | 35,178 | 30.5% |
| 2004 | 125,338 | 14 | 2,705,994,000 | 37,884 | 30.2% |
| 2005 | 222,663 | 25 | 2,705,994,000 | 67,650 | 30.4% |
| 2006 | 160,500 | 10.4 | 4,711,922,000 | 49,004 | 30.5% |
| 2007 | 180,200 | 11.5 | 4,711,922,000 | 54,187 | 30.1% |

1112

FINANCIAL HIGHLIGHTS

| In Billions Rp | 2004 | 2005 | EKT. DIVESTMENT OF INVESTMENT IN A COMPANY | 2006 | 2007 | 2008 |
|---|---------|------------------------|--|------------------------|------------------------|---------|
| Consolidated Statements of Income | | | | | | |
| Net Sales | 5,620 | 6,916 | 6,916 | 8,488 | 9,768 | 11,977 |
| Cost of Sales | 3,853 | 4,905 | 4,905 | 6,177 | 7,189 | 8,853 |
| Gross Profit | 1,767 | 2,011 | 2,011 | 2,311 | 2,579 | 3,124 |
| Operating Expense | 1,534 | 1,702 | 1,702 | 1,909 | 2,171 | 2,627 |
| Operating Income | 233 | 309 | 309 | 402 | 408 | 497 |
| EBITDA | 482 | 677 | 606 | 751 | 924 | 1,096 |
| Other Income (Charges) | (51) | (60) | (131) | (212) | (203) | (549) |
| Equity in Net Income of Investees | 4 | 6 | 6 | 6 | 8 | (14) |
| Income Before Tax | 186 | 255 | 184 | 196 | 213 | (67) |
| Income Tax | 40 | 29 | 29 | 38 | 37 | 74 |
| Net Income | 127 | 223 | 152 | 160 | 180 | 11 |
| Number of Share (in million)* | 2,915.7 | 2,915.7 ⁽¹⁾ | 2,915.7 ⁽¹⁾ | 2,915.7 ⁽¹⁾ | 4,380.2 ⁽¹⁾ | 4,513.3 |
| Earning per Shares (Rp) | 44 | 76 ⁽¹⁾ | 52 ⁽¹⁾ | 55 ⁽¹⁾ | 41 ⁽¹⁾ | 2 |
| Consolidated Balance Sheets | | | | | | |
| Cash & Shorts Term Investments | 1,251 | 588 | 517 | 1,306 | 3,141 | 2,914 |
| Inventory | 410 | 676 | 676 | 791 | 906 | 983 |
| Current Assets | 1,834 | 1,529 | 1,458 | 2,464 | 4,427 | 5,079 |
| Total Investment in Associated Companies | 34 | 40 | 40 | 46 | 52 | 32 |
| Total Assets | 4,086 | 4,578 | 4,507 | 6,048 | 8,446 | 9,741 |
| Account Payable - Trade | 449 | 544 | 544 | 631 | 967 | 1,192 |
| Current Liabilities | 1,223 | 1,184 | 1,184 | 1,517 | 1,965 | 4,526 |
| Total Liabilities | 2,207 | 2,511 | 2,511 | 3,883 | 5,201 | 6,634 |
| Stockholder's Equity - Net | 1,879 | 2,067 | 1,996 | 2,166 | 3,245 | 3,108 |
| Debt | 1,073 | 1,203 | 1,203 | 2,495 | 2,659 | 3,270 |
| Net Cash | 178 | (615) | (686) | (1,189) | 482 | (356) |
| Working Capital - net | 611 | 345 | 274 | 947 | 2,462 | 553 |
| Financial Ratio | | | | | | |
| Net Income / Total Assets (%) | 3.1 | 4.9 | 3.4 | 2.6 | 2.1 | 0.1 |
| Net Income / Total Stockholder's Equity - net (%) | 6.8 | 10.8 | 7.6 | 7.4 | 5.5 | 0.3 |
| Current Ratio (X) | 1.5 | 1.3 | 1.2 | 1.6 | 2.3 | 1.1 |
| Liabilities / Stockholder's Equity - net (X) | 1.2 | 1.2 | 1.3 | 1.8 | 1.6 | 2.1 |
| Liabilities / Total Assets (X) | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 |
| Sales to Total Assets (X) | 1.4 | 1.5 | 1.5 | 1.4 | 1.2 | 1.2 |
| EBITDA to Sales (%) | 8.6 | 9.8 | 8.8 | 8.8 | 9.5 | 9.1 |
| Net Cash to Equity (%) | 9 | (30) | (34) | (55) | 15 | (11) |
| Others | | | | | | |
| Number of Employees | 14,982 | 18,193 | 18,193 | 20,400 | 17,658 | 17,638 |
| Gross Space (sqm) | 784,940 | 725,313 | 725,313 | 808,586 | 835,452 | 910,227 |
| Number of Store Location | 79 | 84 | 84 | 84 | 92 | 98 |

* Excluding Treasury Shares

(1) FY 2005 Earning Per Share (EPS) was re-instated for the additional new shares issuance for Rights Issue IV



letter from board of commissioners



DR. CHENG CHENG WEN
President Commissioner

Dear Shareholders,

The world is filled with gloomy financial news daily. It is not clear when the bottom will be hit. Among the negative circumstance, I am pleased to report to you that Matahari has done a remarkable job in 2008. Total Sales grew by 22.6% to Rp 12.0 trillion, EBITDA improved 18.6% to Rp 1.1 trillion, while it maintained a strong cash position in excess of Rp 2.9 trillion at yearend which is a valuable safety net for the Company entering the global financial crisis.

1314

Our two core business units, Matahari Department Store (MDS) and Matahari Food Business (MFB), continued to do well within the tough market environment.

In 2008, MDS opened seven new stores, adding store space to a total of approximately 567,000 sqm at yearend. It broke its record of comparable store sales growth rate of 13.7% in 2007, accomplished a comparable store growth rate of 19.1% in 2008. Two year's total is a remarkable 35.3%. Driven by this achievement plus new store opening, MDS total sales grew 17.6% reaching Rp 5.9 trillion in 2008. Gross margin also expanded from 33.6% in 2007 to 34.1%, while expense ratio dropped from 21.6% to 20.4%. EBIT increased by 37.5% to Rp 710.5 billion, or 12.1% of sales, which is one of the most profitable retailers internationally. Within the year, MDS successfully introduced a new store design concept, **Matahari New Generation (NG)**. The NG store concept is intended to improve our stores with better customer service, operating efficiency and brings a new modern image and shopping environment to our customers and mall developers.

MFB continued its expansion of "**Hypermart**" stores. It also revamped its supermarket format and given a new brand "**Foodmart**" to represent the new upgraded format. In 2008, MFB successfully added 55,802 sqm of new store space through opening 7 Hypermarts, 2 Foodmarts and 11 Boston HBCs. Total Sales grew by 27.1% to Rp 5.7 trillion, underpinned by good comparable store sales growth rate of 10.8%, higher than all competitors. EBIT improved >527.6% from 2007. Format innovation continues to be the cornerstone of MFB's success with its Hypermart format, as key growth driver, has now evolved into 5th generation and Foodmart has been successfully changed the paradigm of conventional supermarket business as well as creating the 1st gourmet supermarket style in Indonesia.

Our Audit Committee has reported that all business aspects had been performed prudently and correctly without any major deviations to the prevailing Company's standards and procedures following good corporate governance practices.

1516



Despite having to operate in more challenging environment compared to last year, Matahari is proud for the positive recognition from the financial communities for its enduring strengths as it has successfully maintained its 2008 international rating of B1 with Stable Outlook from **Moody's** as well as A+ with Stable Outlook from **PEFINDO**, Indonesia's leading rating agency. **Standard & Poor's** remained unchanged for its B+ with Stable Outlook rating for Matahari.

We are also delighted to receive the highly prestigious award for the 2nd consecutive years - **Best Of Best, 2008 Retail Asia Pacific Top 500 Awards** as well as the **2008 Retail Asia Top 500 Awards** for the 5th consecutive years from Retail Asia, Euromonitor International and KPMG, which the recognition of Matahari's sound performance by the international retail community.

As we stride our steps forward, we will remain cautiously optimistic in entering the year 2009 as we believe the current financial turbulent would still prevail to further lead its impact toward the real sectors. Our main priority for

Matahari is maintain its valuable cash liquidity resources as we move forward in our business within the year through limited expansion strategy as well as meeting the Company's maturing debts.

On behalf of the Board of Commissioners, I would like to express our sincere thanks to all our shareholders as well as our vendors, partners and employees who have worked together as a family to achieve the good results in 2008. We treasure your continuing supports in the coming years.

On behalf of Board of Commissioners,

DR. Cheng Cheng Wen
President Commissioner



a **success** story
comes from
how a company
manages its
people

Dear Shareholders,

2008 was yet another challenging year. Undeterred, we endeavored to accomplish the Company's expectations for the year. Despite having to operate within a very competitive market and tightening liquidity situation due to the prevailing global crisis, our core businesses have successfully achieved another phase of rapid expansion and improvements, further strengthening Matahari's strategic position and market domination as the leading multi-format modern retailer in Indonesia. In pursuit of the Company's objectives for 2008, our achievements further prove that Matahari was on track throughout the year and helps ensure our continued success ahead.

Driven by its sustained growth core strategy, the Company further strengthened its pivotal real estate strategy role in support of the overall expansion plan. Countless hours have been put into geographical mappings, feasibility studies, landlord negotiations and project construction in order to meet the Company's needs for ongoing expansion in terms of opening more stores and increasing retail spaces to strengthen its geographical coverage and influence. By yearend 2008, Matahari had substantially increased the number of stores in Indonesia to a total of 85 department stores, 43 hypermarkets, 26 supermarkets, 51 health and beauty centers and more than 79 family entertainment centers nationwide. Total retail floor space has also grown from 853,423 sqm the previous year to 910,227 sqm. This achievement has secured our domestic position and market penetration as the largest modern retailer in Indonesia.

