# Dutch banks and palm oil and pulp & paper in Indonesia

## A research paper prepared for WWF International

**December 2001**

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# Summary

Both the Indonesian oil palm sector and the Indonesian pulp & paper sector have expanded very rapidly during the past ten years. This meteoric growth has contributed very significantly to the deforestation of Indonesia's tropical forests, which have a very high conservation value and are housing a large number of rare animal species.

The fast expansion of both sectors has been financed to a large extent by foreign financial institutions from Europe, North America and East Asia. Since 1998, the growth of both sectors has slowed down, as a result of the financial difficulties which most of the business groups in both sectors are facing. Consequently, the amount of fresh foreign financing for both sectors has reduced. But existing financing relations have been extended by foreign financial institutions (voluntarily or involuntarily), and in fact the influence which foreign financial institutions could exert on companies in both sectors has increased as a result of their weak financial situation. This situation provides excellent opportunities for foreign financial institutions to use their influence to let their clients change their social and environmental policies.

In October 2001 three of the Dutch top-four banks - ABN AMRO Bank, Rabobank and Fortis Bank - decided to stop or substantially restrict the financing of the development of oil palm plantations and pulp and paper operations for which purposely tropical rainforest is destroyed. This policy-change was the result of strong NGO-pressure. Strengthened by this success, NGO's in Indonesia and various other countries are pressing foreign banks to follow the example of the three Dutch banks.
To offer guidance to these campaigns, WWF is publishing a series of six reports on financial institutions from the United Kingdom, Denmark, the Netherlands, Germany, Switzerland and Sweden which are financing the Indonesian oil palm and pulp & paper sectors. These reports also aim to assess the level of influence these financial institutions are having on specific companies in these sectors. This report concentrates on financial institutions from the Netherlands.

We have identified 17 Indonesian oil palm groups which have obtained financial services from European financial institutions in the past ten years. These include all major private groups in this sector in Indonesia. We have also identified 7 Indonesian pulp & paper groups which have obtained financial services from European financial institutions in the past ten years. These include all major Indonesian pulp producers, and the majority of the large Indonesian paper producers. The total number of Indonesian business groups identified is 21, as three groups received European financing for their activities in both sectors.

- **Oil palm sector**

The following table provides the names of the 17 business groups in the Indonesian oil palm sector we have identified as having links with European financial institutions. The table also lists the Dutch financial institutions which, according to our assessment, at this moment have a strong influence on one or more of the oil palm companies of each business group. Not all 17 business groups in the palm oil sector are described in this report, as some don't have any links with Dutch financial institutions.

| Dutch financial institutions with strong influence on Indonesian palm oil business groups | | | |
|---|---|---|---|
| **Group** | **Concession area (ha)** | **Financial institution** | **Paragraph** |
| Anglo-Eastern | 35,087 | | |
| Astra | 298,621 | | 3.1 |
| Bakrie | 100,000 | Rabobank | 3.2 |
| Barito Pacific | 29,000 | | 3.3 |
| Carson Cumberbatch | 17,500 | Rabobank | 3.4 |
| CDC | 69,900 | | |
| Incasi Raya & Metro | 134,304 | | |
| Johor | 18,563 | | 3.5 |
| Kumpulan Guthrie | 325,000 | | 3.6 |
| LonSum, Napan & Risjadson | 355,424 | Rabobank | 3.7 |
| Lyman | 193,750 | | 3.8 |
| Oriental | 22,000 | Rabobank | 3.9 |
| Raja Garuda Mas | 453,000 | Rabobank | 3.10 |
| Rowe Evans | 33,491 | | |
| Salim | 227,207 | | 3.11 |
| Sinar Mas | 591,000 | FMO | 3.12 |
| Sipef | 53,000 | | |
| **Total** | **2,956,847** | | |

Note: The total figure for the concession areas includes a considerable amount of double counting, as many plantations are owned by more than one plantation group.

- **Pulp & paper sector**

The following table provides the names of the 7 business groups in the Indonesian pulp & paper sector we have identified as having links with European financial institutions. The table also lists the Dutch financial institutions which, according to our assessment, at this moment have a strong influence on one or more of the pulp & paper companies of each business group.

| Dutch financial institutions with strong influence on Indonesian pulp & paper business groups | | | | |
|---|---|---|---|---|
| **Group** | **Annual production capacity** | | **Financial institution** | **Paragraph** |
| | **Pulp (tons)** | **Paper (tons)** | | |
| Barito Pacific | 450,000 | | | 5.1 |
| Dirgahayu | | 347,750 | ABN AMRO Bank | 5.2 |
| | | | Rabobank | |
| Fajar Surya Wisesa | | 500,000 | | 5.3 |
| Gudang Garam | | 200,000 | | 5.4 |
| Kalimanis | 525,000 | | ING Bank | 5.5 |
| Raja Garuda Mas | 1,540,000 | 600,000 | ING Bank | 5.6 |
| | | | ABN AMRO Bank | |
| Sinar Mas | 2,326,000 | 3,089,500 | Fortis Bank | 5.7 |
| | | | ING Bank | |
| **Total** | **4,841,000** | **4,737,250** | | |

# Introduction

Indonesia's 100 million hectares of forests represent ten percent of the world's remaining tropical forest cover. Today over 70% of Indonesia's original "frontier" forest (displaying original ecological features) has been lost, and the country currently loses around one million hectares of forest each year - around 1% of its remaining forests.
Indonesia is home to 10% of plant, 12% of mammal, 16% of reptile and 17% of bird species. Indonesia has the world's longest list of species threatened with extinction, including the Sumatran tiger, Asian elephant, Sumatran and Javan rhino, clouded leopard, sunbear and orangutan.[1]

The deforestation of the Indonesian forests has various causes, but it is generally acknowledged that the rapid expansion of the Indonesian oil palm and pulp & paper sectors is playing a major role. This became particularly apparent during the large forest fires of 1997/98, which Independent researchers have assessed that three million hectares of lowland forest and 1.5 million hectares of peat and swamp forest were burnt in that year. Palm oil and logging concerns were responsible for about two-thirds of the fires.[2]

The expansion drive of the Indonesian oil palm and pulp & paper sectors is to a large extent being financed by foreign capital. NGO's in Indonesia and various other countries have been campaigning foreign banks during the past few years to take their responsibility with regard to this issue.

In October 2001 three of the Dutch top-four banks - ABN AMRO Bank, Rabobank and Fortis Bank - decided to stop or substantially restrict the financing of the development of oil palm plantations and pulp and paper operations for which purposely tropical rainforest is destroyed. This policy-change was the result of strong NGO-pressure. Strengthened by this success, NGO's in Indonesia and various other countries are pressing foreign banks to follow the example of the three Dutch banks.
To offer guidance to these campaigns, WWF is publishing a series of six reports on financial institutions from the United Kingdom, Denmark, the Netherlands, Germany, Switzerland and Sweden which are financing the Indonesian oil palm and pulp & paper sectors. These reports also aim to assess the level of influence these financial institutions are having on specific companies in these sectors. This report concentrates on financial institutions from the Netherlands.

In chapter 1, we start with an explanation of the methodology used in this report to assess the influence Dutch financial institutions could have on Indonesian companies in the oil palm and pulp & paper sectors.

After a general description of the development of the oil palm sector in Indonesia in chapter 2, the Indonesian oil palm groups which have obtained financial services from Dutch financial institutions in the past ten years are described in chapter 3.

A general description of the development of the pulp & paper sector in Indonesia in chapter 4, is followed by a description of the Indonesian pulp & paper groups which have obtained financial services from Dutch financial institutions in the past ten years in chapter 5.

In chapter 6 the Dutch financial institutions which are identified in this report are described, and their influence on individual Indonesian oil palm and pulp & paper companies is assessed.

A summary of the findings of this report can be found on the first pages of this report.

# Chapter 1 Influence assessment of financial institutions

## 1.1 The financing of companies

Each company owns a certain amount of assets, which it uses to produce and sell goods and/or services. The assets of a company consist of all material and immaterial belongings of the company, including land, building, machines, cash, investments, et cetera.
These assets are financed by the capital of the company. If the company has no capital, it can not acquire assets and cannot run its business. The providers of the capital of the company - the financial stakeholders - therefore are very important, and collectively control the company.

There are two main forms of capital: equity and debt. We will describe the differences between these two forms of capital here:

- **Equity**

  Equity is the present value of the shares bought by the shareholders. The shareholders are the co-owners of the company, and this form of capital therefore participates in all the risks which are taken by the company. A shareholder buys shares at a certain value. But if the company makes profits, the present value of the shares (the equity) increases. Consequently, if the company incurs losses the equity decreases.
  Part of the increased value of the shares is paid out, in the form of dividends. But the rest is used to finance expansion. Until the shareholder sells the stock, he or she does face the risk the company goes bankrupt, in which case he or she will not get anything back for his or her investment.

- **Debt**

  Debt is the other main form of capital a company can acquire, to finance its day-to-day operations and its expansion plans. Debt (which is also called *liabilities*) is mostly provided by financial institutions, but also by trading partners and tax agencies. Different from shareholders, creditors (= the providers of debt) are not co-owners of the company. Therefore they do not participate fully in the risks the company takes. Debts are entitled to a financial reward in the form of a certain amount of interest, which the company and its creditor have laid down in the debt agreement. This amount of interest can be fixed, but can also be related to the performance of the company. In most cases, debts also have to be paid back within a certain period of time.
  When a company gets into financial difficulties, the rights of the creditors are stronger then those of the shareholders. When a company goes bankrupt, the assets of the company are in the first place used to pay off the creditors. Some of the creditors will have stronger rights, and are paid off before others. Only after all creditors have been paid off, the shareholders can claim some part of the remaining assets.
  Debt can be provided by various financial stakeholders, including private persons, financial institutions, other companies and governments. The most important categories of debt-providers (or creditors) are:

  - Banks
  - Bondholders
  - Governments (including tax agencies)
  - Trade creditors

It should be noted that not all creditors do intentionally provide capital to the company. When the company waits a few weeks or months before paying its bills or its taxes, its suppliers and the tax agency during that period become its creditors unintentionally.

Apart from these two main forms of capital - equity and debt - there are some in-between categories. The most important are the so-called *minority interests*. This is the capital provided by the outside shareholders of the not-fully-owned subsidiaries of the company. Not all subsidiaries are 100% owned by the company, but if they are majority owned by the company their assets will be regarded as belonging fully to the company. In other words: in the financial accounts of a company, all assets of its majority-owned subsidiaries are treated as assets of the company itself. In reality, a part of these subsidiary-assets are being financed by the outside or minority shareholders of these subsidiaries. This implies that the outside shareholders of the company's subsidiaries indirectly finance part of the total assets of the company. in this report, the outside subsidiary shareholders therefore are treated as a separate category of financial stakeholders.

Various financial institutions can provide various forms of capital to a company, or can assist it in acquiring various forms of capital. In the next paragraphs we will first describe the various categories of financial institutions, followed by a description of the various financial services which banks and other financial institutions can offer to companies. In the last paragraph of this chapter, we will establish criteria for the level of influence which could be exerted by the provision of these financial services.

In the following chapters of this report, we will use these criteria to assess the influence which each individual bank or financial institution can possibly exert over each of its clients in the Indonesian oil palm and pulp & paper sectors.

## 1.2 Private financial institutions

Private financial institutions (FIs) can be divided in two broad categories - banks and institutional investors - which each can provide different forms of financing to a company. Within each category, we can discern various sub-categories:

- **Banks**
  - **Commercial banks**

    Commercial banks use the saving money of individuals, organizations, institutions and companies to provide loans to other individuals, organizations, institutions and companies.

  - **Investment banks**

    Investment banks assist companies in finding the capital they need, predominantly by issuing shares or bonds to institutional and private investors. Sometimes investment banks acquire a large shareholding in a company themselves, with the intention to take over the management of the company, restructure it, and sell the shareholding at a profit.

  - **Trust banks**

    Trust banks manage the financing subsidiaries of a company in a tax haven, to reduce tax payments on international loans.

- **Private banks**

  Private banks (or asset managers) invest funds provided to them by wealthy individuals. Different from mutual funds, private banks tune their investment strategy to the wishes of the individual client.

Large international banking groups generally undertake all these different forms of banking.

- **Institutional investors**

  - **Insurance companies**

    Insurance companies invest the premiums paid by individuals and companies, to be able to pay benefits to these individuals and companies when they are confronted with damage or loss of income.

  - **Pension or retirement funds**

    Pension or retirement funds are a specific category of insurance companies, investing premiums paid by employees to be able to pay these employees benefits after their retirement.

  - **Mutual funds**

    Mutual funds invest money provided by individuals and organizations, and pay the benefits directly to these individuals and organizations. Different from insurance companies and pension funds, mutual funds don't guarantee a certain benefit.

  - **Venture and investment funds**

    Venture and investment funds invest money provided by individuals and organisations in companies, like mutual funds. But unlike mutual funds, venture and investment funds generally acquire large shareholdings in (mostly unquoted) companies, with the intention to influence or even take over the management of these companies. This is very similar to what some investment banks do.

  Together with private investors, these institutional investors are also referred to as *the capital market*. So, although banks of course do also provide capital to companies, banks are not seen as part of the capital market.

The distinction above is of course very schematic. Furthermore, it is increasingly getting blurred. In the past, legislation in most countries prohibited insurance companies from undertaking banking activities, and vice versa. And the restrictions applying to pension funds were even stricter in most countries.
But during the last two decades, these restrictions have been relaxed or abandoned altogether in most countries. So many large financial groups now have banking divisions as well as insurance divisions. Some pension funds are also beginning to undertake banking and/or insurance activities.
And regarding mutual funds: these can be managed by a bank, by an insurance company, as well as by a specialized fund manager.

## 1.3 Public financial institutions

Apart from the private financial institutions, we should also mention the public and semi-public financial institutions. Public financial institutions are generally owned by one or more states. Semi-public financial institutions are generally partly or completely privately owned, but they supply certain financial services (especially export risk guarantees) on behalf of a state. In this case, the state also bears the financial risks associated with these services. The public and semi-public financial institutions can be divided in the following categories:

- **Multilateral development banks**

  The activities of multilateral development banks like the World Bank and the Asian Development Bank are very similar to those of private commercial and investment banks. But their activities are also politically motivated, which can make a difference in the risks and conditions they are prepared to accept and the type of (public and private) companies they are prepared to invest in.

- **Development and investment banks**

  Many states have their own development and/or investment bank, which are sometimes partly privatised. Their activities are also very similar to those of commercial and investment banks. But again their activities are also politically motivated, which can make a difference in the risks and conditions they are prepared to accept and the type of (public and private) companies they are prepared to invest in.

- **Export credit agencies**

  Export credit agencies are sometimes state-owned, but sometimes they are privately owned insurance companies supplying a financial service on behalf of the state. The principal activity of export credit agencies is guaranteeing loans extended by banks to companies in foreign countries, to stimulate exports. Some export credit agencies also undertake commercial banking activities.

## 1.4 Categories of financial services

The services provided by financial institutions to a company, can be divided into three categories:

- **Services related to acquiring equity**
- **Services related to acquiring debt**
- **Other financial services**

We will discuss these three categories of financial services in the following sub-paragraphs.

### 1.4.1 Services related to acquiring equity

Financial institutions can help a company with acquiring more equity in the following ways:

- **Direct participation**

  Financial institutions can, through the funds they are managing, buy shares in a certain company. This provides the company with new equity, and gives the financial institution direct influence on the company strategy. This influence of course depends on the size of the shareholding.

- **Helping to attract equity on the stock exchange**

  Going to the stock exchange gives a company the opportunity to increase its equity by attracting a large number of new, small and big, shareholders. These shareholders can be private investors as well as institutional investors.
  When it's the first time a company offers its shares on the stock exchange, this is called an *Initial Public Offering (IPO)*. When a company's shares are already traded on the stock exchange, it can issue a *secondary offering* of additional shares.
  To arrange an IPO or a secondary offering, a company needs the assistance of one or more investment banks, who will promote the shares and find shareholders. As an IPO attracts a lot of public attention for the company as well as for the arranging investment banks, the investment banks will closely scrutinize the strategies and policies of the company, and demand adjustments if needed. The role of investment banks in this process therefore is very important.

- **Finding equity outside the stock exchange**

  Going to the stock exchange is expensive, tied to certain restrictions, and requires much transparency of the company. So especially small, starting companies, and privately-held family enterprises, will not always be able or willing to attract capital through the stock exchange. In stead, they can look for equity in an informal way, by approaching private investors, institutional investors, or other companies (e.g. a competitor). They can also ask an investment bank to help them find suitable investors.
  Many institutional investors will not be prepared to invest in companies which are not traded on any stock exchange. But some will, and some even specialize in this way of investing (the so-called *venture funds*).

### 1.4.2 Services related to acquiring debt

Financial institutions can help a company with acquiring more debt in the following ways:

- **Extending a loan**

  The easiest way to obtain debt, is to lend money. Money can be lent from individuals or other companies, but most often money is lent from a commercial bank. Institutional investors don't play an important role in this respect.
  There are several forms of loans:

- **Short-term loans**

  Short-term loans (including trade credits, current accounts, leasing agreements, et cetera) have a currency of less than a year. They are mostly used as working capital for day-to-day operations: paying materials, machines, taxes, et cetera. Short-term debts are usually provided by a single commercial bank, which does not have to ask for substantial guarantees from the company. As the company fails to pay interest or repayment, the bank can claim part of the machinery or inventory of the company. This especially the case with leasing agreements, which are earmarked for financing certain fixed assets. Working capital facilities don't have a fixed currency, but give the bank the same strong guarantees for repayment as other short-term debt.

- **Long-term loans**

  A long-term loan has a currency of at least one year, but generally of three to ten years. Long-term loans are in particular useful to finance expansion plans, which only bring rewards after some period of time. Often long-term loans are extended by a *loan syndicate*, which is a group of banks brought together by one or more *arranging banks*. The loan syndicate will only undersign the loan agreement if the company can provide certain guarantees that interest and repayments on the loan will be fulfilled. This of course gives the commercial banks in the banking syndicate a considerable influence on the company's strategies and policies.

- **Issuing bonds**

  Issuing bonds is a different way of lending money. It can be best described as cutting a large loan into small pieces, and selling each piece separately. The buyer of each bond is entitled to repayment after a certain number years, and to a certain interest during each of these years. Bonds are issued on a large scale by governments (the so-called *sovereigns*), but also by corporations (the so-called *corporates*).
  Bonds have some similarities with shares: both are *securities* traded on the stock exchange. But the owner of a bond is not a co-owner of the issuing company, he is creditor of the company. And bonds have, different from shares, a fixed income (the interest), and bonds will be paid back after a number of years. Bonds (and similar kind of securities like warrants and convertibles) are therefore called *fixed-income securities*.
  When comparing bonds with loans, bonds have some advantages. The borrower taps another source of capital (not commercial banks, but the capital market); bonds can have a much longer currency (up to 25 years) than loans; and bonds require much less reporting to the lenders. But at the other hand: to reschedule the terms and conditions of bonds when a company is getting into trouble, is very difficult. Loans are more custom-built than bonds, and easier to adapt during the currency.
  Bonds are sold on the capital market, to private investors as well as to institutional investors. Banks rarely buy any bonds. But to issue bonds, you need the assistance of one or more investment banks. This process is much alike to an IPO.

### 1.4.3 Other financial services

Apart form activities connected directly to acquiring capital (equity or debt), financial institutions do also provide some other services to production, trading and service companies. These are discussed below:

- **Fiscal planning and trust services**

  A financial institution can help a production company with facilities to plan its investments, loans, bonds, and other capital movements in a fiscal attractive way. A clear example of such a facility, is setting up, housing, and managing a financing company in a tax haven like the Netherlands. The Netherlands is a preferred country to set up financing companies, because of the clauses on so-called back-to-back loans which the Netherlands have concluded in their numerous tax treaties with other countries. A financing company lends a certain amount from a bank in The Netherlands or another country, and then on lends the same amount to its parent company for a slightly higher interest. The interest-difference is taxed in the Netherlands, but the interest paid by the parent company is free of tax in its own country.
  These kind of services, often referred to as *trust banking*, are provided by specialized trust companies as well as by trust banks.

- **Selling of assets**

  Selling of assets, either physical or financial, frees capital for the company. This makes it possible to reduce its debts and strengthen its financial position, or reinvest in other business opportunities. An investment bank can use its international contacts to help a company to sell off some assets, thereby maximizing the amount of capital which is freed for the company. In general, institutional investors will not be interested in buying the physical assets of a company. But they could be interested in buying certain financial assets of a company, the so-called *secondary debt market*.

- **Insurance facilities**

  Insurance companies offer various insurance facilities to companies, from damage done to their properties to the (political) risk that their customers will not be able to pay. For exporting companies, this last form of insurance can be particularly important.

- **Export credit guarantees**

  Export credit guarantees are a specific form of credit insurance, generally provided only by (semi-)public export credit agencies. The guarantee assures the bank that its loan will be repaid, also when the customer is not able to repay it. This reduces the risks involved, and makes it more attractive for banks to extend loans. In turn, this makes it possible for the bank to offer more attractive conditions for its loan.

- **Commodity and currency swap contracts**

  Commodity and currency swap contracts are financial services provided mostly by commercial banks to exporting customers. A commodity swap contract guarantees the exporter a fixed price for its commodity during a certain period, independent of market and exchange rate fluctuations. A currency swap contract just guarantees a company a fixed exchange rate for exchanging its export earnings in the local currency.

## 1.5 Assessing the influence of financial institutions

### 1.5.1 The present role of financial institutions

At present, many Indonesian oil palm and pulp & paper companies are in financial trouble. Their expansion process is slowed down, which is good news for the Indonesian forests and their inhabitants.
Foreign banks at this moment play a less active role in the expansion process of the Indonesian oil palm and pulp & paper sectors than they did a few years ago, although some new financing takes place. But in general, foreign banks are involved mostly in restructuring their older loans which often means extending the term of the loan.

Although many banks like to describe their present role as “just trying to get our money back”, this is only part of the truth. In the first place, there is no reason to believe that foreign banks will not play a more a active role in financing the expansion process of the Indonesian oil palm and pulp & paper sectors again in a few years time, when the financial, economic and political situation in Indonesia has stabilized.
Secondly, in many Indonesian oil palm and pulp & paper companies banks now have a very considerable influence. Continuing losses have eroded the position of the shareholders, and when they are involved in a debt restructuring process they have to negotiate with their creditors. This influence could be used by a bank to advocate changes in the policies of the company.

NGO’s in Indonesia and various other countries have been campaigning foreign banks during the past few years to take their responsibility with regard to this issue.
In the Netherlands, this campaign achieved a concrete result in October 2001 when three of the Dutch top-four banks - ABN AMRO Bank (§ 6.1), Rabobank (§ 6.12) and Fortis Bank (§ 6.6) - decided to stop or substantially restrict the financing of the development of oil palm plantations for which purposely tropical rainforest is destroyed. The three banks agreed to limit their activities in the oil palm plantation sector to companies which adhere to the following basic requirements:

- The company is not involved in burning forestland for oil palm development;
- The company is not clearing tropical rainforest for oil palm development;
- The company respects the rights and wishes of local communities;
- The company respects Indonesia's law and relevant international conventions.

The new policies of ABN Amro Bank and Fortis Bank will be applied to all investment activities that might affect valuable forests, including investments in the pulp and paper industry. But Fortis Bank will not apply the criteria on general trade financing for the oil palm and pulp and paper sectors, which is not connected to a specific company. The new policy of Rabobank is only applied to the oil palm sector.[3]

Strengthened by this success, NGO’s in Indonesia and various other countries are pressing foreign banks to follow the example of the three Dutch banks. To offer guidance to this campaign, this report aims to define which financial institutions from the Netherlands are financing the Indonesian oil palm and pulp & paper sectors, and what level of influence they are having on specific companies in these sectors.

To assess this level of influence, we will use three criteria:

- **the directness of the financial service**
- **the currency of the financial relation**
- **the financial importance of the service**

We will elaborate on these three criteria in the following sub-paragraphs.

### 1.5.2 Directness of the financial service

If a financial service is provided to a company which is exclusively engaged with Indonesian oil palm plantations or Indonesian pulp & paper production, we will call the financial service *direct*.
If the financial service is provided to a holding company which has subsidiaries in the Indonesian oil palm plantation sector or in the Indonesian pulp & paper sector, but has subsidiaries in other sectors and/or countries as well, we will call the financial service:

- *direct* if more than 50% of the sales of the holding company is derived from either Indonesian oil palm plantations or Indonesian pulp & paper production;
- *indirect* if less than 50% of the sales of the holding company is derived from either Indonesian oil palm plantations or Indonesian pulp & paper production;
- *indirect* if the financial service to the holding company clearly is directed at one or more of its subsidiaries outside the Indonesian oil palm and pulp & paper sectors. (Although in general these last kind of financial services are not included in this report.)

### 1.5.3 Currency of the financial relation

We will call the financial relation:

- *current* if at this moment a loan is outstanding, a share or bond issuance is prepared, shares or bonds are owned, or other financial services are continuously being provided;
- *finished* if a loan is repaid, a share or bond issuance is finalized, or other financial services are not longer provided.

### 1.5.4 Financial importance of the service

The financial importance of shareholdings is assessed separately, as risk-taking capital is more valuable for a company. We assess the financial importance of shareholdings as follows:

- *high* a shareholding of 10% or more;
- *medium* a shareholding between 1% and 10%;
- *low* a shareholding below 1%.

To assess the financial importance of other financial services, we relate the capital provided by the financial service to the total assets of the company. We will call the financial importance of the service:

- *high* if the capital provided amounts to more than 10% of the total assets of the company;
- *medium* if the capital provided amounts to more than 1% of the total assets of the company, but less than 10%;
- *low* if the capital provided amounts to less than 1% of the total assets of the company.

Regarding the application of this criterion, we make the following remarks:

- If the equity of the company is negative, we relate the capital provided to the total debt in stead of to the total assets;
- For loans we will look at the present amount outstanding;
- For a loan syndicate, we will look at the capital provided by each individual bank. But for the arranging banks, we will look at the total value of the loan.
- For a share or bond issuance, we will look at the amount each underwriting bank has underwritten. But for the arranging banks, we will look at the total value of the issuance.
- For the bank managing a debt restructuring process, we will look at the total amount of debt which is being restructured.
- Credit guarantees are estimated to represent 25% of the value of the credit guaranteed.

### 1.5.5 Influence assessment

Taking the three criteria together, we can assess the influence of the financial institution on the oil palm or pulp & paper company. We will call this influence:

- *strong* if the financial service is *direct*, the currency is *current*, and the importance is *high*;
- *moderate* if the financial service is *direct*, the currency is *current*, and the importance is *medium*, or
  if the financial service is *indirect*, the currency is *current*, and the importance is *high*;
- *minimal* in all other cases, where the currency is *current*;
- *finished* in all other cases, where the currency is *finished*.

We define these three levels of influence as follows:

- **Considerable influence**

  The financial institution has such a strong financial relationship with the company, that it will be able to influence the company's policies on its own.

- **Moderate influence**

  The nature and extent of the financial relationship between the financial institution and the company is such that the financial institution can assert a certain influence on the company's policies, especially when it joins forces with other banks or stakeholders.

- **Minimal influence**

  The financial relationship between the bank and the company gives the financial institution in theory some influence on the company's policies, but because of the extent and nature of the financial relationship this influence is not of practical use.

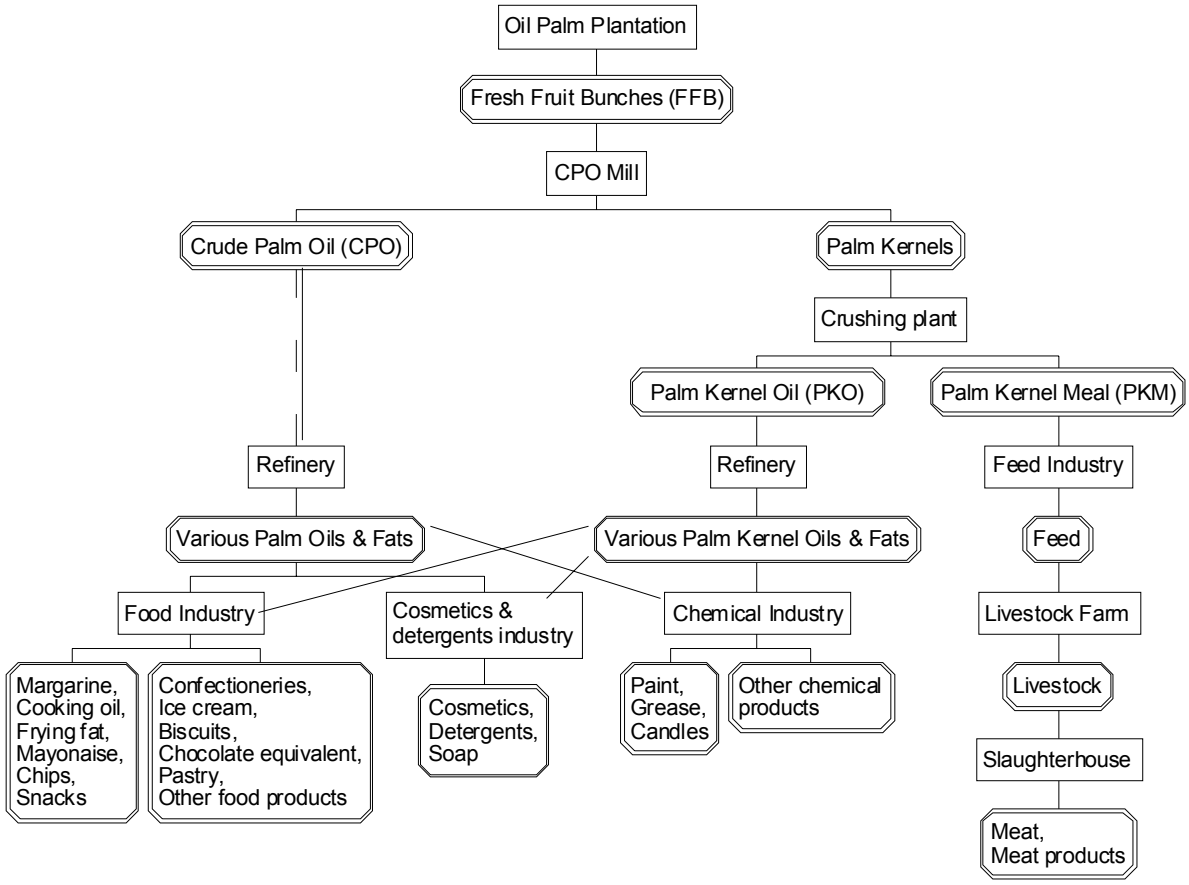
- **Finished influence**

  The ability of the financial institution to influence the company's policies, is not longer existent.

# Chapter 2 Overview of the Indonesian oil palm sector

## 2.1 The oil palm production chain

In this paragraph we will present a short description of the oil palm production chain, from palm to end-consumer.[4] The following diagram gives a schematic overview of the oil palm production chain.




The principal stages in the oil palm production chain, as shown in the figure above, will be described below.

### 2.1.1 Oil palm plantations

The oil palm (*Elaeis guineensis*) grows best in a tropical climate at latitudes between approximately ten degrees north and south of the equator. The main producing countries are Malaysia and Indonesia, followed at long distance by Nigeria, Thailand, Colombia, Papua New Guinea and Ivory Coast.

| Crude Palm Oil (CPO) production per country (in 1,000 MT) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Country** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** | **Growth** | **Share** |
| Malaysia | 7,811 | 8,386 | 9,057 | 8,315 | 10,553 | 10,840 | 39% | 50% |
| Indonesia | 4,220 | 4,540 | 5,380 | 5,100 | 6,250 | 6,950 | 65% | 32% |
| Nigeria | 660 | 670 | 680 | 690 | 720 | 740 | 12% | 3% |
| Thailand | 354 | 375 | 390 | 405 | 495 | 560 | 58% | 3% |
| Colombia | 388 | 410 | 441 | 424 | 501 | 524 | 35% | 2% |
| Papua New Guinea | 223 | 272 | 275 | 210 | 264 | 296 | 33% | 1% |
| Ivory Coast | 285 | 280 | 259 | 275 | 282 | 266 | -7% | 1% |
| Ecuador | 180 | 188 | 203 | 205 | 240 | 250 | 39% | 1% |
| Others | 1,089 | 1,161 | 1,206 | 1,224 | 1,274 | 1,371 | 26% | 6% |
| **World total** | **15,210** | **16,282** | **17,891** | **16,848** | **20,579** | **21,797** | **43%** | **100%** |

Source: Oil World Annual 2001, ISTA Mielke, Hamburg, May 2001.

The oil palm tree reaches maturity in three years, and peak production is reached after eight years. This means that investments in establishing an oil palm plantation are only earned back after a number of years, which is the main reason why many oil palm plantations look for external financing.
When the palm tree is mature, each year large bunches of palm fruits (with the size of small plums) grow in the armpits of the palm leaves. A so-called Fresh Fruit Bunch (FFB) can contain up to 2,000 individual fruits, together weighing 10 to 20 kilograms. Every oil palm tree produces several bunches per year. The yield per hectare therefore is enormous: 10 to 35 tonnes per hectare. An oil palm can be harvested for up to 20 to 30 years, after which it normally is replaced.

### 2.1.2 CPO mills

After harvesting, the Fresh Fruit Bunches (FFB) have to be processed within 24 hours, to avoid the rapid build-up of free fatty acids in the harvested fruit. This implies that the processing mills have to be located close to the production sites, which is the second reason to look for external financing for the establishment of oil palm plantations: every cluster of oil palm plantations needs its own CPO mill.
In the CPO mill, the flesh of the palm fruit is sterilised and mechanically separated from the kernel. The kernel is shipped to a crushing plant, and the fruit is mechanically pressed to extract the Crude Palm Oil (CPO). The CPO then is clarified and purified.
The average recoverable palm oil content of FFB is about 20 percent, so the CPO yield per hectare is about 2 to 7 tonnes. In Indonesia the average CPO yield in 1999 was 3.4 tonnes per hectare. This is much higher then any other oil crop in the world.[5]
The residues of the FFB (70% of the gross yield) are used as fuel and for mulching.

### 2.1.3 Crushing plants

The palm kernels are being crushed in crushing plants. These can be dedicated palm kernel crushing plants, but palm kernels can also be crushed in general oilseed crushing plants which also process soybeans and other oilseeds.

The crushing process yields two products: 45% Palm Kernel Oil (PKO) and 55% Palm Kernel Meal (PKM). One hectare of oil palms therefore yields three different basic products: CPO (3.4 tonnes per hectare), PKO (0.35 tonnes per hectare), and PKM (0.45 tonnes per hectare). The figures given are recent yield-figures for the Indonesian palm oil sector.[6]
The chemical composition of PKO is very different from CPO. Palm oil contains mainly palmitic and oleic acids and is about 50% saturated, while palm kernel oil contains mainly lauric acids and is more than 80% saturated.

### 2.1.4 Refineries

Most of the CPO as well as most of the PKO is processed further in refineries. This includes refining, bleaching, deodorizing, splitting, fractioning and hydrogenating. These processes result in numerous forms of oils and fats, each with their own chemical and physical properties. One important process is fractioning, which splits CPO or PKO in two fractions. At normal temperatures, the olein fraction is liquid and the stearin fraction is solid. Both fractions are of course used for different end-products.

### 2.1.5 Final processing industries

The different forms of oils and fats coming out of the CPO- and PKO-refineries, as well as the palm kernel meal (PKM), are being used to process a broad range of final products in four industrial sectors:

- **Food industry**

  Oils and fats derived from CPO and PKO are used in the food industry for a large variety of products, including margarine, cooking oil, frying fat, mayonnaise, chips, snacks, peanut butter, fried nuts, instant soup, confectioneries, biscuits, bakery, pastry, ice cream, coffee whitener, chocolate equivalent, and many others.
  Of all edible oils, around 80% is processed into food products.

- **Cosmetics industry**

  Oils and fats derived from CPO and PKO are used in the cosmetics & detergents industry for a large variety of products, including soap, cosmetics, detergents, and many others.

- **Chemical industry**

  Oils and fats derived from CPO and PKO are used in the chemical industry for a large variety of products, including lubricants, grease, candles, paint, and many others.

- **Compound feed industry**

  All palm kernel meal is processed and blended into compound feed for the livestock industry. Also, some of the oils and fats derived from CPO and PKO are used for compound feed, to increase its energy content.

Globally, these industries increasingly use palm oil, PKO and PKM. The global consumption of palm oil and PKO is growing faster than that of any other edible oil. In the last five years palm oil enforced its position as the second most consumed edible oil in the world, behind soybean oil. Palm oil now accounts for 19% of the total world consumption of oils and fats, and palm kernel oil adds another 3%.[7]

## 2.2 The expansion of the Indonesian oil palm sector

The first oil palms were transported form Africa to South-East Asia at the end of the 19th century. Already in the beginning of the 20th century oil palm plantations were established in Malaysia and Indonesia by the colonial powers. Since then, oil palm production has been growing at a moderate pace in both countries.
A more rapid phase of expansion started in Malaysia in the 1950s and 1960s, which turned Malaysia in the dominant oil palm producer in the world. Final processing industries in the industrialized world discovered that oil palm could be a cheap alternative for crude oil (for instance in detergents), butter (margarine), and other edible oils. World demand for palm oil therefore increased substantially.
But already in the 1980s it became apparent that the expansion opportunities of the Malaysian oil palm sector were limited. The areas suitable for plantations are limited, and labour costs are relatively high.

