



Indocement
annual report **1999**

Readiness and focus

on the emerging opportunities

in the new millennium



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Our Mission

Leadership in cement and associated core businesses

- providing superior returns to shareholders, and
- contributing to Indonesia's economic development.

Good corporate citizenship

- providing continuing opportunities for employees' success and growth,
- supporting community and environment development, and
- providing opportunities for the public to participate and share in the Company's success.

Consolidated Financial Highlights

Amounts in billions of Rupiah unless otherwise stated	1999	1998 Restated	% Change
Net revenues	1,759	1,590	11
Income from operations	371	437	(15)
Income (loss) before income tax	757	(1,082)	170
EBITDA	1,164	(546)	313
Net income (loss)	523	(634)	182
Earnings (loss) per share (Rp)	217	(263)	182
Net cash provided by operating activities	923	564	64
Capital expenditures	189	1,783	(89)
Total assets	9,851	9,641	2
Net indebtedness	7,362	8,337	(12)
Total shareholders' equity	1,126	665	69
Market capitalization as of 31 December	7,485	7,666	(2)
Foreign exchange gain/(loss)	527	(1,082)	149
Financial ratios (%)			
Net gearing	530	1,131	(53)
Interest cover (times)	4.0	(1.8)	318
Debt to equity	505	805	(37)
Return on equity	47	(95)	149

Corporate Structure

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

CEMENT BUSINESS

Cement Manufacturing

PT Indocement Tunggol Prakarsa Tbk. 100.0%
Citeureup – 9 Plants

PT Indocement Tunggol Prakarsa Tbk. 100.0%
Cirebon – 2 Plants

PT Indo Kodeco Cement 72.1%
(Thru PT Indocement Investama)
South Kalimantan – 1 Plant

Others

PT Indomix Perkasa 100.0%
Ready Mix Concrete

PT Indo Clean Set Cement 47.5%
Clean Set Cement

PT Dian Abadi Perkasa 51.0%
Cement Trading

OTHER INVESTMENTS

Offices & Hotels

PT Wisma Nusantara International 33.9%
Wisma Indosemen 100.0%

Industrial Estates

PT Cibinong Center Industrial Estate 50.0%

Engineering Services

PT Indotek Engico 50.0%

Allied Businesses

PT Indominco Mandiri 35.0%
Stillwater Shipping Corporation 50.0%

About the Company

The Company is one of Indonesia's premier producers of quality cement and specialty cement products. The Company has grown from a small cement plant with an annual production capacity of 0.5 million tons in 1975 to a fully-integrated cement manufacturing enterprise with a total production capacity today of more than 15 million tons clinker per year.

The Company is listed on the Jakarta and Surabaya stock exchanges and had an annual sales revenue of approximately Rp1.8 trillion (US \$ 248 million) in 1999.

As a Group, the Company maintains major investments in fully-owned or controlled subsidiaries engaged in allied businesses such as coal mining, cement trading, shipping, property, and technical services.

At the end of 1999 the Group's workforce numbered over 7,000 employees.



Message from the Chairman

Board of Commissioners

The race to take the lead in tapping the emerging opportunities in the new millennium has already begun

1999 was a year of mixed challenges and a year of transition. The crisis in the Indonesian economy and across Asia continued to stall levels of activity in the construction sector. This undermined our earnings as domestic demand for cement remains down and export market continues to be highly competitive pushing export price to rock-bottom levels.

On the other hand, although real economic impact is yet to be felt, the favorable developments in the Indonesian political situation starting with the successful democratic presidential election in June have deterred a further plunge in the Indonesian economy.

The rupiah exchange rate has slightly improved and stabilized, interest rates have gone down, inflation has scaled down and indications of increasing economic activities started to appear by the latter half of the year. A similar trend is true in the Asian region where most of our export customers are based and where a number of our competitors operate. All these mark the transition in 1999 from a period of uncertainties to a period of hope for the cement industry. Now, the race to take the lead in tapping the emerging opportunities in the new millennium has begun. We will stay focused and ready to perform despite the economic difficulties.