Our continued focus and efforts to strengthen Matahari's market leadership have yielded highly respected international recognition from the industry. In 2008, we were proud to receive the **Best Of Best, 2008 Retail Asia Pacific Top 500 Awards** for the second year and the **Gold Award in the Retail Asia Pacific Top 500 Awards** for the fifth consecutive year by Retail Asia – the region's leading retail business publication,

in cooperation with Euromonitor International and KPMG. In addition, we received other industry awards for **Service Quality Award Excellent 2008** and **Indonesia's Most Admired Companies 2008** during the year, which further firmly established Matahari among the region's leading and most dynamic & respected retail corporations.

The positive recognition also extends to the financial communities as the Company was able to maintain its corporate ratings: B+ with Stable Outlook from **Standard & Poor's** and B1 with Stable Outlook from **Moody's**; and idA+ with Stable Outlook from **PEFINDO** – the Indonesia's leading rating agency.

By yearend 2008, the Company continued to mark another phase of outstanding sales achievements from its two core businesses, Matahari Department Store (MDS) and Matahari Food Business (MFB), outperforming its initial expectations. Total Company Sales grew 22.6% from last year Rp 9.8 trillion to a new record of Rp 12.0 trillion, with the outstanding sales performance and solid growth of both MDS and MFB.

MDS' sales had increased to Rp 5.9 trillion from Rp 5.0 trillion the previous year, of which store-like-store sales saw a remarkable growth of 19.1% (versus its previous

left - right:
Hendra Sidin
Director
Benjamin J. Mallool
President Director
Soeparnadi
Director
Lina Latif (sitting)
Director
Carmelito J. Regalado (sitting)
Director

letter from
board of directors 1718

record of 13.7% in 2008), the highest achievement yet in Matahari's history far outperforming other retail players in Indonesia. MFB likewise recorded a significant sales growth of 27.1% from Rp 4.5 trillion last year to Rp 5.7 trillion, which also supported its store-like-store sales growth of 10.8% in 2008.

The absolute amount of Gross Profit has increased from last year Rp 2.6 trillion to Rp 3.1 trillion. Percentage-wise, total Gross Margin was decreased from 26.4% (2007) to 26.1% as a result of lower-margin in MFB business from 19.6% to 19.3%. On the other hand, MDS Gross Margin has shown a consistent improvement with a new record high of 34.1%, highest in the last 6 years. The operating expense was tightly controlled which led to a further decrease from last year's 22.2% to 21.9%. This achievement led the Company to repeat strong EBITDA of Rp 1.1 trillion at 2008 yearend, or improved by 18.6% on y-o-y basis.

Despite these achievements, the Company was not totally spared by the financial impacts the current global crisis has wrought on virtually every business sector. These effects had unfortunately reversed our best efforts beyond our expectations. The Company had to record an unrealized marked-to-market loss from an FX Option hedging contract as a result of the extraordinary sharp fluctuation in JPY-IDR exchange rate in the 4th quarter of 2008. In late 2006, the Company prudently entered into FX Option transactions to fully hedge its foreign currency exposure to a USD 150

million Promissory Note (equivalent to JPY 17.7 billion). The hedge was deemed more than sufficient to safely cover as much as 25% of any possible adverse FX rate movements during the period of the Notes (until Oct 2009). However, the continued downturn in the global economy in the 4th quarter of 2008 had resulted in JPY/IDR rate movements which unfortunately exceeded the Company's hedge boundary and caused an interim marked-to-market loss resulting in a Net Income After Tax of Rp 10.5 billion.

In spite of this one-off reduced Net Income result, the Company continues to remain strong and confident enough for any challenges that may still lie ahead. Fundamentally, the Company is becoming stronger and is positioning to capture future opportunities and further strengthen retail dominance in Indonesia.

- The Company's two core business units – MDS & MFB are firmly established in the Indonesian domestic market. They continue to become one of the stronger, more reputable, and most respected retail businesses in Indonesia. Both MDS & MFB continue to grow in the right direction and continue to demonstrate solid business sustainability and profitability comparable

to best global practice standards. Each business is independently and accountably managed by solid, competent management teams with proven track records in their respective fields of expertise, which in turn, led MDS and MFB to achieve CAGR sales growth of 8% and 28% respectively for the last 6 years. Additionally, EBITDA performance has also shown similar, positive CAGR growths of 9% and 198% respectively within the same period.

- Supported by a large population base of over 240 million people, the Indonesia modern retail industry continues to present positive growth prospects for the retail business. Compared to other emerging markets, the fairly low penetration of modern retail concepts in relation to total market size and the continuing trend change for more modern customer lifestyles offerings further strengthen the opportunities for modern retailers to grow stronger in the years to come.
- At yearend 2008, the Company maintains a strong liquidity position with more than Rp 2.9 trillion cash resources. This position of strength provides the Company with higher levels of security, the capital resources to meet its financial obligations, and the

ability to fund future business opportunities and continued store expansions.

- The marked-to-market loss for the fiscal year 2008, by its nature, is a temporary unrealized recognition of marked-to-market losses and is finalized until contract matures in October 2009. Hence, favorable rate movements, with the anticipated improvements in the global economy, as we draw nearer to the maturity date of the FXO Contract will reduce any potential losses.

The aforementioned factors and many others fuel our optimism for the future of the Company and its prospects for continued growth and market leadership in Indonesia as we move beyond the financial crisis.

The Company's current achievements would not be possible without the on-going business viability and improvement contributions of our two core retail businesses. As such, on behalf of the Board of Directors, I would like to extend our utmost gratitude to the CEOs of MDS and MFB, **Travis Saucer** and **Noel Trinder** respectively, for their continuing strong leaderships and solid business strategies. The combined effort of their business units ensures Matahari will reach another milestone of achievements ahead.

A more detailed explanation of each business sector will be presented in subsequent Operational Review sections of this Report.

1920

Our continued focus and efforts to strengthen Matahari's market leadership have yielded highly respected international recognition from the industry.



The MDS is the preeminent retailer within Indonesia in the apparel and fashion categories, and also offers an edited selection of home merchandise. The business unit operates an extensive nationwide network of 85 stores in Indonesia. MDS produced the strongest financial performance in its history in 2008, which was particularly gratifying coming on top of the already exceptional results in 2007, and in the face of the slowing of the Indonesian economy late in the year caused by the worldwide financial problems.

MDS's second year under the leadership of Travis Saucer as its CEO proved to be even more successful than the first, and with a strong supporting staff in place, the business registered some impressive accomplishments. In 2007 MDS recorded a new high in terms of comparable store sales growth of 13.7%, which enabled the company to produce an EBIT margin in excess of 10%. In 2008 MDS accomplished the difficult feat of generating even higher comp store growth of 19.1%, making the two year total an impressive 35.3%. Driven by this sales growth, our EBIT margin increased to 12.1%, which we believe makes us one of the most profitable retailers in the world in our category.

Our total EBIT for 2008 was RP 710.5 billion, an increase of 37.5% from a strong 2007. The source of this profit growth was broad based. Our gross margin expanded from 33.6% in 2007 to 34.1%, while our expense ratio, excluding depreciation, dropped from 21.6% to 20.4% and depreciation was flat.

This is not the end of our success story for 2008. Last year we announced that our focus was on producing shareholder value based on a three-prong strategy of strong comparable store sales growth, superior return on assets, and a store expansion program that enables us to capitalize on those returns. Our two year record of comparable store sales growth has allowed us to achieve the first of these objectives, and has resulted in a very high return on sales. At the same time we have been focused on cash flow and asset efficiency, even before the recent financial tightening reminded everyone of the importance of these disciplines. We prefer to lease, rather than buy, fixed assets, while most of the inventory in our stores is consignment merchandise, owned by our vendors rather than by us. As a result, our pretax return on assets exceeds 97%. We believe that most department stores worldwide operate with pretax ROAs that are less than 20%.

Prior to 2008, the relative weak link in our shareholder value program has been the lack of a store expansion program that would enable us to take advantage of

2122 operational review matahari department store

2324



Travis Saucer
CEO

2008 was not only the best year in Matahari Department Store's history, but also my best year in more than 25 years in the retail business. The combination of 19.1% comparable store sales growth, 12.1% EBIT margin, and exceptional return on assets make this a truly remarkable year. This is especially true in that it was accomplished on top of the great 2007 results. With the strong reception to our new store design and our evolving merchandising strategies, along with our renewed commitment to growth, we feel that MDS is well positioned to weather the difficult financial environment in 2009 and to emerge as an even stronger company in the years ahead.



the high level of profitability. In fact in the five years prior to 2008 the net additions to our total store space has been just about zero. In large part this has been because of a rationalization program in our store portfolio which has led to the closure of a number of underperforming stores. All of this changed in 2008, as we added seven net new stores including a conversion store. This increased our selling space by about 75,000 square meters or about 15%. Our superior financial performance in 2008 was achieved despite the drag on return created by all those new stores, as it our experience that new stores often make little or contribution to profitability in the first year, and do not reach optimum profitability until their third to fifth year.

Last year we also indicated that our strategic review revealed that the Indonesian consumer could be segmented into three broad categories based on income, with attractive growth opportunities for each. Our traditional Matahari Department Store we feel is the most effective format for addressing the middle segment. Last year, we unveiled a new Parisian format that was directed at the upper income segment. We also introduced a new store design, which we call our New Generation (NG) store.

The NG design was intended to have several benefits: to standardize our stores and improve operating efficiency, to improve customer service, and to make our stores a more attractive tenant for upscale mall developers. Our first NG store, at Lippo Karawaci, represented a conversion of an existing store and was opened in September. This newly designed store was so well received, with sales up over 13.5%, that we rushed to add three more NG stores before the end of 2008. We now feel that this new format gives us an effective way to address a higher demographic segment in a much more

cost efficient way than by building a new chain. We can leverage our existing investment in brand equity and in home office expenses, while maintaining higher productivity, without the long development curve needed for customers to become familiar with a new brand.

As a result, we made the decision to convert our existing Parisian store to Matahari, beginning in November with the transition complete in March 2009. Early results indicate that this decision will be a big success, as sales for the first two months increased about 96% and expenses have been substantially reduced. This will be the first of many NG Matahari stores that will enable us to effectively exploit the strong acceptance of the Matahari brand within the better income demographic groups.

We have not forgotten the lower demographic segment, and will be developing a technique for generating stores that can serve these customers without the expense of mall rents. The speed with which these stores are rolled out will depend on the results of our testing and the impact of the current economic slowdown.