The Dutch colonial plantations were nationalized in 1957, after which they suffered a period of declining production. From 1968, president Suharto started to invest again in the expansion of the state-owned plantations. From 1979, the development of private plantations and smallholder estates was stimulated as well, partially with World Bank aid.[8]
As the world demand for oil palm continued to grow in a rapid pace, the Suharto regime and its cronies recognized the possibilities of further developing the oil palm sector during the 1980s. Labour costs are much lower in Indonesia, and land is available abundantly. The average cost of producing one ton of crude palm oil in Malaysia is roughly US$ 250 in Malaysia, compared to US$ 150 in Indonesia.[9]

The Indonesian government formulated the goal to overthrow Malaysia as the world's largest palm oil producer. To achieve this goal, the Indonesian acreage planted with oil palm has increased considerably during the past fifteen years. Large parts of the Indonesian forests were converted in oil palm plantations. Starting from about 600,000 hectares (ha) in 1985, the planted area reached approximately 3 million ha in 1999.[10]
As a result, the production and export of Indonesian palm oil has been increasing rapidly during the past six years. Production growth in Indonesia is stronger then in any other producing country, and an increasing percentage of production is exported.

**Indonesian production and export of palm oil (in 1,000 MT)**

| Category | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | Growth |
|---|---|---|---|---|---|---|---|
| CPO production | 4,220 | 4,540 | 5,380 | 5,100 | 6,250 | 6,950 | 65% |
| Palm oil export | 1,855 | 1,851 | 2,982 | 2,002 | 3,319 | 4,139 | 123% |

Source: Oil World Annual 2001, ISTA Mielke, Hamburg, May 2001.

In 1997, state-owned plantation companies accounted for 18% of the total planted acreage, smallholders for 32%, and private plantations for 50%. Moreover, the output of smallholders is all sold to, and processed by, the CPO mills on private plantations.
Private plantations experienced the strongest growth during the 1990s, and were planning to increase their expansion in the new millennium. Around 1995, private plantation companies had applied for the conversion of an additional 20 million ha of forest land into oil palm plantations.[11]
In 1999 it was estimated that 27 private plantation groups control 45 percent of all Indonesian oil palm plantations. Many of these plantation groups are owned by cronies of the Suharto family.[12]

## 2.3 The financing of the Indonesian oil palm expansion

To expand the Indonesian oil palm sector, huge investments were needed. Developing a new plantation often involves building a CPO mill as well, and it takes a number of years before the plantation starts producing. On average, developing a new plantation costs between US$ 2,500 and 3,500 per hectare.[13]
The Indonesian Business Intelligence Report (BIRO) in November 1999 calculated that Indonesia would need another Rp 20,000 billion (US$ 2.8 billion) in new investments in the coming five years to become the world's largest crude palm oil producer with a total annual output of 15 million tons in 2010.[14]

These huge investment costs are only partly borne by the Indonesian plantation companies. Direct investments by Malaysian plantation companies in Indonesian joint-ventures were encouraged, and especially during the mid-1990s domestic and foreign banks have been financing a large part of the expansion process. Banks from other Asian countries, from Europe, and from the United States have all played an important role.
This report deals with the financing of the Indonesian oil palm sector by banks and other financial institutions from a number of European countries. The table below presents some key figures for the business groups active in the Indonesian palm oil sector which have links with financial institutions from these countries. Most major Indonesian plantation groups are represented, as well as a number of smaller groups.

| Indonesian Palm Oil Groups with European financial links | | | | |
|---|---|---|---|---|
| **Group** | **Concession area (ha)** | **Planted area (ha)** | **Annual CPO production (tons)** | **Para-graph** |
| Anglo-Eastern | 35,087 | 17,754 | 52,300 | |
| Astra | 298,621 | 185,608 | 435,189 | 3.1 |
| Bakrie | 100,000 | 19,425 | 55,401 | 3.2 |
| Barito Pacific | 29,000 | ? | ? | 3.3 |
| Carson Cumberbatch | 17,500 | 13,800 | ? | 3.4 |
| CDC | 69,900 | ? | ? | |
| Incasi Raya & Metro | 134,304 | ? | ? | |
| Johor | 18,563 | ? | 0 | 3.5 |
| Kumpulan Guthrie | 325,000 | ? | 400,000 | 3.6 |
| LonSum, Napan & Risjadson | 355,424 | 85,506 | ? | 3.7 |
| Lyman | 193,750 | ? | ? | 3.8 |
| Oriental | 22,000 | ? | ? | 3.9 |
| Raja Garuda Mas | 453,000 | 130,000 | 600,000 | 3.10 |
| Rowe Evans | 33,491 | 23,583 | ? | |
| Salim | 227,207 | ? | 800,000 | 3.11 |
| Sinar Mas | 591,000 | 272,800 | 850,000 | 3.12 |
| Sipef | 53,000 | 29,241 | 122,764 | |
| **Total** | **2,956,847** | **777,717** | **3,315,654** | |

Note: Total figures include a considerable amount of double counting, as many plantations are owned by more than one plantation group.

Some major plantation groups for which no connections with European financial institutions were found, are listed below, including their total concession area in 1997: [15]

- Hashim 244,235 ha
- Texmaco 168,000 ha
- Surya Dumai 154,133 ha
- Duta Palma 65,800 ha

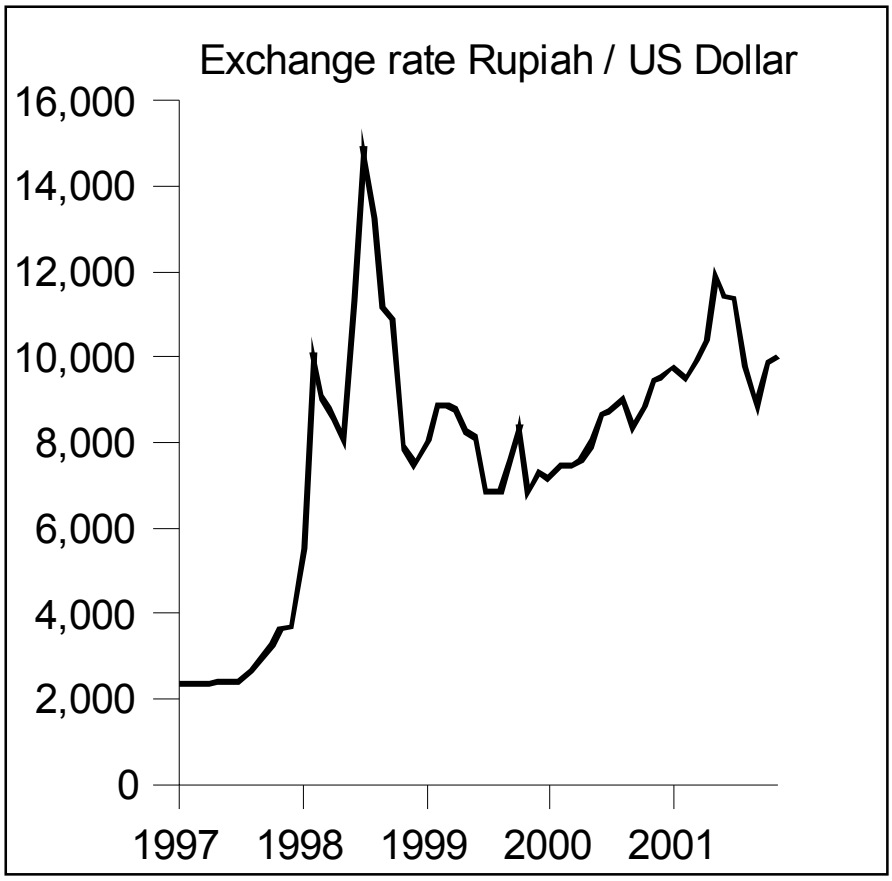
## 2.4 The slackening of the Indonesian oil palm expansion

Since 1998, the expansion of the Indonesian oil palm sector has slowed down. As many oil palm groups have ran into financial trouble, they currently lack the funds to invest much more in expanding existing plantations and opening up new ones. The slackening of the oil palm expansion is not yet visible in the CPO production figures, as it takes three years after planting before an oil palm starts producing and another five years before it reaches its full production capacity. The large number of oil palms planted before 1998, can therefore still result in strongly growing production figures in the coming few years.[16]

But behind these figures, many oil palm plantation are in financial trouble. We will shortly describe the main reasons for these financial problems here:

- **The Rupiah exchange rate**

  The so-called Asia Financial Crisis of 1997/1998, resulted in a strong devaluation of the Rupiah since the end of 1997. In June 1997, one US dollar equalled 2,432 Rupiah, but in June 1998 the exchange rate had slipped to 14,925 per dollar. At present one dollar equals Rp 9,705. The figure below shows how the dollar/rupiah exchange rate deteriorated in the past three years.[17]

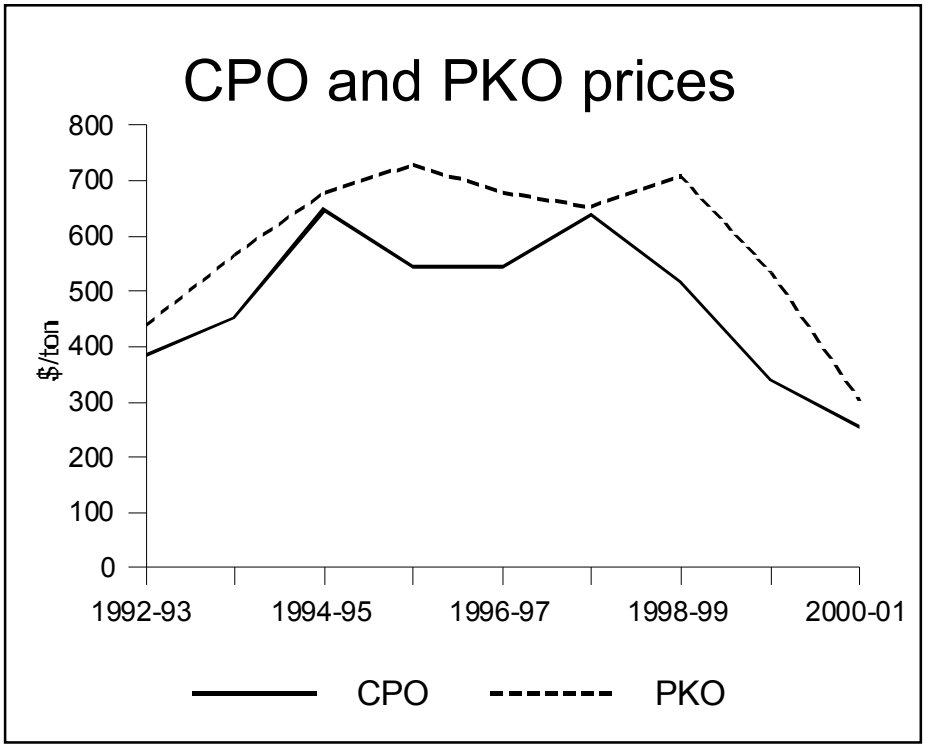



  This development had mixed consequences for the Indonesian oil palm companies. Companies exporting a large part of their production, saw their Rupiah-income rise substantially while for instance labour costs didn't rise significantly. But companies that had borrowed large sums from foreign banks, needed much more Rupiahs to pay interest and repay their debts. For companies exporting a large part of their production, this was not dramatic. But especially the companies that produced mainly for the domestic market but nevertheless had borrowed large sums from foreign banks, ran into financial trouble.

| Exchange rate Rupiah / Dollar | | |
|---|---|---|
| **Year** | **Average** | **At 31 December** |
| 1996 | 2,328.5 | 2,363.1 |
| 1997 | 2,903.5 | 5,535.0 |
| 1998 | 10,285.4 | 8,005.0 |
| 1999 | 7,876.9 | 7,150.0 |
| 2000 | 8,415.8 | 9,725.0 |
| 2001 (Jan-Oct) | 10,265.2 | (17/10) 10,027.0 |

Source: Website OANDA (www.oanda.com), October 2001.

- **The CPO price on the world market**




During the past two years the CPO and PKO prices on the world market were very low. This price trend was partly caused by the rapid expansion of CPO and PKO export from Indonesia. But for the individual Indonesian producer it means that export earnings have been much lower than expected since 1999.

| World market prices CPO and PKO (in US$ per ton, cif North West Europe) | | |
|---|---|---|
| **Year** | **CPO** | **PKO** |
| October 1992 - September 1993 | 387 | 439 |
| October 1993 - September 1994 | 450 | 566 |
| October 1994 - September 1995 | 647 | 680 |
| October 1995 - September 1996 | 545 | 729 |
| October 1996 - September 1997 | 544 | 680 |
| October 1997 - September 1998 | 640 | 653 |
| October 1998 - September 1999 | 514 | 708 |
| October 1999 - September 2000 | 338 | 533 |
| October 2000 - April 2001 | 254 | 303 |

Source: Oil World Annual 2001, ISTA Mielke, Hamburg, May 2001.

- **The CPO export ban and export tax**

  In the beginning of 1998, the Indonesian government decided to ban the export of CPO for four months. The reason for this was that most Indonesian oil palm companies since mid-1997 tried to export as much of their production as possible, as the devaluation of the rupiah and the high CPO prices on the world market offered very high returns. This resulted in shortages and accompanying price rises on the domestic market for cooking oil, which is seen as a vital commodity by most Indonesians. To diminish social unrest, the Suharto regime decided to temporarily ban the CPO export.[18]
  Oil palm plantation companies which had borrowed large sums from foreign banks, were thereby deprived from the possibility to earn foreign currency to pay interest and repay their debts.
  In April 1998, the CPO export ban was replaced by a CPO export tax of 40 percent, to compensate the price different for CPO on the domestic and world markets. Since then, this export tax has first been raised and then reduced gradually, as shown below.[19]

| Indonesian CPO export ban and export tax | | |
|---|---|---|
| **From** | **To** | **CPO export tax / ban** |
| | December 1997 | 5% |
| December 1997 | January 1998 | 30% |
| January 1998 | April 1998 | Export ban |
| April 1998 | September 1998 | 40% |
| September 1998 | February 1999 | 60% |
| February 1999 | June 1999 | 40% |
| June 1999 | July 1999 | 30% |
| July 1999 | 2000 | 10% |
| 2000 | March 2001 | 5% |
| March 2001 | | 3% |

Especially the export ban, but also the export tax have contributed to the financial troubles facing many Indonesian oil palm companies.

- **Foreign reluctance to invest in Indonesia**

Since 1998, foreign banks have shown great reluctance to invest in Indonesia, and especially in the oil palm sector. The general reluctance is caused by the economic and political instability facing the country since the financial crisis of 1997/1998. Many Indonesian companies collapsed under their debts in that period, exposing the large loans extended to them by local banks (which often belong to the same business groups). A large number of Indonesian banks ran into big financial trouble, forcing the Indonesian Bank Restructuring Agency (IBRA) to take over these banks and guarantee their loans. As a collateral, IBRA seized shareholdings in other companies from the owners of these banks. By selling these assets, IBRA tries to restructure the Indonesian banking sector, but this restructuring is still not finished.
It is also hampered by the strong political and social unrest which accompanied the end of the Suharto regime in May 1998 and the subsequent hesitating transition towards democracy. A new, stable political order has yet to emerge, which makes foreign investors shy.

The oil palm sector in particular is not very popular at this moment with foreign banks, as the loans extended in the mid-1990s have not generated the returns expected. Because of the reasons outlined above, many Indonesian oil palm companies were not able to pay interest and repay their debts in time. Many oil palm companies entered into a painful debt restructuring process, which often forced foreign banks to accept write offs on their outstanding loans. At the same time, foreign banks were faced with NGO-criticism on their role in converting the Indonesian forests into oil palm plantations. All these factors have greatly reduced the appetite of foreign banks to lend to Indonesian oil palm companies.

As an alternative to finance their expansion plans, some Indonesian oil palm companies have issued bonds on the local Indonesian market. These bonds issuances are generally managed by local banks, but sometimes foreign banks with a strong local presence are involved as well.

- **Financial problems of sister and mother companies**

  Sometimes exacerbating the financial problems of some oil palm plantation companies, are the financial problems of their sister and mother companies. Golden Agri-Resources of the Sinar Mas Group for instance is not able to use the cash deposits it had deposited at two banks also belonging to the Sinar Mas Group, as these banks have run into serious trouble themselves. And PP London Sumatra Indonesia cannot retrieve the considerable loans it had extended to its mother company Pan London Sumatra Plantation.
  Also, a number of Indonesian oil palm plantation companies has been put up for sale, as their mother companies try to raise cash to pay their own debts. This is the case with Golden Agri-Resources of the Sinar Mas Group, Astra Agro Lestari of the Astra Group, and probably also with PP London Sumatra Indonesia. A large part of the oil palm plantations of the Salim Group have already been handed over to the IBRA, and were subsequently sold to Kumpulan Guthrie Berhad. And Bakrie Sumatera Plantations is handed over to a group of Indonesian and foreign banks.

# Chapter 3 Indonesian palm oil companies

## 3.1 Astra Group

### 3.1.1 Description of the Astra Group

The Astra Group is one of Indonesia's largest business conglomerates, active in the car industry, financial services, heavy equipment, agribusiness, information technology, wood processing, electronics, consumer goods, chemicals, infrastructure, and other industries. The group has 91,000 employees in Indonesia.[20]

The Astra Group was founded by William Soeryadjaya in the 1950s, and for a long time controlled more than 50% of the Indonesian car industry. In the early 1990s, the family Soeryadjaya ran into financial trouble and lost the control of PT Astra International - the holding company of the Astra Group - to the family of ex-president Suharto and his cronies Bob Hasan (see paragraph 5.5), Prajogo Pangestu (see paragraph 3.3) and Sudono Salim (see paragraph 3.11).
But the financial crisis of 1997/1998, forced these business groups to hand over their combined shareholding of around 40% of PT Astra International to the IBRA in 1999. In March 2000, this shareholding was acquired by an investment consortium headed by Cycle & Carriage Ltd. from Singapore. In fact, the investment group Jardine Matheson from Hong Kong now is the dominant shareholder of the Astra Group.[21]

### 3.1.2 Oil palm holdings of the Astra Group

- The central holding for the oil palm interests of the Astra Group is PT Astra Agro Lestari Tbk. At the end of 2000, this company had shareholdings in oil palm plantations with a total concession area of 290,621 hectares in Sumatra, Kalimantan and Sulawesi, including 45,896 hectares of *Plasma projects*. The planted acreage amounted to 185,608 hectares, of which 158,601 hectares are mature. The company plans to expand its planted acreage of oil palms to 240,000 hectares in 2004.
  In 2000, the 14 CPO-mills of PT Astra Agro Lestari and its subsidiaries produced 435,189 tons of CPO, and 87,335 tons of palm kernels. CPO exports reached 12,725 tons. The main export markets are the Netherlands, Bangladesh and India.
  A subsidiary of PT Astra Agro Lestari, PT Eka Dura Indonesia, also owns a cooking oil factory. Production is very limited.[22]

- The Astra Group also is the dominant shareholder of the Indonesian forestry company PT Sumalindo Lestari Jaya Tbk., with a shareholding of 75.9%. The Barito Pacific Group (see paragraph 3.3) owns a shareholding of 9.5%. PT Sumalindo Lestari Jaya owns at least one oil palm plantation with a concession area of 8,000 hectares in Kalimantan.[23]

- At this moment, the Astra Group owns the following palm plantation companies in Indonesia:[24]

| Indonesian oil palm plantation companies of the Astra Group | | | | | |
|---|---|---|---|---|---|
| **Through Astra Agro Lestari** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Agro Menara Rachmat | 100.0% | | 1998 | 7,449 | Kotawaringin Barat, Central Kalimantan |
| Astra Agro Lestari | 100.0% | | | 5,052 | Aceh |
| Astra Agro Lestari | 100.0% | | | 31,530 | Jambi |
| Astra Agro Lestari | 100.0% | | | 10,019 | Riau |
| Astra Agro Niaga | 100.0% | | 1990 | 5,785 | Lembah Bhakti, South Aceh |
| Bhadra Cemerlang | 80.0% | | not yet | 12,860 | Central Kalimantan |
| Cakradenta Agung Pertiwi | 100.0% | | 2000 | 9,000 | Hulu Sungai Utara, South Kalimantan |
| Cakung Permata Nusa | 100.0% | | 1999 | 5,580 | Tabalong, South Kalimantan |
| Ciptanarada Lestari | 80.0% | | not yet | 6,970 | Central Kalimantan |
| Eka Dura Indonesia | 100.0% | | 1994 | 10,019 | Kampar, Riau |
| Gunung Sejahtera Dua Indah | 95.0% | | 1998 | 6,000 | Kotawaringin Barat, Central Kalimantan |
| Gunung Sejahtera Ibu Pertiwi | 100.0% | | 1997 | 6,000 | Kotawaringin Barat, Central Kalimantan |
| Gunung Sejahtera Puti Pesona | 95.0% | | 1999 | 6,000 | Kotawaringin Barat, Central Kalimantan |
| Gunung Sejahtera Raman Permai | 100.0% | | 2000 | 4,504 | Kotawaringin Barat, Central Kalimantan |
| Gunung Sejahtera Yoli Makmur | 95.0% | | not yet | 4,398 | Kotawaringin Barat, Central Kalimantan |
| Karya Tanah Subur | 88.8% | | 1994 | 5,327 | Meulobah, Aceh |
| Kimia Tirta Utama | 75.0% | | 1999 | 10,320 | Bengkalis, Riau |
| Laras Astra Kartika | 100.0% | | not yet | 2,939 | South Sumatra |
| Lestari Tani Teladan | 90.0% | | 1998 | 5,067 | Donggala, Central Sulawesi |
| Letawa | 100.0% | | 1995 | 16,297 | Mamuju, South Sulawesi |
| Mamuang | 100.0% | | 1997 | 13,201 | Mamuju, South Sulawesi |
| Moeis | | | 1958 | 1,072 | Asahan, North Sumatra |
| Nirmala Agro Lestari | 80.0% | | not yet | | Central Kalimantan |
| Pasangkayu | 100.0% | | 1997 | 9,319 | Mamuju, South Sulawesi |

| Indonesian oil palm plantation companies of the Astra Group | | | | | |
|---|---|---|---|---|---|
| **Through Astra Agro Lestari** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Perkebunan Lembah Bakti | 87.8% | | 1994 | 6,570 | South Aceh |
| Persada Bina Nusantara Abadi | 95.0% | | not yet | 3,876 | Kotawaringin Barat, Central Kalimantan |
| Sari Aditya Loka | 90.0% | | 1995 | 9,880 | Bangko and Bungo Tebo, Jambi |
| Sari Lembah Subur | 85.0% | | 1993 | 11,400 | Kuala Kampar, Riau |
| Sawit Asahan Indah | 100.0% | | 1997 | 7,923 | Riau |
| Sukses Tani Nusasubur | 100.0% | | 2000 | 7,937 | Pasir, East Kalimantan |
| Surya Indah Nusantara Pagi | 95.0% | | 2000 | 6,000 | Kotawaringin Barat, Central Kalimantan |
| Surya Panen Subur | 100.0% | | not yet | | Riau |
| Suryaraya Lestari | 100.0% | | 1997 | 5,575 | South Sulawesi |
| Tunggal Perkasa Plantations | 100.0% | | 1987 | 15,244 | Air Molek, Riau |
| Waru Kaltim Plantation | 100.0% | | 1995 | 7,864 | Pasir, East Kalimantan |
| **Total** | | | | **290,621** | |
| **Through Sumalindo Lestari Jaya** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Swakarsa Sinar Sentosa | | | 1996 | 8,000 | Kutai, East Kalimantan |
| **Total** | | | | **298,621** | |

### 3.1.3 Financial stakeholders PT Astra Agro Lestari Tbk.

PT Astra Agro Lestari Tbk. owns oil palm, tea, cocoa and rubber plantations in Sulawesi, Kalimantan, Java and Sumatra. In 2000, the company realised net sales of Rp 1,141.3 billion (US$ 135.6 million), of which 93.3% was attributable to its oil palm plantations.[25]

- **Capital Structure**

  At the end of 2000, PT Astra Agro Lestari and his subsidiaries owned total assets worth Rp 2,383.2 billion (US$ 245.1 million). These assets were being financed by the following stakeholders:[26]

| | | |
|---|---|---|
| • Shareholders | Rp 1,072.8 billion | 45.0% |
| • Subsidiary shareholders | Rp 42.8 billion | 1.8% |
| • Banks | Rp 609.2 billion | 25.6% |
| • Bondholders | Rp 488.4 billion | 20.5% |
| • Others | Rp 170.0 billion | 7.1% |

- **Shareholders**

  - In December 1997, PT Astra Agro Lestari was listed on the Stock Exchanges of Jakarta and Surabaya. The company offered 125.8 million shares, raising about Rp 195 billion (US$ 60 million). About 72.5 percent of the proceeds were used to expand the company's plantation areas, 10 percent for infrastructure development, 10 percent to refinance short-term debt and the remaining 7.5 percent to increase the company's working capital.
    **ABN AMRO Hoare Govett** (United Kingdom) was the lead managing underwriter for the initial public offering, while ABN AMRO Rothschild (United Kingdom) was its global coordinator and international financial advisor. ABN AMRO Hoare Govett is a subsidiary of **ABN AMRO Bank** (The Netherlands), while ABN AMRO Rothschild is a joint-venture between **ABN AMRO Bank** and NM Rothschild & Sons (United Kingdom).[27]

  - In February 2001, the dominant shareholder of PT Astra Agro Lestari was PT Astra International Tbk., with 64.67% of the shares.
    The largest outside shareholder was PT Pandu Dian Pertiwi (Indonesia), with a shareholding of 7.01%.[28]

  - In August 2001, PT Astra International announced that it is planning to sell off PT Astra Agro Lestari, to help finance its debt payments. PT Astra International is expecting to get US$ 400 million for its stake in PT Astra Agro Lestari. The Malaysian plantation company IOI Corporation Bhd. and PT Indofood Sukses Makmur Tbk. of the Salim Group (see paragraph 3.11) expressed an interest in buying PT Astra Agro Lestari.[29]

- **Banks**

  - At the end of 2000, all bank loans of PT Astra Agro Lestari were issued by Indonesian banks.[30]

- **Bondholders**

  - In March 2000, PT Astra Agro Lestari issued five year-bonds with a total value of Rp 500 billion (US$ 69 million) on the Indonesian capital market. The company used 46% of the funds to develop plantations, a palm oil processing facility, a kernel oil processing facility, a rubber factory and infrastructure including bridges and company buildings. Some 24% is used to repay part of its short term debt and 20% to strengthen its capital and that of its subsidiaries, and the remaining 10% is used to increase capital participation in a number of subsidiaries.
    The bond issuance was managed by PT Danareksa Sekuritas (Indonesia) and **ABN AMRO Bank** (The Netherlands).[31]

### 3.1.4 Financial stakeholders PT Sumalindo Lestari Jaya Tbk.

PT Sumalindo Lestari Jaya Tbk. is a logging and wood products manufacturing company. In 2000, the company realised a turnover of Rp 838.1 billion (US$ 99.6 million), of which only a small percentage is attributable to its oil palm holdings.[32]

- **Capital Structure**

  At the end of 2000, PT Sumalindo Lestari Jaya Tbk. and his subsidiaries owned total assets worth Rp 1,843.8 billion (US$ 189.6 million).
  These assets were financed by th following stakeholders: [33]

| | | |
|---|---|---|
| • Shareholders | Rp 316.1 billion | 17.1% |
| • Subsidiary shareholders | Rp 1.2 billion | 0.0% |
| • Banks | Rp 977.9 billion | 53.0% |
| • Government | Rp 250.1 billion | 13.6% |
| • Others | Rp 298.6 billion | 16.2% |

- **Shareholders**

  - PT Sumalindo Lestari Jaya Tbk. is listed on the Jakarta Stock Exchange since March 1994.

  - The dominant shareholder of PT Sumalindo Lestari Jaya Tbk. at the end of 2000 was PT Astra International Tbk., with a shareholding of 75.9%.
    The largest outside shareholder was Barito Pacific Timber Tbk. (see paragraph 3.3), with a shareholding of 9.5%.[34]

- **Banks**

  - In August 1995, PT Sumalindo Lestari Jaya secured a three-year US$ 45 million syndicated loan, for working capital purposes. Among the banks participating in the syndicate was:

    - **Rabobank** (The Netherlands - US$ 3.0 million)

    The loan matured in August 1998, but PT Sumalindo Lestari Jaya did not succeed in repaying the entire loan. In June 2000, the outstanding amount of US$ 33.75 million was restructured, and the loan became due in June 2006.
    As the company defaulted again on its interest payments after the restructuring, the outstanding amount of US$ 33.75 million now is due immediately.[35]

### 3.1.5 Financial stakeholders PT Astra International Tbk.

PT Astra International Tbk. is the holding company of the Astra Group. Its subsidiaries are active in the automotive industry, financial services, heavy equipment, agribusiness, information technology, wood processing, electronics and light industries. In 2000, Astra International realised a turnover of Rp 28,404 billion (US$ 3,375.1 million), of which around 4 percent was attributable to the agribusiness division.[36]
In this paragraph we will only look at the financing of PT Astra International in a non-consolidated way. The financing of its subsidiaries in the Indonesian oil palm sector has been treated already in the preceding paragraph, and the financing of its other subsidiaries is not relevant for this report.

- **Capital Structure**

  At the end of 1999, the holding company PT Astra International Tbk. owned total assets worth Rp 11,136.6 billion (US$ 1,557.6 million). These assets were being financed by the following stakeholders: [37]

| | | |
|---|---|---|
| • Shareholders | Rp 2,181.4 billion | 19.6% |
| • Banks | Rp 4,482.9 billion | 40.2% |
| • Bondholders | Rp 3,677.6 billion | 33.0% |
| • Others | Rp 794.8 billion | 7.1% |

- **Shareholders**

  - Astra International is listed on the Jakarta and Surabaya Stock Exchanges since April 1990.

  - Until 1993, Astra's founder William Soeryadjaya owned 76% of the shares.[38]

  - Since 1993, Astra International was controlled by the Suharto family, and their close friends Bob Hasan (see paragraph 5.5), Prajogo Pangestu (see paragraph 3.3) and Sudono Salim (see paragraph 3.11). The largest shareholder was PT Nusantara Ampera Bhakti (Nusamba), which is owned 70% by three charitable foundations controlled by Suharto, 20% by Bob Hasan and 10% by Suharto's oldest son Sigit Hardjojudanto.[39]

  - In June 1999, the Jakarta Stock Exchange put PT Astra International on the watch list for possible delisting.[40]

  - Since September 1999, the Indonesian Bank Restructuring Agency (IBRA) controlled just over 40% of PT Astra International through a combination of stakes pledged to it by Indonesian companies as repayment for outstanding loans. The Salim Group (see paragraph 3.11) pledged more than 24% of PT Astra International to IBRA, while three other companies close to ex-president Suharto pledged roughly a combined 20%.[41]

  - In March 2000, IBRA's 40% shareholding in PT Astra International was sold to an investment consortium around the car distribution company Cycle & Carriage Ltd. from Singapore. The dominant shareholder of Cycle & Carriage is the conglomerate Jardine Matheson from Hong Kong, which now also is the dominant shareholder of the Astra Group.[42]

  - At the end of July 2001, the dominant shareholder of PT Astra International was Cycle & Carriage Ltd. (Singapore), with 30.88% of the shares (and probably some other shareholdings through nominees).
    The largest outside shareholder was Toyota Motor Corporation (Japan), with 7.61% of the shares.[43]

- **Banks**

  - In October 1997, PT Astra International obtained a three-year international syndicated loan of US$ 160 million, to refinance an older loan facility. Participating in the syndicate was:

    - **ABN AMRO Bank** (The Netherlands) [44]

    The loan probably is restructured in June 1999.

  - In August 1998, PT Astra International started a debt restructuring programme, after the economic crisis in the region had hurt the company's performance. In October 1998 the company suspended principal payments.
    In June 1999, PT Astra International signed a debt restructuring agreement with its creditors and bondholders - represented by their trustees. **ABN AMRO Bank** (The Netherlands) attended as one of the seven banks in the Astra International Credit Committee (representing the creditor banks) and as one of the two trustees of the bondholders. The total debt restructured was Rp 8,799.1 billion, resulting in an presently outstanding debt of Rp 7,729.8 billion. This implies a discount of more than Rp 1,000 billion (US$ 140.8 million).[45]

  - At the end of 1999, PT Astra International reported the following long-term loans which were kept outside the debt restructuring. It is unclear if these loans are for Astra International, or for its subsidiaries:

    - two loans by **ABN AMRO Bank** (The Netherlands) with a total amount outstanding of Rp 127.3 billion (US$ 17.9 million)
    - Rp 46.0 billion (US$ 6.5 million) from of **ING Bank** (The Netherlands)[46]

- **Bondholders**

  - In August 1996, PT Astra International issued US$ 200 million guaranteed bonds, due in 2003. The bonds are listed on the Luxemburg Stock Exchange.
    The proceeds of the bonds were channelled via a financing company in The Netherlands, Astra Overseas Finance BV, to reduce tax payments. This subsidiary is managed since August 1996 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).[47]

## 3.2 Bakrie Group

### 3.2.1 Description of the Bakrie Group

The Bakrie Group is the largest business group in Indonesia owned by ethnic Indonesians. The Bakrie Group is mainly active in telecommunications, pipe manufacturing, building materials, agribusiness, coal mining, finance and property. It is controlled by the Bakrie family, headed by Aburizal Bakrie.
The organizational structure of the Bakrie Group is rather complicated, as it has five main holding companies: PT Bakrie & Brothers, PT Bakrie Finance Corporation, PT Bakrie Investindo, PT Bakrieland Development and PT Bakrie Capital Indonesia. These five holding companies have large stakes in each other, and the Bakrie family also owns direct stakes in these holding companies.[48]

### 3.2.2 Oil palm holdings of the Bakrie Group

- The main holding company for the oil palm interests of the Bakrie Group is PT Bakrie Sumatera Plantations Tbk. This company is converting part of its rubber plantations in North Sumatra to oil palm, and is developing new oil palm plantations in West Sumatra, Jambi and West Kalimantan. Its total concession are probably exceeds 100,000 hectares. At its oil palm plantations in Sumatra, the planted acreage reached 17,537 hectares at the end of 2000. Planting on oil palm plantations in Kalimantan started in 1997, and reached 1,888 hectares at the end of 2000.
  The company owns one CPO mill, and is building two new mills. Combined capacity will be 870,000 tons per year. CPO production reached 55,401 tons in 2000, and palm kernel production reached 10,968 tons.[49]

- In West Java, PT Bakrie Sumatera Plantations owns a 97.9% share of the palm oil refinery PT Kilang Vecolina since 2000.[50]

- At this moment, the Bakrie Group owns the following palm plantation companies in Indonesia: [51]

| Indonesian oil palm plantation companies of the Bakrie Group | | | | | |
|---|---|---|---|---|---|
| **Plantation company** | **% owned by BSP** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Agrowiyana | 99.9% | | 1992 | 3,500 | Tanjung Jabung, Jambi |
| Bakrie Barotoagung Pratama | | | not yet | | |
| Bakrie Pasaman Plantations | 99.4% | | 1991 | 15,200 | Pasaman, West Sumatra |
| Bakrie Sawit Prima | 99.0% | | not yet | | Ketapang, West Kalimantan |
| Bakrie Sawit Perdana | 99.0% | | not yet | | Ketapang, West Kalimantan |
| Bakrie Sawit Pratama | 99.0% | | not yet | | Ketapang, West Kalimantan |
| Bakrie Sumatera Plantations | 100.0% | | | 16,323 | Pasaman, West Sumatra |
| Bakrie Sumatera Plantations | 100.0% | | 1912 | 18,445 | Kisaran, North Sumatra |
| Misrindo Usama Perindo | | Sinar Mas | 2000 | 70,000 | Central Kalimantan |
| Patriot Andelas | 99.0% | | 1996 | 10,000 | Sanggau, West Kalimantan |
| **Total** | | | | | |

### 3.2.3 Financial stakeholders PT Bakrie Sumatera Plantations Tbk.

PT Bakrie Sumatera Plantations Tbk. is an Indonesian rubber and oil palm plantation company. It was established as a rubber plantation in 1911 by the Dutch colonial regime, under the name NV Hollandsch Amerikaanse Plantage Maatschappij. It was nationalized in 1957, and later sold to the American tyre producer Uniroyal. The company was acquired by the Bakrie Group in 1986.
In 2000, PT Bakrie Sumatera Plantations realised a turnover of Rp 357.9 billion (US$ 42.5 million).[52]

- **Capital Structure**

  At the end of 2000, PT Bakrie Sumatera Plantations and his subsidiaries owned total assets worth Rp 885.1 billion (US$ 91.0 million). These assets were being financed by the following stakeholders: [53]

  - Shareholders Rp 13.5 billion 1.5%
  - Banks Rp 693.9 billion 78.4%
  - Others Rp 177.7 billion 20.1%

- **Shareholders**

  - PT Bakrie Sumatera Plantations Tbk. is listed on the stock exchanges of Jakarta and Surabaya since March 1990.