Our strategic purpose is clear: We will sharpen our focus on emerging opportunities, and forge ahead to establish solid foundations for optimum returns for the Company

For the Company's part, the initiatives we took and the on-going programs we have implemented, tempered the effect of the crisis as we passed through very difficult times. The significant stride we made and which we are about to complete toward the successful re-structuring of our loans and the positive inroads to forge alliances with strategic investors shall, in time, transform your Company's position from uncertain to confident. Now, our strategic purpose is clear: We will sharpen our focus on the emerging opportunities, and forge ahead to establish solid foundations for optimum returns for the Company.

Our principal challenges remain in optimizing sales, enhancing distribution, improving productivity and efficiency, and lowering

operating costs in order to regain competitive strength. With new technologies that improve quality and increase productivity, competence development is an increasingly important factor. Ongoing developments in our business organization and human resources are targeted to ensure that a large number of specialized skills combine effectively to achieve established goals.

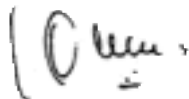
With our core competencies anchored on our state-of-the-art production facilities, highly committed work force and efficient supporting infrastructure, I am confident of the continued success of the Company as in past years. It may take some time before we are back to the level of profitability and sustained growth we had prior to the crisis, but the course has been set and positive indications are in line with our objectives.

We remain confident that the Indonesian economy will continue to propel stability and improvement in business conditions as sound macro-economic fundamentals are eventually put in place.

Management and staff continue to work together as an effective team focused on the Company's strategic aims and tackling today's challenges with greater dedication and vigor. Together with the continuing support of our valued customers, suppliers, bankers and of our shareholders, your Company is ready to march onward to the new millennium with greater determination to succeed.

As we passed another eventful year, we grieve the demise of Mr. H. Aang Kunaefi, our colleague on the Board of Commissioners. We treasure his wisdom, his zeal and dedication to the Company. We heartily welcome Mr. I Ketut Mardjana, a new member of the Board of Commissioners.

In closing, we extend our deepest appreciation to all our employees for their hard work and commitment throughout the year. We thank our valued customers, suppliers, bankers, and shareholders for your continuing support, faith and confidence.



Soedono Salim
President Commissioner



Soedono Salim



Sutanto Djuhar

Johnny Djuhar



Ketut Mardjana

Tanto Koeswanto

Andree Halim

Kuntara

The Board of Commissioners

The Board of Commissioners is responsible for overseeing the activities of the Board of Directors. Commissioners may examine the Company's books, records and documents and have the power to temporarily suspend any Director in case of breach of the Articles of Association, neglect of his obligations, or failure to act in the best interest of the Company. Approval by at least three Commissioners is required for actions taken on behalf of the Company including borrowing money, granting guarantees, acquiring or disposing of fixed assets, and establishing subsidiaries.

Soedono Salim, 83*President Commissioner*

Mr. Salim has been President Commissioner of Indocement since 1985. He is one of the Company founders, as well as founder and Chairman of the Salim Group. He is also a Commissioner of several related companies. He was awarded the Dean's Medal by the University of Pennsylvania's Wharton School of Finance in 1996.

Sutanto Djuhar, 71*Commissioner*

Mr. Djuhar has been a Commissioner of Indocement since 1985 and was one of its founders. He is a business partner of Mr. Soedono Salim.

Johny Djuhar, 41*Commissioner*

Mr. Djuhar, a son of Mr. Sutanto Djuhar, has been a Commissioner of Indocement since 1993.

Kuntara, 60*Commissioner*

Mr. Kuntara has been a Commissioner of Indocement since 1994.