2526

In fact we are very conscious of economic softness and limited liquidity as we implement our plans in 2009. We are committed to only open three new stores this year, but we have several other prospective stores under consideration that we may choose to open if circumstances permit. We will also be converting one of our major flagship stores to the NG format. This activity should add about 14,000 square meters to the 567,000 square meters of store space which we operated at the end of 2008.

Our remodelling program will also continue in 2009 at a reduced pace to conserve cash as liquidity remains tight. The focus of remodelling will be on our “center core” areas (shoes, accessories, and cosmetics) which are important to our merchandising strategy.

This consciousness of cash flow does not mean that we will choose to remain passive. We feel that there are many weaker competitors that will face great difficulty in 2009, and that difficult times present opportunities for stronger players like MDS to grow at their expense. We are committed to continuing to grow our sales while maintaining our world-class profitability and to enhance our reputation as the number one fashion retailer in Indonesia. The value that we can generate for our shareholders should be increasingly exciting.

A woman with long brown hair, wearing a white trench coat with a large belt buckle and a red beret, is holding a large yellow shopping bag. She is looking off to the side with a serious expression. The background is a textured, light-colored wall.

“MDS is well positioned to weather the difficult financial environment in 2009 and to emerge as an even stronger company in the years ahead..”



The Matahari Food Business Division (MFB) posted yet another robust performance in 2008 with its total sales and EBIT growing by 27.1% to Rp 5.7 Trillion and >527.6%, respectively, from 2007.

Revenue growth was driven by an exceptional performance in comparable store sales growth of 10.8%, which was significantly higher than its direct competitors.

Over the past 5 years, MFB has grown its sales revenue at a CAGR (compound annual growth rate) of 34.1% and Business Unit EBITDA at a CAGR of 189.5%. This impressive performance is directly attributed to its focused business strategy and the multi-format approach it has embraced since 2004.

Given this solid foundation, MFB is well positioned to achieving its longer term vision of becoming the No 1 Multi-Format Food Retailer in Indonesia.

The Hypermart format continued to underpin MFB's strong sales growth delivering an overall sales increase of 34.6% while its comparable store sales growth outperformed its competitors with an impressive result of 11.0% for the year. Moreover, the Hypermart's store-level EBITDA continued to surge growing by 30.7% over 2007.

The re-positioning of MFB's supermarket format, under the new Foodmart brand, and further store rationalization also resulted into significant improvements, where total sales grew by >12.9% (after adjustment for store closures and conversions) and achieving comparable store growth 9.8% as well as boosting store-level EBITDA to a new high of >9.0% in 2008.

At 2008 yearend, MFB actively operates 43 Hypermarts, 26 Foodmarts and 51 Boston Health & Beauty Centers (Boston HBC) for a total space area of 342,956 sqm. In 2008 MFB added 55,802 sqm of new store space through opening 7 Hypermarts, 2 Foodmarts and 11 Boston HBCs.

Format innovation continues to be the cornerstone of MFB's success and its ability to outperform its competitors. The Hypermart format is currently in its 5th

2728 operational review mataharifoodbusiness

2930



Noel Trinder
CEO

"The Matahari Food Business Division (MFB) posted yet another robust performance in 2008 with its total sales and EBIT growing by 27.1% to Rp 5.7 Trillion and >527.6%, respectively, from 2007. Revenue growth was driven by an exceptional performance in comparable store sales growth of 10.8%, which was significantly higher than its direct competitors. Over the past 5 years, MFB has grown its sales revenue at a CAGR (compound annual growth rate) of 34.1% and Business Unit EBITDA at a CAGR of 189.5%. This impressive performance is directly attributed to its focused business strategy and the multi-format approach it has embraced since 2004. Given this solid foundation, MFB is well positioned to achieving its longer term vision of becoming the No 1 Multi-Format Food Retailer in Indonesia."

"Given this solid foundation, the MFB is well positioned to achieving its long-term vision of becoming the No. 1 Multi Format Food Retailer in Indonesia."

generation, which was launched with the opening of its 1st standalone store at Puri Indah, West Jakarta on March 2008. This new generation boasts the new refreshment zone as the 1st of its kind on a global basis and is a direct result of collaborative partnerships with strategic suppliers. Significant improvements were also made in store visuals and fresh food merchandising selection.

In addition, the Foodmart format also successfully launched the country's 1st Modern Gourmet supermarket concept attracting the high end discerning consumers.

Technology also plays a major role in assisting the business to develop a competitive advantage in heightening productivity and efficiency. In 2008, MFB commissioned the customized development of its reporting requirements through **"My Analytics"** - a software program that delivers an analytics approach to the business.

New marketing initiatives introduced in 2008 also played a major role in boosting sales of all 3 formats which included the launch of the joint co-branded loyalty card with Bank Mandiri and the strengthening of its core loyalty program driven by its MCC cardholders, of which there are over 1.0 million loyal shoppers.

Despite the current global economic uncertainty, MFB is cautiously optimistic for 2009 and plans to add a further 6-8 Hypermarkets, 2-3 Foodmarts and 8-10 Boston HBC outlets to boost its sales revenue to reach Rp 7.0 - Rp7.5 Trillion.

As part of its strategy to build core competences, MFB has invested wisely in establishing its own retail learning centre to help facilitate one of the company's main goal to becoming a learning organization and to enable its formats to deliver Superior Customer Value.



3132

On the aspects concerning Good Corporate Governance (GCG) implementation, the Company has and will continue to implement the GCG's main principles including but not limited to:

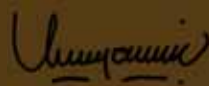
- The organization structure, whose main characteristic includes systematic, conducive, efficient and effective with clear job descriptions, roles and responsibilities for each member of Board of Commissioners, Board of Directors and strategic key executives, which is clearly defined and institutionalized. Each role within the Board is filled by multinational professional executives with high competency, capability and experience in each respective field.
- Company's Internal Audit division whose function is monitored and supervised directly by the Audit Committee, whose members include the Independent Commissioner and external, independent parties. The Audit Committee and Internal Audit division also work in close relationship with a multinational, independent auditor on aspects of finance.
- Company's systems and procedures and operational guidelines for each line of business, which are executed consistently, transparently and in accordance to these standards.

Moving into 2009, we will continue to maintain Matahari's strategic position in the market with another period of growth from our business units amidst the current global crisis situation. We will manage our growth prudently and in a cautiously-optimistic manner with another series of new store expansions

and the renovation of existing stores to capitalize on opportunities arising from the market. In order to temper Matahari's strategic direction and positive outlook within today's more challenging business conditions, we will further prioritize the importance of maintaining the Company's high cash liquidity resources. Additionally, we will take all the necessary prudent and practicable steps to further strengthen the Company and to capture new market opportunities while continuing to fulfill all our financial obligations in 2009.

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

On behalf of Board of Directors,



Benjamin J. Mailool
President Director



commitment and
hardwork don't
do on their own.
a committed employees
are ones which will always
be an essential
part of us



3334

good corporate governance

Good Governance in Matahari is a one of the Company's dynamic key strengths which continues to develop further in-line with the direction of its business development being the largest retailer in Indonesia in order to compete competitively within the globalized era.

Matahari believes that Good Corporate Governance (GCG) serves as combination of system procedures and disciplines, which should be performed consistently toward every aspect of Company's direction in order to achieve the business growth through best practices on the principles of transparency, accountability, responsibility, independency as well as fairness and equality, which, in turn, will enable the effective protection for the Company's shareholders.

The principles reflected on every measures including:

- The continuing communication and coordination between Board of Commissioners and Directors
- Solid foundation for the Company's supervisory and management function
- Accuracy and integrity of financial statements
- Timely information disclosures
- Ethical and accountable decision makings
- Identifying and managing risks
- Focus toward shareholders' rights
- Proper and accountable remunerations

STRUCTURE OF THE COMPANY'S GOVERNANCE

The AGM, Board of Commissioners, Directors and Committees have important roles toward the effective GCG implementation through performing respective duties in accordance to the prevailing regulations and principles, that each party has the accountability in performing duties, functions and responsibilities for the Company's best interests.

BOARD OF COMMISSIONERS

As regulated within the Article of Association and Decree No 40 year 2007 regarding Limited Liability Companies, the role of Board of Commissioners have changed to not only performing the supervisory and advisory functions to the Directors in performing their duties, but also becoming jointly responsible for any misconducts.

3536

The supervisory function is enforced to all operational aspects including its social responsibilities while the advisory function is focused on the strategy direction and optimization of the effectiveness and efficiency of Directors' working plan to achieve the Company's target. In performing their duties, the Board of Commissioners is responsible to the General Meeting of Shareholders.

The Board of Commissioners conduct regular bi-monthly meetings, and incidental meetings at any time deemed necessary by the Chairman or 2 (two) other Commissioners. Notice of announcement for the regular meeting, which is properly scheduled on the beginning of every year, is conducted by Corporate Secretary who acts on behalf of the Chairman. Notice of announcement for the incidental meeting is called by the Chairman or 2 (two) other Commissioners. The Board Meeting is chaired by the Chairman or by a Commissioner chosen by other members during the meeting. The Board Meeting is quorum to make any decisions if it is attended by more than 50% (fifty percent) by the members of the Board. In the meeting, each member has one voting right, and is able to represent one additional voting right from other member, if granted. Minutes of meeting is produced and signed by the Commissioner who chairs the meeting and one other member who is also present during the meeting. Within the year 2008, the average of attendance and decisions quorums were more than 80% (eighty percent).

The Board of Commissioners consists of Chairman and 7 (seven) members, in which 6 (six) members representing more than 30% (thirty percent) from all members as independent commissioners, as regulated by Circular of Chairman of BAPEPAM No. SE-03/PM/V/2000 dated May 5, 2000 and JSX Regulation No 1-A dated July 19, 2004.

THE DIRECTORS

As directed in the Article of Association, the Directors have the empowerment to represent the Company both within and outside the court of justice with its main function is to lead, manage and deliver the Company reaching its vision and mission.

The Directors conducts regular weekly meetings to discuss and find solution for matters, which need immediate attention/solution/coordination within business units. To discuss the Company's operational performance and other strategic matters, the

Directors also conduct monthly meetings chaired by the President Director. Additionally, one or more Directors can call any incidental meetings upon request. The Directors' meeting is quorum to make bound decisions if attended by more than half of the members. Similar to the Board of Commissioners' meeting, the average of attendance and decisions quorums were more than 80% (eighty percent) in 2008.