- Since 1986, PT Bakrie & Brothers Tbk. was the dominant shareholder of PT Bakrie Sumatera Plantations. But as a result of its debt restructuring agreement in November 2000, Bakrie & Brothers had to transfer its 52.5% stake in PT Bakrie Sumatera Plantations to a special foreign company that is 95% held by 120 creditors and only 5% by Bakrie & Brothers. Among these creditors are:

  - **ABN AMRO Bank** (The Netherlands)
  - **Rabobank** (The Netherlands)

  Because of regulatory problems, the deal only becomes effective at the end of November 2001.[54]

- **Banks**

  - In October 1996, PT Bakrie Sumatera Plantations secured a US$ 75 million seven-year international syndicated loan for the development of oil palm plantations in Sanggau, West Kalimantan. The loan was arranged by Crédit Suisse (Switzerland). Among the banks participating in the syndicate was:

    - **Rabobank** (The Netherlands)

    The loan would mature in October 2003. But Bakrie Sumatera Plantations was in default since 1998, and the outstanding amount of US$ 72.6 million was restructured in October 2000. The loan is now due in the beginning of 2004.[55]

### 3.2.4 Financial stakeholders PT Bakrie & Brothers Tbk.

PT Bakrie & Brothers Tbk. is the holding company in the Bakrie Group for its subsidiaries in telecommunications, infrastructural support industries, plantations and strategic investments. Bakrie & Brothers realised a turnover of Rp 1,596.6 billion (US$ 189.7 million) in 2000. Of total turnover, 22.3% was attributable to Bakrie's plantation subsidiaries.[56]

- **Capital Structure**

  At the end of 2000, PT Bakrie & Brothers and his subsidiaries owned total assets worth Rp 9,439.3 billion (US$ 970.6 million). Its plantation subsidiaries only account for around 6% of these total assets.
  The assets of Bakrie & Brothers were being financed by the following stakeholders: [57]

| | | |
|---|---|---|
| • Shareholders | -/- Rp 1,500.5 billion | -/- 15.9% |
| • Subsidiary shareholders | Rp 138.9 billion | 1.5% |
| • Banks | Rp 5,759.5 billion | 61.0% |
| • Bondholders | Rp 2,786.3 billion | 29.5% |
| • Others | Rp 2,255.1 billion | 23.9% |

  N.B. These figures include the assets and liabilities of all subsidiaries of PT Bakrie & Brothers, including those outside the oil palm plantation sector. However, we will only mention loans given to the holding company.

- **Shareholders**

  - PT Bakrie & Brothers Tbk. is listed on the stock exchanges of Jakarta and Surabaya. [58]

- In June 1999, the Jakarta Stock Exchange put PT Bakrie & Brothers on the watch list for possible delisting.[59]

- The dominant shareholder of PT Bakrie & Brothers is the Bakrie family, through PT Bakrie Investindo and some direct shareholdings, which combine to around 65% of the shares.[60]
  Among the outside shareholders possibly still is:

  - PT Meespierson Finas Investment Management, a subsidiary of **Fortis Bank** (The Netherlands), which acquired shares of PT Bakrie & Brothers in March 1997.[61]

- Under a debt-for equity swap agreed upon in November 2000, the 120 largest creditors of Bakrie & Brothers will own 95% of the company from November 2001 (see below). [62]

- **Banks**

  - During 1997, PT Bakrie & Brothers got into deep financial trouble because of the financial crisis. The company appointed Chase Manhattan Bank (United States) as its financial adviser, and started negotiations with its major creditors to restructure its debts. [63]

  - At the end of 2000, PT Bakrie & Brothers Tbk. reported an outstanding loan facility from **Rabobank** (The Netherlands) with a maxium credit facility of US$ 8.3 million. The loan was restructured into equity in November 2000.

  - In November 2000, PT Bakrie & Brothers and its 120 creditors finally agreed on a debt restructuring plan. Under the agreement, around Rp 6,000 billion of debt of PT Bakrie & Brothers is exchanged for equity. The creditors will own 95% of PT Bakrie & Brothers, as well as 95% or 100% of four of its subsidiaries. One of these shareholdings is a 52.4% stake in PT Bakrie Sumatera Plantations. Among the creditors signing the debt agreement were:

    - **ABN AMRO Bank** (The Netherlands)
    - **Rabobank** (The Netherlands)

    Because of regulatory problems, the deal only becomes effective at the end of November 2001.[64]

- **Bondholders**

  - During 1996 and 1997, PT Bakrie & Brothers issued a number of notes on the international capital market:

    - US$ 175 million, due on 5 November 1999, but still outstanding at the end of 2000: US$ 167.8 million;
    - US$ 100 million, due on 22 March 1999, but still outstanding at the end of 2000: US$ 94.1 million;
    - ¥ 10 billion (US$ 87.0 million), due on 24 September 1999. These notes were fully repaid in September 1997;
    - ¥ 14 billion (US$ 121.8 million), due on 21 February 2000, but still outstanding at the end of 2000: ¥ 12.7 billion.

The proceeds of these notes were channelled through a financing company in The Netherlands, to reduce tax payments. This subsidiary - Bakrie International Finance Company BV - is managed since January 1996 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).
The bonds were restructured into equity in November 2000.[65]

## 3.3 Barito Pacific Group

### 3.3.1 Description of the Barito Pacific Group

The Barito Pacific Group is a large Indonesian business group, active in chemicals, forestry, wood processing, banking, plantations (see paragraph 5.1), and mining. It is controlled by Prajogo Pangestu and his family. As many business tycoons in Indonesia, Pangestu is an ethnic Chinese who based his business empire on close relations with the Suharto family. Together with members of the Suharto family, Sudono Salim (see paragraph 3.11) and Bob Hasan (see paragraph 5.5), Pangestu for a long time controlled the Astra Group (see paragraph 3.1). Together with Bambang Trihatmojo (son of ex-president Suharto) and Henry Pribadi (see paragraph 3.7) Pangestu owned Bank Andromeda, which went bankrupt in November 1997.[66]

The Barito Pacific Group ran into serious financial trouble during the financial crisis of 1997/1998. The Barito Pacific Group now is among the largest corporate debtors to the IBRA, owing 7,500 billion rupiah. Of this debt Rp 4,300 billion is connected to the ethylene plant PT Chandra Asri, which was built in the early 1990s with the backing of Marubeni (Japan) and an investment firm established by Japanese lenders. An earlier accord on restructuring the PT Chandra Asri debt was annulled by the IBRA in January 2001, after severe public criticism of the soft conditions for the Japanese participants. As an alternative, the Barito Pacific Group pledged its shareholdings in PT Tanjungenim Lestari Pulp & Paper and the plantation company PT Musi Hutan Persada. But the IBRA does not accept this offer, as these shareholdings are already pledged to other foreign creditors. In stead, IBRA has asked to pledge the holding company PT Barito Pacific Timber itself. No agreement has yet been reached.[67]

### 3.3.2 Oil palm holdings of the Barito Pacific Group

- One of the main holding companies of the Barito Pacific Group is PT Barito Pacific Timber Tbk. At the end of 1999, Barito Pacific Timber owned two oil palm plantations in Central Kalimantan which were still in the development stage.[68]

- The Barito Pacific Group also owns a 9.5% shareholding in the Indonesian forestry company PT Sumalindo Lestari Jaya Tbk. The dominant shareholder is the Astra Group, with a shareholding of 75.9% (see paragraph 3.1). PT Sumalindo Lestari Jaya owns at least one oil palm plantation with a concession area of 8,000 hectares in Kalimantan.[69]

- Other companies in the Barito Pacific Group own at least two other oil palm plantations in Riau and South Sumatra, with a combined concession area of 21,000 hectares.[70]

- At this moment, the Barito Pacific Group owns the following palm plantation companies in Indonesia: [71]

| Indonesian oil palm plantation companies of the Barito Pacific Group | | | | | |
|---|---|---|---|---|---|
| **Plantation companies** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Agropratama Suburlestari | | | not yet | | Muara Teweh, Central Kalimantan |
| Gandaerah Hendana | | | 1995 | 9,000 | Kampar and Indragiri Hulu, Riau |
| Hasil Musi Lestari | | | 1994 | 12,000 | Musi Rawas, South Sumatra |
| Swakarsa Sinar Sentosa | | Astra | 1996 | 8,000 | Kutai, East Kalimantan |
| Wahanaguna Marga Pratama | | | not yet | | Kapuas, Central Kalimantan |
| **Total** | | | | | |

### 3.3.3 Financial stakeholders Barito Pacific Timber Tbk.

In 2000, PT Barito Pacific Timber realised a turnover of Rp 1,410.6 billion (US$ 167.6 million), of which 87.5% was attributable to plywood. Of the total production of PT Barito Pacific Timber, 92.5% was exported. Its main export markets are in East-Asia (68%), the Middle East, the United States, and Europe.
The contribution of PT Barito Pacific Timber's oil palm holdings to total turnover was negligible.[72]

- **Capital Structure**

  At the end of 1999, PT Barito Pacific Timber owned assets totalling Rp 6,688.8 billion (US$ 687.8 million). Of these assets, 14.2% consisted of PT Barito Pacific Timber's 40.2% shareholding in PT Tanjungenim Lestari Pulp & Paper.
  Total assets were being financed by the following stakeholders: [73]

  - Shareholders Rp 387.4 billion 5.8%
  - Banks Rp 4,081.2 billion 61.0%
  - Bondholders Rp 396.0 billion 5.9%
  - Others Rp 1,824.2 billion 27.3%

  N.B. These figures include the assets and liabilities of all subsidiaries of Barito Pacific Timber, including those outside the oil palm plantation sector.

- **Shareholders**

  - PT Barito Pacific Timber Tbk. is listed on the Jakarta and Surabaya Stock Exchanges since October 1993.

  - At the end of 1999, the dominant shareholder of PT Barito Pacific Timber was Prajogo Pangestu, who directly and indirectly controlled 38.4% of the shares.

The largest outside shareholder was PT Tunggal Setia Pratama (Indonesia), with a shareholding of 19.2%. Probably this company is owned by Bambang Trihatmojo, one of the sons of ex-president Suharto.[74]

- In January 2001, the Barito Pacific Group was asked by the IBRA to pledge the entire company PT Barito Pacific Timber Tbk. to the IBRA, to pay for the rescheduling of the debt of the chemical company PT Chandra Asri. No agreement on this transfer has been reached yet.[75]

- **Banks**

  - In October 1997, a banking syndicate arranged by **ING Bank** (The Netherlands) extended a one-year US$ 60.0 million bridging facility to PT Barito Pacific Timber. This bridging facility was also intended to repay maturing bonds and finance PT Barito Pacific Timber's shareholding in PT Tanjungenim Lestari Pulp & Paper. It would be replaced by a bond offering on the American market in 1998, but the financial crisis of 1997/98 prevented this issuance.
    The loan matured in October 1998. As the company defaulted on the repayment, but the banking syndicate only requested for immediate repayment in 2000. In May 2001, the loan was still outstanding.[76]

  - During 1998, PT Barito Pacific Timber defaulted on all its outstanding loans and bonds. The company appointed CIBC World Markets (Canada) as financial advisor to restructure the company's debts. The company's debt which was included in the restructuring comprised of two components:

    - foreign currency loans totalling US$ 378 million
    - Rupiah bonds amounting to Rp 400 billion

    The bonds were restructured in July 2000, but an agreement on restructuring of the loans has not yet been reached.[77]

- **Bondholders**

  - In July 1997, PT Barito Pacific Timber issued Rp 400 billion five-year bonds on the Surabaya Stock Exchange. Including issuance costs, the amount raised was Rp 396.0 billion. The bonds would mature in July 2002.
    In July 2000, the bondholders agreed to an extension of the repayment schedule of the bonds to January 2007, in combination with an increase in the interest due.
    However, in January 2001 the company defaulted on the new repayment schedule and the bonds are now due inmmediately.[78]

## 3.4 Carson Cumberbatch Group

### 3.4.1 Description of the Carson Cumberbatch Group

The Carson Cumberbatch Group is a Sri Lankan conglomerate, headed by Carson Cumberbatch & Co. Ltd. The Group has interests in tourism, real estate, beer, insurance, shipping and financial and corporate services in Sri Lanka. In Malaysia and Indonesia, the Carson Cumberbatch Group is also active in oil palm plantations. [79]

### 3.4.2 Oil palm holdings of the Carson Cumberbatch Group

- The Carson Cumberbatch Group owns shareholdings in five oil palm plantations in Selangor and Perak, Western Malaysia. These plantations are all owned by Sri Lankan domiciled companies quoted on the Colombo Stock Exchange. Total acreage is 1,850 hectares.[80]

- In Indonesia, the Carson Cumberbatch Group since 1995 owns a majority stake in the oil palm plantation company PT Agro Indomas, which is developing a concession of 17,500 hectares in Central Kalimantan. Already 13,800 hectares have been planted, and 2,000 hectares are mature. The company has also built a crude palm oil processing mill, with a processing capacity of 60 tons per hour. The Carson Cumberbatch group is collaborating in this company with the CDC Group.[81]

- At this moment, the Carson Cumberbatch Group owns the following oil palm plantation companies in Indonesia: [82]

**Indonesian oil palm plantation companies of the Carson Cumberbatch Group**

| Plantation company | % owned | Other owners | Start of operations | Area (ha) | Location |
|---|---|---|---|---|---|
| Agro Indomas | 84.5% | CDC | 1996 | 17,500 | Kotawaringin Timur, Central Kalimantan |
| **Total** | | | | **17,500** | |

### 3.4.3 Financial stakeholders PT Agro Indomas

- **Capital structure**

  At this moment, PT Agro Indomas probably owns assets with a total value of around US$ 50.0 million. These assets probably are financed by the following stakeholders: [83]

  - Shareholders US$ 15.5 million 31.0%
  - Banks US$ 28.7 million 57.4%
  - Others US$ 5.8 million 11.6%

- **Shareholders**

  At the end of March 2001, the dominant shareholder of PT Agro Indomas was Shalimar Developments Sdn. Bhd. (Malaysia), with a shareholding of 84.5%. This company is jointly owned by the five Malaysian oil palm plantation companies within the Carson Cumberbatch Group.[84]

- **Banks**

  - In December 1998, **Rabobank** (The Netherlands) has extended a loan of US$ 10.8 million to PT Agro Indomas. Later, the amount was raised US$ 14.3 million. The loans is intended for the development of the oil palm plantation., and is due in December 2007.[85]

### 3.4.4 Financial stakeholders Carson Cumberbatch & Co. Ltd.

Carson Cumberbatch & Co. Ltd. and its subsidiaries active in oil palm plantations, real estate, breweries, financial and management services, investment holdings, hotels and tourism. Consolidated turn-over in the year ended at 31 March 2001 was SLRs 2,370.0 million (US$ 29.8 million), of which 74.9% was attributable to breweries and 3.9% to oil palm activities.[86]

In this paragraph we will only look at the financing of Carson Cumberbatch in a non-consolidated way. The financing of its subsidiary in the Indonesian oil palm sector has been treated already in the preceding paragraph, and the financing of its other subsidiaries is not relevant for this report.

- **Capital Structure**

  At the end of 2000, the holding company Carson Cumberbatch owned total assets worth SLRs 1,299.5 million (US$ 131.2 million). These assets were being financed by the following stakeholders: [87]

| | | |
|---|---|---|
| • Shareholders | SLRs 855.3 million | 65.8% |
| • Banks | SLRs 432.2 million | 33.3% |
| • Others | SLRs 12.0 million | 0.9% |

- **Shareholders**

  - Carson Cumberbatch & Co. Ltd. is listed on the Colombo Stock Exchange since 1967.[88]

  - The controlling shareholders of Carson Cumberbatch & Co. Ltd. are the three Sri Lankan banks DFCC Bank, National Development Bank and Bank of Ceylon.[89]

## 3.5 Johor Group

### 3.5.1 Description of the Johor Group

The Johor Group is a large Malaysian conglomerate, headed by the Johor Corporation (JCorp). This is the investment arm of Johor State, one of the thirteen federal Malaysian states. The Johor Group is engaged in plantations, chemicals, healthcare and property development.[90]

### 3.5.2 Oil palm holdings of the Johor Group

- The central holding for the oil palm interests of the Johor Group is Kulim (Malaysia) Bhd. This company owns oil palm plantations in Malaysia, Papua New Guinea and Indonesia, with a total acreage of 69,175 hectares:

    - In Malaysia, Kulim (Malyasia) owns oil palm plantations with a total planted acreage of 28,208 hectares. CPO production reached 126,341 tons in 2000.

    - In Papua New Guinea, Kulim (Malaysia) owns an 80% share of the oil palm plantation company New Britain Palm Oil (NBPO). This company has a total concession area of 36,770 hectares, of which 24,196 hectares is planted with oil palms. NBPO produced 180,955 tons of CPO in 2000.

    - In Indonesia, Kulim (Malaysia) owns a 60% share in three Indonesian palm oil plantation companies with a total acreage of 18,563. These plantations are not yet mature. In these plantations, Kulim is collaborating with the Risjadson Group (see paragraph 3.7).[91]

- Kulim (Malaysia) also holds minority shares in two British companies belonging to the Rowe Evans Group, which themselves own oil palm plantations in Indonesia and Malaysia:

    - Bertam Holdings Plc (4.40%)
    - Rowe Evans Investments Plc (1.51%) [92]

- Apart from Kulim, Johor Corporation does own a number of other oil palm plantations in Malaysia. The company claims to own interests in oil palm plantations with a total acreage of 150,000 hectares in Malaysia, Papua New Guinea and Indonesia.[93]

- In September 2000, Johor Corporation announced that the governor of Jambi (Sumatra), Zulkifli Nurdin, had invited the company to invest in the oil palm sector in Jambi. Johor Corporation has expressed its interest.[94]

- At this moment, the Johor Group owns the following palm plantation companies in Indonesia:[95]

| Indonesian oil palm plantation companies of the Johor Group | | | | | |
|---|---|---|---|---|---|
| **Plantation company** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Multrada Multi Maju (former name: Prima Agronusantara Abadi) | 60.0% | Risjadson | 1992 | 7,005 | Lahat, South Sumatra |
| Padang Bolak Jaya (former name: Prima Agroindustri Sejati) | 60.0% | Risjadson | 1992 | 7,006 | Lahat, South Sumatra |
| Trimitra Panquest Plantation | 60.0% | Risjadson | | | |
| **Total** | | | | **18,563** | |

### 3.5.3 Financial stakeholders Kulim (Malaysia) Berhad

Kulim (Malaysia) Berhad is active in oil palm, rubber, coconut, and bananas plantations, rubber products and oleochemicals, property development and hotels. In 2000, Kulim realised total sales of RM 868.2 million (US$ 228.5 million), of which 56% was attributable to its plantation operations (mainly oil palm).[96]

$^{S}_{H}$ **Capital Structure**

At he end of 2000, Kulim (Malaysia) Berhad and his subsidiaries owned total assets worth RM 3,588.4 million (US$ 944.3 million). These assets were being financed by the following stakeholders: [97]

| | | |
|---|---|---|
| • Shareholders | RM 2,275.1 million | 63.4% |
| • Subsidiary shareholders | RM 172.7 million | 4.8% |
| • Banks | RM 977.5 million | 27.2% |
| • Others | RM 163.1 million | 4.5% |

- **Shareholders**

  - Kulim (Malaysia) Berhad is listed on the stock exchange of Kuala Lumpur since 1975.

  - The dominant shareholder of Kulim (Malaysia) is Johor Corporation (Malaysia), with 52.25% of the shares in May 2000.
    The largest outside shareholder is the Employees Provident Fund Board (Malaysia), with 6.73% of the shares. [98]

- **Banks**

  - To finance the acquisition of NBPO, Kulim (Malaysia) in October 1996 secured a US$ 100 million syndicated three-year loan facility, arranged by OCBC Bank (Singapore). Among the participants in the syndicate were:

    $^{S}_{H}$ **Rabobank** (The Netherlands)
    $^{S}_{H}$ **ING Bank** (The Netherlands)

    The loan was paid off in December 1999.[99]

- In July 1997, OCBC Bank (Singapore) arranged a seven-year US$ 80 million loan for Kulim (Malaysia). The funds would be used for refinancing and for investments into the development of oil palm plantations and crude palm oil processing mills in Indonesia, in connection to its subsidiary PT Trimitra Panquest Plantation. The loan is due in September 2003. The amount outstanding at the end of 2000 was US$ 76.25 million.[100]

$^{S}_{H}$ In December 1999, Kulim (Malaysia) secured a loan facility of US$ 68 million from OCBC Bank (Singapore) and Standard Chartered Bank (United Kingdom). This loan is intended to refinance the October 1996 loan. The loan is due in June 2005. The amount outstanding at the end of 2000 was US$ 68 million.[101]

### $^{S}_{H}$ Other financing activities

$^{S}_{H}$ In May 1999, Kulim (Malaysia) announced that it would list NBPO on the Australian Stock Exchange and the Port Moresby Stock Exchange in July 1999. Kulim would sell its entire 80% stake, because it needed the money to pay off its debts. The float would be managed globally by **Rabobank** (The Netherlands), and Macquarie Equities Capital Markets (Australia).[102]
In July 1999, Kulim (Malaysia) had to withdraw the proposed IPO of NBPO, because of reduced interest of foreign investors in the stock. This was caused by the political turmoil in Papua New Guinea after the forced resignation of prime minister Bill Skate in July 1999.[103]

## 3.6 Kumpulan Guthrie Group

### 3.6.1 Description of the Kumpulan Guthrie Group

Kumpulan Guthrie Berhad was established in 1821, and is one of the oldest plantation groups in Malaysia. Kumpulan Guthrie Berhad has developed into one of the leading conglomerates in South East Asia. The principal activities of the Group are plantations, rubber manufacturing and property development.[104]

### 3.6.2 Oil palm holdings of the Kumpulan Guthrie Group

- Kumpulan Guthrie owns 110,000 hectares of oil palm plantations in Malaysia, of which 95,609 hectares are planted. The company produced 323,2310 tons of CPO in 2000.[105]

- In 1995, Kumpulan Guthrie acquired 60,000 hectares of oil palm concessions in Sumatra, of which now 12,188 hectares are planted. The concessions are managed by PT Guthrie Pecconina Indonesia, which is 70 percent owned by Kumpulan Guthrie.[106]

- In November 2000, Kumpulan Guthrie acquired from PT Holdiko Perkasa shareholdings in 25 oil palm plantation companies formerly belonging to the Salim Group (see paragraph 3.11). The plantations have a total area of more than 265,000 hectares, and are located in Sumatra, Kalimantan, and Sulawesi.
  Kumpulan Guthrie paid a total sum of Rp 3,900 billion (US$ 422 million).[107]
  The shareholdings (of 100% or less) are held by four holding companies:

  - PT Salim Sawitindo
  - PT Bhaskara Multipermata
  - PT Minamas Gemilang
  - PT Anugerah Sumbermakmur

  Of the 25 shareholdings acquired by Kumpulan Guthrie, twenty are majority holdings. The companies are now renamed PT Minamas Plantations. The five other shareholdings are minority shares in oil palm plantation companies which are majority owned by PT Indofood Sukses Makmur Tbk., which belongs to the Salim Group (see paragraph 3.11).[108]

- In June 2001, Kumpulan Guthrie announced it is targeting for its Indonesian plantations to produce 600,000 tonnes of CPO annually by 2003. The company plans to invest US$ 150 million over the next three to four years to further expand the plantations' infrastructure.[109]

- At this moment, the Kumpulan Guthrie Group owns the following palm plantation companies in Indonesia:[110]

| Indonesian oil palm plantation companies of the Kumpulan Guthrie Group | | | | | |
|---|---|---|---|---|---|
| **Through Minamas Plantations** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Aneka Inti Persada | 100.0% | | 1996 | 12,367 | Bengkalis, Riau |
| Bahari Gembira Ria | 99.0% | | 1997 | 19,648 | Batang Hari, Jambi |
| Bersama Sejahtera Sakti | 84.8% | | 1988 | 14,000 | Kota Baru, South Kalimantan |
| Bhumireksa Nusasejati | 91.8% | | 1997 | 25,806 | Kateman, Riau |
| Bina Sains | 94.8% | | 1995 | 6,513 | Musi Rawas, South Sumatra |
| Cibaliung Tunggal | 21.6% | Salim | 1989 | 4,816 | Bengkalis, Riau |
| Gunung Mas Raya | 21.6% | Salim | 1992 | 12,000 | Bengkalis, Riau |
| Indotruba Tengah | 50.0% | Tri Usaha Bhakti | 1996 | 10,000 | Kotawaringin, Central Kalimantan |
| Indriplant | 21.6% | Salim | 1989 | 6,360 | Indragiri Hulu, Riau |
| Kridatama Lancar | 100.0% | | not yet | 7,598 | Kotawaringin, Central Kalimantan |
| Ladangrumpun Suburabadi | 100.0% | | not yet | 44,967 | Kusan Hulu and Kusan Hilir, South Kalimantan |
| Laguna Mandiri | 88.6% | | 1996 | 14,715 | Kota Baru, South Kalimantan |
| Lahan Tani Sakti | 86.8% | | 1993 | 5,000 | Bengkalis, Riau |
| Langgeng Muaramakmur | 87.1% | | 1996 | 14,500 | Kota Baru, South Kalimantan |
| Paripurna Swakarsa | 93.5% | | 1997 | 12,129 | Kota Baru, South Kalimantan |
| Perkasa Subur Sakti | 100.0% | | 1998 | 0 | Pereulak, East Aceh |
| Perusahaan Perkebunan dan Pertanian | 75.5% | | 1986 | 7,969 | Kuala Simpang, East Aceh |
| Sajang Heulang | 100.0% | | not yet | 5,291 | Kusan Hulu and Kusan Hilir, South Kalimantan |
| Salim Ivomas Pratama | 20.0% | Salim | 1994 | 21,656 | Bengkalis, Riau |
| Serikat Putra | 21.6% | Salim | 1992 | 11,911 | Pelawan, Riau |
| Sri Kuala | 75.5% | | 1986 | 1,218 | Kuala Simpang, East Aceh |
| Swadaya Andika | 88.1% | | 1998 | 11,250 | Kota Baru, South Kalimantan |

| Indonesian oil palm plantation companies of the Kumpulan Guthrie Group | | | | | |
|---|---|---|---|---|---|
| **Through Minamas Plantations** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Tamaco Graha Krida | 90.0% | | 1995 | 15,000 | Poso, Central Sulawesi |
| Teguh Sempurna | 100.0% | | not yet | 6,974 | Mentaya Hulu, Central Kalimantan |
| Tunggal Mitra | 60.0% | Inkopad | 1995 | 13,000 | Bengkalis, Riau |
| **Total** | | | | **265,000** | |
| **Other plantation companies** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Guthrie Pecconina Indonesia | 70.0% | | 1995 | 60,000 | Palembang, South Sumatra |
| **Total** | | | | **325,000** | |

### 3.6.3 Financial stakeholders Kumpulan Guthrie Berhad

In 2000, Kumpulan Guthrie realised a turnover of RM 1,597.9 million (US$ 420.5 million), of which 24.4% was attributable to its oil palm interests. [111]

#### $^{S}_{H}$ Capital Structure

At the end of 2000, Kumpulan Guthrie Berhad and his subsidiaries owned total assets worth RM 6,490.7 million (US$ 1,708.1 million). These assets were being financed by the following stakeholders: [112]

| | | |
|---|---|---|
| • Shareholders | RM 2,321.9 million | 35.8% |
| • Subsidiary shareholders | RM 1,311.2 million | 20.2% |
| • Banks | RM 2,339.9 million | 36.1% |
| • Others | RM 517.7 million | 8.0% |

#### $^{S}_{H}$ Shareholders

$^{S}_{H}$ Kumpulan Guthrie Berhad is listed on the Kuala Lumpur Stock Exchange since 1989.

$^{S}_{H}$ The main shareholder of Kumpulan Guthrie at the end of 2000 was Permodalan Nasional Berhad, with a shareholding of 41.83%. This company is controlled by the Malyasian state.
The biggest outside shareholder was Sekim Amanah Saham Bumiputera from Malaysia, with a 27.2% shareholding.[113]

## Banks

In December 2000, Kumpulan Guthrie obtained a loan of RM 1.5 billion (US$ 394.7 million) from a syndicate of Malaysian banks to finance the acquisition of the Salim oil palm plantations. A member of this syndicate was:

- **ABN AMRO Bank** (The Netherlands)

The loan is due in December 2009.[114]

## Bondholders

In June 2001, Kumpulan Guthrie announced it planned the issuance of international Islamic bonds worth US$ 400 million (RM1.5 billion). The bonds would be denominated in dollars and would be targeted at Islamic investors in West Asia. The bonds would be used to repay the syndicated loan of December 2000. In October 2001 the issuance was postponed because of the downturn in world financial markets after the terrorist attacks in the United States of 11 September. The financial adviser for the bond issuance is **ABN AMRO Bank** (The Netherlands).[115]

## 3.7 LonSum, Napan and Risjadson Groups

### 3.7.1 Description of the LonSum, Napan and Risjadson Groups

The LonSum Group is one of the oldest and largest plantation groups in Indonesia, established in 1906 by the British company Harrisons and Crosfield. Presently, the LonSum Group is mainly active in oil palm plantations, but owns also rubber, cocoa, tea and coffee plantations. In July 1994, Harrisons and Crosfield sold the holding company of the LonSum Group - PT Perusahaan Perkebunan London Sumatra Indonesia Tbk. - to the Napan Group and the Risjadson Group. These are two smaller Indonesian business groups, which also own their own oil palm plantations.[116]

The Napan Group is active in forestry, hotels, trading, telecom, tyres, plantations and chemicals. The group is founded by the Pribadi family. But among the shareholders of the group are also members of the Risjad family and Bambang Trihatmodjo, one of the sons of ex-president Suharto. The Napan Group also has close ties with the Barito Pacific Group (see paragraph 3.3).
The complete Napan Group is under control of the Indonesian Bank Restructuring Agency (IBRA) since the spring of 1999, and is unlikely to remain in the hands of its original owners.[117]

The Risjadson Group is active in banking, transport, real estate, aluminium, plantations, power production, petrochemicals, healthcare, and paper and pulp. The Risjadson group is controlled by the Risjad family, which also has close ties to the Salim Group (see paragraph 3.11).[118]

### 3.7.2 Oil palm holdings of the LonSum, Napan and Risjadson Groups

$^{S}_{H}$ At the end of 1999, PT PP London Sumatra Indonesia and its subsidiaries owned 22 plantations in Sumatra, Java, Sulawesi and Kalimantan, with a total land bank of 166,600 hectares. Additionally, the company is developing 58,500 hectares for smallholders under the so-called *Plasma program* funded by the government. The total concession are therefore is 225,100 hectares.
At the end of 1999, PT PP London Sumatra Indonesia had developed 85,506 hectares as plantations. Of these, 61,665 hectares were planted with oil palm (of which 20,203 hectares under the *Plasma program*). The total area of mature oil palms amounted to 43,117 hectares (including the *Plasma program*).
At the end of 1998, Lonsum operated 17 processing facilities which include palm oil mills, rubber factories, cocoa, coffee, tea and seed processing plants.[119]

$^{S}_{H}$ Apart from LonSum, the Risjadson Group owns a number of oil palm plantations in Sumatra and Kalimantan. In developing some of these oil palm plantations, the Risjadson Group is collaborating with the Johor Group (see paragraph 3.5).[120]
Through its shareholding in First Pacific Company Ltd., the Risjad family also has an indirect interest in the oil palm plantations of the Salim Group (see paragraph 3.11).

$^{S}_{H}$ Apart from LonSum, the Napan Group is developing other oil palm plantations as well, through its holding company PT Nawa Panduta.[121]

- The following table provides an overview of the oil palm plantation companies which belong to the LonSum, Napan and Risjadson Groups. The ownership percentages refer to shareholdings held by the respective holding companies at present.[122]

| Indonesian oil palm plantation companies of the LonSum, Napan and Risjadson Groups | | | | | |
|---|---|---|---|---|---|
| **Owned by Napan & Risjadson Groups** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Dwi Reksa Usaha Perkasa | 100.0% | | 2000 | 24,000 | Musi Rawas, South Sumatra |
| Gelora Mahapala | | | | | East Kalimantan |
| London Sumatra International | | | | | East Kalimantan |
| Pan London Sumatra Plantation | | | | 6,000 | South Sumatra |
| PP London Sumatra Indonesia | 49.0% | | | 24,000 | South Sumatra |
| PP London Sumatra Indonesia | 49.9% | | 1903 | 40,650 | North Sumatra |
| **Total** | | | | **225,100** | |
| **Owned by Napan Group** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Panca Tirta Budi Agung | | | | 8,612 | South Sumatra |
| Sibulan Plantation | | | | 1,429 | North Sumatra |
| **Owned by Risjadson Group** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Arta Prigel | | | | 3,000 | South Sumatra |
| Delima Makmur | | | 1993 | 12,057 | South Aceh |
| Multrada Multi Maju | 40.0% | Johor | 1992 | 7,005 | Lahat, South Sumatra |
| Padang Bolak Jaya | 40.0% | Johor | 1992 | 7,006 | Lahat, South Sumatra |
| Perjapin Prima | | | | 2,342 | South Sumatra |
| Pinang Witmas Sejati | | | 1986 | 14,000 | Musi Banyuasin, South Sumatra |
| Risjad Sumber Kirana | | | 1997 | 18,000 | Kutai, East Kalimantan |
| Sisirau | | | 1996 | 3,412 | East Aceh |
| Trimitra Panquest | 40.0% | Johor | | | |
| Trimitra Sumber Perkasa | | | 1994 | 15,461 | Lahat, South Sumatra |
| Windu Nabatindo Pratana | | | 1997 | 20,500 | Kutai, East Kalimantan |

| Indonesian oil palm plantation companies of the LonSum, Napan and Risjadson Groups | | | | | |
|---|---|---|---|---|---|
| Windu Nabatindo Lestari | | | 1997 | 17,500 | Kotawaningin, East Kali-mantan |
| **Total** | | | | **355,424** | |

### 3.7.3 Financial stakeholders PT PP London Sumatra Indonesia Tbk.

PT Perusahaan Perkebunan London Sumatra Indonesia Tbk. is the central holding company of the LonSum Group. The company - which is usually called LonSum - realised a turnover in 2000 of Rp 542.4 billion (US$ 64.5 million), of which around 75% was attributable to its oil palm plantations.[123]

#### [sH] Capital structure

At the end of June 2001, PT PP London Sumatra Indonesia and his subsidiaries owned total assets worth Rp 1,474.7 billion (US$ 129.4 million). These assets were being financed by the following stakeholders: [124]

- Shareholders -/- Rp 821.2 billion -/- US$ 72.0 million -/- 55.7%
- Banks, bondholders a.o. Rp 2,295.9 billion US$ 201.4 million 155.7%

Although it is unclear which percentages are financed separately by banks, bondholders and other creditors, it is very clear that all creditors jointly finance the company. Continuing losses have resulted in a negative shareholders' equity.
Additionally, it should be mentioned that a total claim of US$ 92.9 million deriving from early terminated forward contracts (see below), is not included in these figures. The actual debt of LonSum therefore is US$ 294.3 million.