Andree Halim, 52*Commissioner*

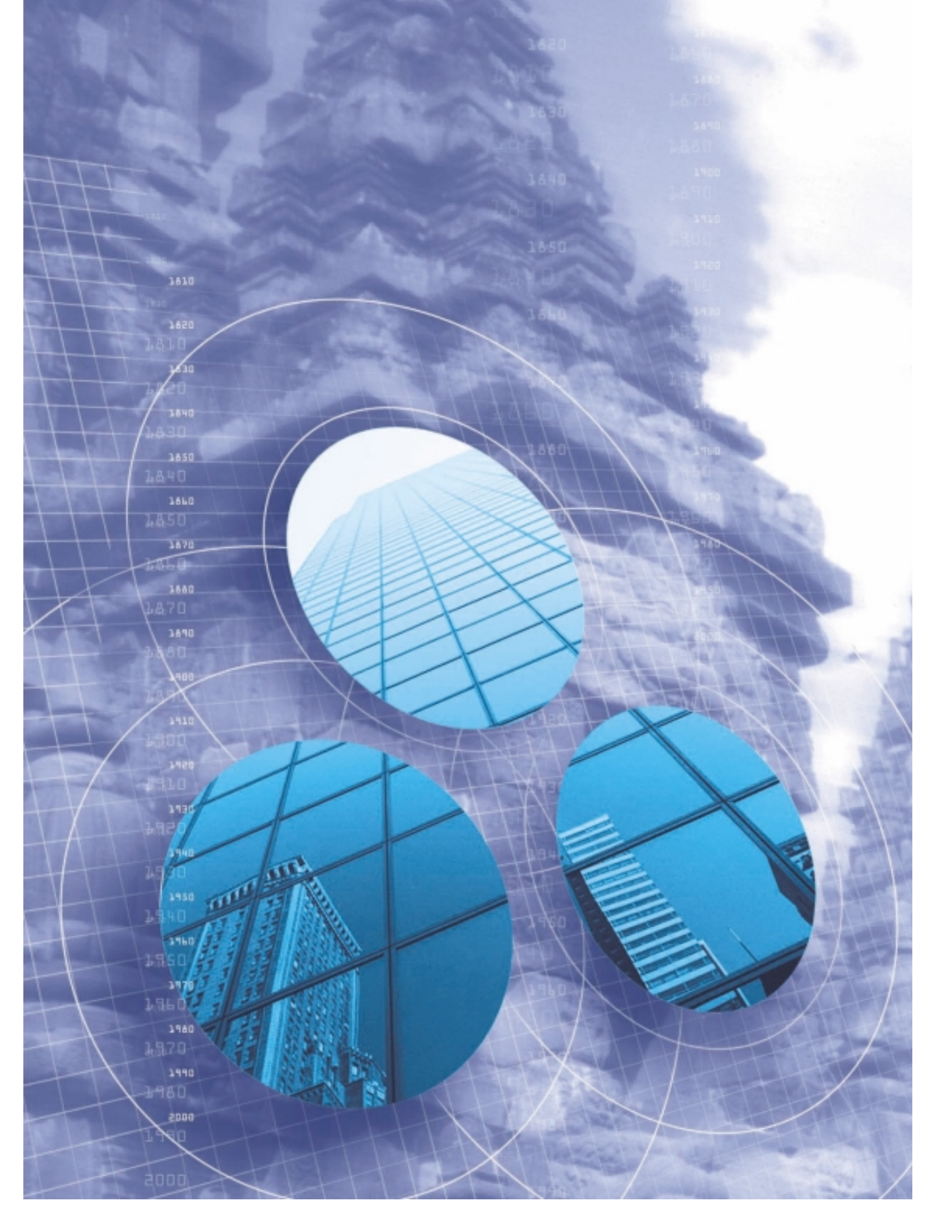
Mr. Halim, a son of Mr. Soedono Salim, has been a Commissioner of Indocement since 1995. He is Vice Chairman of the Salim Group.

Tanto Koeswanto, 59*Commissioner*

Mr. Koeswanto was appointed as a Commissioner of Indocement in June 1997.

I Ketut Mardjana, 49*Commissioner*

Mr. Mardjana was appointed as a Commissioner of Indocement in August 1999. He received his PhD degree from Monash University, Melbourne, Australia.