The Directors' structure consists of 5 (five) members, which is legally and officially appointed by the shareholders through the General Meeting of Shareholders, and is strengthened by senior executives capable in their respective field duties with authorities and empowerments comparable to the Directors.

AUDIT COMMITTEE

The Audit Committee is one of the committee founded by the Company as regulated by BAPEPAM Regulation No. IX.I.5. The Committee holds an important and strategic role in assisting the Board of Commissioners in performing the following supervisory function:

- Review the Company's Financial Results and other corresponding financial information
- Review the Company's compliance to the Capital Market's existing regulations as well as other binding regulations
- Review the effectiveness of the Company's internal control and activities as well as Internal Audit's findings
- Review the reports of company risks, complaints and general financial performance, and provide subsequent reports to the Board of Commissioners.

Within 2008, the Committee Audit has conducted 4 (four) meetings with more than 75% attendance rate by its members. The Committee consists of an independent commissioner and 2 (two) independent members, performs its function in accordance to the Charter approved by the Board of Commissioners dated January 30, 2008. The Company has also reported the Audit Committee's latest structure through its letter No. 028/IV/2008-CSExt dated April 28, 2008 to Indonesia Stock Exchange (IDX) with copies sent to BAPEPAM, Financial Institution, Surabaya Stock Exchange and PT. Bank Mega Tbk, with members as follows:

Chairman : Jonathan Limbong Parapak
(Independent Commissioner)

Member : Lie Kwang Tak

Member : Hikmat Kartadjoemena

In 2008, the Audit Committee has performed the following functions:

- Review the Financial Results and management's quarterly reports.
- Actively define and empower the Internal Audit's job function/audit coverage.
- Review audit findings and execution of audit recommendations.
- Conduct regular meetings to communicate with external auditor to discuss any important audit findings as well as financial results audited by Purwantono, Sarwoko & Sandjaja as the Company's External Auditor.
- Review the nomination of external auditor recommended by the Directors.
- Review the Company's compliance toward the capital market's rules and regulations.
- Actively review the implementation of GCG within the Company's operational activities.

CORPORATE SECRETARY

Corporate Secretary is the Company's liaison officer in performing its duties as intermediary with Capital Market authorities, investors and public. The existence of Corporate Secretary is "*conditio sine quanon*" for Matahari in implementing its transparency function.

In-line with BAPEPAM Regulation IX.1.4., Corporate Secretary is responsible for the following important functions:

- To keep abreast of developments in the capital market, in particular its statutory laws and regulations.
- To provide public with relevant information regarding the condition of the Company.
- To advise the Directors regarding compliance to Law No. 8, 1995 and accompanying regulations.
- To act as the contact party between the Company and BAPEPAM and the public.

IMPLEMENTATION OF GCG IN MATAHARI:

Transparency

Matahari highly prioritizes the principle of transparency in conveying relevant information to its stakeholders. Vital information is continually dispersed through press releases, public exposes and meetings with investors, related institutions, the press as well as the general public. We will continue to maximize our corporate transparency relying on the principles of relevancy, materiality and compliance with regulations stipulated by the authorities.

As part of the GCG implementation, the Company, through its Corporate Communication Division, has taken advantage of key media to distribute material information to its investors, shareholders and general public. The information dissemination is carried out through press releases, correspondences to BAPEPAM, IDX, quarterly & annual financial reports, press conferences, analyst meetings, public exposes and road show programs, using various technology medium such as fax, email and the Company's website www.matahari.co.id. Every year, the Company publishes its annual report in Bahasa Indonesia and English versions, which can be obtained from the Company's Corporate Communication Division.

Fairness

In addition to transparency, the Company puts fairness as a primary component in the implementation of GCG. Each employee and management is required to exhibit a high level of professionalism and integrity in performing their duties. A requisite Code of Conduct has been established since 2002 to serve this very purpose. Each member of Commissioners, Directors and Matahari's staffs is required to obey to all requirements within the Code of Conducts and sign a form of Code of Conduct every year. With this Code of Conduct, the Company expects that all Matahari personnel can perform their duties inline with their professional responsibilities. Additionally, the principle of fairness is also reflected in the Company's decision-making process, which adopts a systematically hierarchical structure from the Directors to the Board of Commissioners.

Accountability

The Company emphasizes the principles of firmness and clarity relating to the privileges, obligations, authority and responsibility of Directors, Commissioners and stakeholders. Intensive meetings to address and decide on strategic initiatives and measurements are held intensively on a regular basis through weekly Directors' meetings and monthly Directors and Board of Commissioners meetings. Furthermore, the Company continues to strengthen the effectiveness of Internal Audit function by enhancing its role as monitoring party directly reporting to the Audit Committee and Board of Commissioner.

Responsibility

As an integral part of the society and a reputable player in the industry, the Company conducts its business within permissible corridors and in strict compliance with applicable laws and regulations. Additionally, we are continuously engaged in establishing corporate social responsibility of fulfilling and enhancing public welfare on a nationwide scale. We involve ourselves in various charity programs such as providing relief aids to victims of natural disasters and contributing to educational facilities and infrastructure and other related support.

Within its implementation, during year 2008 the Company held several social activities among others as follows:

January

1. Matahari cooperated with Obor Berkas Indonesia Foundation in donating aid to the flood victims in Solo, Central Java and Ngawi, East Java.

February

1. Matahari cooperated with AMSC (Matahari Suppliers Club Association) commencing Blood Donation activities at Taman Anggrek Condominium, Community Centre, Slipi Jakarta which it successfully collected approximately 100 bags of blood donors.

March

1. Matahari participated to Universitas Pelita Harapan Extravaganza activities in Surabaya, East Java
2. Matahari cooperated with Obor Berkas Indonesia Foundation in donating aid to flood victims in Tuban, East Java.

April

1. Matahari participated donation to Indonesia Brain Cancer Foundation.

May

1. Matahari donated to Breast Cancer Foundation through "intimate fair" promotion program by Matahari Department Store.
2. Matahari cooperated with APRINDO (Indonesia Retailers Association) in performing bazaar at Lapangan Banteng, Jakarta.



June

1. Matahari sponsored the event of "Indonesian Women Without Tobacco."

July

1. Matahari donated to Indonesia Cancer Foundation through its event "Untukmu Perempuan Indonesia."
2. Matahari cooperated with Pelita Harapan Education Foundation in giving scholarships to the children of the Company's employees to have the opportunity for education as well as those already at Kindergarten and Elementary Schools of Sekolah Lentera Harapan.

August

1. Matahari cooperated with Mayapada Group in donating staple foods.
2. Matahari cooperated with Universitas Pelita Harapan in giving scholarships to college students at its Surabaya campus.

September

1. Matahari donated to Himpul Darus'adah Foundation in celebrating the festive season and Idul Fitri 1429H.

October

1. In celebrating its 50th Anniversary, Matahari donated to Abimatha & PNIEL Foundations in Jakarta.
2. AMSC (Matahari Suppliers Club Association) donated to Children Orphanage Foundations of "Samuel" and "Kasih Sayang Ayah Bunda."

November

1. Matahari, through APRINDO, donated to Indonesia Red Cross.

December

1. In celebrating Idul Adha 1429H, Matahari donated "kurban" to Al-Hidayah Mosque, Banten.

COMPLIANCE TO BOND'S COVENANTS AND CAPITAL MARKET REGULATIONS

Compliance to Bond and USD Notes' Covenants

- Matahari has issued the Bond II and Sjarah Bond Ijarah I, and also issued USD Notes with value of USD\$ 150.000.000 through its wholly-owned subsidiary - Matahari Finance B.V. For those liabilities, the Company always comply with the Bond and USD Notes' covenants and the regulations as well as other related regulations.
- Payment for interest coupons of Bond and USD Notes was executed as scheduled and the Company always ensures that all financial ratios are complied to the conditions set within the Trustee Contract.

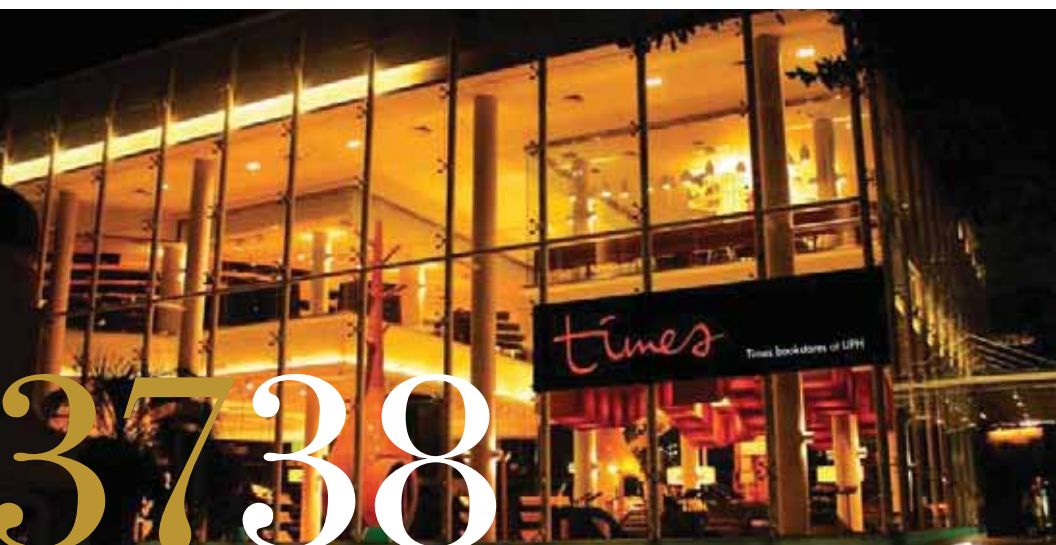
Compliance to REIT's Covenants

- Matahari through its wholly-owned subsidiary - Tristar Capital Ltd., has become a vendor of *Lippo-Mapletree Indonesia Retail Trust (LMIR Trust)* listed in Singapore Stock Exchange on 19 November 2007. The Company has also appended its seven stores location in LMIR Trust agreement. All the covenants stipulated from Capital Market Regulation relating with the compliance of the transaction implementation have been reported to related institutions accordingly.