#### [sH] Shareholders

[sH] In July 1996, PT PP London Sumatra Indonesia Tbk. was listed on the Jakarta and the Surabaya Stock Exchanges. LonSum offered 38.8 million new shares to the public, raising Rp 180.4 billion (US$ 76.8 million). The company allocated US$ 26 million for debt repayment, US$ 24 million for an expansion project in South Sumatra, and the rest to strengthen its working capital.
The share offering was managed by the state-owned securities company PT Danareksa, and 32 underwriters were involved. Among these were:

[sH] **ABN AMRO Hoare Govett** (United Kingdom / The Netherlands)
[sH] **ING Barings** (United Kingdom / The Netherlands)[125]

[sH] At the end of June 1999, PT PP London Sumatra Indonesia seemed to succeed in finding new capital to keep the company alive. Lazard Asia Investment from Hong Kong planned to pay up to US$ 105 million for 486.5 million new shares in the company, which would give it a 50.05% shareholding. Lazard Asia Investment is part of the Lazard Group, which is jointly owned by three investment houses based in London, Paris and New York.[126]
In December 1999, the deal collapsed. After a due diligence procedure Lazard was not willing anymore to pay the US$ 105 million agreed upon in June 1999, but PT Pan London Sumatra Plantation (the majority shareholder) did not accept a lower offer.[127]

- The Jakarta Stock Exchange in July 1999 put LonSum on the watch list for possible delisting.[128]

- At the end of 2000, the main shareholders of LonSum were:

  - PT Pan London Sumatra Plantation 47.23%
  - Commerzbank (Germany) 5.83%
  - Happy Cheer Ltd. 2.70%
  - Others (less than 5% each) 44.24%

  Both PT Pan London Sumatra Plantation and Happy Cheer Ltd. are controlled by Andry Pribadi of the Napan Group, Ibrahim Risjad of the Risjadson Group, and Henry Liem. With a combined shareholding of 49.93%, PT Pan London Sumatra Plantation and Happy Cheer clearly are the dominant shareholders of LonSum. In the next paragraph we will look into the capital structure of PT Pan London Sumatra Plantation.[129]

- In August 2001, PT Indofood Sukses Makmur Tbk. of the Salim Group (see paragraph 3.11) expressed an interest in buying LonSum.[130]

- **Banks**

  - In November 1994, the acquisition of LonSum was financed by a joint five-year loan to PT Pan London Sumatra Plantation and LonSum of US$ 183.5 million, arranged by Citicorp (United States), Commerzbank (Germany) and **Rabobank** (The Netherlands). The part of the loan which was meant for LonSum amounted to US$ 42 million. The loan was refinanced in May 1996. Among the 22 banks in the syndicate were:

    - **ABN AMRO Bank** (The Netherlands)
    - **Indover Bank** (The Netherlands)
    - **Nationale Investeringsbank** (The Netherlands)
    - **Rabobank** (The Netherlands) [131]

  - In May 1996, LonSum and PT Pan London Sumatra Plantation signed the completion of a loan syndication of US$ 197 million term loan facilities, which would be used partly to finance the development of a new oil palm plantation in Palembang (South Sumatra), and partly to repay the November 1994 syndicated loan.
    The tranche for LonSum amounted to US$ 132 million, and was due in May 2001. The loan was arranged by HSBC (United Kingdom), UBS (Switzerland), Development Bank of Singapore, **Rabobank** (The Netherlands) and Commerzbank (Germany). Banks involved in the syndicate were:

    - **Nationale Investeringsbank** (US$ 6.7 million - The Netherlands)
    - **Rabobank** (US$ 13.4 million - The Netherlands)[132]

    Since November 1997, LonSum did not make any repayment or interest payment on this loan. The bank syndicate in February 1999 declared the outstanding principal amount of US$ 122 million due, as well as the deferred interest of US$ 15.6 million. This total amount is still outstanding.[133]

  - In January 1997, LonSum entered into a US$ 2.9 million lease agreement for financing the purchase of fixed assets with PT **Rabo** Finance Indonesia. This loan is probably still outstanding.[134]

$^{S_H}$ During 1998, LonSum ran into big trouble. Firstly, because of the government ban on CPO exports from January 1998 to April 1998, which deprived the company of dollar revenues. The export ban was replaced by an export tax of 40% in April 1998, which was raised to 60% in July 1998. This of course also hurt earnings. The CPO export tax was lowered again to 40% in February 1999, to 30% in June 1999, and to 10% in July 1999.[135]
Because of the CPO export ban and taxes, LonSum did not earn enough foreign currencies to meet its debt obligations. In April 1998 LonSum was forced to appoint HSBC Investment Bank Plc. (United Kingdom) as coordinator of its debt restructuring with external creditors.[136]

$^{S_H}$ The second problem was formed by a number of forward contracts the company had entered into in 1996 and 1997 with Crédit Agricole (France), UBS Bank (Switzerland) and Citicorp (United States). As the exchange rate of the rupiah dropped dramatically since the end of 1997, LonSum was not able to fulfill its obligations under these contracts. Accordingly, during 1998 Citicorp, Crédit Agricole Indosuez and UBS early terminated the contracts and claimed a total of US$ 92.9 million from LonSum. These claims are still outstanding, and are not included in the official debt of the company.[137]

$^{S_H}$ As the debt restructuring activities of HSBC had apparently failed, LonSum appointed Crédit Suisse First Boston (Switzerland) in June 1999 as its financial advisor to restructure its debts. The mandate for Crédit Suisse was renewed in February 2000. The debt restructuring is still not finalised.[138]

$^{S_H}$ **Bondholders**

$^{S_H}$ In October 1997, LonSum issued the following promissory notes:

| | | |
|---|---|---|
| • UBS Bank (Switzerland) | US$ 15 million | due April 1998 |
| • Citibank (United States) | US$ 10 million | due July 1998 |
| • Indozuez (France) | US$ 10 million | due April 1998 |
| • LTCB (Japan) | US$ 5 million | due December1998 |

The issuance of the notes to UBS was channelled via a financing company in The Netherlands, LonSum Finance BV, to reduce tax payments. This subsidiary is managed by **ABN AMRO Bank** (The Netherlands) since October 1997.
In 1999, the notes of LTCB were transferred to Schroder & Co. (United Kingdom). And apparently the notes of UBS were transferred to Bankers Trust, which is now a subsidiary of Deutsche Bank (Germany).
All notes are still outstanding at this moment.[139]

### 3.7.4 Financial stakeholders PT Pan London Sumatra Plantation

In July 1994, LonSum was sold by Harrisons and Crosfield to the Indonesian company PT Pan London Sumatra Plantation for US$ 273 million. Shortly afterwards, 25% of the LonSum shares were transferred to Happy Cheer Ltd. PT Pan London Sumatra Plantation retained the other 75% of the shares. Together PT Pan London Sumatra Plantation and Happy Cheer have been the dominant shareholder of LonSum since then, although their respective shareholdings have changed.[140]

$^{S_H}$ **Capital structure**

At this moment, PT Pan London Sumatra Plantation is estimated to own assets with a total value of US$ 120 million.

### Shareholders

Both PT Pan London Sumatra Plantation and Happy Cheer Ltd. are owned by Andry Pribadi of the Napan Group, Ibrahim Risjad of the Risjadson Group, and Henry Liem.[141]

### Banks

In July 1994, PT Pan London Sumatra Plantation obtained a bridge facility of US$ 183.5 million to finance the acquisition of LonSum. This bridge facility was arranged by Citicorp (United States), Commerzbank (Germany) and **Rabobank** (The Netherlands). The bridge facility was replaced by a syndicated loan in November 1994.[142]

In November 1994, the bridge facility was re-financed by a joint five-year loan to PT Pan London Sumatra Plantation and LonSum of US$ 183.5 million, arranged by Citicorp (United States), Commerzbank (Germany) and **Rabobank** (The Netherlands). The part of the loan which was meant for PT Pan London Sumatra Plantation amounted to US$ 141.5 million. This loan was refinanced in May 1996. Among the 22 banks in the syndicate were:

- **ABN AMRO Bank** (The Netherlands)
- **Indover Bank** (The Netherlands)
- **Nationale Investeringsbank** (The Netherlands)
- **Rabobank** (The Netherlands) [143]

In May 1996, LonSum and PT Pan London Sumatra Plantation signed the completion of a loan syndication of US$ 197 million term loan facilities, which would be used partly to finance the development of a new oil palm plantation in Palembang (South Sumatra), and partly to repay outstanding debt (the November 1994 syndicated loan).
The tranche for PT Pan London Sumatra Plantation amounted to US$ 65 million, and was refinanced again in November 1996. The loan was arranged by HSBC (United Kingdom), UBS (Switzerland), Development Bank of Singapore, **Rabobank** (The Netherlands) and Commerzbank (Germany). Banks involved in the syndicate were:

- **Nationale Investeringsbank** (US$ 3.3 million - The Netherlands)
- **Rabobank** (US$ 6.6 million - The Netherlands)[144]

In November 1996, PT Pan London Sumatra Plantation refinanced its US$ 65 million syndicated loan of May 1996 by a US$ 65 million five-year loan. This new loan was arranged by HSBC (United Kingdom), Bayerische Vereinsbank (Germany), Crédit Lyonnais (France) and **Rabobank** (The Netherlands). The loan was due in November 2001, but was possibly refinanced in September 1997.
Banks participating in the syndicate were:

- **Rabobank** (US$ 7.0 million - The Netherlands) [145]

In September 1997, PT Pan London Sumatra Plantation secured a US$ 213 million syndicated loan from 29 banks to finance new palm oil plantations and possibly to refinance the November 1996 loan. The loan was arranged by HSBC Investment Bank Plc. (United Kingdom).[146]

The loan was channelled through a financing company in The Netherlands, Pan London Sumatra Finance BV. This financing company is managed since September 1997 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).[147]

$^{S}_{H}$ In May 1999, LonSum's Annual Report for 1998 revealed for the first time that PT Pan London Sumatra Plantation and Happy Cheer had borrowed a total of Rp 249.5 billion from the company, and had not been able to repay.[148]

## 3.8 Lyman Group

### 3.8.1 Description of the Lyman Group

The Lyman Group is a diversified Indonesian business group formerly known as the Satya Djaya Raya Group. The group is controlled by the Lyman family.

### 3.8.2 Oil palm holdings of the Lyman Group

$^{S}_{H}$ The Lyman Group owns a number of oil palm plantations in West Kalimantan, with a total area of around 200,000 hectares. In developing at least two plantations, the Lyman Group is collaborating with the Raja Garuda Mas Group (see paragraph 3.10).[149]

$^{S}_{H}$ At this moment, the Lyman Group owns the following oil palm plantation companies in Indonesia:[150]

| **Indonesian oil palm plantation companies of the Lyman Group** | | | | | |
|---|---|---|---|---|---|
| **Plantation company** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Bontipermai Jayaraya | | | 1997 | 80,000 | Sintang, West Kalimantan |
| Kalimantan Bina Permai | | Raja Garuda Mas | 1995 | 30,750 | Sanggau, West Kalimantan |
| Kalimantan Sanggar Pusaka | | Raja Garuda Mas | 1990 | 69,000 | Sanggau, West Kalimantan |
| Sinar Dinamika Kapuas | | | 1994 | 14,000 | West Kalimantan |
| **Total** | | | | **193,750** | |

### 3.8.3 Financial stakeholders PT Kalimantan Sanggar Pusaka

$^{S}_{H}$ **Capital structure**

At this moment, PT Kalimantan Sanggar Pusaka probably has total assets with a value of around US$ 70 million. These assets probably are financed by the following stakeholders:[151]

| | | |
|---|---|---|
| • Shareholders | US$ 30.0 million | 42.9% |
| • Banks | US$ 36.0 million | 51.4% |
| • Others | US$ 4.0 million | 5.7% |

$^{S}_{H}$ **Shareholders**

$^{S}_{H}$ PT Kalimantan Sanggar Pusaka is owned jointly by the Lyman Group, the Raja Garuda Mas Group (see paragraph 3.10), and the International Finance Corporation.[152]

## $^{S}_{H}$ Banks

$^{S}_{H}$ In November 1996, PT Kalimantan Sanggar Pusaka was provided with a financing package of US$ 41 million by the International Finance Corporation (United States), to finance its expansion plans. IFC's financing package consists of an equity investment of US$ 15 million, a US$ 20 million loan for its own account and a syndicated loan of US$ 6 million for the account of Banque Bruxelles Lambert (Belgium). Banque Bruxelles Lambert is a subsidiary of **ING Bank** (The Netherlands) since 1998.
IFC also assisted PT Kalimantan Sanggar Pusaka in raising US$ 10 million from Deutsche Entwicklungs Gesellschaft (DEG - Germany).
The present status of the loans is unknown.[153]

## 3.9 Oriental Group

### 3.9.1 Description of the Oriental Group

The Oriental Group is a Malaysian conglomerate, which is mainly active in manufacturing and distributing cars and auto components. Other activities include real estate, hotels, financial services, and oil palm and rubber plantations. The central holding company of the group is Oriental Holdings Berhad.[154]

### 3.9.2 Oil palm holdings of the Oriental Group

- In Malaysia, the Oriental Group owns an unknown acreage of oil palm plantations.

- In Indonesia, the Oriental Group owns shareholdings in two oil palm plantation companies, with a total concession area of 35,900 hectares in Southern Sumatra, and a crude palm oil mill.[155]

- The following table provides an overview of the oil palm plantation companies which at present belong to the Oriental Group. [156]

| **Indonesian oil palm plantation companies of the Oriental Group** | | | | | |
|---|---|---|---|---|---|
| **Plantation companies** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Gunung Maras Lestari | 46.7% | | 1997 | 22,000 | South Sumatra |
| Gunungsawit Binalestari | 46.7% | | | 13,900 | South Sumatra |
| **Total** | | | | **35,900** | |

### 3.9.3 Financial Stakeholders PT Gunung Maras Lestari

- **Capital structure**

  At this moment, PT Gunung Maras Lestari is estimated to own assets with a total value of US$ 50 million.

- **Shareholders**

  - The dominant shareholder of PT Gunung Maras Lestari is Selasih Pertama Sdn. Bhd., with a shareholding of 46.7%.
    Selasih Pertama Sdn. Bhd. is an investment company which is 50.5% owned by Oriental Holdings Berhad.[157]

### Banks

In April 1997, PT Gunung Maras Lestari obtained a syndicated bank loan of Rp 80 billion (US$ 34.1 million), to develop its oil palm plantation and palm oil mill. The loan was arranged by the Sumitomo Bank (Japan). Among the banks participating in the syndicate was:

**Rabobank** (The Netherlands): Rp 40 billion (US$ 17.1 million)

The loan is due in April 2002. The present status is unknown.[158]

## 3.9.4 Financial Stakeholders Oriental Holdings Berhad

In 2000, Oriental Holdings Berhad realised a turnover of RM 2,832.7 million (US$ 745.4 million). Of this turnover, 93% was attributable to activities in the car sector, and less than 5% to its plantation activities.[159]

### Capital structure

At the end of 2000, Oriental Holdings Berhad and his subsidiaries owned total assets worth RM 3,297.1 million (US$ 867.7 million). These assets were being financed by the following stakeholders: [160]

| | | |
|---|---|---|
| • Shareholders | RM 2,369.9 million | 71.9% |
| • Subsidiary shareholders | RM 204.2 million | 6.2% |
| • Banks | RM 358.2 million | 10.9% |
| • Others | RM 364.8 million | 11.1% |

### Shareholders

Oriental Holdings Berhad is listed on the Kuala Lumpur Stock Exchange since 1964. [161]

In April 2001, the dominant shareholder of Oriental Holdings was Boon Siew Sdn. Bhd. from Malaysia, with a 43.0% shareholding. This is a Malaysian property development group.
The largest outside shareholder is the Malaysian Employees Provident Fund Board, with a 8.3% shareholding. [162]

## 3.10 Raja Garuda Mas Group

### 3.10.1 Description of the Raja Garuda Mas Group

The Raja Garuda Mas group is a large Indonesian business group, active in agribusiness, forestry, pulp & paper (see paragraph 5.6), steel, chemicals, finance, trading, mining, property and services. Total assets of the Raja Garuda Mas Group were estimated at Rp 15,500 billion in 1998. The group is ultimately owned by Sukanto Tanoto and his family. Tanoto is an ethnic Chinese businessman, who changed his name from Tan Kang Ho.[163]

### 3.10.2 Oil palm holdings of the Raja Garuda Mas Group

- $S_H$ PT Asian Agri is the holding company for the oil palm business of the Raja Garuda Mas Group in Southeast Asia. Outside Indonesia, Asian Agri is also an integrated palm oil producer in the Philippines, while in China it has obtained a licence to build, own and operate a refinery. In Malaysia, Asian Agri currently has a trading and engineering services business to support the palm oil industry. The company is looking at expansion into Burma and Vietnam.[164]

- $S_H$ The Raja Garuda Mas Group currently owns 56 palm oil plantations in Sumatra, with a planted area of around 130,000 hectares. The Group has a total concession area of more than 543,000 hectares in Indonesia: more than 150,000 hectares in Sumatra, 79,000 hectares in Central Kalimantan and 314,000 hectares in Irian Jaya.
  The Group operates 14 CPO mills in Sumatra, which produced over 600,000 tonnes of CPO in 2000. The Raja Garuda Mas Group expects to produce one million tonnes of CPO in 2003.[165]

- $S_H$ A large part of the oil palm holdings of the Raja Garuda Mas Group in Sumatra seems to be co-owned by the Salim Group (see paragraph 3.11). Their joint-venture PT Inti Indosawit Subur operated 108,000 hectares of oil palm plantations and 13 CPO-mills in Sumatra in 1997, with a combined annual production of 500,000 tonnes CPO. The company planned to double its CPO output by the year 2000, and began opening up 92,000 hectares of oil palm estates in Central Kalimantan.[166]

- $S_H$ Together with the Lyman Group (see paragraph 3.8), the Raja Garuda Mas Group owns at least two oil palm plantation companies on Kalimantan.[167]

- $S_H$ The Raja Garuda Mas Group owns two refineries in Indonesia, located in North Sumatra and in Jakarta. These refineries have a combined capacity of over 280,000 tonnes of CPO per annum. Asian Agri is constructing a new 1,500 tonnes per day refinery at Dumai in Riau. Once the refinery at Dumai comes on stream in 2002, the Group's total refining capacity will be over 780,000 tonnes of CPO per annum. [168]

- $S_H$ At this moment, the Raja Garuda Mas Group owns the following oil palm plantation companies in Indonesia: [169]

| Indonesian oil palm plantation companies of the Raja Garuda Mas Group | | | | | |
|---|---|---|---|---|---|
| **Plantation companies** | **% owned** | **Other own-ers** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Andalas Inti Estate | | | 1996 | 2,088 | Labuhan Batu, North Sumatra |
| Archipelago Timur Indah | | | 1997 | 50,000 | Poso, Central Sulawesi |
| Asian Agri Plantation | | | | | |
| Dasa Anugerah Sejati | | | 1989 | 9,077 | Tanjung Jabung, Jambi |
| Gunung Melayu | | | 1983 | 10,375 | Asahan, North Sumatra |
| Hari Sawit Jaya | | | 1981 | 11,777 | Labuhan Batu, North Sumatra |
| Inti Indosawit Sejahti | | | | | |
| Inti Indosawit Subur | | Salim | | 10,565 | Indragiri Hulu and Bengkalis, Riau |
| Inti Indosawit Subur | | Salim | | 29,300 | Jambi |
| Inti Indosawit Subur | | Salim | | 3,062 | North Sumatra |
| Inti Indosawit Subur | | Salim | | 92,000 | Central Kalimantan |
| Kalimantan Ria Sejahtera | | | 1998 | 50,000 | Kuala Kepuas, Central Kalimantan |
| Kalimantan Bina Permai | | Lyman | 1995 | 30,750 | Sanggau, West Kalimantan |
| Kalimantan Sanggar Pusaka | | Lyman | 1990 | 69,000 | Sanggau, West Kalimantan |
| Mitra Unggul Pusaka | | | 1993 | 10,320 | Kampar, Riau |
| Nusa Pusaka Kencana | | | | 1,019 | North Sumatra |
| Raja Garuda Mas Plantations | | | | | |
| Rantau Sinar Karsa | | | 1991 | 4,366 | Labuhan Batu, North Sumatra |
| Saudara Sedjati Luhur | | Salim | 1970s | 2,319 | Asahan, North Sumatra |
| Supra Matra Abadi | | | 1987 | 9,747 | Rantau Prapat, North Sumatra and Kampar, Riau, and Tanjung Jabung, Jambi |
| Tunggal Yunus Estate | | | 1995 | 5,000 | Kampar, Riau |
| Warnasari Nusantara | | | | 15,087 | Riau |
| **Total** | | | | **415,852** | |

### 3.10.3 Financial stakeholders PT Asianagro Lestari

PT Asianagro Lestari is one of the oil palm holding companies of the Raja Garuda Mas Group. Its exact relationship with PT Asian Agri and PT Inti indosawit Subur is unknown. Asianagro Lestari reported an annual turnover of US$ 100 million in 1997, and claimed its turnover is growing at 15 percent annually.[170]

- **Capital structure**

  At this moment, PT Asianagro Lestari is estimated to own assets with a total value of US$ 150 million.

- **Shareholders**

  - PT Asian Agri probably is the dominant shareholder of PT Asianagro Lestari. [171]

- **Banks**

  - In April 1997, PT Asianagro Lestari raised a US$ 95 million (Rp 220 billion) five-year term loan, arranged by **Rabobank** (The Netherlands). PT Asianagro Lestari would use some US$ 80 million of the money raised to repay domestic borrowing, and US$ 15 million for expansion purposes. The expansion plans included constructing additional crude palm oil mills and developing its oil palm plantations. The company aimed to raise its production of 600,000 tonnes of crude palm oil per year to more than one million tonnes by 2000.
    The bank syndicate included 11 banks, among which were:

    - **Rabobank** (The Netherlands - US$ 16.0 million)
    - **ING** Bank (The Netherlands - US$ 10.0 million)

    The loan will mature in April 2002, but the present status is unknown. According to the original repayment scheme, at present US$ 44 million would be outstanding.[172]

### 3.10.4 Financial stakeholders PT Inti Indosawit Subur

PT Inti Indosawit Subur is a joint oil palm holding company of the Raja Garuda Mas Group and the Salim Group (see paragraph 3.11). Its exact relationship with PT Asian Agri and PT Asianagro Lestari is unknown.

- **Capital structure**

  At this moment, PT Inti Indosawit Subur is estimated to own assets with a total value of US$ 400 million.

- **Shareholders**

  - PT Inti Indosawit Subur is owned jointly by the Raja Garuda Mas Group and the Salim Group (see paragraph 3.11).[173]

### Banks

Since September 1997, PT Inti Indosawit Subur owns the financing company Asian Agro International BV in The Netherlands, to reduce tax payments on international loans. At the end of 1999, this subsidiary had not yet undertaken any activity. It is managed since September 1997 by MeesPierson Trust, a subsidiary of **Fortis Bank**.[174]

### Bondholders

In June 1997, Inti Indosawit Subur issued two series of bonds worth US$ 100 million and US$ 200 million to UBS (Switzerland). The bonds were originally due in April and June 1998, but were renewed in 1998. US$ 20 million was repaid, US$ 100 million is due in June 2003, and US$ 180 million is due in December 2003. Outstanding at the end of 1999 was US$ 280 million.
The proceedings of the bonds were channelled as a loan to Inti Indosawit Subur via the financing company Inti Indosawit International BV in The Netherlands, to reduce tax payments. This subsidiary is managed since May 1997 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).[175]

## 3.10.5 Financial stakeholders PT Kalimantan Sanggar Pusaka

### Capital structure

At this moment, PT Kalimantan Sanggar Pusaka probably owns assets with a total value of around US$ 70 million. These assets probably are financed by the following stakeholders:[176]

| | | |
|---|---|---|
| • Shareholders | US$ 30.0 million | 42.9% |
| • Banks | US$ 36.0 million | 51.4% |
| • Others | US$ 4.0 million | 5.7% |

### Shareholders

PT Kalimantan Sanggar Pusaka is owned jointly by the Raja Garuda Mas Group, the Lyman Group (see paragraph 3.8), and the International Finance Corporation.[177]

### Banks

In November 1996, Kalimantan Sanggar Pusaka was provided with a financing package of US$ 41 million by the International Finance Corporation (United States), to finance its expansion plans. IFC's financing package consists of an equity investment of US$ 15 million, a US$ 20 million loan for its own account and a syndicated loan of US$ 6 million for the account of Banque Bruxelles Lambert (Belgium). Banque Bruxelles Lambert is a subsidiary of **ING Bank** (The Netherlands) since 1998.
IFC also assisted Kalimantan Sanggar Pusaka in raising US$ 10 million from Deutsche Entwicklungs Gesellschaft (DEG - Germany).
The present status of the loans is unknown.[178]

## 3.11 Salim Group

### 3.11.1 Description of the Salim Group

Until the economic crisis of 1998, the Salim Group was the largest private business group in Indonesia. The group generated US$ 20 billion in annual sales, and comprised 500 companies with 200,000 employees. The Salim Group accounted for 5 percent of Indonesia 's economic output, and was active in the food industry, the car industry, building materials, property, telecommunications, banking and trading.
The Salim Group was founded by the Chinese immigrant Liem Sioe Liong, who later changed his name to Sudono Salim. Liem was one of the closest friends and business partners of ex-president Suharto. The group is still controlled by the Salim family, and is now headed by Sudono's son Anthony. Other important stakeholders in parts of the Salim Group are the family of ex-president Suharto and the Pribadi family (see paragraph 3.7).[179]
Together with the Suharto family and its close friends Bob Hasan (see paragraph 5.5) and Prajogo Pangestu (see paragraph 3.3), the Salim Group for a long time also controlled the Astra Group (see paragraph 3.1).[180]

During the financial and political crisis of 1998, PT Bank Central Asia (BCA) - the main bank in the Salim Group and the largest private bank in the country - ran into serious trouble. Firstly, many companies in the Salim Group were not able to repay the loans supplied to them by BCA. Then followed the resignation of president Suharto, whose family owned 30% of BCA, and riots that left the Jakarta home of Salim-patriarch Liem Sioe Liong in ruins. These events triggered a run on the bank, with many of its 8 million depositors trying to withdraw their money within one week.
The government feared BCA's collapse would destroy what remained of the banking system. By large government loans, the Indonesian Bank Restructuring Agency (IBRA) tried to keep BCA alive. As a consequence, IBRA was left with a claim of Rp 53,000 billion (US$ 5.9 billion) on the Salim Group.
To pay off this debt, the Salim Group at the end of 1998 turned over shareholdings in 108 companies to the IBRA, including its shareholding in BCA. The IBRA parked these Salim holdings under the umbrella of PT Holdiko Perkasa, which at this moment has sold more than half of these companies to third parties.
Although the Holdiko sales raised more than Rp 10,000 billion (US$ 851.7 million) so far for the government, the IBRA wants the Salim group to hand over more shareholdings as these proceeds are not sufficient to pay off its debt.[181]

Clearly, the Salim Group has survived the financial crisis only by downgrading. Nevertheless, it remains one of the largest business groups in Indonesia, with extensive holdings in the rest of Southeast Asia. Its most important holding company is First Pacific Company Ltd. in Hong Kong.

### 3.11.2 Oil palm holdings of the Salim Group

$^{S}_{H}$ The Salim Group used to be a major owner of oil palm plantations in Indonesia. It started its activities in the oil palm plantation business in a joint-venture with the Sinar Mas Group (see paragraph 3.12), which was later dismantled. Since 1983, the Salim Group intensively cooperated with the Raja Garuda Mas Group (see paragraph 3.10) in developing palm oil plantations in North Sumatra, Jambi and Riau.[182]
But at the end of 1998, the Salim Group had to transfer shareholdings in 25 oil palm plantations in Sumatra, Kalimantan and Sulawesi to the IBRA. The total acreage of these plantations is 260,000 hectare.

In November 2000, Holdiko sold these plantations to the Malaysian company Kumpulan Guthrie Berhad (see paragraph 3.6), for Rp 3,400 billion (US$ 368 million).[183]

- Also in November 2000, Holdiko sold a majority stake in PT Salim Oleochemicals, a group of seven marketing- and production companies in Indonesia, Singapore, Germany and the United States. PT Salim Oleochemicals produces intermediary products for the detergent and personal care industries, based upon palmoil. The Indonesian investment group PT Bhakti Investama did pay US$ 131 million for Salim Oleochemicals.[184]

- These disposals do not mean that the Salim Group has left the oil palm business completely. Through the Indonesian company PT Indofood Sukses Makmur Tbk. - a subsidiary of First Pacific Company - the group still owns oil palm plantations and processing companies:

  - PT Indofood Sukses Makmur owns 80% of the shares of PT Salim Ivomas Pratama, which in turn owns a majority share in four other plantation companies. These oil palm plantation companies own a total acreage of 59,094 hectares in Riau, of which 53,530 hectares were planted at the end of 2000. Its six CPO mills produced 302,000 tons of CPO in 2000. The Kumpulan Guthrie Group (see paragraph 3.6) now owns minority shareholdings in these five plantations.

  - PT Indofood Sukses Makmur owns 80% of the shares of PT Intiboga Sejahtera, which is the largest producer of cooking oil, margarine and shortening in Indonesia. Intiboga has a processing capacity of 651,000 tons of CPO per year, and is supplying companies like Unilever and Nabisco.[185]

- As only 45 percent of its CPO need currently is sourced from its own oil palm plantations, PT Indofood Sukses Makmur has the intention to expand its oil palm plantation holdings. Therefore the company also submitted a bid for the former oil palm plantations of the Salim Group, when these were offered for sale by Holdiko in the fall of 2000. But the prospect of the Salim Group buying back its own plantations, raised a lot of criticism in Indonesia. The coordinating minister of economic affairs, finance and industry, Rizal Ramli, decided that the Salim Group could not buy back its former holdings, as long as its debt to the IBRA was not paid off. PT Indofood Sukses Makmur consequently withdrew its bid, and the plantations went to Kumpulan Guthrie (see paragraph 3.6).[186]

- In May 2001, PT Indofood Sukses Makmur agreed to acquire a 30% shareholding in Golden Agri-Resources for US$ 97.6 million from its majority shareholder Asia Food & Properties, belonging to the Sinar Mas Group (see paragraph 3.12). Subsequently, PT Indofood Sukses Makmur would increase its shareholding in Golden Agri-Resources to over 50%. **ING Barings** (United Kingdom / The Netherlands) is advising on this deal.
  But in August 2001, PT Indofood Sukses Makmur announced that it had called off the deal, since the financial troubles of the Sinar Mas Group made a due diligence procedure impossible.
  PT Indofood Sukses Makmur at the same time announced that the company was looking at PT Astra Agro Lestari (see paragraph 3.1), PT PP London Sumatra Indonesia Tbk. (see paragraph 3.7), PT Bakrie Sumatera Plantations Tbk. (see paragraph 3.2), and PT Socfin Indonesia as possible acquisition targets. PT Indofood Sukses Makmur aims to achieve greater control of the supply of crude palm oil used to make noodles and produce edible oils. Analysts believe that PT Astra Agro Lestari is PT Indofood Sukses Makmur's main target.[187]

$^{S_H}$ Apart from PT Indofood Sukses Makmur, the Salim Group also is a co-owner of the oil palm plantation holding company PT Inti Indosawit Subur, together with the Raja Garuda Mas Group (see paragraph 3.10). The Salim Group has intensively cooperated with the Raja Garuda Mas Group in developing oil palm plantations in North Sumatra, Jambi and Riau since 1983.
In 1997, PT Inti Indosawit Subur operated 108,000 hectares of oil palm plantations and 13 CPO-mills in Sumatra, with a combined annual production of 500,000 tonnes CPO. The company planned to double its CPO output by the year 2000, and began opening up 92,000 hectares of oil palm estates in Central Kalimantan.[188]

$^{S_H}$ The following table provides an overview of the oil palm plantation companies which at present belong to the Salim Group.[189]

**Indonesian oil palm plantation companies of the Salim Group**

| Plantation companies | % owned | Other owners | Start of operations | Area (ha) | Location |
|---|---|---|---|---|---|
| Bumi Permai Lestari Persada | | | | 25,806 | Riau |
| Cemerlang Abadi | | | | 7,412 | Aceh |
| Cibaliung Tunggal | 78.4% | Kumpulan G. | 1989 | 4,816 | Bengkalis, Riau |
| Gunung Mas Raya | 78.4% | Kumpulan G. | 1992 | 12,000 | Bengkalis, Riau |
| Indriplant | 78.4% | Kumpulan G. | 1989 | 6,360 | Indragiri Hulu, Riau |
| Inti Indosawit Subur | | Raja Garuda Mas | | 10,565 | Indragiri Hulu and Bengkalis, Riau |
| Inti Indosawit Subur | | Raja Garuda Mas | | 29,300 | Jambi |
| Inti Indosawit Subur | | Raja Garuda Mas | | 3,062 | North Sumatra |
| Inti Indosawit Subur | | Raja Garuda Mas | | 92,000 | Central Kalimantan |
| Salim Ivomas Pratama | 80.0% | Kumpulan G. | 1994 | 21,656 | Bengkalis, Riau |
| Saudara Sedjati Luhur | | Raja Garuda Mas | 1970s | 2,319 | Asahan, North Sumatra |
| Serikat Putra | 78.4% | Kumpulan G. | 1992 | 11,911 | Pelawan, Riau |
| **Total** | | | | **227,207** | |

### 3.11.3 Financial stakeholders PT Indofood Sukses Makmur Tbk.

PT Indofood Sukses Makmur Tbk. is one of the largest Indonesian food companies with a turnover of Rp 12,702 billion (US$ 1,306 million) in 2000. Its products account for approximately 90 percent of Indonesia's instant-noodles market, 80 percent of the wheat-flour market, 54 percent of the market for branded cooking oils, and 66 percent of the margarine and fats market. Other products are baby foods, snack foods, suces and seasonings and biscuits.
The company has factories in Java, Sumatra, Sulawesi and Kalimantan. Around 14 percent of total sales is exported, to a total of 36 countries.
With an annual sales volume of some 9 billion packs, it is one of the world's largest instant noodles manufacturers. CPO accounts for some 13 percent of the ingredients used for manufacturing instant noodles. Combined with its large production volumes of cooking oil and margarine, PT Indofood Sukses Makmur without doubt is the largest Indonesian consumer of CPO. But only 45 percent of its CPO need is sourced from its own oil palm plantations.[190]

#### Capital structure

At the end of 2000, PT Indofood Sukses Makmur and his subsidiaries owned total assets worth Rp 12,555 billion (US$ 1,291 million). These assets were being financed by the following stakeholders:[191]

| | | |
|---|---|---|
| • Shareholders | Rp 3,059 billion | 24.4% |
| • Subsidiary shareholders | Rp 634 billion | 5.0% |
| • Banks | Rp 5,713 billion | 45.5% |
| • Bondholders | Rp 976 billion | 7.8% |
| • Others | Rp 2,173 billion | 17.3% |

Of the total assets of PT Indofood Sukses Makmur, only Rp 1,799 billion (14.3%) is attributable to its oil palm plantations. This means that the capital provided by the various stakeholders is not necessarily related to Indofood's oil palm plantations. [192]

#### Shareholders

PT Indofood Sukses Makmur Tbk. is listed on the Jakarta and Surabaya Stock Exchanges since July 1994. [193]

Early 1999, the Salim family owned more than 60% of PT Indofood Sukses Makmur. This shareholding was largely sold during 1999 and 2000:

- In June 1999, 40% was sold to First Pacific for US$ 650 million. **ING Barings** Securities (United Kingdom / The Netherlands) acted as advisor on the deal.[194]
- In July 1999, 12.5% was sold to undisclosed buyers at a total price of Rp 1.9 trillion (US$ 285 million). Arranging the sale were Crédit Suisse First Boston (Switzerland) and Morgan Stanley Dean Witter (United States).[195]
- In October 2000, 8% was sold to First Pacific for US$ 77 million.[196]

- At present, the main shareholder of PT Indofood Sukses Makmur is CAB Holdings Ltd. in Mauritius, with 48.0% of the shares. This is a subsidiary of First Pacific Company Ltd. Additionally, the Salim family still owns a few percent of the shares through some other holdings.
  The largest outside shareholder is Norbax Inc., holding 13.1% of the shares.[197]

### Banks

- In April 1997, PT Indofood Sukses Makmur obtained a loan facility of US$ 250 million from a banking syndicate arranged by Crédit Suisse First Boston (Switzerland), to finance the acquisition of several edible oil companies and plantations.
  This loan was partly channelled via the financing company Purply Holding BV in The Netherlands, to reduce tax payments. This subsidiary is managed by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).
  The loan is due in June 2002, and at the end of 2000 US$ 225 million was outstanding.[198]

- At the end of 2000, PT Indofood Sukses Makmur owed a long-term loan of DFL 1.9 million (Rp 7.7 billion) to MeesPierson, which is now part of **Fortis Bank** (The Netherlands).[199]

### Bondholders

- In July 2000, PT Indofood Sukses Makmur issued five year-bonds with a total value of Rp 1,000 billion (US$ 125 million) on the Indonesian capital market. Of the proceeds, 41 percent would be used to build a new palm oil refinery plant in Riau. **ING Barings** (United Kingdom / The Netherlands) was one of the three managers of the bond issuance. Participating in the syndicate was PT **ABN AMRO** Asia Securities (The Netherlands).[200]

## 3.11.4 Financial stakeholders PT Inti Indosawit Subur

### Capital structure

At this moment, PT Inti Indosawit Subur is estimated to own assets with a total value of US$ 400 million.

### Shareholders

- PT Inti Indosawit Subur is owned jointly by the Raja Garuda Mas Group and the Salim Group (see paragraph 3.11).[201]

### Banks

- Since September 1997, PT Inti Indosawit Subur owns the financing company Asian Agro International BV in The Netherlands, to reduce tax payments on international loans. At the end of 1999, this subsidiary had not yet undertaken any activity. It is managed since September 1997 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).[202]

### Bondholders

In June 1997, PT Inti Indosawit Subur issued two series of bonds worth US$ 100 million and US$ 200 million to UBS (Switzerland). The bonds were originally due in April and June 1998, but were renewed in 1998. US$ 20 million was repaid, US$ 100 million is due in June 2003, and US$ 180 million is due in December 2003. Outstanding at the end of 1999 was US$ 280 million.
The proceedings of the bonds were channelled as a loan to PT Inti Indosawit Subur via the financing company Inti Indosawit International BV in The Netherlands, to reduce tax payments. This subsidiary is managed since May 1997 by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands).[203]

## 3.11.5 Financial stakeholders First Pacific Company Ltd.

First Pacific Company Ltd. is a Hong Kong-based conglomerate, which owns and operates business interests in food and consumer products, telecommunications, property and banking. The First Pacific Group employs a workforce of over 80,000 in 15 countries, and realised a turnover of US$ 3.7 billion in 2000. Investments are primarily located in Indonesia, the Philippines, Thailand and Hong Kong.[204]
In this paragraph we will only look at the financing of First Pacific Company in a non-consolidated way. The financing of its subsidiaries in the Indonesian oil palm sector has been treated already in the preceding paragraph, and the financing of its other subsidiaries is not relevant for this report.

