

## **MANAGEMENT ANALYSYS AND DISCUSSION**

### **REVIEW OF OPERATIONAL PERFORMANCE**

#### **Proceeds from Asset Management**

For 2006, P.T. Perusahaan Pengelola Asset (PPA or the Company) booked Rp. 2,837,572 million in Proceeds from Asset Management (PAM), surpassing the projected Rp. 2,813,057 million specified in 2006 Corporate Work and Budget Plan (CWBP).

The largest portion (80% or Rp. 2,283,202 million) was contributed by proceeds from divestment and dividends of bank-shares asset, while the rest 20% was unevenly contributed by dividends from non-bank shares asset (Rp. 15 billion), loan asset (Rp. 507 billion), and shares & loan asset (Rp. 33 billion).

In view of the quality of the asset under management, which was inferior to that of the previous year, such accomplishment was considered remarkable.

All in all, since established until the end of December 2006, PPA has realized a cumulative PAM of Rp. 14,121 billion – far above the target specified in the 2006-2008 CWBP of Rp. 9,373 billion.

#### **Remittance to the Government**

Of the Rp. 2,837,572 in realized PAM, Rp. 2,543 billion was to be submitted to the Government.

On November 30, 2006, by the request of the Director General of Treasury, Department of Finance, PPA remitted to the Government Reserve for Management Expenses amounting Rp. 150 billion.

In total, the amount remitted to the Government from asset management activities in 2006 was Rp. 2,623 billion, surpassing the projection of Rp. 2,579 billion imposed by the Minister of Finance.

#### **Profit Realization**

For Fiscal Year 2006 PPA booked pretax profit of Rp. 257,782 million, or 209% of the projected Rp. 123,244 million in 2006 CWBP. The net profit after income tax was Rp. 200,048 million, or 221% of the projected Rp. 90,345 million in 2006 CWBP.

The lower figure compared to the previous year resulted from the decrease in Corporate Performance Incentive (CPI), which was in line with the inferior asset quality when compared to those of 2004 and 2005.

#### **Operational and Non Operational Expenses**

Operational expense was booked at Rp. 155,062 million or 48% of Rp. 324,349 million projected in 2006 CWBP. About Rp. 126,444 million was reimbursable cost and Rp. 28,618 million was non reimbursable. The fact that the actual figure was lower than projection was mainly the result of delayed divestment of non-bank shares and property asset.

Meanwhile, non-operating expense was booked at Rp. 408 million or 35% of 2006 CWBP projection - Rp. 1,175 million; lower than Rp. 1,218 million realized in 2005.

## **Asset and Liabilities**

As of December 31, 2006, the Company's total asset was Rp. 1,219,958 million, growing 16% compared to December 31, 2005 figure of Rp. 1,050,776 million – which also increased by 53% compared to 2004 result of Rp. 795,040 million.

The figure comprises current asset Rp. 1,206,748 million (98.92%) and non-current asset Rp. 13,210 million (1.08%).

Of the total, Rp. 979,809 million (81%) is long-term investment in time deposit, which includes PPA fund Rp. 535,921 million and PAM fund Rp. 443,888 million.

Meanwhile, the total liabilities as of December 31, 2006 was Rp. 387,694 million, consisting of current liabilities Rp. 355,763 million (91.76%) and non-current liabilities Rp. 31,931 million (8.24%). For the latter, PPA reported a decline from 2005 result of Rp. 162,362 million.

The decline stemmed from Rp. 150.000 million in Reserve for Management Expenses returned to the Government million, as specified in the letter from the Director General of Treasury No. S-7583/ MK.6/ 2006 dated October 13, 2006. It was a follow up to the audit results by BPK RI on 2005 Federal Government Financial Statement.

Current liabilities include unremitted PAM, taxes, payables to third parties, and other items to be paid by December 2006.

Non-current liabilities include liabilities from employee pension program, in line with Labor Law No. 13/ 2003.

## **Cash Flow**

The cash and bank position on December 31, 2006, was Rp. 11,973 million or 762% of the Rp. 1.572 million projected in 2006 CWBP. The surge was contributed by the security deposit remitted by prospective investors participating in JORR Bond offering.