Conflict of Interests and Material Transactions

The Company always conducts intensive reviews for any possible conflicting interests and material transactions as set forth.

In year 2007, in order to optimize its productive assets with main objectives to increase its liquidity and to maximize its return on investment, the Company has performed asset restructuring through LMIR REIT program. The implementation of this program is not classified as conflicting or material transactions as noted in BAPEPAM Regulation No. IX.E.1. regarding conflicting transaction, but classified as material transaction as noted in BAPEPAM Regulation No. IX.E.2. regarding material transaction and changes of business activities. In order to comply this regulation, the Company has informed the plan of asset restructuring program to the shareholders through an official announcement published in Investor Daily newspaper dated



3738

12 March 2007 and 16 April 2007 and has received shareholders' approval from The General Meeting of Shareholders held on 27 April 2007.

Shareholders list and special shareholders list

Since 1992, Matahari has maintained its Shareholders List and Special Shareholders List which support the Company to identify any potential insider trading activities as well as transaction that could cause a possible conflicting interest. The Shareholders List is kept and prepared by Share Registrar, while the Special Shareholders List is kept by the Company's Corporate Secretary.

INTERNAL CONTROL SYSTEM

Matahari continuously implements and develops an integrated control system, especially for critical areas which might impact to the Company's asset maintenance, increase of sales and expense control.

RISK MANAGEMENT

The Management always put extra efforts to anticipate any probable risks relating to job safety, environmental impact, political and the continuance of Company's business operations. Management proactively identify existing problems, anticipate and accommodate any potential risks as well as prepare appropriate steps to be taken which will mitigate any existing risks.

COMPANY'S CURRENT LITIGATION ISSUES

There are several current litigation issues and/or charges by third parties, which the Company currently has to encounter. As far as the Company's best knowledge, those litigation and/or charges issue are immaterial and do not have any potential to halt the Company's overall business operation, several of which are follows:

1. Lawsuit No. 95/Pdt.G/2004/PN.Bgr dated 3 December 2004 jo. No. 287/Pdt/2005/PT.Bdg dated 9 August 2005 jo. No. 1516K/Pdt/2007 dated 14 March 2007 at The District Court of Bogor. The Company as the Plaintiff/the respondent of appeal at The High Court/the Applicant of the appeal at The Supreme Court with basic of such lawsuit is breach of contract (default). This case is waiting for the verdict/sentence from The Supreme Court.
2. Lawsuit No. 99/Pdt.G/2005/PN.Jkt.Pst dated 30 March 2005 jo. No. 175/Pdt/2006/PT.DKI dated 1 June 2006 jo. No. 1778K/Pdt/2007 dated 13 August 2007 at The District Court of Central Jakarta. The Company as the Plaintiff/the respondent of appeal at The High Court/the Respondent of the appeal at The Supreme Court with basic of such lawsuit are breach of contract (default). This case is waiting for the verdict/sentence from The Supreme Court.



3940

nothing would have
been possible without
great capability
of management &
cooperation among
each involved

4142

audit committee report

In compliance with the regulation as stipulated in the Chairman of Bapepam's No. Kep-29/PM/2004 regarding Audit Committee and the Jakarta Stock Exchange Regulation No. Kep-305/BEJ/07-2004 regarding the General Rules on the Registration of the Equity – like Securities on the Stock Exchange, the Audit Committee has performed the following:

1. Review of the Company's Financial Statements, Financial Projections and other Financial information for one (1) year period ending at December 31, 2008.
2. Review of the independency and objectivity of the External Auditor.
3. Review of the adequacy of the examination conducted by the External Auditor to ensure that all the Company's critical risks have been covered and adequately addressed, to include:
 - (a). Areas where the internal control system is critical
 - (b). Potential areas where to increase profitability and cost efficiency
 - (c). Areas where the risk of authority of abuse high prevalling
 - (d). Areas sensitive to misconduct
 - (e). Operational, financial, and information technology aspects
4. Review of audit findings and the implementation of the auditors' recommendation
5. Evaluation of the appointment of the External Auditor recommended by the Board of Directors.
6. Review of the effectiveness of the Company's internal control.
7. Review of the Company's compliance with the capital market and other laws relevant to its activities.
8. Examination of the possibility of errors in the decisions of the Board of Directors' meetings, or deviation in the implementation of the decisions of the Board of Directors' meetings.

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

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

1. The Company's business activities have been conducted under effective internal control, whose quality has been continually improved in accordance with the policies set by the Board of Directors and under the supervision of the Board of Commissioners.
2. The Financial Statements have been properly prepared and presented in accordance with the generally accepted accounting principles in Indonesia.
3. The Company has always complied with the capital market and other regulation relevant to its activities.
4. The appointment of the External Auditor has been recommended by the Board of Directors on the basis of their competence and independency, and approved by the Board of Commissioners mandated by the shareholders at the General Shareholders' Meeting held on March 19, 2008.
5. No potential of the abuse of authority or misconduct have been identified which need the attention and the consideration of the Company's Board of Commissioners.

Thank you for your kind attention.

Audit Committee of PT Matahari Putra Prima Tbk,



Jonathan L. Parapak
Chairman



Lie Kwang Tak
Member



Hikmat Kartadjoemena
Member





humanresources

| JOB PROFILE | TOTAL | % |
|-----------------|---------------|---------------|
| Advisor | 2 | 0.01 |
| Director | 27 | 0.15 |
| General Manager | 124 | 0.70 |
| Manager | 1,785 | 10.12 |
| Supervisor | 2,491 | 14.12 |
| Staff | 13,209 | 74.89 |
| TOTAL | 17,638 | 100.00 |

| EDUCATION | TOTAL | % |
|--------------------|---------------|---------------|
| Post Graduate | 58 | 0.33 |
| Bachelor | 1,531 | 8.68 |
| Diploma | 1,085 | 6.15 |
| Senior High School | 11,998 | 68.02 |
| Junior High School | 2,704 | 15.33 |
| Others | 262 | 1.49 |
| TOTAL | 17,638 | 100.00 |

| AGE | TOTAL | % |
|--------------|---------------|---------------|
| < = 25 | 7,611 | 43.15 |
| 26 - 30 | 3,187 | 18.07 |
| 31 - 35 | 3,152 | 17.87 |
| 35 - 40 | 2,341 | 13.27 |
| 41 - 45 | 1,032 | 5.85 |
| = > 46 | 315 | 1.79 |
| TOTAL | 17,638 | 100.00 |

The Company's favorable growth in 2008 has led the Human Resource Development team (HRD) to perform even harder with its objective to prepare accountable, quality and performance-based measurable work forces. The important role of strategic partners and Performance Management, which have been implemented by the Company, has successfully increase the performance and productivities as well as establishing improved communication and cooperation between business units more effectively and efficiently.

The level of trust and bilateral communication built between the Company and its staffs are driven to become the important factors in creating solid, creative and innovative working teams. In order to support this, the HRD Division continues to implement the performance-based management strategy consistent with the business direction of each business units and to increase the confidence of each employee to perform its best performance.

The implementation and execution of objective performance reviews are driven to increase the staffs' performing spirits going forward which would be measurable through the Company's reward and penalty system. In turn, for the underperforming staffs, the HRD Division always offers possibilities of development programs through extensive trainings custom-tailored to meet the Company's needs.

The Company has also employed HRD management based on Competency Based Human Resources Management, ranging from recruitment, personnel development to employees' performance appraisal (scorecard), which are also continuously improved.

Through its Training and Development Division, the HRD conduct various intensive training sessions, which are continuously upgraded and improved in-line with the Company's commitment and effort to increase the ability, knowledge and core competency of each employee to their best as well as to prepare future leaders.

Continuing previous years' programs, the HRD Division has successfully commenced numerous training programs including: *Basic Training; Basic Supervisory; Refreshment Training; Development Program; Career Development Program & Management Training; Certified Professional Program; General Training; Training for Trainer dan External Training.*

The solid relationship between the Company's management and its staffs is maintained through the forum of **IKM** (Ikatan Karyawan Matahari).

Founded in 2003, IKM has been successfully formed at store levels as well as distribution centers and headquarter office, whose Chairman is periodically elected by its members comprising of Company's staffs from each business unit levels. IKM's 4 main activities are focused on social charities, religions, sports and communication forum. Through these activities, IKM should lead to stronger working relationship, respecting other members in self-development phase, increase productivities, enforces the Company's system procedures and disciplines as well as managing its overall activities for the employees' well-being.

Through Bipartit Organization, IKM actively play its critical role in dealing related matters at Industrial Relation levels for proper follow-up steps, coordination & communication strategy and consultation with the Company's representatives regularly. In exchange, Company also demonstrates its support toward IKM activities by providing the needed company facilities as well as budget for IKM to move forward.

In order to build and maintain the continuing positive relationships, the Company management visits the stores on regular basis and have effective communication with the employees' representatives (IKM, Bipartit & Cooperative). These activities represents part of the management's trust to its employees, especially in managing the Company's Industrial Relation aspects, with mutual trust and effective communications playing the pivotal role.

support,
commitment,
customers,
stakeholders
& strongwill,
are the 5 keywords
to our company's
success and
achievements

4546



4748

proudly serving our valued customers for more than 50 years with dedication, loyalty and commitment throughout Indonesia.