### Capital Structure

At the end of 2000, First Pacific Company owned assets totalling US$ 1,614.3 million. These assets were being financed by the following stakeholders:[205]

| | | |
|---|---|---|
| • Shareholders | US$ 1,559.1 million | 96.6% |
| • Banks | US$ 0.0 million | 0.0% |
| • Bondholders | US$ 50.0 million | 3.1% |
| • Others | US$ 5.2 million | 0.3% |

### Shareholders

First Pacific Company Ltd. is listed on the Hong Kong Stock Exchange.[206]

In June 1999, **ING Barings** (United Kingdom / The Netherlands) handled the placement of 254 million new shares valued at HK$ 6.23 with institutional investors. This raised US$ 197.4 million of new equity for First Pacific.[207]

The main shareholders of First Pacific Company Ltd. at the end of 2000 were:

| | | |
|---|---|---|
| • First Pacific Investments Ltd. | Liberia | 29.0% |
| • First Pacific Investments (BVI) Ltd. | British Virgin Islands | 18.5% |
| • Capital Group | United States | 15.2% |

Together, First Pacific Investments Ltd. and First Pacific Investments (BVI) Ltd. can be seen as the dominant shareholder, holding 47.5% of the shares. First Pacific Investments (BVI) Ltd. is completed owned by the Salim family, and First Pacific Investments Ltd. for 40%. Other owners of First Pacific Investments Ltd. are: Sukwikatmono (10%), Tutanto and Tedy Djuhar (40%) and Ibrahim Risjad (10% - see paragraph 3.7).
The most important outside shareholder of First Pacific is Capital Group, an American fund manager. [208]

### Banks

At the end of 1998, First Pacific Company reported a current loan of US$ 200 million from **ING** Bank (The Netherlands), which had decreased to US$ 185 million at the end of 1999. The loan was fully repaid in 2000.[209]

At the end of 2000, First Pacific Company had no loans outstanding. [210]

### Bondholders

In September 1999, First Pacific Investments (BVI) Ltd. has issued a convertible note of US$ 50 million to First Pacific Company, which is due in 2006. First Pacific Investments (BVI) Ltd. is owned by the Salim family. [211]

### Other forms of financing

Since 1983, First Pacific Company owned a 39.7% stake in Hagemeyer, a large Dutch trading company. In 1998 Hagemeyer accounted for more than half of First Pacific Company's consolidated sales. But because of its large debts, First Pacific Company in March1998 was forced to sell this stake to reduce its gearing. A large number of institutional and private investors in Europe and the United States paid Dfl 3.6 billion (US$ 1.75 billion) for the Hagemeyer-shares, making it the largest re-offering of shares in European history.
The following banks participated in the syndicate which freed this large amount of capital for First Pacific Company:

- **ABN AMRO Bank** (The Netherlands)
- **ING Bank** (The Netherlands, lead manager)
- **Kempen & Co.** (The Netherlands)
- MeesPierson, now called **Fortis Bank** (The Netherlands)
- **Rabobank** (The Netherlands) [212]

## 3.12 Sinar Mas Group

### 3.12.1 Description of the Sinar Mas Group

The Sinar Mas Group is one of Indonesia's largest business groups. The group is mainly active in pulp & paper (see paragraph 5.7), palm oil, food, property development, hotels, telecommunications and finance. It is founded by the Chinese immigrant Oei Ek Tjhong, who later changed its name into Eka Tjipta Widjaja. The Widjaja family is still controlling the Sinar Mas Group.[213]

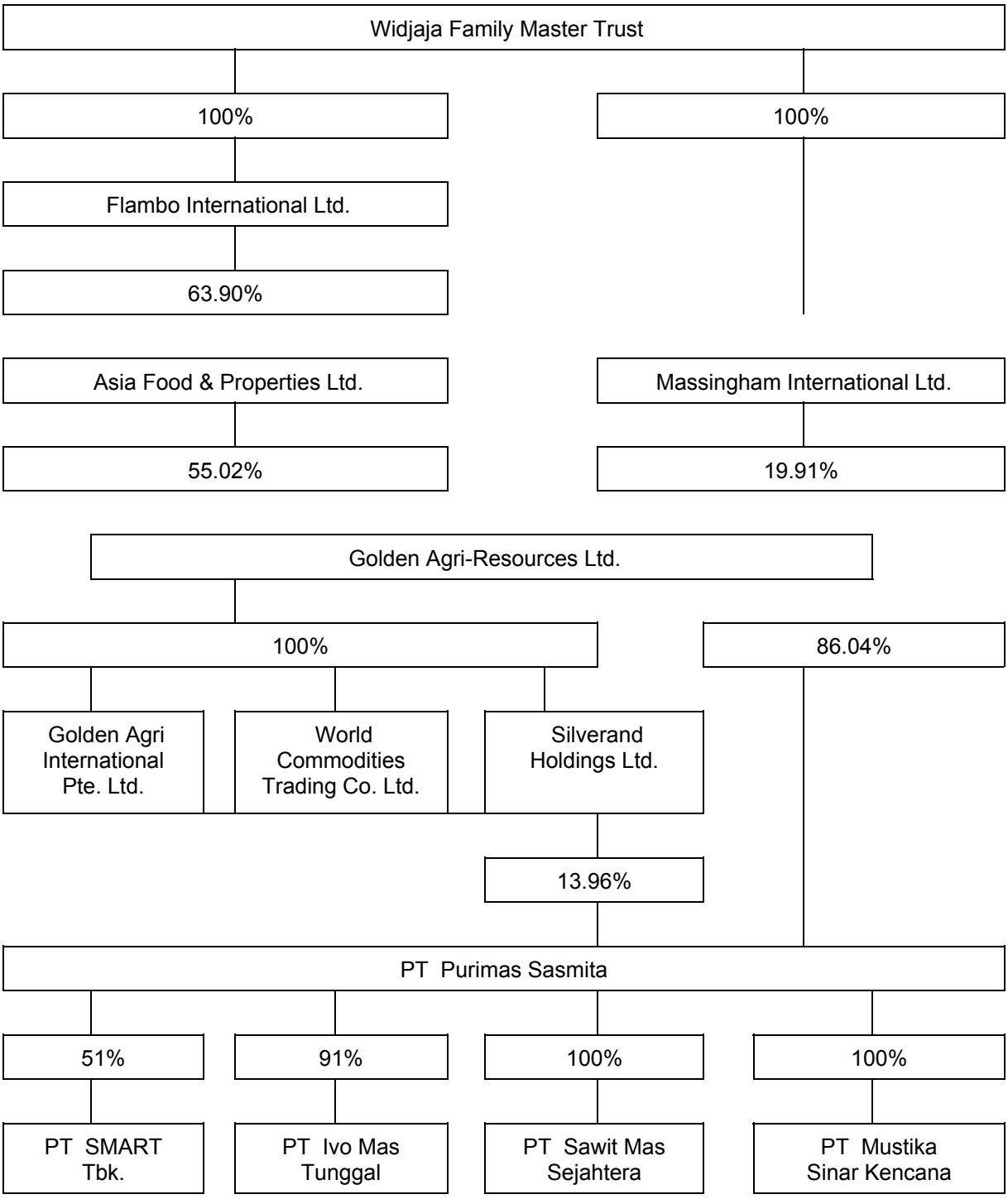
The financial crisis of 1997/98 left the Sinar Mas Group relatively untouched, although its PT Bank Internasional Indonesia was brought under control of the IBRA. "Sinar Mas, which is relative unharmed by the devaluation of the Rupiah because of its bias to natural resources, now towers over all surviving conglomerates in Indonesia", concluded Asiamoney in July 1999.[214]

But at the end of 2000, things started to go completely wrong. Weak due diligence procedures and unrealistic growth estimates had lured virtually all globally active financial institutions to inflate the Sinar Mas group's Asia Pulp & Paper (APP) with a massive US$ 13.4 billion of debt, only to find out this year how the balloon is going flat at maximum speed. APP stopped all debt-payments in March, and the trading of APP's shares on the New York Stock Exchange has been suspended in April. APP started a complicated negotiation process with its creditors on debt restructuring, which will take some two years to complete.[215]

Because of its high exposure to APP, PT Bank Internasional Indonesia is now also in deep trouble and is threatening to drag other parts of the Sinar Mas Group down. The Sinar Mas Group now is desperately looking for money, which among other things means that it would like to sell a majority stake in its oil palm plantation business.

### 3.12.2 Oil palm holdings of the Sinar Mas Group

The Sinar Mas Group is the largest private owner of oil palm plantations in Indonesia, but its oil palm holdings are organized in a very complicated way. In July 2001, the structure of this part of the Sinar Mas Group was as follows:[216]




As this scheme makes apparent, Golden Agri-Resources Ltd. is the central holding company for the oil palm interests of the Sinar Mas Group. In the following paragraphs we will look into the financing of Golden Agri-Resources and its subsidiaries, as well as its direct parent Asia Food & Properties.
But first we will describe the oil palm holdings of Golden Agri-Resources:

[S_H] The Sinar Mas Group started its activities in the oil palm plantation business in a joint-venture with the Salim Group (see paragraph 3.11), which was later dismantled.[217]

- At the end of 1999, Golden Agri-Resources reported that its subsidiaries owned land rights to a large number of oil palm plantations in Sumatra, Kalimantan, and Irian Jaya, totalling approximately 591,000 hectares.[218]

- At the end of 2000, Golden Agri-Resources reported that the total area planted by its subsidiaries is 272,800 hectares, of which 186,000 hectares are mature. Production amounted to 850,000 tons of CPO in 2000, and 187,000 tons of palm kernels. Golden Agri-Resources now owns:

  - 18 CPO mills with an annual processing capacity of 4.6 million tonnes of FFB;
  - four palm kernel crushing mills with an annual capacity of 300,000 tonnes;
  - two oil refineries with an annual refining capacity of 700,000 tons;
  - factories producing cooking oils and margarine from CPO.[219]

- Until the end of 2000, Golden Agri-Resources was aiming to expand its oil palm production rapidly. During 2000 and 2001 shareholdings in several oil palm plantations were acquired. And in June 2000 a joint-venture was established with the American commodity trader Cargill to start the joint palm oil production, refining and trading activities in Indonesia. In June 2001, this joint-venture was terminated even before it had started any activity, because the difficult financial situation of Golden Agri-Resources.[220]

- In May 2001, PT Indofood Sukses Makmur Tbk. (belonging to the Salim Group, see paragraph 3.11) agreed to acquire a 30% shareholding in Golden Agri-Resources for US$ 97.6 million from its majority shareholder Asia Food & Properties. Subsequently, PT Indofood Sukses Makmur would increase its shareholding in Golden Agri-Resources to over 50%. **ING Barings** (United Kingdom / The Netherlands) was advising on this deal. But in August 2001, PT Indofood Sukses Makmur announced that it had called off the deal, since the financial troubles of the Sinar Mas Group made a due diligence procedure impossible.[221]

- At this moment, Golden Agri-Resources holds interests in more than 50 Indonesian oil palm plantation companies through five holding companies:

  - PT Purimas Sasmita 100% owned by GAR
  - PT SMART Tbk. 51% owned by GAR
  - PT Ivo Mas Tunggal 91% owned by GAR
  - PT Sawit Mas Sejahtera 100% owned by GAR
  - PT Mustika Sinar Kencana 100% owned by GAR

  The following table provides an overview of these plantation companies. The ownership percentages refer to the shareholdings held by the five subsidiaries in July 2001.[222]

| Indonesian oil palm plantation companies of the Sinar Mas Group | | | | | |
|---|---|---|---|---|---|
| **Through Purimas Sasmita** | **% owned** | **Other owners** | **Start of opera-tions** | **Area (ha)** | **Location** |
| Trimeru | 100.0% | | 1975 | | |
| **Through SMART** | **% owned** | | **Start of opera-tions** | **Area (ha)** | **Location** |
| Alam Sumber Rahmat | 45.0% | | Not yet | | |
| Antari Raya | 100.0% | | 1988 | 2,980 | North Sumatra * |
| Bulungan Sarana Utama | 100.0% | | 1996 | | |
| Caraka Sentranusa | 35.0% | | 1995 | | |
| Cemara Gapura | 35.0% | | 1995 | | |
| Gemamina Kencana | 50.0% | | Not yet | | |
| Inti Gerak Maju | 49.0% | | 1990 | 7,376 | Kotabaru, South Kalimantan |
| Khazanah Cemerlang | 35.0% | | 1996 | | |
| Kresna Duta Agroindo | 100.0% | | 1985 | 30,420 | Bungo Tebo, Jambi |
| Maskapai Perkebunan Leidong West Indonesia | 100.0% | | 1968 | 1,879 | Labuhan Batu, North Sumatra |
| Maskapai Perkebunan Leidong West Indonesia | 100.0% | | 1968 | 9,000 | South Sumatra |
| Matrasawit Sarana Sejahtera | 100.0% | | 1995 | 16,650 | East Kalimantan |
| Menara Bentala | 35.0% | | 1995 | | |
| Misrindo Usama Perindo | | Bakrie | 1998 | 70,000 | Central Kalimantan |
| Mutiara Pekanbaru | 35.0% | | 1996 | | |
| Nunukan Sarana Jaya | 100.0% | | 1996 | | |
| Pelangi Sungai Siak | 85.0% | | Not yet | | |
| Persada Suaramakmur | 35.0% | | 1995 | | |
| Perusahaan Perkebunan Panigoran | 100.0% | | 1961 | 1,666 | North Sumatra |
| Pratama Ronaperintis | 70.0% | | Not yet | | |
| Pratita Laksanasetia | 100.0% | | 1996 | | |
| Rama Flora Sejahtera | 50.0% | | Not yet | | |
| Sangatta Andalan Utama | 100.0% | | 1995 | 5,700 | East Kalimantan |
| Satya Kisma Usaha | 78.4% | | 1980 | 2,041 | Labuhan Batu, North Sumatra |
| Segara Hastaguna | 35.0% | | 1995 | | |

| Indonesian oil palm plantation companies of the Sinar Mas Group | | | | | |
|---|---|---|---|---|---|
| SMART | 100.0% | | 1962 | 14,125 | North Sumatra |
| SMART | 100.0% | | | 11,682 | South Kalimantan |
| Talentam Bungoraya | 78.4% | | 1996 | 20,000 | Muara Bungo and Sungai Bengkai, Jambi |
| Tapian Nadenggan | 50.0% | | 1979 | 8,285 | Labuhan Batu, North Sumatra |
| Tapian Nadenggan | 50.0% | | | 8,700 | Central Kalimantan |
| **Through Ivo Mas Tunggal** | **% owned** | | **Start of operations** | **Area (ha)** | **Location** |
| Aimer Agromas | 96.0% | | Not yet | | |
| Aimer Sawitmas | 67.0% | | Not yet | | |
| Bantanan Ekajaya | 100.0% | | 1990 | | |
| Buana Wiralestari | 100.0% | | 1990 | 14,237 | Kampar, Riau and South Sumatra |
| Bumipalma Lestari Persada | 100.0% | | 1992 | 6,690 | Indragiri Hilir, Riau |
| Bumipalma Lestari Pusaka | | | | 8,690 | Riau |
| Griyagraha Sarimakmur | 100.0% | | 1997 | | |
| Ivo Mas Tunggal | 100.0% | | 1985 | 42,260 | Bengkalis, Riau |
| Kurnia Cakra Sakti | 99.5% | | Not yet | | |
| Mantap Andalan Unggul | 100.0% | | 1990 | | |
| Meganusa Intisawit | 70.0% | | 1994 | | |
| Mitra Erasukses Abadi | 100.0% | | 1997 | | |
| Nusantara Chandra | 100.0% | | Not yet | | |
| Nusantara Muktisentosa | 100.0% | | 1994 | | |
| Ramajaya Pramukti | 100.0% | | 1987 | 6,861 | Riau |
| Satrindo Jaya Agropalma | 100.0% | | 1996 | | |
| Usaha Malindo Jaya | 100.0% | | 1996 | | |
| **Through Sawit Mas Sejahtera** | **% owned** | | **Start of operations** | **Area (ha)** | **Location** |
| Bumi Sawit Permai | 100.0% | | 1995 | 7,580 | Ogan Komering Ilir, South Sumatra |
| Bumi Permai Lestari Sentosa | 100.0% | | 1990 | 13,214 | Bangka, South Sumatra |
| Djuandasawit Lestari | 100.0% | | 1990 | 15,900 | South Sumatra |

| Indonesian oil palm plantation companies of the Sinar Mas Group | | | | | |
|---|---|---|---|---|---|
| Foresta Lestari Dwikarya | 100.0% | | 1990 | 10,413 | South Sumatra |
| Rawa Bangunyaman | 100.0% | | 1987 | | |
| Sawit Mas Sejahtera | 100.0% | | 1975 | 5,235 | South Sumatra |
| Sumber Indah Perkasa | 100.0% | | 1990 | 9,522 | Talang Agung, Menggala and Mesuji, Lampung |
| Tradisi Sawit Mandiri Utama | 85.0% | | 1996 | | |
| **Through Mustika Sinar Kencana** | **% owned** | | **Start of operations** | **Area (ha)** | **Location** |
| Agrointim Respati | 49.0% | | 1995 | 6,000 | Jayapura, Irian Jaya |
| Agropanca Modern | 49.0% | | 1995 | 3,182 | Jayapura, Irian Jaya |
| Sinar Kencana Inti Perkasa | 100.0% | | 1984 | 13,393 | South Kalimantan |
| Timurjaya Agrokarya | 49.0% | | 1995 | 15,000 | Jayapura, Irian Jaya |
| **Unknown** | **% owned** | | **Start of operations** | **Area (ha)** | **Location** |
| Cendrago Utama | | | 1993 | 6,000 | Jayapura, Irian Jaya |
| Palmindo Raya | | | 1994 | 15,000 | Jayapura, Irian Jaya |
| **Total** | | | | **591,000** | |

Note: Antari Raya was liquidated in February 2000, and its concession was transferred to Maskapai Perkebunan Leidong West Indonesia.

### 3.12.3 Financial stakeholders Golden Agri-Resources Ltd.

Golden Agri-Resources Ltd. in Mauritius is the holding company of the Sinar Mas Group for its Indonesian oil palm plantations, CPO mills, crushing plants, refineries, factories for cooking oil and margarine, and trading operations. Golden Agri-Resources Ltd. is the largest privately owned oil palm plantation holding in Indonesia. On the market for branded cooking oil in Indonesia, the company has a market share of 35%.
In 2000 a turnover of US$ 388 million was realised, of which 97% was related to oil palm products. Around 44% was exported. [223]

#### $^{S}_{H}$ Capital structure

At the end of 2000, Golden Agri-Resources Ltd. and its subsidiaries owned assets totalling US$ 1,435.9 million. These assets were being financed by the following stakeholders: [224]

- $^{S}_{H}$ Shareholders US$ 738.6 million51.4%
- $^{S}_{H}$ Subsidiary shareholders US$ 105.7 million7.4%
- $^{S}_{H}$ Banks US$ 478.7 million33.3%
- $^{S}_{H}$ Others US$ 112.9 million7.9%

Total assets of PT SMART Tbk. at the end of 2000 had a value of Rp 3,919.9 billion (US$ 403.1 million).[225]

## Shareholders

- Golden Agri-Resources Ltd. was listed on the Stock Exchange of Singapore in July 1999. The company issued 568.6 million new shares, which raised US$ 360.2 million. The company used US$ 197 million to repay debt. The remaining proceeds were used to expand the oil palm plantations and refining capacity of its subsidiaries.
  The lead managers of the IPO were **ING** Merchant Bank (The Netherlands) and Overseas Union Bank Ltd. (Singapore). Among the banks participating in the syndicate were:

  - **ING** Merchant Bank (The Netherlands - responsible for the placement of 148.1 million shares, raising US$ 93.8 million)
  - **ABN AMRO Rothschild** (United Kingdom / The Netherlands - 38.1 million shares, raising US$ 24.1 million) [226]

- At the end of 2000, the main shareholders of Golden Agri-Resources were:

  - Asia Food & Properties Ltd. 55.02%
  - Massingham International Ltd. 19.91%

  Both Asia Food & Properties and Massingham International are controlled by the Widjaja Family Master Trust. The Widjaja family therefore has a controlling interest of 74.93% in Golden Agri-Resources.
  The largest outside shareholder is Vickers Ballas & Co. (Singapore - 0.51%).[227]

## Subsidiary shareholders

- An important group of subsidiary shareholders, are the outside shareholders of PT SMART Tbk. PT SMART was listed on the Jakarta Stock Exchange in November 1992. At the end of 2000, the company was 51.0% owned by PT Purimas Sasmita, a full subsidiary of Golden Agri-Resources.
  The largest outside shareholder is Norbax Inc. (Indonesia), which holds 2.0%. Names and holdings of other outside shareholders (together holding 47.0%) are unknown. Financially, these outside shareholders don't contribute to the financing of Golden Agri-Resources' assets anymore, as PT SMART realised a large loss in 2000 and now has a negative shareholders' equity.[228]

- Another outside shareholder probably is the Humpuss Group, which is mentioned as a shareholder of PT Ivo Mas Tunggal. As Golden Agri-Resources holds 91% of Ivo Mas Tunggal, the Humpuss Group could possibly hold 9%. The Humpuss Group is controlled by Hutomo Mandala Putra, who is also know as Tommy Soeharto (son of the ex-president).[229]

## Banks

In April 1995 PT SMART obtained a syndicated loan of US$ 150 million from an international banking syndicate, arranged by - among others - **ABN AMRO Bank** (The Netherlands), **ING Bank** (The Netherlands) and **Rabobank** (The Netherlands). The proceeds of the loan were meant for refinancing (US$ 60 million), oil palm plantation expansion (US$ 50 million), working capital (US$ 30 million), and plantation related capital expenditure (US$10 million).
The loan was split up in two tranches. Among the banks participating in the first and second tranche were:

- **ABN AMRO Bank** NV (The Netherlands - US$ 8 million)
- **ING Bank** NV (The Netherlands - US$ 8 million)
- **Rabobank** Asia Ltd. (The Netherlands - US$ 8 million)

Among the banks participating only in the first tranche was:

- **Nationale Investeringsbank** (The Netherlands - US$ 7.25 million)

The first tranche of US$ 100 million was repaid in April 1998. The second tranche of US$ 50 million was due in April 2000. In April 2000, PT SMART repaid US$ 5 million and restructured the remaining loan of US$ 45 million.[230]

At the end of 1995, PT SMART had a working capital facility of Rp 19.6 billion from **ABN AMRO Bank** (The Netherlands), which had increased to Rp 22.2 billion (US$ 9.3 million) at the end of 1996. At the end of 1999 and the end of 2000, SMART's short-term credit facility with ABN AMRO Bank amounted to US$ 1 million. The loan was restructured in April 2000, and was repaid in March 2001.[231]

At the end of 1995, PT SMART owed short-term notes of Rp 9.2 billion from **ING Bank** (The Netherlands), which were repaid during 1996.[232]

In July 1996, the palm oil plantation company PT Maskapai Perkebunan Leidong West Indonesia (a 100% subsidiary of PT SMART Tbk.) entered into a secured US$ 21 million long-term facility with **FMO** (The Netherlands), to finance the expansion of its oil palm plantations and its oil palm crushing mill on the Bangka Islands.[233]
At the end of 2000, PT Maskapai Perkebunan Leidong West Indonesia has breached certain financial ratios under the loan agreement. The outstanding loan of US$ 6.8 million is now repayable on demand, but PT Maskapai Perkebunan Leidong West Indonesia had not yet received a demand from FMO in May 2001.[234]

Since August 1996, PT Purimas Sasmita owns the financing company Purimas International Finance Company BV in The Netherlands, to reduce tax payments on international loans. This subsidiary is managed by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands). At the end of 199, the subsidiary had not yet undertaken any activity.[235]

In April 2000, PT SMART secured two loans of US$ 30.8 million and Rp 113.1 billion (at that moment equalling US$ 14.7 million), to repay the second tranche of the April 1995 loan. The two loans were extended by a syndicate of eleven banks arranged by Fuji Bank Ltd. (Japan). Among the participating banks were:

- [S_H] **ABN AMRO Bank** NV (The Netherlands)
- [S_H] **ING Bank** NV (The Netherlands)
- [S_H] **Rabobank** Asia Ltd. (The Netherlands) [236]

In April 2001, PT SMART defaulted on its first repayments for these two new loans. The outstanding loans had a value of US$ 30.8 million and Rp 113.1 billion (US$ 11.8 million) at the end of 2000, and should be repaid immediately. At this moment PT SMART is negotiating with the Fuji Bank syndicate about a restructuring. The restructuring should be finalised by the end of April 2002.[237]

[S_H] During 2000 and the first half of 2001, Golden Agri-Resources and its subsidiaries ran into serious trouble because of the low CPO prices on the world market, and because PT Bank Internasional Indonesia as well as BII Cook Islands (which is 100% owned by the Widjaja family) could not pay back the US$ 261 million cash deposits deposited by Golden Agri-Resources. Since the end of 2000, Golden Agri-Resources and several subsidiaries have defaulted on several debt payments and breached several covenants with creditors. Consequently, the lenders of many long-term loans have the right to recall their loans immediately.
In July 2001, this applied among others to the following outstanding loans:

| | | |
|---|---|---|
| • Fuji Bank (Japan) syndicate | US$ 42.6 million | SMART |
| • **FMO** (The Netherlands) | US$ 6.8 million | Leidong |

Golden Agri-Resources is not able to repay these loans, and is therefore currently negotiating with the lenders for a waiver of these breaches and defaults and for extension of terms. The company has appointed Arthur Andersen (United States) to advice it on debt rescheduling and divestment of assets.[238]

### 3.12.4 Financial stakeholders Asia Food & Properties Ltd.

Asia Food & Properties Ltd. (AFP) in Singapore is the regional holding company for the Sinar Mas Group's diversified interests in the areas of agribusiness (oil palm plantations in Indonesia and oilseed crushing and refining in Indonesia and China), food processing (instant noodles in China), and property development in Indonesia, China and Malaysia. Consolidated turnover in 2000 was S$ 1.4 billion (US$ 807 million), to which the agribusiness division contributed 68%.[239]
In this paragraph we will look at the financing of Asia Food & Properties alone, as the financing of its subsidiaries in the Indonesian oil palm sector has been treated already in the preceding paragraph, and the financing of its other subsidiaries is not relevant for this report.

#### [S_H] Capital structure

At the end of 2000, Asia Food & Properties Ltd. owned assets totalling S$ 3,359 million (US$ 1,937.1 million). These assets were being financed by the following stakeholders: [240]

| | | |
|---|---|---|
| • Shareholders | S$ 3,221 million | 95.9% |
| • Banks | S$ 48 million | 1.4% |
| • Others | S$ 90 million | 2.7% |

#### [S_H] Shareholders

[S_H] Asia Food & Properties Ltd. was listed on the Stock Exchange of Singapore on 18 July 1997.[241]

$^{S}_{H}$ The dominant shareholder of Asia Food & Properties is Flambo International Ltd., a company incorporated in the British Virgin Islands, which at the end of 2000 owned 63.9% of the outstanding shares. Flambo International is wholly-owned by the Widjaja Family Master Trust, the donors of which are members of the Widjaja family.
The largest outside shareholder of Asia Food & Properties is Itochu Overseas Construction & Realty (Japan - 2.8%).[242]

### $^{S}_{H}$ Banks

$^{S}_{H}$ Since April 1997, Asia Food & Properties owned the financing company AFP International Finance Company BV in The Netherlands, to reduce tax payments on international loans. This subsidiary was managed by MeesPierson Trust, a subsidiary of **Fortis Bank** (The Netherlands). In October 1998, the financing company was liquidated.[243]

# Chapter 4 Overview of the Indonesian pulp & paper sector

## 4.1 The pulp & paper production chain

The pulp & paper production chain starts with the sourcing of fibre, from logging operations in existing forests or from dedicated plantations. The fibre is transported to a pulp mill, which turns the fibre into *bleached hardwood kraft* (BHK) pulp. Pulp is traded worldwide and margins are low. A profitable operation needs to be large-scale, to profit from economies of scale. This means that huge investments are needed to establish a pulp mill.
The pulp is being sold to producers of all kinds of paper and packaging materials. Depending on the type of paper or packaging product, these facilities can be relatively small-scale.

## 4.2 Expansion of the Indonesian pulp & paper sector

Since the late 1980s, Indonesia's pulp & paper industries have undergone very rapid expansion. Indonesia's pulp production capacity grew from 606,000 to 4.9 million tons per annum between 1988 and 2000, while the paper industry's processing capacity rose from 1.2 million to 8.3 million tons per annum.[244]
In 2000, Indonesia produced 4.1 million tons of hardwood pulp, of which 1.3 million tons were exported. The Indonesian paper production in 2000 reached 6.8 million tons of which 3.1 million tons were exported.
For 2001, a production of 4.6 million tons of pulp is expected, of which 1.5 million tons will be exported. Paper production is expected to rise to 7.6 million tons, of which 3.8 million tons will be exported.[245]

Within Indonesia, there are currently sixteen producers of BHK pulp, of which eleven are principally producing pulp for their own internal production of paper. Five plants are currently producing for the Indonesian and world market:

- PT Indah Kiat Pulp & Paper — Sinar Mas Group
- PT Lontar Papyrus Pulp & Paper Industry — Sinar Mas Group
- PT Tanjungenim Lestari Pulp & Paper — Barito Pacific Group
- PT Kiani Kertas — Kalimanis Group
- PT Riau Andalan Pulp & Paper — Raja Garuda Mas Group

While there are over 70 paper and packaging plants in Indonesia, there are only approximately ten significant plants. The three largest are owned by PT Indah Kiat Pulp & Paper, PT Pabrik Kertas Tjiwi Kimia and PT Pindo Deli Pulp & Paper Mills, all of which are subsidiaries of the Sinar Mas Group (see paragraph 5.7). The local paper market therefore is dominated by the Sinar Mas Group.
On the local market for packaging materials the competition is stronger, but companies from the Sinar Mas Group also play an important role here.[246]

The following table provides key figures on the Indonesian pulp & paper business groups identified in this report, which have obtained financial services from European financial institutions in the past ten years.

| Indonesian pulp & paper business groups with European financial links | | | | |
|---|---|---|---|---|
| **Group** | **Company** | **Annual production capacity** | | **Para-graph** |
| | | **Pulp (tons)** | **Paper (tons)** | |
| Barito Pacific | Tanjungenim Lestari | 450,000 | | 5.1 |
| Dirgahayu | Surya Kertas | | 347,750 | 5.2 |
| Fajar Surya Wisesa | Fajar Surya Wisesa | | 500,000 | 5.3 |
| Gudang Garam | Surya Zigzag | | 200,000 | 5.4 |
| Kalimanis | Kiani Kertas | 525,000 | | 5.5 |
| Raja Garuda Mas | Riau Andalan Pulp & Paper | 1,300,000 | | 5.6 |
| | Riau Andalan Kertas | | 600,000 | |
| | Toba Pulp Lestari | 240,000 | | |
| Sinar Mas | Indah Kiat | 1,781,000 | 1,724,000 | 5.7 |
| | Tjiwi Kimia | | 400,000 | |
| | Pindo Deli | | 698,000 | |
| | Lontar Papyrus | 545,000 | 67,500 | |
| | Others | | 168,000 | |
| **Total** | | **4,841,000** | **4,705,250** | |

## 4.3 Supplying the Indonesian pulp & paper expansion

The meteoric growth of the Indonesian pulp & paper industry has proceeded far more rapidly than efforts to secure a sustainable supply of raw materials through the development of pulpwood plantations. Of the 100 million $m^3$ of wood estimated to have been consumed by the pulp industry between 1988 and 1999, only eight percent was harvested from plantations. To date, Indonesia's pulp mills have relied heavily on unsustainable and, in many cases, illegal sources of fibre, much of which is obtained through the clear-cutting of natural forests. During this period, demand for pulpwood is estimated to have caused over 800,000 hectares of deforestation. Although the industry's largest producers are now takings steps to bring online industrial pulpwood plantations (*Hutan Tanaman Industries* or *HTIs*), it is projected that most of the country's pulp mills will face sizeable deficits of sustainably harvested fibre for at least the next seven years, and quite possibly well beyond. [247]

To create a more sustainable fibre supply, the Indonesian government started to encourage the development of HTIs at the end of the 1980s. HTIs are planted with exotic, fast-growing species like pine, acacia, albizzia and eucalyptus. The Suharto regime earmarked a total area of 2.625 million hectares for HTI development, and named 13 priority companies which would be given specific support by the government. At the end of 1997, these companies had developed a total of 862,773 hectares. Details are given in the following table: [248]

| Pulp plantation companies in Indonesia | | | | |
|---|---|---|---|---|
| **Plantation company** | **Location** | **Area (ha)** | **Group** | **Paragraph** |
| Musi Hutan Persada | South Sumatra | 193,715 | Barito Pacific | 5.1 |
| Arara Abadi | Riau | 133,159 | Sinar Mas | 5.7 |
| Surya Hutani Jaya | East Kalimantan | 91,428 | Astra | 3.1 |
| Menara Hutan Buana | South Kalimantan | 77,765 | | |
| ITCI Huntani Manunggal | East Kalimantan | 71,931 | Kalimanis | 5.5 |
| Riau Andalan Pulp & Paper | Riau | 56,455 | Raja Garuda Mas | 5.6 |
| Wirakarya Sakti | Jambi | 43,331 | Sinar Mas | 5.7 |
| Inti Indorayon Utama | North Sumatra | 40,698 | Raja Garuda Mas | 5.6 |
| Tanjung Redep Hutani | East Kalimantan | 37,060 | Kalimanis | 5.5 |
| Aceh Nusa Indragiri | Aceh | 21,522 | | |
| Tusam Hutani Lestari | Aceh | 20,949 | Kalimanis | 5.5 |
| Adindo Hutani Lestari | East Kalimantan | 14,013 | Kalimanis | 5.5 |
| Finantara Intiga | West Kalimantan | 13,550 | | |

At this moment, 1.2 million hectares of pulp plantations have been planted. These will be able to furnish around 5.2 million tonnes of pulp production per year, when the trees have matured. The first harvesting of a part of the HTI plantations took place in 2000, and it will take a number of years before the planned production level is reached.[249]

## 4.4 Financing the Indonesian pulp & paper expansion

To be able to compete on the world market, a pulp mill has to profit from economies of scale. This means that huge investment sums are needed to establish a new mill. In general, between US$ 1,000 and US$ 2,000 per ton production capacity is needed. The large Indonesian pulp mills which have been built in the past decade have cost between US$ 600 million and US$ 1,300 million.
The growth of Indonesia's pulp & paper industries over the past decade has involved an aggregate capital investment of approximately US$ 12 billion. To a significant degree, Indonesian pulp & paper companies have been motivated to invest such large sums in high-risk projects because their owners have been able to avoid much of the financial risk involved. Three factors have enabled them to do so:

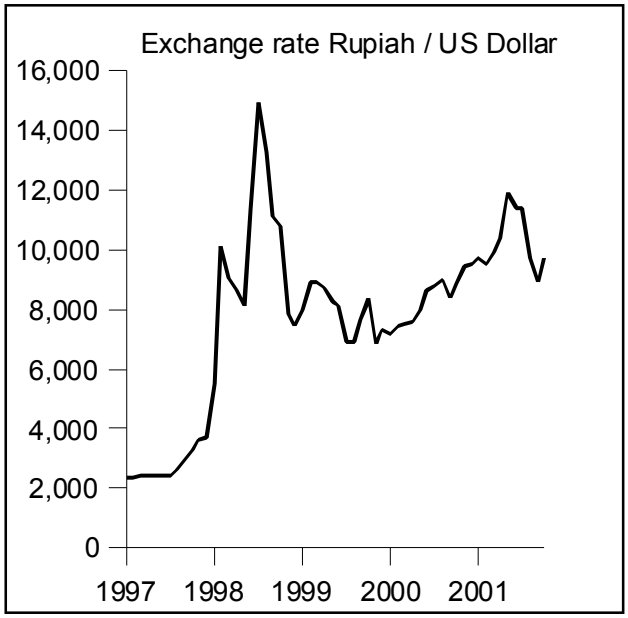
- The Indonesian government has provided substantial capital subsidies to pulp & paper producers, including the provision of pulpwood fibre at costs well below its stumpage value;
- The government's weak regulation of the country's financial system has enabled pulp & paper to employ a variety of illegal practices to obtain discounted finance;
- International financial institutions have helped Indonesian producers to borrow billions of dollars from foreign investors without rigorously assessing either the long-term viability of those firms' fibre supplies or the legality of their financial practices. [250]

## 4.5 The slackening of the Indonesian pulp & paper expansion

The past few years, the expansion process of the Indonesian pulp & paper sector has slowed down. many pulp & paper companies have ran into serious financial trouble, for much the same reasons as the Indonesian oil palm companies:

X **The Rupiah exchange rate**

The so-called Asia Financial Crisis of 1997/1998, resulted in a strong devaluation of the Rupiah since the end of 1997. In June1997, one US dollar equalled 2,432 Rupiah, but in June 1998 the exchange rate had slipped to 14,925 per dollar. At present one dollar equals Rp 9,705. The figure below shows how the dollar/rupiah exchange rate deteriorated in the past three years.[251]




This development had mixed consequences for the Indonesian pulp & paper companies. Companies exporting a large part of their production, saw their Rupiah-income rise substantially while for instance labour costs didn't rise significantly. But companies that had borrowed large sums from foreign banks, needed much more Rupiahs to pay interest and repay their debts. For companies exporting a large part of their production, this was not dramatic. But especially the companies that produced mainly for the domestic market but nevertheless had borrowed large sums from foreign banks, ran into financial trouble.

| Exchange rate Rupiah / Dollar | | |
|---|---|---|
| **Year** | **Average** | **At 31 December** |
| 1996 | 2,328.5 | 2,363.1 |
| 1997 | 2,903.5 | 5,535.0 |
| 1998 | 10,285.4 | 8,005.0 |
| 1999 | 7,876.9 | 7,150.0 |
| 2000 | 8,415.8 | 9,725.0 |
| 2001 (Jan-Oct) | 10,265.2 | (17/10) 10,027.0 |

Source: Website OANDA (www.oanda.com), October 2001.