GREATER JAKARTA

MATAHARI DEPT. STORE

MDS KRAMAT JATI
GALLERIA PASAR BARU
MDS KTC KELAPA GADING
MDS GRAND MALL BEKASI
MDS ARION
MDS LOKASARI
MDS METROPOLITAN MALL BEKASI
MDS LIPPO CIKARANG
MDS ATRIUM
MDS KLENDER
MDS METROPOLIS
MDS WTC SERPONG
MDS LIPPO KARAWACI
MDS TOWN SQUARE CILANDAK
MDS CITRA LAND
GALLERIA BLOK M
MDS DAAN MOGOT
MDS PONDOK GEDE
MDS CIBUBUR JUNCTION
MDS DEPOK TOWN SQUARE
MDS SM BOGOR
MDS EKALOSARI BOGOR
MDS CBD CILEDUG
MDS PLUIT VILLAGE
MDS PEJATEN VILLAGE

HYPERMART

HY MALL WTC SERPONG
HY SUPERMALL KARAWACI
HY METROPOLIS TOWN SQUARE
HY GAJAH MADA PLAZA
HY JHCC PLAZA
HY MALL DAAN MOGOT
HY CIBUBUR JUNCTION
HY DEPOK TOWN SQUARE
HY KTC KELAPA GADING
HY GRAND MALL BEKASI
HY MALL LIPPO CIKARANG
HY MEGA GLODOK KEMAYORAN
HY HPM KEDUNG BADAK
HY PONDOK GEDE
HY PURI
HY PEJATEN VILLAGE

FOODMART

FM CILANDAK TOWN SQUARE
FM ATRIUM PLAZA
FM KLENDER
FM CONVENIENCE GALL. PASAR BARU
FM CONVENIENCE KARAWACI - HO
FM REST AREA KM.13.5
FM EKALOSARI BOGOR

FM CONVENIENCE SM BOGOR
FM ASTON SUDIRMAN
FM SUPERMALL KARAWACI

WEST JAVA

MATAHARI DEPT. STORE

MDS TASIKMALAYA
MDS KING PLAZA BANDUNG
MDS MAYOFIELD SUKABUMI
GALLERIA BANDUNG
MDS GRAGE MALL CIREBON
MDS MAYOFIELD CILEGON
MDS MAYOFIELD KARAWANG

HYPERMART

HY SENTUL
HY METRO TRADE CENTRE
HY HPM MAYOFIELD CIANJUR
HY BIP PLAZA
MDS MAYOFIELD CILEGON

FOODMART

FM KARAWANG
FM GRAGE MALL

CENTRAL JAVA

MATAHARI DEPT. STORE

MDS SOLO SQUARE
MDS SINGOSAREN
MDS JAVA SUPERMALL
MDS MAGELANG
MDS SIMPANG LIMA SEMARANG
MDS MALIOBORO I
MDS KUDUS
MDS GRAND MALL SOLO
MDS MALIOBORO II
MDS KLATEN
GALLERIA JOGJA
MDS PEKALONGAN
MDS PURWOKERTO

HYPERMART

HY SOLO
HY JAVA MALL
HY SOLO SQUARE

FOODMART

FM MAGELANG
FM SOLO SINGOSAREN
FM PEKALONGAN
FM KUDUS
FM KLATEN
FM PURWOKERTO
FM CONV. GALL. JOGJAKARTA

EAST JAVA

MATAHARI DEPT. STORE

MDS MALANG TOWN SQUARE
MDS PASAR BESAR MALANG
MDS ROYAL PLAZA
MDS MADIUN
MDS PAKUWON SURABAYA
MDS TUNJUNGAN PLAZA
MDS SIDOARJO
MDS JOHAR PLAZA (JEMBER)
GALLERIA DELTA SURABAYA
MDS CITY OF TOMORROW

HYPERMART

HY MALANG TOWN SQUARE
HY SUPERMALL PAKUWON INDAH
HY ROYAL SURABAYA
HY CITY OF TOMORROW

FOODMART

FM SURABAYA TOWN SQUARE
FM MADIUN
FM JEMBER

SUMATERA

MATAHARI DEPT. STORE

MDS MEDAN FAIR
MDS CIPUTRA SERAYA PKN BARU
MDS SKA PKN BARU
MDS MEGAMALL BATAM
MDS GRAND PALLADIUM
MDS NAGOYA HILL BATAM
MDS KARTINI LAMPUNG
MDS INTRNL. PLAZA PALEMBANG
MDS MEDAN THAMRIN
MDS PADANG
MDS PLAZA CITRA PKN BARU
MDS MEDAN MALL
MDS ANGSO DUO JAMBI
MDS BINJAI

HYPERMART

HY MALL GRAND PALLADIUM
HY SUN PLAZA
HY BINJAI SUPERMALL
HY MALL SKA
HY PALEMBANG INDAH MALL
HY MEGAMALL BATAM CENTRE
HY NAGOYA HILL BATAM
HY WTC JAMBI

FOODMART

FM PADANG
FM PEKAN BARU

SULAWESI

MATAHARI DEPT. STORE

MDS PANAKUKANG MAKASSAR
MDS GTC TANJUNG BUNGA MAKASSAR
MDS MAKASSAR MALL
MDS MEGAMALL MANADO
MDS BOULEVARD CNTR. MANADO
MDS MALL RATU INDAH PLAZA
MDS KENDARI

HYPERMART

HY GTC MAKASSAR
HY PANAKUKANG
HY MANADO TOWN SQUARE

KALIMANTAN

MATAHARI DEPT. STORE

MDS LEMBUSWANA SAMARINDA
MDS BALIKPAPAN
MDS DUTA MALL BANJARMASIN

HYPERMART

HY A.YANI MEGAMALL PONTIANAK
HY DUTA MALL BANJARMASIN
HY BALIKPAPAN TRADE CENTRE

FOODMART

FM SAMARINDA

BALI

MATAHARI DEPT. STORE

GALLERIA SIMPANG SIUR BALI
MDS DUTA PLAZA I
MDS KUTA SQUARE

HYPERMART

HY MAL BALI GALLERIA

FOODMART

FM CONVENIENCE KUTA BALI SQUARE

EAST INDONESIA

MATAHARI DEPT. STORE

MDS AMBON

FOODMART

FM AMBON PLAZA



4950⁹

moments in 2008



- 1 Matahari & AMSC commenced a blood donation event at Mangga Dua Square, Jakarta on August 5, 2008. The event was supported by 120 participants from vendors associated with AMSC as well as Matahari's business partners, staffs and management.
- 2 PT. Matahari Putra Prima Tbk and PT. Bank Mandiri Tbk launched *Hypermart Credit Card* with Visa International license. This credit card will enable consumers to enjoy the new "World of Shopping" paradigm. This strategic alliance is expected to enhance the Hypermart's existing facilities and services to its valued consumers.
- 3 On September 9, 2008, Ikatan Keluarga Matahari (IKM) cooperated with Matahari in rewarding scholarship to the children of the Company's employees. The event was represented by Andre Rumantrir (Director of Matahari) ; Wasul Jauhari (Chairman IKM) and Swasono (MDS – HRD)
- 4 Matahari through its business unit, Matahari Department Store (MDS), launched a new innovation with the introduction of "New Generation - MDS" store concept on September 19, 2008 at Supermal Karawaci, Tangerang. The New Generation MDS offers the optimum shopping convenience to its valued customers.
- 5 In celebrating the 63rd National Independence Day, Matahari cooperated with Indonesia's Foreign Ministry for the 2nd year in giving the appreciation to teachers in remote areas for their teaching endeavors in educating the nation's next generation for the better. The event was held on August 13, 2008 at the Foreign Ministry's office. The award ceremony was done by Matahari representatives and Dr. N. Hassan Wirajuda as the Indonesia's Foreign Minister.
- 6 Times Bookstore Indonesia (TPI), Matahari's subsidiary, opened its third and fourth outlets in Jakarta. The ceremony was commenced by the Ambassador of Singapore, **Mr. H.E. Ashok Mirpuri**, and attended by honorary guests, including Chairman of Lippo Group - **Mr. James Riady**.
- 7 Within the 2009 Ramadhan month, Matahari donated to Himpul Darussa'udah Orphanage Foundation at Binong, Tangerang. The ceremony was done by Benjamin Mallool (President Director of Matahari) on September 19, 2008.
- 8 In celebrating the Matahari 50th Anniversary, Matahari is supported by Seputar Indonesia Media Group (MNC Group) on its social activity campaign 'Matahari Berbagi' through its hospitality visit and donation to ABHITAMA Mitrasamaya Children Orphanage Foundation and PNIEL Foundation in Jakarta.
- 9 Matahari cooperated with UPH Foundation giving *Matahari Scholarship* to 200 students in Surabaya, East Java. This scholarship is expected to increase the workforce's competitiveness in East Java region through higher education capabilities, as well as to motivate students further to increase their intellectual skills within their own societies through quality education.

5152 management profile

BOARD OF COMMISSIONERS

DR. Cheng Cheng Wen

President Commissioner

Joined the Company in 2001 and is one of the respected business executive in Hong Kong. He started his career path at Bell Telephone Manufacturing (Belgium) and Bell Laboratories (USA) and had 30 years expertise of international R&D and Management in high tech industries. Prior to joining Across Asia Multimedia Ltd until now, he held several key positions as COO and Executive Vice President of Philips Electronics Group in China/Hong Kong and Taiwan as well as the founding CEO of Provisional Hong Kong Science Park Corporation.

Jonathan L. Parapak

Independent Commissioner

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

John Bellis

Independent Commissioner

Joined the Company in the Company in 2001. Prior assuming his current position, he was the Senior Advisor & CEO of Matahari Department Store. His career started as management trainee at John Lewis Partnership Stores, UK (1965-1970), and Edgars Stores Ltd, South Africa (1970-1999) with latest position as Managing Director. He is graduate of Royal Society for the Encouragement of Arts, Manufactures and Commerce, London with awarded Commercial Certificate.

Mardi Sutanto

Independent Commissioner

Joined the company in 1997. Prior to joining Matahari, his professional career started at Chevron Oil & Gas, San Francisco, USA (1987); Bank of Trade, San Francisco/Los Angeles, USA (1987-1988); Vice President – Corporate Finance & Banking Group of Citibank N.A., Jakarta (1989-1997). During the period of 1998-2000, he fulfilled his duty as Senior Vice President of Indonesian Banking Restructuring Agency (IBRA), afterward he returned to the company. He is graduate of California State University-Hayward, USA and University of Pittsburg, USA.

Jusuf Arbianto Tjondrolukito

Independent Commissioner

Joined the Company in 1998. His career path includes Division Head of Real Estate & Construction and Head of Suspense Accounts/Problems Loan in Citibank N.A. (1968 – 1980) and Commissioner in charge of Corporate Culture / TQM at Bank Danamon Indonesia (1980 – 1998). He contributes experience and expertise in reputable institutions such as Senior Lecturer at SESPIBANK– Bank Indonesia, Arbitrator at Indonesian National Board of Arbitration (BANI); and Advisory Board Members of Petra University, Duta Wacana University and University of the Nations, Hawaii.

Prof. Dr. Adrianus Mooy

Independent Commissioner

Joined the Company in 2007. He started his professional career mostly in educational field from Assistant Teacher in Economics Department of University Gajah Mada (1958-1959); Teaching Professor in Economics Department of University of Indonesia (1987); Governor of Bank Indonesia (1988-1993) and Chair Professor in Economics Department of STIE Perbanas, Jakarta. Currently he also serves as Senior Mentor of Business School, Pelita Harapan University, Jakarta. He holds several graduate degrees of Master of Science in Economics (1960) and PhD in Economics from University of Wisconsin, USA (1966).

Dr. GN Hiang Lin., Ph.D

Independent Commissioner

Joined the Company in 2007. His professional career started as Credit Analyst (1981-1982) and Senior Credit Analyst (1983-1984) at First Interstate Bank of California, Singapore Branch. During 1984-1995, he served as Assistant Professor at National University of Singapore. Currently he serves as Head of Management Department, Pelita Harapan University, Indonesia. He holds a Bachelor degree in Business Administration from National University, Singapore (1983) and PhD degree in Finance from Wharton School, University of Pennsylvania, USA (1990).

Jeffrey Koes Wonsono

Commissioner

Joined the Company in 1997 and is presently the President Director of PT. Multipolar Corporation Tbk. and PT. AsiaNet Multimedia, a representative of Across Asia Multimedia Ltd.

AUDIT COMMITTEE

Jonathan L. Parapak

Chairman

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

Lie Kwang Tak

Member

Joined the Company in 2008 as the member of the Audit Committee. He is a professional executive with key qualification on management consultancy and feasibility studies. He started his professional career in 1980 at several consultancy firms and has progressed to assume several key management positions as Director of Trisula Corporation (1991-present); Executive Director of PT Southern Cross Textile Industries (2003-present); and Partner in PT Bina Analisindo Semesta (1985- present). He is a graduate from University of Indonesia majoring in Economics (1982).

R. Hikmat Kartadjoemena

Member

Joined the Company in 2008 as the member of Audit Committee. He is a well-known professional executive with more than 40 years experience in various industries in USA and Indonesia. His professional career was started as Personal Assistant to Indonesian Ambassadors to United Nations (1966-1971); various managerial positions at Bank Exim Indonesia, Multicor, Chemical Bank New York during the period of 1971-1980 and later assumed Director and Commissioner positions at Chemical Bank New York, Unibank, Bank Pacific, Inti Indorayon Utama, Advanced Interconnect Technology, Newbridge Capital Pte Ltd, Saratoga Capital and Imprimis Pte Ltd for the period of 1987-present. He is a graduate of City University, New York, USA.



BOARD OF DIRECTORS

Benjamin J. Mailool
President Director

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

Soeparmadi
Director

Joined the Company in 2008. He is a professional executive with 38 years of experience in the area of Corporate Finance, Asset Management, Real Estate and General Management. He holds Bachelor Degree in English Literature. He started his career in Citibank NA (1969-1978) and later appointed as the Managing Director of Finnesia Financial Company. He joined Lippo Group in 1990 and has held several directorship positions in various companies within the Group: Bank Bahari, Lippo Cikarang, Lippo Land, LippoBank and latest current position as President Director & CEO of PT Gowa Makassar Tourism Development Tbk, one of Lippo Group Real Estate Development in Tanjung Bunga Makassar.

Lina Latif
Director

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

Hendra Sidin
Director

Joined the Company in January 2002. His professional career started as Audit Manager in Prasetyo, Utomo & Co accounting firm (1989-1997) before he joined Lippo Group with several positions such as Finance Director of PT Lippo Karawaci Tbk (1997-2001) and PT Lippoland Development Tbk (1999-2001). He is graduate of University Indonesia majoring in Accounting & Economics.

Carmelito J. Regalado
Director

Joined the Company in March 2002. His professional career started as Auditor at SGV & Co Public Accountant Office in Philippines and continued to assume several positions in finance areas at hotel industry during 1977 – 1986. He also assumed several key positions in several business groups in Indonesia prior to joining the Company. He is a graduate from University of Santo Thomas, Philippines.

CORPORATE DIRECTORS

Andre Rumantir
Director

Joined the Company in May 2005. His professional career includes 26 years experience in holding key positions in multinational companies such as PT International Nickel Indonesia Tbk (INCO) and PT Goodyear Indonesia Tbk with expertise in process plant, manufacturing and human resource management. He is an MBA graduate from Greenwich University, Hawaii, USA.

Teguh Pudjowigoro
Director

Joined the Company in 2008. He is a professional executive with 30 years of experience, of which 26 years were in banking industry, Bank Lippo, and has been assuming important roles from Branch Manager, Head of General Affairs Group, Head of Human Resources Group, Head of Asset Management Group, and the latest as Head of Lippo Bank Sharia Financing and Operation Division.

He is perceived as one of the prominent community leaders in Karawaci and greater area. He spent 4 years in Lippo Real Estate companies, Bukit Sentul dan Lippoland where he was the President Director and Director of the companies.

Danny Kojongian
Director

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

Avril Tjokroraharjo
Director

Joined the Company in 2002. Graduated from Boston University with Bachelor in Mathematics and Economics (1999) and Master in Applied Statistics (2000). Her professional career started as Store Manager in MDS Lippo Karawaci before she became responsible as the Head of Business Process Division. Currently, she is responsible as Director - Information Technology.

MANAJEMEN DIVISI DEPARTMENT STORE

Travis Saucer
CEO

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

Steven A. Martin
CFO

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

Danny L. Crayton
Director

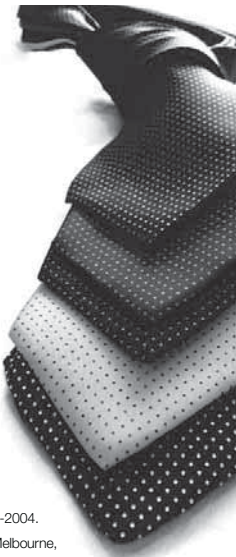
Joined the Company since in 2002. He started his career in Belk Inc (1975 – 2000) with last positions as Senior Vice President of Merchandising. He is a graduate of Queens College, Charlotte, USA.

Adrian C. McKay
Director

Joined the Company in March 2004. He has spent a large part of his career working international advertising agencies in Australia and Indonesia. Prior to joining Matahari, he worked as Technical Advisor for McCann Erickson Worldwide during 1999-2004. His tertiary education was completed at Monash University in Melbourne, Australia in 1988 with degree in business and marketing.

Keith Jones
Director

Joined the Company in July 2005 after serving the Company's distribution and logistic aspects as Senior Consultant from PT Exel Indonesia since 2004. His 31-years professional career has been intensively focused on distribution & supply chain management with the experience in holding several key positions in leading logistic companies, such as ASDA Superstores, Buck & Hickman Ltd, Hanson Transport Ltd, Cougar Express/BMW Singapore, TNT Logistic (M) Sdn Bhd. He is a member of UK Road Transport Industrial Training Board and Institute of Transport & Logistics.



our highly regarded
main tools behind the
success of Matahari

5354



Sunny Setiawan

Director

Joined Company in 2003. Her career includes several key positions in reputable companies such as PT. Johnsons & Sons, Duty Free Shoppers and PT. Mitra Adiperkasa. She is a graduate of University of Tarumanegara in 1987 with a degree of Economics.

Christian Kurnia

Director

Joined the Company in 2002. He started his career in PT. Metrodata Electronics (1992 – 2002) with last positions as Distribution Director. He participated in some training and seminars arranged by TACK Training Indonesia, Seagate Technology, Markplus and PQM. He received several awards for Hundred Percent Achiever (1993 - 1998) and Business Management Award (1999 - 2000). He is a graduate of Bandung Institute of Technology.

Johanes Jany

Director

Joined the Company in 1989 and then assumed several key positions in the Company's subsidiary, Matahari Time Zone. Currently he serves as Property & Asset Management Director in Matahari. He is a graduate from University of North Sumatera, Medan, Indonesia majoring in Accounting.

MANAJEMEN DIVISI FOOD BUSINESS

Noel Trinder

CEO

Joined the Company since 2003. He started his career in Boans Department Stores in 1970 before he joined Coles Supermaket (1974 – 1988) with last positions as Senior Controller Merchandising.

His key positions in reputable Asia retail companies for the past several years includes Directors of Merchandising & Trading Operations of Hero Supermarket Indonesia (1996 - 2000) and Managing Director of Tops Retail Malaysia (2000 - 2003) with an overseeing role for Tops Retail operations in Indonesia.

In 2004 he was elected as the chairman of the 1st Coca-Cola Retail Research Council in Asia (CORRCA) for the period 2004 - 2005 and is still an active member of the Council. He has completed a number of Advanced Retail courses conducted by the University of Southern California USA & Macquarie University, NSW, Australia as well an MBA graduate from University of Auckland, New Zealand.

Ruby Sjabana

Director

Joined the Company in 2007. She started her professional career in the fashion and branding businesses as Marketing Manager of sport shoes manufacturer (Interinvest Dinamika Shoes) in 1989-1991, Chief Representative of Haksan Limited, a Korea-based trading company focusing in textile and footwear (1991-1996), Director of Mitra Adl Perkasa focusing on Reebok brand (1996-2005) and Marks & Spencer brand in Indonesia (2005-2007). She is a graduate from Charles Sturt University, Australia with degree in Bachelor of Business.

Martin Laihad

Director

Joined the Company in 2005 to lead the Property Division. His professional experience includes holding several key positions in several leading companies such as PT Multi Prima Sejahtera, PT Kymco Lippo Motor Indonesia and PT Walsin Lippo Industries. He is a graduate from Technical University, Berlin, Germany.

Phillipe Prejent

Format Director

Joined the Company in 2006 as the Format Director of Hypemart. He started his professional career in hypermarket business in 1980 by joining the Carrefour Group, France and assumed various key positions within the group until 1995. He continued his career within Carrefour Group by assuming Store Director of Carrefour Malaysia (1995-2001); Regional Director Hyper 1 of Carrefour Thailand (2001-2003) and Asset / Expansion & Shopping Mall Director of Carrefour South Korea (2001 - 2003). He is a graduate of BTEC Hotel Business School at Thonon-les-bains.