### $^{S}_{H}$ The pulp & paper prices on the world market

During the past few years, the pulp & paper prices on the world market were generally low or very low. This price trend was partly caused by the rapid expansion of pulp & paper export from Indonesia. But for the individual Indonesian producer it means that export earnings have been much lower than expected since 1998.

| World market price bleached hardwood kraft pulp | |
|---|---|
| **Date** | **US$ / ton** |
| September 2000 | 671.9 |
| December 2000 | 679.3 |
| March 2001 | 622.8 |
| June 2001 | 477.4 |
| September 2001 | 402.1 |

Source: Website PaperAge Magazine (www.paperage.com), October 2001.

### $^{S}_{H}$ Foreign reluctance to invest in Indonesia

Since 1998, foreign banks have shown great reluctance to invest in Indonesia. The general reluctance is caused by the economic and political instability facing the country since the financial crisis of 1997/1998. Many Indonesian companies collapsed under their debts in that period, exposing the large loans extended to them by local banks (which often belong to the same business groups). A large number of Indonesian banks ran into big financial trouble, forcing the Indonesian Bank Restructuring Agency (IBRA) to take over these banks and guarantee their loans. As a collateral, IBRA seized shareholdings in other companies from the owners of these banks. By selling these assets, IBRA tries to restructure the Indonesian banking sector, but this restructuring is still not finished.
It is also hampered by the strong political and social unrest which accompanied the end of the Suharto regime in May 1998 and the subsequent hesitating transition towards democracy. A new, stable political order has yet to emerge, which makes foreign investors shy.

The pulp & paper sector for a long time seemed able to escape this tendency. The two largest pulp & paper holdings - APP and APRIL - are both located in Singapore and listed on the New York Stock Exchange. Through this strategy they got better access to the global capital market. Their huge export earnings also seemed to guarantee their ability to pay interest and repay their foreign borrowings. But during 2000, things started to go increasingly wrong for these both groups as well. this was caused mainly by the following two factors.[252]

### $^{S}_{H}$ Unsustainable fibre supplies

Increasing NGO-criticism has exposed during the past years, how unsustainable the fibre supplies of the Indonesian pulp & paper industries are. Their competitive advantage was based upon their access to cheap forest concessions. But when the international financial community began to realise that these supplies were often illegal and in the long term limited, the appetite of foreign investors to invest in Indonesian pulp & paper companies was greatly reduced.

### $^{S}_{H}$ Financial problems of sister and mother companies

Clearly exacerbating the financial problems of the Indonesian pulp & paper companies, were the financial problems of their sister and mother companies. The Indonesian operations of the Sinar Mas Group for instance are suffering because their mother company APP has invested very heavily in China with borrowed money. Now the Chinese market is developing at a much slower pace than expected, APP has run into serious financial trouble. This has also severely limited the expansion possibilities for its Indonesian operations, and has forced APP to hand over virtually all its Indonesian pulp & paper assets to the IBRA.

# Chapter 5 Indonesian pulp & paper companies

## 5.1 Barito Pacific Group

### 5.1.1 Description of the Barito Pacific Group

The Barito Pacific Group is a large Indonesian business group, active in chemicals, forestry, wood processing, banking, plantations (see paragraph 3.3), and mining. It is controlled by Prajogo Pangestu and his family. As many business tycoons in Indonesia, Pangestu is an ethnic Chinese who based his business empire on close relations with the Suharto family. Together with members of the Suharto family and their close friends Sudono Salim (see paragraph 3.11) and Bob Hasan (see paragraph 5.5), Pangestu for a long time controlled the Astra Group (see paragraph 3.1).
Together with Bambang Trihatmojo (son of ex-president Suharto) and Henry Pribadi (see paragraph 3.7) Pangestu owned PT Bank Andromeda, which went bankrupt in November 1997.[253]

The Barito Pacific Group ran into serious financial trouble during the financial crisis of 1997/1998. The Barito Pacific Group now is among the largest corporate debtors to the IBRA, owing 7,500 billion rupiah. Of this debt Rp 4,300 billion is connected to the ethylene plant PT Chandra Asri, which was built in the early 1990s with the backing of Marubeni (Japan) and an investment firm established by Japanese lenders. An earlier accord on restructuring the PT Chandra Asri debt was annulled by the IBRA in January 2001, after severe public criticism of the soft conditions for the Japanese participants. As an alternative, the Barito Pacific Group pledged its shareholdings in PT Tanjungenim Lestari Pulp & Paper and the plantation company PT Musi Hutan Persada. But the IBRA does not accept this offer, as these shareholdings are already pledged to other foreign creditors. In stead, IBRA has asked to pledge the holding company Barito Pacific Timber itself. No agreement has yet been reached.[254]

### 5.1.2 Pulp & paper holdings of the Barito Pacific Group

- The central holding company of the Barito Pacific Group is PT Barito Pacific Timber Tbk. This company is Indonesia's biggest integrated timber company, processing logs into higher value-added wood-based panel products. During the 1990s the company produced more than 1 million $m^3$ of wood products annually, but the past two years the volume has been much reduced (0.65 million $m^3$ in 2000).[2558]

- The Barito Pacific Group at the end of 2000 owned logging concessions in Kalimantan, Sulawesi, Maluku and Irian Jaya, with a total area of 1.6 million hectares. At the end of 1999, the Barito Pacific Group had developed 257,288 hectares of industrial forest plantations.[256]

- Barito Pacific Timber holds a 40.2% shareholding in PT Tanjungenim Lestari Pulp & Paper. This company owns a pulp mill in South Sumatra, with an annual production capacity of 450,000 tonnes. The mill commenced production in June 2000, and is operated by Nippon Paper (Japan). Cellmark (Sweden) and Marubeni (Japan) will purchase the pulp output.
  PT Musi Hutan Persada, a subsidiary of the Barito Pacific Group, supplies the mill with 2.5 million $m^3$ of wood per annum from its plantation of 193,715 hectares in South Sumatra.[257]

### 5.1.3 Financial stakeholders PT Tanjungenim Lestari Pulp & Paper

#### $^{S}_{H}$ Capital structure

At this moment, PT Tanjungenim Lestari Pulp & Paper probably owns assets with a total value of US$ 1,250 billion. These assets are probably being financed by the following stakeholders: [258]

| | | |
|---|---|---|
| • Shareholders | US$ 209.1 million | 16.7% |
| • Banks | US$ 990.9 million | 79.3% |
| • Others | US$ 50.0 million | 4.0% |

#### $^{S}_{H}$ Shareholders

$^{S}_{H}$ At the end of 1999, the shareholders of PT Tanjungenim Lestari Pulp & Paper were:

| | |
|---|---|
| $^{S}_{H}$ PT Barito Pacific Timber | 40.2% |
| $^{S}_{H}$ Marubeni Corporation (Japan) | 30% |
| $^{S}_{H}$ Sumatera Pulp Corporation (Japan) | 30% |

Sumatera Pulp Corporation is an investment vehicle comprising Marubeni (Japan), Nippon Paper Industries (Japan) and Overseas Economic Co-operation Fund (Japan). Originally, PT Tridan Satriaputra - a company controlled by ex-president Suharto's daughter 'Tutut' (Siti Hardiyanti Rukmana) - owned a 16% shareholding in PT Tanjungenim Lestari Pulp & Paper. Probably this shareholding was sold to Marubeni Corporation during 1998 or 1999.[259]

$^{S}_{H}$ In January 2001, PT Barito Pacific Timber pledged its shareholding in PT Tanjungenim Lestari Pulp & Paper to the IBRA, to pay for the rescheduling of the debt of the chemical company PT Chandra Asri. No agreement on this transfer has been reached yet.[260]

#### $^{S}_{H}$ Banks

- In March 1997, PT Tanjungenim Lestari Pulp & Paper secured a financing package consisting of four different loans, with an aggregate value of US$ 991 million.
  Of this total financing package of US$ 991 million, US$ 849 million had been drawn down at the end of 2000.[261]

### 5.1.4 Financial stakeholders Barito Pacific Timber Tbk.

In 2000, PT Barito Pacific Timber realised a turnover of Rp 1,410.6 billion (US$ 167.6 million), of which 87.5% was attributable to plywood. Of the total production of PT Barito Pacific Timber, 92.5% was exported. Its main export markets are in East-Asia (68%), the Middle East, the United States, and Europe.
As PT Tanjungenim Lestari Pulp & Paper is not a consolidated subsidiary, it did not contribute to this turnover. [262]

#### $^{S}_{H}$ Capital Structure

At the end of 1999, PT Barito Pacific Timber owned assets totalling Rp 6,688.8 billion (US$ 687.8 million). Of these assets, 14.2% consisted of PT Barito Pacific Timber's 40.2% shareholding in PT Tanjungenim Lestari Pulp & Paper.
Total assets were being financed by the following stakeholders: [263]

| | | |
|---|---|---|
| • Shareholders | Rp 387.4 billion | 5.8% |
| • Banks | Rp 4,081.2 billion | 61.0% |
| • Bondholders | Rp 396.0 billion | 5.9% |
| • Others | Rp 1,824.2 billion | 27.3% |

### SH Shareholders

SH PT Barito Pacific Timber Tbk. is listed on the Jakarta and Surabaya Stock Exchanges since October 1993.

SH At the end of 1999, the dominant shareholder of PT Barito Pacific Timber was Prajogo Pangestu, who directly and indirectly controlled 38.4% of the shares.
The largest outside shareholder was PT Tunggal Setia Pratama (Indonesia), with a shareholding of 19.2%. Probably this company is owned by Bambang Trihatmojo, one of the sons of ex-president Suharto.[264]

SH In January 2001, the Barito Pacific Group was asked by the IBRA to pledge the entire company PT Barito Pacific Timber Tbk. to the IBRA, to pay for the rescheduling of the debt of the chemical company PT Chandra Asri. No agreement on this transfer has been reached yet.[265]

### SH Banks

SH In October 1997, a banking syndicate arranged by **ING Bank** (The Netherlands) extended a one-year US$ 60.0 million bridging facility to PT Barito Pacific Timber. This bridging facility was also intended to repay maturing bonds and finance PT Barito Pacific Timber's shareholding in PT Tanjungenim Lestari Pulp & Paper. It would be replaced by a bond offering on the American market in 1998, but the financial crisis of 1997/98 prevented this issuance.
The loan matured in October 1998. As the company defaulted on the repayment, but the banking syndicate only requested for immediate repayment in 2000. In May 2001, the loan was still outstanding. [266]

- During 1998, PT Barito Pacific Timber defaulted on all its outstanding loans and bonds. The company appointed CIBC World Markets (Canada) as financial advisor to restructure the company's debts. The company's debt which was included in the restructuring comprised of two components:

  - foreign currency loans totalling US$ 378 million
  - Rupiah bonds amounting to Rp 400 billion

  The bonds were restructured in July 2000, but an agreement on restructuring of the loans has not yet been reached. [267]

### SH Bondholders

SH In July 1997, PT Barito Pacific Timber issued Rp 400 billion five-year bonds on the Surabaya Stock Exchange. Including issuance costs, the amount raised was Rp 396.0 billion. The bonds would mature in July 2002.

In July 2000, the bondholders agreed to an extension of the repayment schedule of the bonds to January 2007, in combination with an increase in the interest due.
However, in January 2001 the company defaulted on the new repayment schedule and the bonds are now due immediately.[268]

## 5.2 Dirgahayu Group

### 5.2.1 Description of the Dirgahayu Group

The Dirgahayu Group is a small business group active in the pulp & paper industry.

### 5.2.2 Pulp & paper holdings of the Dirgahayu Group

$^{S}_{H}$ The pulp & paper company in the Dirgahayu Group is PT Surabaya Agung Industri Pulp & Kertas Tbk. (PT Surya Kertas). This company owns a plant producing paper and packaging board in East Java, with a total production capacity of 347,750 tons. Of total sales, 50% is exported to China and other Asian countries.[269]

### 5.2.3 Financial stakeholders PT Surabaya Agung Industri Pulp & Kertas Tbk.

In 2000, PT Surabaya Agung Industri Pulp & Kertas Tbk. (PT Surya Kertas) realised total sales of Rp 634.7 billion (US$ 75.4 million). [270]

$^{S}_{H}$ **Capital Structure**

At the end of 2000, PT Surya Kertas owned total assets of Rp 2,864.1 billion (US$ 294.5 million). These assets were being financed by the following stakeholders: [271]

| | | |
|---|---|---|
| • Shareholders | -/- Rp 664.2 billion | -/- 23.2% |
| • Banks | Rp 2,522.2 billion | 88.1% |
| • Others | Rp 1,006.1 billion | 35.1% |

Since 1998, Surya Kertas has been relaising losses, which have resulted in a negative equity. The banks are now clearly owning the company.

$^{S}_{H}$ **Shareholders**

$^{S}_{H}$ PT Surabaya Agung Industri Pulp & Kertas Tbk. was listed on the Stock Exchanges of Jakarta and Surbabaya in March 1993, raising Rp 70 billion. [272]

$^{S}_{H}$ At the end of 2000, the dominant shareholder of PT Surya Kertas was PT Intan Teguh Sejati, with a 72.8% shareholding. [273]

$^{S}_{H}$ In May 2001, PT Surya Kertas was delisted from the Surabaya Stock Exchange. [274]

$^{S}_{H}$ **Banks**

$^{S}_{H}$ In July 1995, PT Surabaya Agung Industri Pulp & Kertas secured a US$ 75 million syndicated revolving loan and a US$ 75 million five-year term loan, to refinance short-term debt and finance the expansion of its paper production. Among the banks arranging the two loans were: **ABN AMRO Bank** (The Netherlands) and **Rabobank** (The Netherlands).
Among the banks participating in the US$ 75 million revolving loan syndicate were:

- **ABN AMRO Bank** (The Netherlands - US$ 3.4 million)
- **Rabobank** (The Netherlands - US$ 3.4 million)
- Berliner Handels- und Frankfurter Bank (Germany), which now is a subsidiary of **ING** (The Netherlands - US$ 5.0 million)
- **Indover Bank** (The Netherlands - US$ 5.0 million)

Among the banks participating in the US$ 75 million five-year term loan syndicate were:

- $^{S}_{H}$ **ABN AMRO Bank** (The Netherlands - US$ 4.4 million)
- $^{S}_{H}$ **Rabobank** (The Netherlands - US$ 4.4 million)

The term loan matured in July 2000.
The amount outstanding from both loans together at the end of 2000, was US$ 142.0 million. This total amount is due immediately.[275]

$^{S}_{H}$ At the end of 2000, PT Surya Kertas had - among others - the following short-term loans outstanding: [276]

- **Indover Bank** (The Netherlands) US$ 2.5 million
- $^{S}_{H}$ **ING Bank** (The Netherlands) US$ 5.1 million
- $^{S}_{H}$ **ABN AMRO Bank** (The Netherlands) US$ 4.3 million

$^{S}_{H}$ During the financial crisis of 1997/1998, PT Surya Kertas ran into serious financial trouble. Since January 1998 the company has defaulted on its bank loans, and started negotiations on debt restructuring. No agreement has been reached yet.[277]

## 5.3 Fajar Surya Wisesa Group

### 5.3.1 Description of the Fajar Surya Wisesa Group

The Fajar Surya Wisesa Group is a small business group active in the pulp & paper industry.

### 5.3.2 Pulp & paper holdings of the Fajar Surya Wisesa Group

- PT Fajar Surya Wisesa Tbk. is a manufacturer of industrial packaging paper in Cibitung, Bekasi, with a production capacity of 500,000 tons. 80% of production is destined for the local market, while the rest are exported to Asian and European countries. The major component of raw material is recycled waste paper, which is mixed with pulp and chemicals.[278]

### 5.3.3 Financial stakeholders PT Fajar Surya Wisesa Tbk.

- **Capital structure**

  At the end of September 2000, PT Fajar Surya Wisesa owned assets totalling Rp 3,193 billion (US$ 360.4 million).

- **Shareholders**

  - PT Fajar Surya Wisesa Tbk. is listed on the Jakarta Stock Exchange in June 1987.

  - The dominant shareholder of PT Fajar Surya Wisesa Tbk. is PT Intercipta Sempama, with a shareholding of 52.4%.[279]

- **Banks**

  - In February 1995, PT Fajar Surya Wisesa secured a five-year US$ 50 million syndicated loan to expand production, arranged by Citicorp (United States). Among the banks participating in the syndicate was:

    - **FMO** (The Netherlands)

    The loan matured in February 2000. Probably the loan is still outstanding.[280]

  - During 1998, PT Fajar Surya Wisesa ran into financial trouble and defaulted on its loan obligations. The company started negotiations on debt restructuring, which were finalised during 2000 regarding to its bank loans.[281]

- **Bondholders**

  - In 1997, PT Fajar Surya Wisesa issued US$ 135 million guaranteed notes on the international capital market. Outstanding at the end of 2000 was US$ 58.8 million. The proceeds of these notes were channelled as a loan to PT Fajar Surya Wisesa through the financing company FSW International Finance Company BV in The Netherlands to reduce tax payments. This subsidiary is managed since August 1996 by MeesPierson Trust, now a subsidiary of **Fortis Bank** (The Netherlands).[282]

- During 1998, PT Fajar Surya Wisesa ran into financial trouble and defaulted on its bond obligations. The company started negotiations on debt restructuring, which are not finalised yet regarding to its bonds. [283]

## 5.4 Gudang Garam Group

### 5.4.1 Description of the Gudang Garam Group

PT Gudang Garam Tbk. is the large Indonesian producer of clove (or kretek) cigarettes. The company is controlled by the Wonowidjojo family, which is headed by Rachman Halim. In June 2001, Halim was listed as the richest man in Indonesia by the American *Forbes* magazine. Forbes estimated Halim's fortune at US$ 1.7 billion.[284]

### 5.4.2 Pulp & paper holdings of the Gudang Garam Group

- The pulp & paper holding company of the Gudang Garam Group is PT Surya Zigzag. This company manufactures folding cardboard for use in cigarette packaging. [285]
  The annual production capacity is estimated at 200,000 tons.

### 5.4.3 Financial stakeholders PT Surya Zigzag

PT Surya Zigzag realised estimated sales of Rp 450 billion in 2000.[286]

$^{S}_{H}$ **Capital structure**

At this moment, PT Surya Zigzag is estimated to own assets with a total value of US$ 150 million.

- **Shareholders**

  - PT Surya Zigzag is owned by PT Gudang Garam Tbk.

$^{S}_{H}$ **Banks**

$^{S}_{H}$ In July 1996, PT Surya Zigzag secured a five-year US$ 55 million syndicated loan, to finance the expansion of its paper production. The loan was arranged by Deutsche Morgan Grenfell (United Kingdom), which is a subsidiary of Deutsche Bank (Germany). Among the banks participating in the syndicate were:

$^{S}_{H}$ **ABN AMRO Bank** (The Netherlands - US$ 6.0 million)

The loan matured in July 2001. The present status is unknown. [287]

### 5.4.4 Financial stakeholders PT Gudang Garam Tbk.

PT Gudang Garam Tbk. is the largest producer of clove (kretek) cigarettes in Indonesia. The company realised total sales in 2000 of Rp 14,965 billion. Of total sales, 97% is attributable to cigarettes, and 3% to paperboard. [288]

- **Capital structure**

At the end of 2000, Gudang Garam owned assets totalling Rp 10,843 billion (US$ million). These assets were financed by the following stakeholders: [289]

| | | |
|---|---|---|
| • Shareholders | Rp 6,111 billion | 56.4% |
| • Others | Rp 4,732 billion | 43.6% |

- **Shareholders**

  - PT Gudang Garam Tbk. is listed on the stock exchanges of Jakarta and Surabaya.

  - At the end of 2000, the controlling shareholder of PT Gudang Garam Tbk. is the Indonesian company PT Suryaduta Investama, with a 66.8% shareholding. This investment company is controlled by the Wonowidjojo family.
    The largest outside shareholder is the Indonesian company PT Suryamitra Kusuma, with a 5.32% shareholding. [290]

## 5.5 Kalimanis Group

### 5.5.1 Description of Kalimanis Group

The Kalimanis Group is an Indonesian business group active in the forestry and pulp & paper industries, banking, and other industries. The Kalimanis Group is also known as the Bob Hasan Group or the Kiani Wirudha Group. It is controlled by Mohammad "Bob" Hasan, who is known as the closest crony of the Suharto family. Together with members of the Suharto family and their close friends Sudono Salim (see paragraph 3.11) and Prajogo Pangestu (see paragraph 5.1), Hasan for a long time also controlled the Astra Group (see paragraph 3.1).[291] Bob Hasan and his group are in serious trouble since the economic crisis of 1997/98 and the end of the Suharto-era. Hasan has been sentenced for corruption, and is currently in jail. His business group is owing loans with a total value of Rp 7,040 billion (US$ 724 million) to the IBRA, making the Kalimanis Group by far the most important forestry debtor of the IBRA. Besides these loans, IBRA also controls shares in 31 Kalimanis companies in the forestry sector worth Rp 6,000 billion.[292]

### 5.5.2 Pulp & paper holdings Kalimanis Group

$^{S}_{H}$ The Kalimanis Group holds logging rights to 1.63 million hectares in East Kalimantan, Aceh and Southeast Sulawesi.[293]

$^{S}_{H}$ In 1998 PT Kiani Kertas - a subsidiary of the Kalimanis Group - started with the production of pulp at a new mill in East Kalimantan, with a capacity of 525,000 tons per annum. The total cost of the project was estimated at US$ 1,110 million, financed by US$ 410 million of equity, and US$ 700 million debt.
Pulp sales contracts have been signed with Hansol Corporation (South Korea) and Shinho Corporation (Japan). The project will be managed by staff from Georgia Pacific, the largest pulp & paper manufacturer in the United States.[294]

$^{S}_{H}$ Pulpwood for PT Kiani Kertas is supplied by PT Tanjung Redep Hutani, another subsidiary of the Kalimanis Group. This company owns a forest concession of 180,000 hectares in East Kalimantan, including a pulp plantation of 37,060 hectares.[295]

### 5.5.3 Financial stakeholders PT Kiani Kertas

$^{S}_{H}$ **Capital structure**

At this moment, PT Kiani Kertas probably owns assets with a total value of US$ 1,200 million. These assets are probably financed by the following stakeholders:[296]

| | | |
|---|---|---|
| • Shareholders | US$ 350 million | 29.2% |
| • Banks | US$ 700 million | 58.3% |
| • Others | US$ 150 million | 12.5% |

$^{S}_{H}$ **Shareholders**

The controlling shareholder of PT Kiani Kertas is the Kalimanis Group. Two foundations chaired by ex-president Suharto are reportedly also among the shareholders.[297]

## $^{S}_{H}$ Banks

$^{S}_{H}$ In March 1997, PT Kiani Kertas secured a three years and eight months US$ 120 million syndicated loan to finance its new pulp mill in Kalimantan. Among the banks arranging the loan was Berliner Handels- und Frankfurter Bank (Germany), which now is a subsidiary of **ING** (The Netherlands). Among the banks participating in the syndicate were:

- $^{S}_{H}$ Berliner Handels- und Frankfurter Bank (Germany), which now is a subsidiary of **ING** (The Netherlands - US$ 7.5 million)

Of the facility only US$ 113.25 million was drawn down.
The loan was channelled through the financing company Kiani Kertas BV in The Netherlands, to reduce tax payments. This subsidiary is managed since March 1997 by **Intra Beheer** (The Netherlands).
The loan matured in November 2000. The present status is unknown.[298]

## 5.6 Raja Garuda Mas Group

### 5.6.1 Description of the Raja Garuda Mas Group

The Raja Garuda Mas group is a large Indonesian business group, active in agribusiness (see paragraph 3.10), forestry, pulp & paper, steel, chemicals, finance, trading, mining, property and services. Total assets of the Raja Garuda Mas Group were estimated at Rp 15,500 billion in 1998. The group is ultimately owned by Sukanto Tanoto and his family. Tanoto is an ethnic Chinese businessman, who changed his name from Tan Kang Ho.[299]

### 5.6.2 Pulp & paper holdings of the Raja Garuda Mas Group

- The holding company for the Indonesian pulp & paper interests of the Raja Garuda Mas Group is Asia Pacific Resources International Holdings Ltd. (APRIL) in Singapore.

- APRIL's 51% interest in a Chinese paper plant in Changshu has been sold in August 2000 to UPM Kymmene from Finland. Since then, APRIL's only asset outside Indonesia is a converting plant in Shuzhou (China). The other operating activities of APRIL are concentrated in Indonesia.[300]

- APRIL controls a pulp mill and a paper plant in Indonesia:

  - PT Riau Andalan Pulp & Paper, which owns a pulp mill in Riau with a present capacity of 1,300,000 tonnes per annum. Pulp production reached 935,269 tonnes of BHK pulp in 2000.[301]

  - PT Riau Andalan Kertas, which owns a paper mill in Riau with a capacity of 600,000 tonnes per annum. Paper production reached 275,341 tonnes of uncoated woodfree (UWF) paper in 2000.[302]

- To supply its pulp & paper plants, APRIL owns forestry concessions covering a combined area of 280,500 hectares in Central Sumatra. This includes a pulp plantation of 46,455 hectares. Large-scale harvesting begins in 2001. APRIL plans to establish 300,000 hectares of pulp plantations.[303]

- Apart from APRIL, the Raja Garuda Mas Group also has a large shareholding in PT Toba Pulp Lestari Tbk. (formerly called PT Inti Indorayon Utama Tbk.). This company owns a pulp mill in North Sumatra with a production capacity of 240,000 tonnes per annum, and an adjacent rayon plant with an annual capacity of 60,000 tonnes. The company also owns a pulp plantation of 40,698 hectares.[304]

- Also apart from APRIL, the Raja Garuda Mas Group owns 55% of the shares in the Sarawak Pulp & Paper company, an integrated pulp mill in Sarawak, Malaysia. This mill has a production capacity of 750,000 tons of pulp and 300,000 tons of paper per annum.[305]

### 5.6.3 Financial stakeholders Asia Pacific Resources International Holdings Ltd.

In 2000, Asia Pacific Resources International Holdings Ltd. realised a turnover of US$ 652.3 million. Of this turnover, 59.6% was attributable to pulp and 40.4% to paper. Exports accounted for 85.1% of turnover. The main export markets are Asia, the Middle East, and Europe. [306]

[sH] **Capital structure**

At the end of 2000, APRIL owned assets totalling US$ 3,076.7 million. These assets were financed by the following stakeholders: [307]

| | | |
|---|---|---|
| • Shareholders | US$ 1,167.2 million | 37.9% |
| • Subsidiary shareholders | US$ 8.1 million | 0.3% |
| • Banks | US$ 1,090.9 million | 35.5% |
| • Bondholders | US$ 47.8 million | 1.6% |
| • UPM Kymmene Loan | US$ 121.0 million | 3.9% |
| • Others | US$ 641.7 million | 20.9% |

The values of the total assets of APRIL's major subsidiaries in Indonesia, are estimated as follows:

| | |
|---|---|
| [sH] PT Riau Andalan Pulp & Paper | US$ 1,800 million |
| [sH] PT Riau Andalan Kertas | US$ 1,200 million |

[sH] **Shareholders**

[sH] Asia Pacific Resources International Holdings Ltd. (APRIL) is incorporated in Bermuda. The company was listed on the New York Stock Exchange (NYSE) in April 1995, raising US$ 280 million in equity capital.[308]

[sH] The controlling shareholder of APRIL is the Raja Garuda Mas Group.

[sH] In September 2001, the NYSE suspended trading in shares of Asia Pacific Resources International Holdings Ltd., because the price of APRIL's shares has traded below US$ 1 over a 30-day period. The company will be delisted. APRIL started trading on the American over-the-counter Bulletin Board at the end of September 2001.[309]

[sH] **Banks**

[sH] In April 1995, PT Riau Andalan Kertas secured a seven-year US$ 200 million syndicated loan, to refinance the construction of its new plant. The loan was arranged by Baring Brothers (United Kingdom), which now is a subsidiary of **ING Bank** (The Netherlands). The loan will mature in April 2002. The present status is unknown.[310]

[sH] **Bondholders**

[sH] In December 1995, PT Riau Andalan Pulp & Paper issued US$ 100 million bonds due in 2000, and US$ 200 million bonds due in 2005 on the New York Stock Exchange (NYSE). At the end of 2000, the bonds due in 2000 are repaid and only US$ 2.1 million is outstanding of the bonds due in 2005.

The proceeds of the bonds are channelled as a loan to PT Riau Andalan Pulp & Paper via the financing company RAPP International Finance Company BV in The Netherlands, to reduce tax payments. This subsidiary is managed since September 1994 by MeesPierson Trust, which now is a subsidiary of **Fortis Bank** (The Netherlands).[311]

- In December 1996, APRIL issued US$ 50 million bonds on the international capital market. The bonds were due in December 2001, but in February 2001 the maturity date was extended until December 2002. At the end of 2000, US$ 45.5 million was outstanding.
  The proceeds of the bonds are channelled as a loan to APRIL via the financing company APRIL Finances BV in The Netherlands, to reduce tax payments. This subsidiary is managed since December 1995 by **ATC Management** (The Netherlands).[312]

- **Debt restructuring**

  - In June 2000, APRIL signed a debt restructuring agreement with its Indonesian creditors, representing 92% of its total debt of US$ 1.3 billion. According to the agreement, the term of these loans was extended to December 2005.
    But the foreign creditors headed by **ING Barings** (United Kingdom / The Netherlands) objected to certain conditions in the debt restructuring agreement, and refused to sign. The foreign creditors have total loans of US$ 117.8 million outstanding to APRIL.[313]

  - In February 2001, APRIL asked its creditors to revise the debt restructuring agreement of June 2000, as the pulp prices have collapsed during the past six months. Creditors are balking, as APRIL at the same time invests large sums in expanding pulp & paper production in Riau.[314]

  - In June 2001, APRIL announced that it cannot meet interest payments on its debts because of a steep decline in pulp prices. The company is discussing a debt restructuring with its creditors.[315]

### 5.6.4 Financial stakeholders PT Toba Pulp Lestari Tbk.

PT Toba Pulp Lestari Tbk. (formerly called PT Inti Indorayon Utama Tbk.) owns a pulp mill in North Sumatra with a production capacity of 240,000 tonnes per annum, and an adjacent rayon plant with an annual capacity of 60,000 tonnes. The plants were “temporarily” closed by the authorities in July 1998, to conduct an independent audit of the accusations by local inhabitants and NGOs that the plants are severely polluting the environment and threatening the health of residents in the area.
After much delay, in May 2000 the Indonesian minister of environment decided that the rayon plant had to be closed permanently, but the pulp plant could be reopened after an environmental audit. Because of local resistance, this decision is not yet enforced. In April 2001 the government announced that the company will not be reopened without prior consent from the local people.
To break the deadlock PT Inti Indorayon Utama changed its name to PT Toba Pulp Lestari and changed its board. The new management's promises of better relationships with the local community might have convinced the company's financial backers to hold on for a little longer, but have done nothing to change local opinions. Inhabitants of Porsea and other villages affected by the plant refuse to accept the 'new' company and the Department of Trade and Industry has so far not dared to grant it a new operating licence.
Because it has not been producing for the past three years, the company of course is in severe financial trouble.[316]

## Capital structure

At this moment, PT Toba Pulp Lestari Tbk. is estimated to own assets with a total value of US$ 20 million.

## Shareholders

- PT Toba Pulp Lestari Tbk. is listed on the Jakarta and Surabaya Stock Exchanges since June 1990.

- In January 1999, APRIL distributed its 62.0% shareholding in PT Inti Indorayon Utama among its own shareholders. Since then, Sukanto Tanoto was the dominant shareholder with a shareholding of 51%.[317]

- The majority shareholding of Sukanto Tanoto in PT Inti Indorayon Utama was dilluted after a debt restructuring agreement in June 2000, which included a debt for equity swap. Among the shareholders of PT Inti Indorayon Utama now are:

  - **ABN AMRO Bank** (The Netherlands) [318]

- The Jakarta Stock Exchange suspended the trading in the shares of PT Toba Pulp Lestari in July 2001, because the company had not submitted audited financial figures for the year 2000 in time. If the company has not resumed production in November 2001, it will be delisted.[319]

## Banks and bondholders

- In March 1996, PT Inti Indorayon Utama issued US$ 150 million of bonds on the New York Stock Exchange (NYSE). The bonds are due in 2001. Probably they are still outstanding.
  The proceeds were channelled as a loan to PT Inti Indorayon Utama via the financing company Indorayon International Finance BV in The Netherlands, to reduce tax payments. This subsidiary is managed since March 1996 by MeesPierson Trust, which now is a subsidiary of **Fortis Bank** (The Netherlands).[320]

- In April 1999, PT Inti Indorayon Utama defaulted on the payment of interest on some outstanding bonds. The company appointed Donaldson, Lufkin & Jenrette, which now is a subsidiary of Crédit Suisse First Boston (Switzerland), to advise it on a debt restructuring. At that moment the company owed US$ 75 million in short-term loans, and US$ 285 million in bonds.
  In June 2000, the company reached a debt restructuring agreement with its creditors. The creditors agreed to swap most of outstanding debt for equity, if the plant resumed production. Among the banks signing the agreement were:

  - **ABN AMRO Bank** (The Netherlands) [321]

- In December 2000, PT Toba Pulp Lestari received a new credit of US$ 4 million from an international banking syndicate, to give the new management the opportunity to try to reopen the plant. Among the banks participating in the syndicate was:

  - **ABN AMRO Bank** (The Netherlands)

  The credit is probably still outstanding.[322]

## 5.7 Sinar Mas Group

### 5.7.1 Description of the Sinar Mas Group

The Sinar Mas Group is one of Indonesia's largest business groups. The group is mainly active in pulp & paper, palm oil (see paragraph 3.12), food, property development, hotels, telecommunications and finance. It is founded by the Chinese immigrant Oei Ek Tjhong, who later changed its name into Eka Tjipta Widjaja. The Widjaja family is controlling the Sinar Mas Group.[323]

The financial crisis of 1997/98 left the Sinar Mas Group relatively untouched, although its PT Bank Internasional Indonesia was brought under control of the IBRA. "Sinar Mas, which is relative unharmed by the devaluation of the Rupiah because of its bias to natural resources, now towers over all surviving conglomerates in Indonesia", concluded Asiamoney in July 1999.[324]

But at the end of 2000, things started to go completely wrong. Weak due diligence procedures and unrealistic growth estimates had lured virtually all globally active financial institutions to inflate the Sinar Mas group's Asia Pulp & Paper (APP) with a massive US$ 13.4 billion of debt, only to find out this year how the balloon is going flat at maximum speed. APP stopped all debt-payments in March, and the trading of APP's shares on the New York Stock Exchange has been suspended in April. APP started a complicated negotiation process with its creditors on debt restructuring, which will take some two years to complete.[325]

Because of its high exposure to APP, PT Bank Internasional Indonesia is now also in deep trouble and is threatening to drag other parts of the Sinar Mas Group down. The Sinar Mas Group now is desperately looking for money, and is looking for ways to sell off parts of its huge business empire.

### 5.7.2 Pulp & paper holdings of the Sinar Mas Group

- The Singaporean company Asia Pulp & Paper Company Ltd. (APP) is the central holding company for the Sinar Mas subsidiaries in the pulp & paper sector. The APP Group employed 80,000 people in 22 countries, before the company started selling assets in the spring of 2001. Until then, APP and its subsidiaries owned:

  - logging concessions of at least 1.5 million hectares in total in Indonesia;
  - pulp & paper manufacturing facilities in Indonesia, China, and India;
  - packaging plants across Indonesia, China, Singapore, the U.S., India, and Mexico;
  - marketing offices in more than 60 countries in six continents.

- APP had an aggregate pulp production capacity of 2.3 million tonnes, located in Indonesia. Its paper and packaging production capacity in Indonesia, China and India totalled 5.7 million tonnes. APP was the largest Asian paper producer outside Japan, and ranked 10th among the world's paper and packaging companies.[326]
  Since then, its subsidiary in India has been sold, and the company is looking for buyers for all of its assets in China and some of it Indonesian subsidiaries.[327]

- APP owns the following pulp & paper subsidiaries in Indonesia:

- PT Indah Kiat Pulp & Paper Tbk., which owns a pulp mill in South Sumatra, a packaging plant in West Java, and two paper plants in South Sumatra and West Java, with the following aggregate annual production capacities:
  - 1,781,000 tonnes of pulp;
  - 744,000 tonnes of paper;
  - 980,000 tonnes of packaging materials.[328]

- PT Pabrik Kertas Tjiwi Kimia Tbk., which owns a paper plant in East Java with an annual production capacity of:
  - 400,000 tonnes of paper.[329]

- PT Pindo Deli Pulp & Paper Mills, which owns two paper plants in West Java, with an aggregate annual capacity of:
  - 698,000 tonnes of paper.[330]

- PT Lontar Papyrus Pulp & Paper Industry, which owns a paper plant in Aceh and a pulp mill in Jambi with the following annual capacities:
  - 545,000 tonnes of pulp;
  - 60,000 tonnes of tissue;
  - 7,500 tonnes of paper.[331]

- PT Ekamas Fortuna, which own a containerboard plant in East Java, with an annual production capacity of:
  - 150,000 tonnes of containerboard. [332]

- PT Univenus, which owns three tissue plants in West Java, with an aggregate annual production capacity of:
  - 18,000 tonnes of tissue. [333]

- PT Purinusa Ekapersada, a converting plant for packaging materials which has no production capacity of its own.[334]

- APP also was developing Borneo Pulp & Paper Sdn. Bhd. in Sarawak (Malaysia). The development was halted in 1998, due to financial problems. In May 2001 APP sold part of its 60 percent stake to the Sarawak state government which already owned 40 percent of Borneo Pulp & Paper.[335]

- The APP Group is not engaged in logging and timber plantations itself. Fibre is supplied by two other companies belonging to the Sinar Mas Group:

  - PT Arara Abadi, which owns a HTI pulp plantation of 113,159 hectares in Riau;
  - PT Wirakarya Sakti, which owns a HTI pulp plantation of 43,331 hectares in Jambi. [336]

### 5.7.3 Financial stakeholders Asia Pulp & Paper Company Ltd.

In 1999, APP realised a turnover of US$ 3,135 million. Paper products accounted for 67%, and packaging products for 33%. Because of its unhealthy financial situation, APP still has not published an annual report for 2000. [337]

In this paragraph we will look at the financing of APP as a whole, although a large part of its assets was located in China and other countries. But all paper and packaging plants of APP, in Indonesia as well as in China and India, are fed primarily with pulp from its Indonesian operations. Only to a limited extent, APP is buying external pulp supplies. And its internal marketing operations are engaged exclusively in selling paper and packaging products made primarily form Indonesian pulp.
This means that all assets of APP and its subsidiaries are linked directly to logging of forests in Indonesia. For this reason, we will analyse the financing of the assets of APP and all its subsidiaries in a consolidated way.

### Capital structure

At the end of 1999, APP owned assets totalling US$ 17,512 million. These assets were financed by the following stakeholders: [338]

| | | |
|---|---|---|
| • Shareholders | US$ 2,874 million | 16.4% |
| • Subsidiary shareholders | US$ 1,560 million | 8.9% |
| • Banks | US$ 3,569 million | 20.4% |
| • Bondholders | US$ 6,674 million | 38.1% |
| • Suppliers | US$ 1,691 million | 9.7% |
| • Others | US$ 1,145 million | 6.5% |

At the end of 1999, the largest Indonesian subsidiaries of APP owned the following amounts of total assets:[339]

| | |
|---|---|
| • PT Indah Kiat Pulp & Paper Tbk. | US$ 5,986.6 million |
| • PT Pabrik Kertas Tjiwi Kimia Tbk. | US$ 2,319.4 million |
| • PT Pindo Deli Pulp & Paper Mills | US$ 2,669.8 million |
| • PT Lontar Papyrus Pulp & Paper Industry | US$ 907.7 million |

Estimates for the total assets of some other APP-subsidiaries:

| | |
|---|---|
| • PT Univenus | US$ 300 million |
| • APP Paper Trading Ltd. | US$ 500 million |
| • Gold East Paper (Jiangsu) Co., Ltd. | US$ 1,500 million |

### Shareholders

In April 1995, APP launched an Initial Public Offering (IPO) at the New York Stock Exchange (NYSE). During the IPO 27 million ADSs were issued, equivalent to 108 million ordinary shares. The total amount raised was US$ 310.5 million. The lead manager of the share offering was Morgan Stanley & Co. (United States). Other banks involved in the syndicate were:

- **ABN AMRO Hoare Govett** (The Netherlands)
- Baring Brothers (United Kingdom), now a subsidiary of **ING Bank** (The Netherlands) [340]

In November 1997, APP issued 18 million new ADSs on the NYSE, equivalent to 72 million shares. The total amount raised was US$ 207 million. The lead manager was Morgan Stanley (United States). Another bank involved in the syndicate was:

- **ING Barings** (United Kingdom / The Netherlands) [341]

- In April 1999, APP issued 48 million new ADSs on the NYSE, equivalent to 192 million shares. The total amount raised was US$ 403.8 million. The underwriter for the offering was Merill Lynch (United States). Other banks involved in the syndicate were:

  - **ING Baring** Furman Selz (United Kingdom / The Netherlands) [342]

- At the end of 1999, the dominant shareholder of APP was the Widjaja Family Master Trust (Indonesia). Through PT Sinar Mas Tunggal (Indonesia) and APP Global (Singapore) and its subsidiaries, the Widjaja family owned 66.85% of the APP shares. The most important outside shareholder of APP at this moment is the American fund manager Franklin Templeton Investments which holds 9.45% of the APP shares. [343]

- In April 2001, the New York Stock Exchange (NYSE) decided to suspend trading in APP shares. In July 2001, the APP shares were delisted from the NYSE.[344]

**Subsidiary shareholders**

- All outside shareholders of the consolidated subsidiaries of APP, together finance US$ 1,560 million (8.9% of APP's total assets). At the end of 1999, the major part of this financing is coming from the outside shareholders of APP's Indonesian subsidiaries PT Indah Kiat Pulp & Paper and PT Pabrik Kertas Tjiwi Kimia: [345]

| Subsidiary | APP Shareholding | Outside Shareholders | Total equity (US$ million) | Value of outside shareholding (US$ million) |
|---|---|---|---|---|
| Indah Kiat | 58% | 42% | 2,781 | 1,168 |
| Tjiwi Kimia | 64% | 36% | 916 | 330 |
| Other subsidiaries | | | | 62 |
| **Total** | | | | **1,560** |

- In July 1990, PT Indah Kiat Pulp & Paper launched an Initial Public Offering (IPO) at the Jakarta and Surabaya Stock Exchanges. The total amount raised was Rp 236.2 billion (US$ 128.6 million). The lead manager of the share offering was Nomura International (Japan). Among the other banks involved in the syndicate was:

  - Baring Brothers (United Kingdom), now a subsidiary of **ING Bank** (The Netherlands).[346]

- At this moment, the dominant shareholder of PT Indah Kiat Pulp & Paper is APP, with a shareholding of 58%.
  The largest outside shareholder is the American fund manager Capital Group with 5.34% of the shares.
  Among the other outside shareholders are:

  - Foreign & Colonial Management (United Kingdom), which is now a subsidiary of **Eureko** (The Netherlands / Portugal - 0.44%)
  - **Fortis** Investments (The Netherlands - 0.15%)
  - **ABN AMRO** Asset Management (The Netherlands - 0.08%)
  - **ING** Investment Management (The Netherlands - 0.08%)
  - **Aegon** Asset Management (The Netherlands - 0.03%)
  - **Robeco** Groep (The Netherlands - 0.01%) [347]

- PT Pabrik Kertas Tjiwi Kimia is listed on the Jakarta and Surabaya Stock Exchanges since April 1990. At this moment, the dominant shareholder of PT Pabrik Kertas Tjiwi Kimia is APP, with a shareholding of 64%.
  The largest outside shareholder is the American fund manager Franklin Templeton Investments with 4.06% of the shares.
  Among the other outside shareholders are:

  - **Aegon** Nederland (The Netherlands - 0.15%)
  - **ING** Investment Management (The Netherlands - 0.06%) [348]

- In May 2001, the shareholders of the Sinar Mas Group concluded a contract with the IBRA, regarding the debt of US$ 1.3 billion owned by the Sinar Mas Group to Bank Internasional Indonesia (BII). APP holds around US$ 1.0 billion of this debt. As part of the contract, APP's principal subsidiaries in Indonesia each granted liens on all of their fixed assets (land, buildings and machinery). APP also granted liens on the shares of its Indonesian subsidiaries. The Sinar Mas Group also has pledged stakes in Sinar Mas-controlled holding companies that hold majority stakes in PT Arara Abadi and PT Wirakarya Sakti. Effectively, all APP assets in Indonesia now are under control of the IBRA.
  In September 2001, IBRA announced that it might be forced to sell these assets to retrieve the bad loans of BII.[349]

- The Jakarta Stock Exchange suspended the trading in shares of PT Indah Kiat Pulp & Paper and PT Pabrik Kertas Tjiwi Kimia in July 2001, as they failed to present their financial reports for the year 2000.[350]

- **Banks**

- In September 1990, various companies in the APP Group (PT Indah Kiat Pulp & Paper, PT Pabrik Kertas Tjiwi Kimia and others) together obtained a two-year US$ 80.0 million credit facility from an international banking syndicate arranged by Barclays Bank (United Kingdom). Among the other banks participating in the syndicate were:

  - **ABN AMRO Bank** (The Netherlands)

  The loan matured in September 1992, and was probably refinanced.[351]

- In January 1992 PT Pabrik Kertas Tjiwi Kimia entered into an agreement with the Berliner Handels und Frankfurter Bank (Germany), which is now a subsidiary of **ING** (The Netherlands) for a credit facility of DM 5.2 million (US$ 3.2 million), to fund the import of machines. This loan was repaid in 1997.[352]

- In December 1992, PT Indah Kiat Pulp & Paper secured a one-year loan of US$ 46.2 million from an international banking syndicate arranged by Dai-Ichi Kangyo Bank (Japan). Among the banks participating in the syndicate was:

  - **Rabobank** (The Netherlands)

  This loan was refinanced in August 1993. [353]

- In August 1993, PT Indah Kiat Pulp & Paper obtained a one-year loan of US$ 36.9 million from an international banking syndicate arranged by Dai-Ichi Kangyo Bank (Japan). Among the banks participating in the syndicate was:

- **Rabobank** (The Netherlands - US$ 2.4 million)

This loan was meant to refinance the December 1992 loan, and matured in August 1994. Probably it was refinanced in July 1994. [354]

- In April 1994, PT Indah Kiat Pulp & Paper raised a twelve-year export credit facility of DM 374.4 million (US$ 226.9 million) to fund the delivery and erection of board mill machinery, from a banking syndicate arranged by Barclays Bank (United Kingdom) and the IKB Deutsche Industriebank (Germany). Among the participants in the syndicate was:

  - Berliner Handels und Frankfurter Bank (Germany), which is now a subsidiary of **ING** (The Netherlands)

The export credit facility matures in April 2006. The present status is unknown. [355]

- In July 1994, PT Indah Kiat Pulp & Paper obtained a five-year US$ 149 million loan from an international banking syndicate arranged by - among others - **ABN AMRO Bank** (The Netherlands) and Bankers Trust, which now is a subsidiary of Deutsche Bank (Germany). Among the banks participating in the syndicate were:

  - **ABN AMRO Bank** (The Netherlands - US$ 10.0 million)
  - **Indover Bank** (The Netherlands - US$ 3.0 million

This loan was meant to refinance existing debt, and matured in July 1999. The present status is unknown. [356]

- In September 1994, PT Lontar Papyrus Pulp & Paper Industry obtained a three-year US$ 100 million loan from an international banking syndicate arranged by Fuji Bank (Japan). Among the banks participating in the syndicate were:

  - Nationale Investeringsbank, now renamed in **NIB Capital** (The Netherlands - US$ 5 million).

The loan was used to refinance existing loans, and matured in September 1997. Probably the loan was refinanced in November 1995. [357]

- In November 1994 PT Pabrik Kertas Tjiwi Kimia secured a three-year US$ 120 million loan from an international syndicate arranged by - among others - **ABN AMRO Bank** (The Netherlands) and **Rabobank** (The Netherlands). Among the banks participating in the syndicate were:

  - **ABN AMRO Bank** (The Netherlands)
  - **Rabobank** (The Netherlands)
  - Nationale Investeringsbank, now renamed in **NIB Capital** (The Netherlands)

The loan was used to refinance existing debt, and was repaid in 1997.[358]

- In May 1995, PT Indah Kiat Pulp & Paper obtained a three-year US$ 200 million loan from an international banking syndicate arranged by - among others - **ABN AMRO Bank** (The Netherlands) and Deutsche Bank (Germany). Among the banks participating in the syndicate were:

  - **ABN AMRO Bank** (The Netherlands - US$ 20 million)

This loan was meant to refinance existing debt, and matured in May 1998. The loan probably was refinanced. [359]

- In October 1995, PT Lontar Papyrus Pulp & Paper Industry obtained a 18-months US$ 50 million loan from an international banking syndicate arranged by Bank of America (United States). Among the banks participating in the syndicate was:

  - **ABN AMRO Bank** (The Netherlands - US$ 3 million)

  The loan was used to refinance existing loans, and matured in April 1997. Probably was refinanced in November 1995. [360]

- In November 1995, PT Lontar Papyrus Pulp & Paper Industry obtained a three-year US$ 110 million loan from an international banking syndicate arranged by - among others - Nationale Investeringsbank, which is now renamed in **NIB Capital** (The Netherlands), National Westminster Bank, which now is a subsidiary of Royal Bank of Scotland (United Kingdom) and **Rabobank** (The Netherlands). Among the banks participating in the syndicate were:

  - Nationale Investeringsbank, which is now renamed in **NIB Capital** (The Netherlands - US$ 10 million)
  - **Rabobank** (The Netherlands - US$ 10 million)
  - **ABN AMRO Bank** (The Netherlands - US$ 5 million)

  The loan was used to refinance existing loans, and matured in November 1998. [361]

- In November 1995, PT Pabrik Kertas Tjiwi Kimia secured a five-year US$ 122.5 million loan from an international syndicate arranged by - among others - UBS (Switzerland) and Commerzbank (Germany). Among the banks participating in the syndicate was:

  - MeesPierson, which now is a part of **Fortis Bank** (The Netherlands - US$ 15.0 million)
  - **Indover Bank** (The Netherlands - US$ 3.0 million)

  The loan is used to refinance a bond issue maturing in 1995 and to refinance existing debt. The loan would mature in November 2000, but was repaid in 1997.[362]

- In December 1995, PT Univenus obtained a five-year US$ 35 million loan from an Indonesian banking syndicate arranged by - among others - **ING Bank** (The Netherlands). Among the banks participating in the syndicate was:

  - **ING Bank** (The Netherlands - US$ 5,75 million)

  The loan was used for expansion and refinancing purposes, and matured in December 2000. The present status is unknown. [363]

- In March 1996, **ING Barings** (United Kingdom / The Netherlands) and Fuji Bank (Japan) were mandated to arrange a US$ 300 million facility for APP. It is unclear if this facility has been realised.[364]

- In May 1996, PT Indah Kiat Pulp & Paper entered into an agreement with **ABN AMRO Bank** (The Netherlands) for a five-year export credit facility of DM 8.5 million (US$ 5.6 million). The facility is guaranteed by Hermes (Germany), and would mature in May 2001. The present status is unknown. [365]

- In June 1996, PT Pabrik Kertas Tjiwi Kimia entered into an agreement with **ABN AMRO Bank** (Germany) to set up a five-year export credit facility of DM 7.7 million (US$ 5.1 million). The facility is guaranteed by Hermes (Germany), and would mature in June 2001. The present status is unknown.[366]

- In June 1996, PT Indah Kiat Pulp & Paper entered into an agreement with **ABN AMRO Bank** (The Netherlands) for a five-year export credit facility of DM 7.7 million (US$ 5.1 million). The facility is guaranteed by Hermes (Germany), and would mature in June 2001. The present status is unknown. [367]

- In October 1996, PT Indah Kiat Pulp & Paper raised eight syndicated ten-year export credit facilities, each guaranteed by a foreign Export Credit Agency, totalling US$ 233.2 million. Financial advisers for this deal were Barclays de Zoete Wedd (United Kingdom) and Crédit Lyonnais (France). All loans have to be paid back in 16 semi-annual installments, starting in April 1999 and ending in October 2006. The present status of the loans is unknown.
  Among the ECAs and banks participating in the eight syndicates were: [368]

  - US$ 76.1 million, guaranteed by EKN Exporkreditnamnden (Sweden) and arranged by Barclays de Zoete Wedd (United Kingdom), and Crédit Lyonnais (France). Among the participants in the syndicate were:

    - **ABN AMRO Bank** (The Netherlands)
    - Nationale Investeringsbank, now renamed in **NIB Capital** (The Netherlands)
    - **Rabobank** (The Netherlands)

  - US$ 10.5 million, guaranteed by EKN Exporkreditnamnden (Sweden) and arranged by Barclays de Zoete Wedd (United Kingdom), and Crédit Lyonnais (France). Among the participants in the syndicate was:

    - **ABN AMRO Bank** (The Netherlands)

  - US$ 19.4 million, guaranteed by EKN Exporkreditnamnden (Sweden) and arranged by Barclays de Zoete Wedd (United Kingdom), and Crédit Lyonnais (France). Among the participants in the syndicate was:

    - **ABN AMRO Bank** (The Netherlands)

  - US$ 73.3 million, arranged by Finnish Guarantee Board (Finland), Barclays de Zoete Wedd (United Kingdom), Crédit Lyonnais (France) and Finnish Export Credit (Finland). Among the participants in the syndicate was:

    - **Rabobank** (The Netherlands)

- In October 1996, PT Pindo Deli Pulp & Paper Mills obtained a twelve-year US$ 38 million export credit loan from an international banking syndicate arranged by **ABN AMRO Bank** (The Netherlands). The proceeds are used to finance the purchase of two paper machines for the expansion of production capacity. The transactions are covered by Hermes (Germany), FGB (Finland) and EKN Exporkreditnamnden (Sweden). The loan will mature in October 2008. The present status is unknown. [369]

- In March 1997, PT Pabrik Kertas Tjiwi Kimia entered into an agreement with **ABN AMRO Bank** (The Netherlands) for a credit facility of DM 7.8 million (US$ 4.6 million). This loan was repayable in 10 semi-annual installments commencing in July 1998. The present status is unknown.[370]

- In April 1997, PT Indah Kiat Pulp & Paper obtained a US$ 400 million three-year loan facility from an international banking syndicate, arranged by - among others - Bankers Trust, which is now a subsidiary of Deutsche Bank (Germany), Bank Austria (Austria), which now is a subsidiary of Bayerische Hypo und Vereinsbank (Germany), Commerzbank (Germany) and National Westminster Bank, which now is a subsidiary of Royal Bank of Scotland (United Kingdom). Among the banks participating in the syndicate were:

  - **ING Bank** (The Netherlands - US$ 8 million)
  - **Rabobank** (The Netherlands - US$ 5 million)

  This facility was refinanced in April 2000.[371]

- In September 1997 PT Pabrik Kertas Tjiwi Kimia entered into an agreement with Bank of America (United States) and **ABN AMRO Bank** (The Netherlands) for an export credit facility amounting to US$ 67.7 million. This loan was covered by a guarantee of the Export-Import Bank of the United States. The loan is payable in 20 semi-annual installments commencing in November 1998. The present status is unknown. [372]

- In July 1999, PT Indah Kiat Pulp & Paper raised US$ 100 million from a syndicated credit facility arranged by **ING Bank** (The Netherlands). The present status of this loan is unknown. [373]

  This facility matured in September 2001. The present status is unknown. [374]

- In October 1999, APP Paper Trading obtained a two-year US$ 100 million revolving credit facility from a international banking syndicate arranged by Dresdner Kleinwort Benson (United Kingdom), which is a subsidiary of Dresdner Bank (Germany) together with MeesPierson, which now is a part of **Fortis Bank** (The Netherlands). This facility replaced the facility arranged in October 1998. Among the banks participating in the syndicate was:

  - MeesPierson, which now is a part of **Fortis Bank** (The Netherlands - US$ 27 million)

  This facility will mature in October 2001. The present status is unknown. [375]

- In April 2000, PT Indah Kiat Pulp & Paper obtained a credit facility from **ABN AMRO Bank** (The Netherlands) amounting to US$ 100 million. The present status is unknown. [376]

- In March 2001, **ABN AMRO Bank** (The Netherlands) filed three lawsuits in Singapore against three of APP's operating subsidiaries, to recover US$ 31 million of debt on which the companies have defaulted. ABN AMRO Bank claims US$ 8.9 million from PT Pindo Deli Pulp & Paper Mills, US$ 7.1 million from PT Pabrik Kertas Tjiwi Kimia, and US$ 15.4 million from PT Indah Kiat Pulp & Paper. ABN AMRO dropped the court cases in May 2001.[377]

- In April 2001, **Fortis Bank** (The Netherlands) filed a lawsuit in Singapore against APP for US$ 7.4 million over contracts related to credit facilities and overdrafts.[378]

**Bondholders**

- In March 1991, Nomura International (Japan) together with Salomon Brothers (United States) and Schroder Wagg (United Kingdom) arranged a US$ 75 million convertible bond issue for PT Pabrik Kertas Tjiwi Kimia. Among the other banks in the syndicate were:

  - Baring Brothers (United Kingdom), now a subsidiary of **ING Bank** (The Netherlands) [379]

- In February 1992**,** Crédit Suisse (Switzerland) arranged the issue of five-year Sfr 50 million (US$ 33.5 million) convertible notes for PT Pabrik Kertas Tjiwi Kimia. Among the other banks involved in the deal were:

  - Baring Brothers (United Kingdom), now a subsidiary of **ING Bank** (The Netherlands)
  - **Rabobank** (The Netherlands) [380]

- In July 2000, **ING Barings** (United Kingdom / The Netherlands) arranged a US$ 100 million bond issue for APP.[381]

- In August 2000, **ING Barings** (United Kingdom / The Netherlands) arranged a US$ 125 million bond issue for APP.[382]

- The proceeds of a number of international bond issuances and loans by APP and its subsidiaries, were channelled through finance companies in The Netherlands to reduce tax payments. These finance companies include:

  - APP International Finance Company BV (established June 1995)
  - Indah Kiat International Finance Company BV (established March 1994)
  - Tjiwi Kimia International Finance Company BV (established July 1994)
  - Tjiwi Kimia Commercial Finance Company BV (established December 1996)

  All these finance companies are managed by MeesPierson Trust, which is now a subsidiary of **Fortis Bank** (The Netherlands).[383]

**Debt restructuring**

- In September 2000, APP made an offer to holders of US$ 1.45 billion of its bonds to swap that debt for a combination of cash, new guaranteed 5-year notes and warrants for its American Depositary Shares (ADSs). Among the lead managers for this swap was Crédit Suisse First Boston (Switzerland). As APP did not receive approval for this issuance from the US Securities and Exchanges Commission (SEC), the deal has been indefinitely postponed.[384]

$^{S_H}$ In March 2001, APP appointed Crédit Suisse First Boston (Switzerland) to coordinate its debt restructuring. A week later, APP announced that the company and all its subsidiaries are halting payment of interest and principal on all debts, effective immediately.[385]

- In August 2001, APP and Crédit Suisse First Boston (Switzerland) announced that they would aim to submit a debt restructuring plan to the APP creditors by the end of November 2001. APP hopes to finish the debt restructuring by March 2002.[386]

# Chapter 6 Dutch financial institutions

## 6.1 ABN AMRO Bank

### 6.1.1 Description of ABN AMRO Bank

ABN AMRO Bank is one of the three largest banks in the Netherlands. It aims to become a global player, and has one of the most extensive networks of international offices in the banking industry. In Indonesia, ABN AMRO Bank is among the top four foreign banks. ABN AMRO Bank owns the investment bank Hoare Govett (United Kingdom), and has an investment banking joint-venture - ABN AMRO Rothschild - with NM Rothschild & Sons (United Kingdom).[387]

### 6.1.2 Financing of Indonesian oil palm companies

- **General**

  - Adopted a new policy on *Forestry & Tree Plantations* in October 2001, which limits the banks's activities in the oil palm plantation sector to clients which adhere to the following basic requirements:

    - The company is not involved in burning forestland for oil palm development;
    - The company is not clearing tropical rainforest for oil palm development;
    - The company respects the rights and wishes of local communities;
    - The company respects Indonesia's law and relevant international conventions.[388]

$^{S_H}$ **Astra Group (§ 3.1)**

  $^{S_H}$ Participated in a syndicated loan of US$ 160 million to PT Astra International Tbk. in October 1997. The loan probably is restructured in June 1999.

  $^{S_H}$ Was one of the seven members of the Astra International Credit Committee which signed a debt restructuring agreement with PT Astra International Tbk in June 1999.

  - Had two long-terms loans outstanding to PT Astra International Tbk. with a total amount of Rp 127.3 billion (US$ 17.9 million) at the end of 1999.

  - According to ABN AMRO Bank: "Our current involvement with Astra International is exclusively with their automotive business."[389]

  $^{S_H}$ Lead managed the initial public offering (IPO) of PT Astra Agro Lestari Tbk.on the Stock Exchange of Jakarta in December 1997. The company raised about Rp 195 billion (US$ 60 million) with its IPO.

  $^{S_H}$ Co-managed the issuance by PT Astra Agro Lestari Tbk. of five year-bonds with a total value of Rp 500 billion (US$ 69 million) on the Indonesian capital market in March 2000.

### $^{S}_{H}$ Bakrie Group (§ 3.2)

- Co-signed the debt restructuring agreement of PT Bakrie & Brothers in November 2000. Will be co-owning a shareholding of 95% of Bakrie & Brothers and 52.5% of PT Bakrie Sumatera Plantations from November 2001.

### $^{S}_{H}$ Kumpulan Guthrie Group (§ 3.6)

$^{S}_{H}$ Participated in a syndicated loan of RM 1.5 billion (US$ 394.7 million) to Kumpulan Guthrie Berhad in March 2001.

$^{S}_{H}$ Is the financial adviser for a planned US$ 400 million (RM1.5 billion) bond issuance. The issuance was announced in June 2001, but was postponed in October 2001.

### $^{S}_{H}$ LonSum, Napan and Risjadson Groups (§ 3.7)

$^{S}_{H}$ Participated in a US$ 183.5 million syndicated loan for PT PP London Sumatra Indonesia Tbk. and PT Pan London Sumatra Plantation in November 1994. The loan was refinanced in May 1996.

$^{S}_{H}$ Participated in the initial public offering (IPO) of PT PP London Sumatra Indonesia Tbk. on the Jakarta and Surabaya stock exchanges in June 1996. The IPO raised Rp 180.4 billion (US$ 76.8 million) for the company.

$^{S}_{H}$ Manages the financing company LonSum Finance BV for PT PP London Sumatra Indonesia Tbk. since October 1997.

### $^{S}_{H}$ Salim Group (§ 3.11)

$^{S}_{H}$ Participated in the sale to institutional investors of a 39.7% stake in the Dutch company Hagemeyer on behalf of First Pacific Company Ltd., in April 1998. The sell-off raised Dfl 3.6 billion (US$ 1.75 billion) for the company.

$^{S}_{H}$ Participated in the issuance by PT Indofood Sukses Makmur of five-year bonds with a total value of Rp 1,000 billion (US$ 125 million) on the Indonesian capital market in July 2000.

### $^{S}_{H}$ Sinar Mas Group (§ 3.12)

$^{S}_{H}$ Co-arranged a syndicated loan of US$ 150 million to PT SMART Tbk. in April 1995, and participated for US$ 8.0 million. The first tranche of US$ 100 million was repaid in April 1998, the second tranche of US$ 50 million was refinanced in April 2000.

$^{S}_{H}$ Had a working capital facility of Rp 19.6 billion outstanding to PT SMART Tbk. at the end of 1995, which had increased to Rp 22.2 billion (US$ 9.3 million) at the end of 1996. At the end of 1999 and the end of 2000, SMART's short-term credit facility with ABN AMRO Bank amounted to US$ 1 million. The loan was restructured in April 2000, and was repaid in March 2001.

$^{S}_{H}$ Participated in the initial public offering (IPO) of Golden Agri-Resources Ltd. on the Stock Exchange of Singapore in July 1999. The company raised US$ 360.2 million with the IPO. ABN AMRO Rothschild was responsible for the placement of 6.7% of the shares, raising US$ 24.1 million for the company.

- Participated in two syndicated loans of US$ 30.8 million and Rp 113.1 billion (US$ 14.7 million) to PT SMART Tbk. in April 2000, to refinance the second tranche of the April 1995 loan. In April 2001, SMART defaulted on the first repayments for these two loans. The outstanding loans had a value of US$ 30.8 million and Rp 113.1 billion (US$ 11.8 million) at the end of 2000, and should be repaid immediately. At this moment SMART is negotiating with the bank syndicate about a restructuring.
  ABN AMRO comments: "The facilities to SMART will be sold at a loss after the restructuring has been finalised by the end of April 2002. We are legally obligated to hold on to our participation until the restructuring is completed." [390]

### 6.1.3 Financing of Indonesian pulp & paper companies

- **General**

  - Adopted a new policy on *Forestry & Tree Plantations* in October 2001, which limits the banks's activities in the pulp & paper sector to clients which adhere to the following basic requirements:

    - The company is not involved in burning forestland for pulp & paper development;
    - The company is not clearing tropical rainforest for pulp & paper development;
    - The company respects the rights and wishes of local communities;
    - The company respects Indonesia's law and relevant international conventions.[391]

- [S_H] **Dirgahayu Group (§ 5.2)**

  - [S_H] Co-arranged two syndicated loans totalling US$ 150 million for PT Surabaya Agung Industri Pulp & Kertas in July 1995, and participated for a total amount of US$ 7.8 million. At present, US$ 142 million is still outstanding, which is due immediately.

  - Had a short-term loan of US$ 4.3 million outstanding to PT Surabaya Agung Industri Pulp & Kertas at the end of 2000.

  - ABN AMRO comments: "This deal is in default and we are currently trying to exit the relationship. We do not intend to remain in the relationship beyond our legal obligation to do so." [392]

- [S_H] **Gudang Garam Group (§ 5.4)**

  - [S_H] Participated for US$ 6.0 million in a five-year US$ 55 million syndicated loan for PT Surya Zigzag in July 1996. The loan matured in July 2001. The present status is unknown.

  - ABN AMRO comments: "This account will come up for review in December 2001." [393]

- [S_H] **Raja Garuda Mas Group (§ 5.6)**

  - [S_H] Is a shareholder of PT Toba Pulp Lestari since June 2000.

  - Participated in a US$ 4 million credit to PT Toba Pulp Lestari in December 2000. The credit is probably still outstanding.

- ABN AMRO comments: “This deal is in default and we are currently trying to exit the relationship. We do not intend to remain in the relationship beyond our legal obligation to do so.” [394]

**Sinar Mas Group (§ 5.7)**

- Participated in a US$ 80.0 million credit facility for various companies in the APP Group in September 1990. The loan was probably refinanced in September 1992.

- Co-arranged a five-year US$ 149 million loan to PT Indah Kiat Pulp & Paper in July 1994, and participated for US$ 10.0 million. The loan matured in July 1999. The present status is unknown.

- Co-arranged a three-year US$ 120 million loan to PT Pabrik Kertas Tjiwi Kimia in November 1994. The loan was repaid in November 1997.

- Participated in the syndicate that managed the IPO of APP on the New York Stock Exchange (NYSE) in April 1995. The total amount raised was US$ 310.5 million.

- Co-arranged a three-year US$ 200 million loan to PT Indah Kiat Pulp & Paper in May 1995, and participated for US$ 20.0 million. The loan matured in May 1998, and probably was refinanced.

- Participated for US$ 3.0 million in a 18-months US$ 50 million loan to PT Lontar Papyrus Pulp & Paper Industry in October 1995. The loan matured in April 1997, and probably was refinanced in November 1995.

- Participated for US$ 5.0 million in a three-year US$ 110 million loan for PT Lontar Papyrus Pulp & Paper Industry In November 1995. The loan matured in November 1998, and probably was repaid.

- Extended a five-year export credit facility of DM 8.5 million (US$ 5.6 million) to PT Indah Kiat Pulp & Paper in May 1996. The facility would mature in May 2001. The present status is unknown.

- Extended a five-year export credit facility of DM 7,7 (US$ 5.1 million) to PT Pabrik Kertas Tjiwi Kimia in June 1996. The facility would mature in June 2001. The present status is unknown.

- Extended a five-year export credit facility of DM 7.7 million (US$ 5.1 million) to PT Indah Kiat Pulp & Paper in June 1996. The facility would mature in June 2001. The present status is unknown.

- Participated in a ten-year export credit facility of US$ 76.1 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

- Participated in a ten-year export credit facility of US$ 10.5 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

- Participated in a ten-year export credit facility of US$ 19.4 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

- Arranged a syndicated twelve-year US$ 38 million export credit loan for PT Pindo Deli Pulp & Paper Mills in October 1996. The loan will mature in October 2008. The present status is unknown.

- Extended a export credit facility of DM 7.8 million (US$ 4.6 million) to PT Pabrik Kertas Tjiwi Kimia in March 1997. This loan will mature in January 2003. The present status is unknown.

- Extended an export credit facility amounting to US$ 67.7 million to PT Pabrik Kertas Tjiwi Kimia in September 1997, together with Banc of America (United States). This loan will mature in May 2008. The present status is unknown.

- Extended a credit facility amounting to US$ 100 million to PT Indah Kiat Pulp & Paper in April 2000. The present status is unknown.

- Filed three lawsuits in Singapore against three of APP's operating subsidiaries in March 2001, to recover US$ 31 million of debt on which the companies have defaulted. ABN AMRO Bank claims US$ 8.9 million from PT Pindo Deli Pulp & Paper Mills, US$ 7.1 million from PT Pabrik Kertas Tjiwi Kimia, and US$ 15.4 million from PT Indah Kiat Pulp & Paper. The lawsuits were withdrawn in May 2001.

- Owns 0.08% of the shares of PT Indah Kiat Pulp & Paper.

- ABN AMRO comments: “We are trying to exit our relationships with Indah Kiat, Pindo Deli and Tjiwi Kimia. But these are ECA backed deals and as such we are legally obligated to hold the deals until the ECA's have exited.” [395]

| Influence Assessment ABN AMRO Bank | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Astra International | Loans | Indirect | Current | Medium | Minimal |
| Astra International | Debt restructuring | Indirect | Finished | High | Finished |
| Astra Agro Lestari | IPO | Direct | Finished | High | Finished |
| Astra Agro Lestari | Bond issue | Direct | Finished | High | Finished |
| Bakrie & Brothers | Shareholding | Indirect | Current | Low | Minimal |
| Bakrie Sumatera | Shareholding | Direct | Current | Medium | Moderate |
| Kumpulan Guthrie | Loan | Indirect | Current | Medium | Minimal |
| Kumpulan Guthrie | Bond issue | Indirect | Current | High | Moderate |
| LonSum & PLSP | Loan Nov 1994 | Direct | Finished | Medium | Finished |
| LonSum | IPO | Direct | Finished | Medium | Finished |
| LonSum | Financing company | Direct | Current | Low | Minimal |
| First Pacific | Selling of assets | Indirect | Finished | Low | Finished |
| Indofood | Bond issue | Direct | Finished | Low | Finished |
| SMART | Loan 1995 | Direct | Finished | High | Finished |
| SMART | Working capital | Direct | Finished | Low | Finished |
| Golden Agri-Resources | IPO | Direct | Finished | Medium | Finished |
| SMART | Loan 2000 | Direct | Current | Medium | Moderate |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Surya Kertas | Loans | Direct | Current | High | Strong |
| Surya Zigzag | Loan | Direct | Current | Medium | Moderate |
| Toba Pulp Lestari | Loan & shareholding | Direct | Current | Medium | Strong |
| APP | Loan | Direct | Finished | Low | Finished |
| Indah Kiat | Loan 1994 | Direct | Finished | Medium | Finished |
| Tjiwi Kimia | Loan 1994 | Direct | Finished | Medium | Finished |
| APP | IPO | Direct | Finished | Low | Finished |
| Indah Kiat | Loan 1995 | Direct | Finished | Medium | Finished |
| Lontar Papyrus | Loans 1995 | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Export credit 1996 | Direct | Current | Low | Minimal |
| Indah Kiat | Export credits 1996 | Direct | Current | Medium | Moderate |
| Pindo Deli | Export credit 1996 | Direct | Current | Medium | Moderate |

| Influence Assessment ABN AMRO Bank | | | | | |
|---|---|---|---|---|---|
| Tjiwi Kimia | Export credits 1997 | Direct | Current | Medium | Moderate |
| Indah Kiat | Loan 2000 | Direct | Current | Medium | Moderate |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |

## 6.2 Aegon

### 6.2.1 Description of Aegon

The Dutch insurance group Aegon is one of the world's ten largest listed life insurance groups ranked by market capitalization and assets.

### 6.2.2 Financing of Indonesian pulp & paper companies

**$^{S}_{H}$ Sinar Mas Group (§ 5.7)**

- $^{S}_{H}$ Owns 0.03% of the shares of PT Indah Kiat Pulp & Paper.
- $^{S}_{H}$ Owns 0.15% of the shares of PT Pabrik Kertas Tjiwi Kimia.

| **Influence Assessment Aegon** | | | | | |
|---|---|---|---|---|---|
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |
| Tjiwi Kimia | Shareholding | Direct | Current | Low | Minimal |

## 6.3 ATC Management

### 6.3.1 Description of ATC Management

ATC Management is a small Dutch trust manager.