Huw Jenkins

Format Director

Joined the Company in 2005 as Senior Advisor in supermarket business and appointed as the Format Director in 2007. He started his professional career mainly in food industry as Grocery Counter Service of Home & Colonial Stores, UK (1965-1968); Store Manager Fain Fare Supermarket, UK (1968-1976); Store Manager designate of J. Sanbury Plc, UK (1976-1981); Senior Food Hall Manager of Savacenter Ltd, UK (1981-1983); Cold Storage Retail (Project Manager, Malaysia in 1983-1984 and Operation Manager, Singapore in 1984-1989); General Manager of 7-Eleven Stores Singapore (1989-1991); General Manager/ CEO of Cold Storage Supermarket Singapore (1991-2001); Director, Specialty Supermarket Development South Asia, Dairy Farm HK (2001-2002) and Director of HJ Associates (2002-2005). He is a graduate from Treforest Polytechnic, Pontypridd, South Wales, UK.

Cardellito J. Regalado

Director

Joined the Company in March 2002. He started his career as Auditor for SGV & Co in Philippines (1977 – 1982) and continued at Lippo Securities in 1998 as Senior Vice President of Corporate Finance. He is a graduate of University of Saint Thomas, Philippine in 1977 with a degree in Accounting and received his CPA title in 1978.



Keith Dolling

Director

Joined the Company in January 2004 as Logistics Advisor. He started his career in mid-70's by joining Coles-Myer Group Australia. His 31 - year professional career has been intensively focused on distribution & logistic aspects with the experience in holding several directorship positions in TOPS Retail (Malaysia) Sdn Bhd, Daria-Varia Laboratoria Group, Kalbe Farma Group and TNT Logistics Indonesia. He is a graduate from Swinburne Institute of Technology, Melbourne, Australia.

Richard H. Setiadi

Director

Joined the Company in 2001. He Started his career as auditor with Arthur Andersen in 1994 where he conducted audits in several reputable companies such as PT. Telekomunikasi Indonesia, PT. Semen Gresik, and Asia Pulp & Paper Co. He is a graduate of Atmajaya University, Jakarta majoring in Accounting.

Irwin Abuthan

Director

Joined the Company in March 2002. He started his career in Corporate Finance with Bank Credit Lyonnais Indonesia (1995 – 1997) before he joined American Express Bank Ltd. as Corporate Finance Manager (1997 – 1999) and Indonesian Banking Restructuring Agency (1999 – 2002) as Vice President in Asset Management Investment Division. He is a graduate of Curtin University of Technology, Australia, with a degree in Banking and Finance.

Iwan Goenadi

Director

Joined the Company as Head of Management System (MIS) in 1988. He was appointed as Head Store Operations Supermaket in 1999 and MIS Director since 2002. He is a graduate of Institute of Technology Bandung in 1984 and Utah State University in 1987.

Kasmin Rasilim

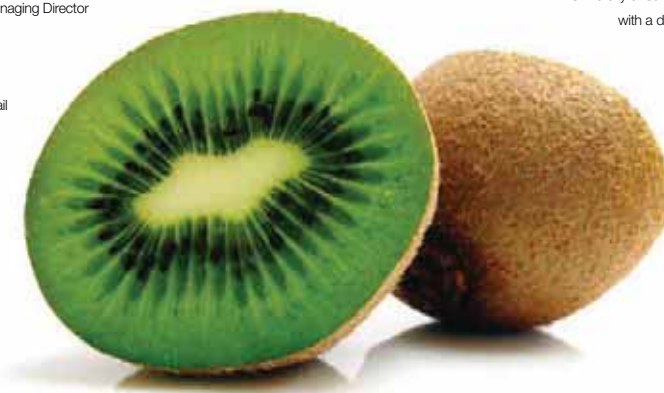
Director

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

Mulyadi Haryanto

Senior Vice President

Joined the Company in 1993. He attended Retail Executive Program in Cornell University (2002) and participated in various course and training held by USDA, University of California, Davis, The Coca-Cola Company and IGA Institute. He is a graduate of Atmajaya University in 1993 with a degree in Economics.



corporate information

PT. MATAHARI PUTRA PRIMA TBK

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Lippo Karawaci 1200
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Indonesia
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Fax : (62-21) 547 5673
www.matahari.co.id

Investor Relations

Phone : (62-21) 547 5478
Email : investor.relation@matahari.co.id

SUPPORTING INSTITUTIONS

Independent Auditor

Purwanto, Sarwoko & Sandjaja
The Jakarta Stock Exchange Building
Tower II, Lt. 7
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52 - 53
Jakarta - 12190
Telp : (021) 5289 5000
Fax : (021) 5289 4100
www.ey.com

Share Registrar

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

LEGAL CONSULTANTS

Kantor Advokat & Konsultan Hukum YAN APUL & REKAN

Menara Thamrin Lt. 21, Suite 2102
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Jakarta - 10250
Telp : (021) 314 2331 (Hunting)
Fax : (021) 3193 5208
E-mail : yanapul@centrin.net.id
www.yanapul.com

Hadiputranto, Hadinoto & Partners

The Jakarta Stock Exchange Building
Tower II, Lt. 21
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52 - 53
Jakarta - 12190
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515 5092, 515 5093
Fax : (021) 515 4840, 515 4845,
515 4850, 515 4855
www.hhp.co.id

5758

The 2008 Annual Report, including the accompanying financial statement and related information, is the responsibility of the management of PT. Broadband Multimedia Tbk. and has been duly approved by member of the Board of Commissioners and Board of Directors.

Jakarta, February 2009

BOARD OF COMMISSIONERS

DR. Cheng Cheng Wen
PRESIDENT COMMISSIONER

Jonathan L. Parapak
INDEPENDENT
COMMISSIONER

John Bellis
INDEPENDENT
COMMISSIONER

Mardi Sutanto
INDEPENDENT
COMMISSIONER

Jusuf Arbiyanto Tjondrolukito
INDEPENDENT
COMMISSIONER

Prof. Dr. Adrianus Mooy
INDEPENDENT
COMMISSIONER

Dr. GN Hiang Lin., Ph.D
INDEPENDENT
COMMISSIONER

Jeffrey Koes Wonsono
COMMISSIONER

BOARD OF DIRECTORS

Benjamin J. Mailool
PRESIDENT DIRECTOR

Lina Latif
DIRECTOR

Hendra Sidin
DIRECTOR

Carmelito J. Regalado
DIRECTOR

Soeparmadi
DIRECTOR

The Leading Multi-Format Retail Company which has been the nation's pride with a total sales value worth over US\$ 1 Billion in 2007.

A retail business supported by more than 285 outlets spread all over Indonesia:

- Matahari Department Store (82)
- Hypermart (39)
- Foodmart (26)
- Boston Healthcare (48)
- Times Bookstores (1)
- Timezone (90)

Proudly serving more than 25 million loyal Indonesian consumers, and good partnership with more than 6,000 small, medium and large business partners.

We are humble and proud to have received various awards as valued evidences of the positif recognition from national and international retail industry communities toward our achievements:

- 2004-2008 TOP 500 Retailer Award – Indonesia from Retail Asia.
- 2007 TOP 500 BEST OF THE BEST Asia-Pacific Retailer Award from Retail Asia.
- 2008 IMAC Award from The Fortune Consulting Group & Business Week Indonesia.
- 2008 SQ Award (Service Quality) from the Indonesian Service Satisfaction Index towards Services Industry
- 2007 BEST Syariah Bond Issuer Award from Investor Magazine.
- 2006 BEST SALES Award – Indonesian Retailer from APPINDO.
- 2004 PADMA Award from Indonesian Minister of Social Services.
- UPAKARTI Award (1989) from the Government of Republic of Indonesia.
- Bakti Koperasi Award from the Minister of Small Businesses and Cooperatives for succeeding in developing good partnership with the small businesses (UKM).

And still we care for the society we live in and this is reflected through our various Corporate Social Responsibility (CSR) programs :

- Donating more than Rp1.8 Billion to people living in poverty through Dompot Dhuafa.
- Partnering with Indonesian Ministry of Foreign Affairs in giving aid to teachers in remote areas.
- Giving scholarship to Indonesian children in need for education support.
- Helping victims of flood, earthquake, Tsunami and other natural disasters, both physically and financially, throughout Indonesia.
- Together with Indonesian Red Cross, actively holding blood donation which involves employees and suppliers.

Like rice growing luxuriantly in the fields of mother earth, we are proud to grow in Indonesia and to serve Indonesia!

A Tribute to Indonesia

For 50 years, we've been becoming the witness to the journey of this great nation. Hand in hand, we've faced challenges and got more productive in our work.



Celebrating 50 years
Presence in Indonesia

annualreport2008



PT. MATAHARI PUTRA PRIMA TBK and SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditor's Report
Years Ended December 31, 2008 and 2007
(Indonesian Currency)

These consolidated financial statements are originally issued in Indonesian language



**DIRECTOR'S DECLARATION OF RESPONSIBILITY FOR AUDITED ANNUAL
FINANCIAL STATEMENT OF PT MATAHARI PUTRA PRIMA Tbk**

We the undersigned:

- | | |
|--|--|
| 1. Name | : BENYAMIN J. MAILLOOL |
| Office Address | : Menara Matahari 20th floor Jl. Bulevar Palem Raya No. 7 Lippo Karawaci 1200, Tangerang 15811 |
| Residential Address / as per ID Card or other identity card | : Gading Griya Lestari C1/7 RT. 012 / RW. 005 Kec. Sukapura, Jakarta Utara |
| Phone | : 5475333, 5469333 |
| Title | : President Director |
| | |
| 2. Name | : HENDRA SIDIN |
| Office Address | : Menara Matahari 20th floor Jl. Bulevar Palem Raya No. 7 Lippo Karawaci 1200, Tangerang 15811 |
| Residential Address / as per ID Card or other identity card | : Penum Citra 3-D-10/14 RT. 015 / RW. 013 Kel. Pegadungan, Kec. Kali Deres Jakarta Barat |
| Phone | : 5475333, 5469333 |
| Title | : Director |

Herewith endorsed the followings :

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

Therefore, this statement has been made truthfully.

Tangerang, 31 March 2009

Sincerely,
PT MATAHARI PUTRA PRIMA, Tbk.


BENYAMIN J. MAILLOOL
President Director


HENDRA SIDIN
Director

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“50 years journey of our
hardwork have led to our current
success.

it's time to build our society
together

leading the path
towards a
**successful
future”**