### 6.3.2 Financing of Indonesian pulp & paper companies

$^{S}_{H}$ **Raja Garuda Mas Group (§ 5.6)**

$^{S}_{H}$ Is managing the financing company APRIL Finances BV for Asia Pacific Resources International Ltd. since December 1995.

| **Influence Assessment ATC Management** | | | | | |
|---|---|---|---|---|---|
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| APRIL | Financing company | Direct | Current | Low | Minimal |

## 6.4 Eureko

### 6.4.1 Description of Eureko

Eureko Group is a large Dutch-Portuguese insurance and asset management group. It acquired the British fund management group Foreign & Colonial Management Group in June 2001.[396]

### 6.4.2 Financing of Indonesian pulp & paper companies

#### $^{S}_{H}$ Sinar Mas Group (§ 5.7)

$^{S}_{H}$ Is owning a 0.44% shareholding in PT Indah Kiat Pulp & Paper at present.

| **Influence Assessment Eureko** | | | | | |
|---|---|---|---|---|---|
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |

## 6.5 FMO

### 6.5.1 Description of FMO

The Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) is the Dutch development bank. It is owned jointly by the Dutch state (51%), Dutch banks (42%), the two main trade union federations FNV and CNV, and 120 other companies and persons.

### 6.5.2 Financing of Indonesian oil palm companies

**$^{S}_{H}$ General**

$^{S}_{H}$ In May 1999 the FMO together with Rabobank and IFC set up a US$ 140 million revolving facility to provide export oriented Indonesian corporates with a source of working capital and to expand the ability of international banks to take exposure to Indonesian corporates in trade finance transactions. The FMO participates for US$ 50 million.[397]

**$^{S}_{H}$ Sinar Mas Group (§ 3.12)**

$^{S}_{H}$ Extended a US$ 21 million loan to PT Maskapai Perkebunan Leidong West Indonesia in July 1996. At the end of 2000, Leidong has breached certain financial ratios under the loan agreement. The outstanding loan of US$ 6.8 million is now repayable on demand, but Leidong has not yet received a demand from FMO.

### 6.5.3 Financing of Indonesian pulp & paper companies

**$^{S}_{H}$ General**

$^{S}_{H}$ In May 1999 the FMO together with Rabobank and IFC set up a US$ 140 million revolving facility to provide export oriented Indonesian corporates with a source of working capital and to expand the ability of international banks to take exposure to Indonesian corporates in trade finance transactions. The FMO participates for US$ 50 million. [398]

**$^{S}_{H}$ Fajar Surya Wisesa Group (§ 5.3)**

$^{S}_{H}$ Participated in a five-year US$ 50 million syndicated loan to PT Fajar Surya Wisesa in February 1995. The loan matured in February 2000. Probably the loan is still outstanding.

| Influence Assessment FMO | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Export credit | Direct | Current | Low | Minimal |
| Leidong West Indonesia | Loan | Direct | Current | High | Strong |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Export credit | Direct | Current | Low | Minimal |
| Fajar Surya Wisesa | Loan | Direct | Current | Medium | Moderate |

## 6.6 Fortis Bank

### 6.6.1 Description of Fortis Bank

Fortis Bank, the banking branch of the Fortis Group, a leading Dutch-Belgian banking and insurance group. Fortis Bank was created by the merger of several Dutch and Belgian banks, of which the globally operating investment and trust bank MeesPierson is the most important in this respect.

### 6.6.2 Financing of Indonesian oil palm companies

**General**

In July 2000, Fortis Bank and Asuransi Jasa Indonesia (Indonesia) set up a US$ 500 million trade financing scheme aimed at assisting Indonesian exporters of - among others - palm oil.[399]

- Adopted a new policy on tropical forests in October 2001, which limits the banks's activities in the oil palm sector to clients which adhere to the following basic requirements:

  - The company is not involved in burning forestland for oil palm development;
  - The company is not clearing tropical rainforest for oil palm development;
  - The company respects the rights and wishes of local communities;
  - The company respects Indonesia's law and relevant international conventions.

  Fortis Bank will not apply the criteria on general trade financing for the oil palm sector, which is not connected to a specific company. [400]

**Astra Group (§ 3.1)**

Is managing the Dutch financing company Astra Overseas Finance BV for PT Astra International since August 1996.

**Bakrie Group (§ 3.2)**

Is managing the Dutch financing company Bakrie International Finance Company BV for PT Bakrie & Brothers since January 1996.

Possibly still owns a shareholding in PT Bakrie & Brothers Tbk.

**LonSum, Napan and Risjadson Groups (§ 3.7)**

Is managing the Dutch financing company Pan London Sumatra Finance BV for PT Pan London Sumatra Plantation since September 1997.

**Raja Garuda Mas Group (§ 3.10) and Salim Group (§ 3.11)**

Is managing the Dutch financing company Inti Indosawit International BV for PT Inti Indosawit Subur since May 1997.

- [H] Is managing the Dutch financing company Asian Agro International BV for PT Inti Indosawit Subur since September 1997.

[H] **Salim Group (§ 3.11)**

- Is managing the Dutch financing company Purply Holding BV for PT Indofood Sukses Makmur since June 1997.
- Participated in the sale to institutional investors of a 39.7% stake in the Dutch company Hagemeyer on behalf of First Pacific Company Ltd., in April 1998. The sell-off raised Dfl 3.6 billion (US$ 1.75 billion) for the company.
- Had a long-term loan of DFL 1.9 million (Rp 7.7 billion) outstanding to PT Indofood Sukses Makmur at the end of 2000.

[H] **Sinar Mas Group (§ 3.12)**

- [H] Managed the Dutch financing company AFP International Finance Company BV for Asia Food & Properties Ltd. between April 1997 and October 1998.
- [H] Is managing the Dutch financing company Purimas International Finance Company BV for PT Purimas Sasmita since August 1996.

[H] **Unknown**

- [H] In 1995, MeesPierson was appointed by one of Indonesia's largest palm oil producers to arrange some US$ 40 million for the establishment of a new palm oil plantation. Part of the deal involved MeesPierson arranging long-term off take agreements with three end-buyers.[401]

### 6.6.3 Financing of Indonesian pulp & paper companies

[H] **General**

- [H] In July 2000, Fortis Bank and Asuransi Jasa Indonesia (Indonesia) set up a US$ 500 million trade financing scheme aimed at assisting Indonesian exporters of - among others - pulp & paper. [402]
- Adopted a new policy on tropical forests in October 2001, which limits the banks's activities in the pulp & paper sector to clients which adhere to the following basic requirements:
  - The company is not involved in burning forestland for pulp & paper development;
  - The company is not clearing tropical rainforest for pulp & paper development;
  - The company respects the rights and wishes of local communities;
  - The company respects Indonesia's law and relevant international conventions.

  Fortis Bank will not apply the criteria on general trade financing for the pulp & paper sector, which is not connected to a specific company. [403]

- **Fajar Surya Wisesa Group (§ 5.3)**

  - Is managing the Dutch financing company FSW International Finance Company BV for PT Fajar Sury Wisesa since August 1996.

- **Raja Garuda Mas Group (§ 5.6)**

  - Is managing the Dutch financing company RAPP International Finance Company BV for Riau Andalan Pulp & Paper since September 1994.

  - Is managing the Dutch financing company Indorayon International Finance BV for PT Inti Indorayon Utama since March 1996.

- **Sinar Mas Group (§ 5.7)**

  - Participated for US$ 15.0 million in a five-year US$ 122.5 million loan to PT Pabrik Kertas Tjiwi Kimia in November 1995. The loan would mature in November 2000, but was repaid in 1997.

  - Co-arranged a two-year US$ 100 million revolving credit facility for APP Paper Trading in October 1999, and participated for US$ 27.0 million. This facility will mature in October 2001. The present status is unknown.

  - Filed a lawsuit in Singapore against APP in April 2001, for US$ 7.4 million over contracts related to credit facilities and overdrafts.

  - Owns 0.15% of the shares of PT Indah Kiat Pulp & Paper.

  - Is managing the following Dutch finance companies of APP and its subsidiaries:

    - APP International Finance Company BV (established June 1995)
    - Indah Kiat International Finance Company BV (established March 1994)
    - Tjiwi Kimia International Finance Company BV (established July 1994)
    - Tjiwi Kimia Commercial Finance Company BV (established December 1996)

| Influence Assessment Fortis Bank | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Trade financing | Direct | Current | Low | Minimal |
| Astra International | Financing company | Indirect | Current | Low | Minimal |
| Bakrie & Brothers | Financing company | Indirect | Current | Low | Minimal |
| Bakrie & Brothers | Shareholding | Indirect | Current | Low | Minimal |
| Pan London Sumatra | Financing company | Direct | Current | Low | Minimal |
| Inti Indosawit Subur | Financing companies | Direct | Current | Low | Minimal |
| Indofood | Financing company | Indirect | Current | Low | Minimal |
| First Pacific | Selling of assets | Indirect | Finished | Low | Finished |
| Indofood | Loan | Indirect | Current | Low | Minimal |
| AFP | Financing company | Direct | Finished | Low | Finished |
| Purimas | Financing company | Direct | Current | Low | Minimal |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Trade financing | Direct | Current | Low | Minimal |
| Fajar Surya Wisesa | Financing company | Direct | Current | Low | Minimal |
| RAPP | Financing company | Direct | Current | Low | Minimal |
| Toba Pulp Lestari | Financing company | Direct | Current | Low | Minimal |
| Tjiwi Kimia | Loan | Direct | Finished | Low | Finished |
| APP Paper Trading | Revolving credit | Direct | Current | High | Strong |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |
| APP | Financing company | Direct | Current | Low | Minimal |
| Indah Kiat | Financing company | Direct | Current | Low | Minimal |
| Tjiwi Kimia | Financing companies | Direct | Current | Low | Minimal |

## 6.7 Indover Bank

### 6.7.1 Description of Indover Bank

Indover Bank (Indonesia Overseas Bank) is a Dutch bank originating from the colonial period. Since 1965 it has been owned by the state-owned Bank of Indonesia.

### 6.7.2 Financing of Indonesian oil palm companies

**$^{S}_{H}$ LonSum, Napan and Risjadson Groups (§ 3.7)**

- $^{S}_{H}$ Participated in a US$ 183.5 million syndicated loan for PT PP London Sumatra Indonesia Tbk. and PT Pan London Sumatra Plantation in November 1994. The loan was refinanced in May 1996.

### 6.7.3 Financing of Indonesian pulp & paper companies

**$^{S}_{H}$ Dirgahayu Group (§ 5.2)**

- $^{S}_{H}$ Participated for US$ 5.0 million in two syndicated loans totalling US$ 150 million for PT Surabaya Agung Industri Pulp & Kertas in July 1995. At present, US$ 142 million is still outstanding, which is due immediately.

- $^{S}_{H}$ Had a short-term loan of US$ 2.5 million outstanding to PT Surabaya Agung Industri Pulp & Kertas at the end of 2000.

**$^{S}_{H}$ Sinar Mas Group (§ 5.7)**

- $^{S}_{H}$ Participated for US$ 3.0 million in a five-year US$ 149 million loan to PT Indah Kiat in July 1994. The loan matured in July 1999. The present status is unknown.

- $^{S}_{H}$ Participated for US$ 3.0 million in a five-year US$ 122.5 million loan to PT Tjiwi Kimia in November 1995. The loan would mature in November 2000, but was repaid in 1997.

| **Influence Assessment Indover Bank** | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| LonSum & PLSP | Loan | Direct | Finished | Medium | Finished |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Surya Kertas | Loans | Direct | Current | Medium | Moderate |
| Indah Kiat | Loan | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Loan | Direct | Finished | Low | Finished |

## 6.8 ING

### 6.8.1 Description of ING

The Dutch banking and insurance group ING is one of the largest insurance groups in the world. In the past years, ING has developed its banking activities strongly by foreign acquisitions. ING Bank acquired the British investment bank Baring Brothers in 1996, the Belgian bank Banque Bruxelles Lambert in 1998, and the German banking group Berliner Handels- und Frankfurter Bank in 1999.[404]

### 6.8.2 Financing of Indonesian oil palm companies

$^{S}_{H}$ **Astra Group (§ 3.1)**

- $^{S}_{H}$ Had a long-term loan of Rp 46.0 billion (US$ 6.5 million) outstanding to PT Astra International Tbk. at the end of 1999.

$^{S}_{H}$ **Barito Pacific Group (§ 3.3)**

- See paragraph 6.8.3.

$^{S}_{H}$ **Johor Group (§ 3.5)**

- $^{S}_{H}$ Participated in a US$ 100 million syndicated loan for Kulim (Malaysia) Bhd. in October 1996. The loan was paid off in December 1999.

$^{S}_{H}$ **LonSum, Napan and Risjadson Groups (§ 3.7)**

- $^{S}_{H}$ Participated in the initial public offering (IPO) of PT PP London Sumatra Indonesia Tbk. on the Jakarta and Surabaya stock exchanges in June 1996. The IPO raised Rp 180.4 billion (US$ 76.8 million) for the company.

X **Lyman Group (§ 3.8) and Raja Garuda Mas Group (§ 3.10)**

- $^{S}_{H}$ Arranged a syndicated loan of US$ 6 million for PT Kalimantan Sanggar Pusaka in November 1996. The present status of this loan is unknown.

$^{S}_{H}$ **Raja Garuda Mas Group (§ 3.10)**

- $^{S}_{H}$ Participated for US$ 10.0 million in a US$ 95 million syndicated loan to PT Asianagro Lestari in April 1997. The loan is due in April 2002. The present status is unknown.

$^{S}_{H}$ **Salim Group (§ 3.11)**

- $^{S}_{H}$ Co-managed the sale to institutional investors of a 39.7% stake in the Dutch company Hagemeyer on behalf of First Pacific Company Ltd., in April 1998. The sell-off raised Dfl 3.6 billion (US$ 1.75 billion) for the company.

- $^{S}_{H}$ Had a loan of US$ 200 million outstanding to First Pacific Company Ltd. at the end of 1998. The loan was repaid in 2000.

- Advised the Salim family on selling a 40% shareholding in PT Indofood Sukses Makmur Tbk. to First Pacific Company Ltd. for US$ 650 million in June 1999.

- Managed the placement of 254 million new shares of First Pacific Company Ltd. with institutional investors in June 1999. This raised US$ 197.4 million of new equity for the company.

- Co-managed the issuance by PT Indofood Sukses Makmur of five-year bonds with a total value of Rp 1,000 billion (US$ 125 million) on the Indonesian capital market in July 2000.

- Advised PT Indofood Sukses Makmur Tbk. on acquiring a 30% shareholding in Golden Agri-Resources for US$ 97.6 million from the Sinar Mas Group (see paragraph 3.12), in May 2001. However, the deal was cancelled in August 2001.

**Sinar Mas Group (§ 3.12)**

- Co-arranged a syndicated loan of US$ 150 million to PT SMART Tbk. in April 1995, and participated for US$ 8.0 million. The first tranche of US$ 100 million was repaid in April 1998, the second tranche of US$ 50 million was refinanced in April 2000.

- Had short-term notes of Rp 9.2 billion outstanding to PT SMART Tbk. at the end of 1995. During 1996, these notes were paid off.

- Co-managed the initial public offering (IPO) of Golden Agri-Resources Ltd. on the Stock Exchange of Singapore in July 1999. The company raised US$ 360.2 million with the IPO. ING was responsible for the placement of 26% of the new shares, thereby raising US$ 93.8 million for the company.

- Participated in two syndicated loans of US$ 30.8 million and Rp 113.1 billion (US$ 14.7 million) to PT SMART Tbk. in April 2000, to refinance the second tranche of the April 1995 loan. In April 2001, SMART defaulted on the first repayments for these two loans. The outstanding loans had a value of US$ 30.8 million and Rp 113.1 billion (US$ 11.8 million) at the end of 2000, and should be repaid immediately. At this moment SMART is negotiating with the bank syndicate about a restructuring.

### 6.8.3 Financing of Indonesian pulp & paper companies

**Barito Pacific Timber Group (§ 5.1)**

- Arranged a short-term US$ 60.0 million syndicated bridging facility to Barito Pacific Timber in October 1997, which matured in October 1998. But in May 2001 the loan was still outstanding.

**Dirgahayu Group (§ 5.2)**

- Participated for US$ 5.0 million in two syndicated loans totalling US$ 150 million for PT Surabaya Agung Industri Pulp & Kertas in July 1995. At present, US$ 142 million is still outstanding, which is due immediately.

- Had a short-term loan of US$ 5.1 million outstanding to PT Surabaya Agung Industri Pulp & Kertas at the end of 2000.

- **Kalimanis Group (§ 5.5)**

  - Co-arranged a three years and eight months US$ 120 million syndicated loan for PT Kiani Kertas in March 1997, and participated for US$ 7.5 million. The loan matured in November 2000. The present status is unknown.

- **Raja Garuda Mas Group (§ 5.6)**

  - Arranged a seven-year US$ 200 million syndicated loan for PT Riau Andalan Kertas in April 1995. The loan will mature in April 2002. The present status is unknown.

  - Represented the foreign creditors of APRIL during the negotiations on debt restructuring in 2000. The foreign creditors had total loans of US$ 117.8 million outstanding to APRIL, and refused to sign the debt restructuring agreement.

- **Sinar Mas Group (§ 5.7)**

  - Participated in the syndicate that managed the Initial Public Offering (IPO) of PT Indah Kiat Pulp & Paper at the Jakarta Stock Exchange in May 1990. The total amount raised was Rp 236.2 billion (US$ 128.6 million).

  - Participated in the syndicate that arranged a US$ 75 million convertible bond issue for PT Pabrik Kertas Tjiwi Kimia in March 1991.

  - Extended a DM 5.2 million (US$ 3.2 million) credit facility to PT Pabrik Kertas Tjiwi Kimia in January 1992. This loan was repaid in 1997.

  - Participated in the syndicate that arranged the issue of five-year Sfr 50 million (US$ 33.5 million) convertible notes for PT Pabrik Kertas Tjiwi Kimia in February 1992.

  - Participated in a twelve-year export credit facility of DM 374.4 million (US$ 226.9 million) to PT Indah Kiat Pulp & Paper In April 1994. The loan matures in April 2006. The present status is unknown.

  - Participated in the syndicate that managed the Initial Public Offering (IPO) of APP on the New York Stock Exchange (NYSE) in April 1995. The total amount raised was US$ 310.5 million.

  - Co-arranged a five-year US$ 35 million loan for PT Univenus in December 1995, and participated for US$ 5.75 million. The loan matured in December 2000. The present status is unknown.

  - Was mandated to co-arrange a US$ 300 million facility for APP in March 1996. It is unclear if this facility has been realised.

  - Participated for US$ 8.0 million in a US$ 400 million three-year syndicated loan facility for PT Indah Kiat Pulp & Paper in April 1997. This facility was refinanced in April 2000.

  - Participated in the issuance by APP of 18 million new ADSs on the NYSE in November 1997. The total amount raised was US$ 207 million.

  - Participated in the issuance by APP of 48 million new ADSs on the NYSE in April 1999. The total amount raised was US$ 403.8 million.

- Arranged a US$ 100 million syndicated credit facility for PT Indah Kiat Pulp & Paper in July 1999. The present status of this loan is unknown.

- Arranged a US$ 100 million bond issue for APP in July 2000.

- Arranged a US$ 125 million bond issue for APP in August 2000.

- Owns 0.08% of the shares of PT Indah Kiat Pulp & Paper.

- Owns 0.06% of the shares of PT Pabrik Kertas Tjiwi Kimia.

| Influence Assessment ING Bank | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Astra International | Loan | Indirect | Current | Low | Minimal |
| Kulim (Malaysia) | Loan | Indirect | Finished | Medium | Finished |
| LonSum | IPO | Direct | Finished | Medium | Finished |
| KSP | Loan | Direct | Current | Medium | Moderate |
| Asianagro Lestari | Loan | Direct | Current | Medium | Moderate |
| First Pacific | Selling of assets | Indirect | Finished | Medium | Finished |
| First Pacific | Loan | Indirect | Finished | High | Finished |
| First Pacific | Financial advice | Indirect | Current | Low | Minimal |
| First Pacific | Selling shares | Indirect | Finished | High | Finished |
| Indofood | Bond issue | Direct | Finished | Medium | Finished |
| Indofood | Financial advice | Direct | Current | Low | Minimal |
| SMART | Loan 1995 | Direct | Finished | High | Finished |
| SMART | Notes | Direct | Finished | Low | Finished |
| Golden Agri-Resources | IPO | Direct | Finished | High | Finished |
| SMART | Loan 2000 | Direct | Current | Medium | Moderate |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Barito Pacific | Loan | Direct | Current | Medium | Moderate |
| Surya Kertas | Loans | Direct | Current | Medium | Moderate |
| Kiani Kertas | Loan | Direct | Current | High | Strong |
| Riau Andalan Kertas | Loan | Direct | Current | High | Strong |
| APRIL | Debt restructuring | Direct | Current | Medium | Moderate |
| Indah Kiat | IPO | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Bond issue | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Credit | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Notes issue | Direct | Finished | Low | Finished |
| Indah Kiat | Export credit | Direct | Current | Medium | Moderate |
| APP | IPO | Direct | Finished | Low | Finished |
| Univenus | Loan | Direct | Current | High | Strong |
| APP | Loan | Direct | Finished | Medium | Finished |
| Indah Kiat | Loan 1997 | Direct | Finished | Low | Finished |

| Influence Assessment ING Bank | | | | | |
|---|---|---|---|---|---|
| APP | Share issues | Direct | Finished | Low | Finished |
| Indah Kiat | Loan 1999 | Direct | Current | Medium | Moderate |
| APP | Bond issues | Direct | Finished | Medium | Finished |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |
| Tjiwi Kimia | Shareholding | Direct | Current | Low | Minimal |

## 6.9 Intra Beheer

### 6.9.1 Description of Intra Beheer

Intra Beheer is a specialized Dutch trust management company, which is related to the Dutch office of the international law partnership Baker & McKenzie.

### 6.9.2 Financing of Indonesian pulp & paper companies

**$^{S}_{H}$ Kalimanis Group (§ 5.5)**

$^{S}_{H}$ Is managing the financing company Kiani Kertas B.V. for PT Kiani Kertas since March 1997.

| **Influence Assessment Intra Beheer** | | | | | |
|---|---|---|---|---|---|
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Kiani Kertas | Financing company | Direct | Current | Low | Minimal |

## 6.10 Kempen & Co.

### 6.10.1 Description of Kempen & Co.

Kempen & Co. is a small Dutch merchant bank. In 2001, Kempen & Co. was acquired by the Belgian-French insurance and asset management group Dexia.[405]

### 6.10.2 Financing of Indonesian oil palm companies

#### $^{S}_{H}$ Salim Group (§ 3.11)

$^{S}_{H}$ Participated in the sale to institutional investors of a 39.7% stake in the Dutch company Hagemeyer on behalf of First Pacific Company Ltd., in April 1998. The sell-off raised Dfl 3.6 billion (US$ 1.75 billion) for the company.

| **Influence Assessment Kempen & Co.** | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| First Pacific | Selling of assets | Indirect | Finished | Low | Finished |

## 6.11 NIB Capital

### 6.11.1 Description of NIB Capital

NIB Capital is a Dutch investment bank, which recently changed its name from Nationale Investeringsbank N.V. It used to be government owned, but in early 1999 it was acquired by the Dutch pension funds ABP en PGGM.

### 6.11.2 Financing of Indonesian oil palm companies

**$^{S}_{H}$ LonSum, Napan and Risjadson Groups (§ 3.7)**

- $^{S}_{H}$ Participated in a US$ 183.5 million syndicated loan for PT PP London Sumatra Indonesia Tbk. and PT Pan London Sumatra Plantation in November 1994. The loan was refinanced in May 1996.

- $^{S}_{H}$ Participated for US$ 6.7 million in a US$ 132 million syndicated loan for PT PP London Sumatra Indonesia Tbk. in May 1996. At the end of 2000 US$ 122 million was outstanding, plus deferred interest.

- $^{S}_{H}$ Participated for US$ 3.3 million in a US$ 65 million syndicated loan for PT Pan London Sumatra Plantation in May 1996. The loan was refinanced in November 1996.

**$^{S}_{H}$ Sinar Mas Group (§ 3.12)**

- $^{S}_{H}$ Participated for US$ 7.25 million in the first tranche of a syndicated loan of US$ 150 million to PT SMART Tbk. in April 1995. The first tranche was repaid in April 1998.

### 6.11.3 Financing of Indonesian pulp & paper companies

**$^{S}_{H}$ Sinar Mas Group (§ 5.7)**

- $^{S}_{H}$ Participated for US$ 5.0 million in a syndicated US$ 100 million loan to PT Lontar Papyrus Pulp & Paper Industry in September 1994. The loan matured in September 1997, but was probably refinanced in November 1995.

- $^{S}_{H}$ Participated in a three-year US$ 120 million loan to PT Pabrik Kertas Tjiwi Kimia in November 1994. The loan was repaid in November 1997.

- $^{S}_{H}$ Co-arranged a three-year US$ 110 million loan for PT Lontar Papyrus Pulp & Paper Industry In November 1995, and participated for US$ 10.0 million. The loan matured in November 1998, and probably was repaid.

- $^{S}_{H}$ Participated in a ten-year export credit facility of US$ 76.1 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

| Influence Assessment NIB Capital | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| LonSum & PLSP | Loan 1994 | Direct | Finished | Medium | Finished |
| LonSum | Loan 1996 | Direct | Current | Medium | Moderate |
| Pan London Sumatra | Loan | Direct | Finished | Medium | Finished |
| SMART | Loan | Direct | Finished | Medium | Finished |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Lontar Papyrus | Loan 1994 | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Loan | Direct | Finished | Low | Finished |
| Lontar Papyrus | Loan 1995 | Direct | Finished | High | Finished |
| Indah Kiat | Export credit | Direct | Current | Low | Minimal |

## 6.12 Rabobank

### 6.12.1 Description of Rabobank

Rabobank is one of the three largest banks in the Netherlands. It is a cooperative bank, with its roots in the Dutch agricultural sector. It aims to become a global leader in financing the agricultural sector and commodity trading.

### 6.12.2 Financing of Indonesian oil palm companies

**General**

In May 1999, Rabobank together with FMO and IFC set up a US$ 140 million revolving facility to provide export oriented Indonesian corporates with a source of working capital and to expand the ability of international banks to take exposure to Indonesian corporates in trade finance transactions. Rabobank participates for US$ 40 million. [406]

- Adopted a new policy on the oil palm sector in October 2001, which limits the banks's activities in the oil palm plantation sector to clients which adhere to the following basic requirements:

  - The company is not involved in burning forestland for oil palm development;
  - The company is not clearing tropical rainforest for oil palm development;
  - The company respects the rights and wishes of local communities;
  - The company respects Indonesia's law and relevant international conventions. [407]

**Astra Group (§ 3.1)**

Participated for US$ 3.0 million in a three-year US$ 45 million loan for PT Sumalindo Lestari Jaya in August 1995. The loan matured in August 1998, but was restructured in June 2000. The outstanding amount of US$ 33.75 million now is due immediately.

**Bakrie Group (§ 3.2)**

Participated in a US$ 75 million syndicated loan for PT Bakrie Sumatera Plantations in October 1996. The loan was restructured in October 2000, and will mature in early 2004. At the end of 2000, US$ 72.6 million was outstanding.

- Had a loan facility of US$ 8.3 million outstanding to PT Bakrie & Brothers at the end of 2000. The loan will be restructured into equity in November 2001.

- Co-signed a debt restructuring plan for PT Bakrie & Brothers in November 2000. As a consequence, Rabobank will be the co-owner of a shareholding of 95% in PT Bakrie & Brothers, as well as a 52.5% stake in PT Bakrie Sumatera Plantations.

**Carson Cumberbatch Group (§ 3.4)**

Extended a loan of US$ 10.8 million to PT Agro Indomas in December 1998. The amount was later raised to US$ 14.3 million. The loan is due in December 2007 and is still outstanding.

- **Johor Group (§ 3.5)**

  - Participated in a US$ 100 million syndicated loan for Kulim (Malaysia) Bhd. in October 1996. The loan was paid off in December 1999.

  - Would manage the IPO of New Britain Palm Oil, a 80% subsidiary of Kulim (Malaysia) Bhd. in 1999. However, the IPO was cancelled in July 1999.

- **LonSum, Napan and Risjadson Groups (§ 3.7)**

  - Co-arranged a US$ 183.5 million bridge facility for PT Pan London Sumatra Plantation in July 1994. The loan was refinanced in November 1994.

  - Co-arranged a US$ 183.5 million syndicated loan for PT PP London Sumatra Indonesia Tbk. and PT Pan London Sumatra Plantation in November 1994. The loan was refinanced in May 1996.

  - Co-arranged a US$ 132 million syndicated loan for PT PP London Sumatra Indonesia Tbk. in May 1996, and participated for US$ 13.4 million. The loan was due in May 2001. At the end of 2000 US$ 122 million was outstanding, plus deferred interest.

  - Co-arranged a US$ 65 million syndicated loan for PT Pan London Sumatra Plantation in May 1996, and participated for US$ 6.6 million. The loan was refinanced in November 1996.

  - Co-arranged a US$ 65 million syndicated loan for PT Pan London Sumatra Plantation in November 1996, and participated for US$ 7.0 million. The loan was due in November 2001, but was possibly refinanced in September 1997.

  - Entered into a US$ 2.9 million lease agreement with PT PP London Sumatra Indonesia Tbk. in January 1997. This loan is probably still outstanding.

- **Oriental Group (§ 3.9)**

  - Participated for Rp 40 billion (US$ 17.1 million) in a syndicated loan of Rp 80 billion (US$ 34.1 million) to PT Gunung Maras Lestari in April 1997. The loan is due in April 2002. The present status is unknown.

- **Raja Garuda Mas Group (§ 3.10)**

  - Arranged a US$ 95 million syndicated loan for PT Asianagro Lestari, and participated for US$ 16.0 million. The loan will mature in April 2002, but the present status is unknown.

- **Salim Group (§ 3.11)**

  - Participated in the sale to institutional investors of a 39.7% stake in the Dutch company Hagemeyer on behalf of First Pacific Company Ltd., in April 1998. The sell-off raised Dfl 3.6 billion (US$ 1.75 billion) for the company.

**Sinar Mas Group (§ 3.12)**

- Co-arranged a syndicated loan of US$ 150 million to PT SMART Tbk. in April 1995, and participated for US$ 8.0 million. The first tranche of US$ 100 million was repaid in April 1998, the second tranche of US$ 50 million was refinanced in April 2000.

- Participated in two syndicated loans of US$ 30.8 million and Rp 113.1 billion (US$ 14.7 million) to PT SMART Tbk. in April 2000, to refinance the second tranche of the April 1995 loan. In April 2001, SMART defaulted on the first repayments for these two loans. The outstanding loans had a value of US$ 30.8 million and Rp 113.1 billion (US$ 11.8 million) at the end of 2000, and should be repaid immediately. At this moment SMART is negotiating with the bank syndicate about a restructuring.

### 6.12.3 Financing of Indonesian pulp & paper companies

**General**

- In May 1999, Rabobank together with FMO and IFC set up a US$ 140 million revolving facility to provide export oriented Indonesian corporates with a source of working capital and to expand the ability of international banks to take exposure to Indonesian corporates in trade finance transactions. Rabobank participates for US$ 40 million. [408]

**Dirgahayu Group (§ 5.2)**

- Co-arranged two syndicated loans totalling US$ 150 million for PT Surabaya Agung Industri Pulp & Kertas in July 1995, and participated for a total amount of US$ 7.8 million. At present, US$ 142 million is still outstanding, which is due immediately.

**Sinar Mas Group (§ 5.7)**

- Participated in the syndicate that arranged the issue of five-year Sfr 50 million (US$ 33.5 million) convertible notes for PT Pabrik Kertas Tjiwi Kimia in February 1992.

- Participated in a syndicated loan of US$ 46.2 million to PT Indah Kiat Pulp & Paper in December 1992. The loan was refinanced in August 1993.

- Participated for US$ 2.4 million in a syndicated loan of US$ 36.9 million to PT Indah Kiat Pulp & Paper in August 1993, to refinance the December 1992 loan. The loan was probably refinanced in July 1994.

- Co-arranged a three-year US$ 120 million loan to PT Pabrik Kertas Tjiwi Kimia in November 1994. The loan was repaid in November 1997.

- Co-arranged a three-year US$ 110 million loan for PT Lontar Papyrus Pulp & Paper Industry In November 1995, and participated for US$ 10.0 million. The loan matured in November 1998, and probably was repaid.

- Participated in a ten-year export credit facility of US$ 76.1 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

- Participated in a ten-year export credit facility of US$ 73.3 million for PT Indah Kiat Pulp & Paper in October 1996. The facility matures in 2006. The present status is unknown.

- Participated for US$ 5.0 million in a US$ 400 million three-year syndicated loan facility for PT Indah Kiat Pulp & Paper in April 1997. This facility was refinanced in April 2000.

| Influence Assessment Rabobank | | | | | |
|---|---|---|---|---|---|
| **Indonesian oil palm companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Export credit | Direct | Current | Low | Minimal |
| Sumalindo Lestari | Loan | Indirect | Current | Medium | Minimal |
| Bakrie & Brothers | Loan | Indirect | Finished | Low | Finished |
| Bakrie & Brothers | Shareholding | Indirect | Current | Low | Minimal |
| Bakrie Sumatera | Loan & shareholding | Direct | Current | High | Strong |
| Agro Indomas | Loan | Direct | Current | High | Strong |
| Kulim (Malaysia) | Loan | Indirect | Finished | Medium | Finished |
| Kulim (Malaysia) | IPO NBPO | Indirect | Finished | Medium | Finished |
| LonSum & PLSP | Loans 1994 | Direct | Finished | High | Finished |
| LonSum | Loan 1996 | Direct | Current | High | Strong |
| PLSP | Loans 1996 | Direct | Finished | High | Finished |
| LonSum | Lease agreement | Direct | Current | Medium | Moderate |
| Gunung Maras | Loan | Direct | Current | High | Strong |
| Asianagro Lestari | Loan | Direct | Current | High | Strong |
| First Pacific | Selling of assets | Indirect | Finished | Low | Finished |
| SMART | Loan 1995 | Direct | Finished | High | Finished |
| SMART | Loan 2000 | Direct | Current | Medium | Moderate |
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Various | Export credit | Direct | Current | Low | Minimal |
| Surya Kertas | Loans | Direct | Current | High | Strong |
| Tjiwi Kimia | Notes issue | Direct | Finished | Low | Finished |
| Indah Kiat | Loans | Direct | Finished | Low | Finished |
| Tjiwi Kimia | Loan | Direct | Finished | Medium | Finished |
| Lontar Papyrus | Loan | Direct | Finished | High | Finished |
| Indah Kiat | Export credits | Direct | Current | Low | Minimal |
| Indah Kiat | Loan | Direct | Current | Low | Minimal |

## 6.13 Robeco

### 6.13.1 Description of Robeco

The Robeco Group is a Dutch investment fund and asset managing group, one of the largest in the world.

### 6.13.2 Financing of Indonesian pulp & paper companies

#### $^{S}_{H}$ Sinar Mas Group (§ 5.7)

$^{S}_{H}$ Owns 0.01% of the shares of PT Indah Kiat Pulp & Paper.

| Influence Assessment Robeco | | | | | |
|---|---|---|---|---|---|
| **Indonesian pulp & paper companies** | | **Criteria** | | | **Influence Assessment** |
| **Company** | **Relationship** | **Directness** | **Currency** | **Importance** | |
| Indah Kiat | Shareholding | Direct | Current | Low | Minimal |

# Annex 1 Company addresses

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## Annex 3 Dutch financing companies

| Group / Financing company | Trust manager | Registration Number |
|---|---|---|
| [S_H] **Astra Group** | | |
| Astra Overseas Finance BV | MeesPierson Trust | 33263113 |
| [S_H] **Bakrie Group** | | |
| Bakrie International Finance Company BV | MeesPierson Trust | 24262322 |
| [S_H] **Fajar Surya Wisesa Group** | | |
| FSW International Finance Company BV | MeesPierson Trust | 24267893 |
| [S_H] **Kalimanis Group** | | |
| Kiani Kertas BV | Intra Beheer | 33290691 |
| [S_H] **LonSum Group** | | |
| LonSum Finance BV | ABN AMRO Trust | 33296597 |
| Pan London Sumatra Finance BV | MeesPierson Trust | 33253954 |
| [S_H] **Raja Garuda Mas Group** | | |
| APRIL Finances BV | ATC Management | 33276326 |
| Asian Agro International BV | MeesPierson Trust | 33295481 |
| Indorayon International Finance BV | MeesPierson Trust | 33278703 |
| Inti Indosawit International BV | MeesPierson Trust | 33264413 |
| RAPP International Finance Company BV | MeesPierson Trust | 33262357 |
| [S_H] **Salim Group** | | |
| Purply Holding BV | MeesPierson Trust | 33236642 |
| [S_H] **Sinar Mas Group** | | |
| AFP International Finance Company BV | MeesPierson Trust | 24275081 |
| APP International Finance Company BV | MeesPierson Trust | 24257258 |
| Indah Kiat International Finance Company BV | MeesPierson Trust | 24246372 |
| Purimas International Finance Company BV | MeesPierson Trust | 24268157 |
| Tjiwi Kimia International Finance Company BV | MeesPierson Trust | 24248970 |
| Tjiwi Kimia Commercial Finance Company BV | MeesPierson Trust | 24270931 |

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