Report to Shareholders

- **Consolidated net income before tax turned around to Rp757 billion from a net loss of Rp1,082 billion in 1998.**
- **Cash flow provided by the operations amounted to Rp923 billion, 1.6 times last year's figure of Rp564 billion.**
- **Export sales rose by 80 percent to 2.2 million tons, providing cash generation of US\$39 million.**

Dear Shareholders,

This year marked a significant transition for your Company from the harsh realities of the Asian economic crisis.

Consolidated net income before income tax turned around to Rp757 billion from a net loss of Rp1,082 billion in 1998. This was brought about mainly by foreign exchange gain arising from the restatement of foreign denominated loans using an end-of-the-year middle rate of Rp7,100 per one US dollar compared to Rp8,025 applied at the end of last year.

Consolidated gross profit rose 3 percent to Rp635 billion compared to Rp616 billion in 1998. However, consolidated income from operations dropped 15 percent to Rp371 billion from Rp437 billion last year .

Cash flow provided by operations amounted to Rp923 billion, an improvement of Rp359 billion compared to the previous year.

The return on equity, rebounded to positive 47 percent from a negative of 95 percent.

OPERATING HIGHLIGHTS

Export sales volume nearly doubled the previous year's level as successful market penetration strategies made inroads to additional markets in Asia, Africa and the Middle East.

Recognizing that the marketing of our cement both locally and abroad requires continuing improvement and would necessitate significant effort and commitment, we have started the restructuring of our marketing organization to be able to concentrate more on development and sales, as well as a strengthened presence in both markets.

The average selling price for both domestic and export sales during the year rose to Rp250,685 per ton of cement from Rp211,860 last year brought about mainly by gradual adjustments in the price of cement in the domestic market. Total sales volume for the year was 8.6 million tons, 13 percent higher than last year.

As dictated by market demand, production capacity utilization remained low at 56 percent vis-a-vis the increased capacity. This effectively pushed our production costs to rise above the level we achieved as a result of our successful cost containing efforts.

Production costs and operating expenses increased by 20 percent to Rp1,388 billion from Rp1,153 billion in 1998 as the effects of the economic crisis continued to influence higher cost of raw materials, spare parts, supplies and overheads. We have maintained our existing workforce and increased salaries and related costs while sustaining manpower benefits and community commitments.

Interest charges declined by Rp128 billion or by approximately 34 percent from last year's Rp383 billion due to lower composite interest and exchange rates.

STATUS OF MAJOR UNDERTAKINGS

Plant 11 Construction and supporting major capital expenditures

Through careful planning and prudent management, we pursued our plans and projects against the odds and the negative developments in the economy.

The construction of Plant 11 was completed and trial operations started in March 1999 providing additional production volume of over 0.8 million tons of cement during the year. Major supporting projects to align our infrastructure for enhanced production capacity has likewise been completed during the year. Total cash outlay for capital projects during the year was Rp189 billion compared to Rp1,783 billion in the previous year. This includes Rp56 billion and Rp21 billion for mining and power plant improvement projects, respectively.

Loan-restructuring and investor alliance

Substantial progress developed in our debt restructuring negotiations having reached an agreement with the Steering Committee as provided for on the "term sheet". The detailed implementing terms and conditions have been presented to all creditors to obtain their concurrence. Once approved by the creditors and the Company, implementing the terms of the restructuring arrangement will, in time, bring the Company back to a stronger financial position while enhancing its readiness to face competition.

Negotiations to forge an alliance with foreign investors are nearing completion. The successful completion of this initiative complements our strengthened financial position and enhances our capability to optimize exports.

Y2K Update

Transition to the New Millennium has been smooth and free from Y2K problems. Our Y2K preparedness ensured the continuity of our operation, the dependability of our record and the reliability of our reporting systems. A number of other projects have been lined up to improve our internet and intranet connections and make necessary information readily available to intended users.

The implementation of the cement production online system from raw mill to packaging pertaining to our 11 plants located at Citeureup and Cirebon was successfully completed. We have made enhancements and modifications to suit the unique nature of each plant, integrated to our existing computer systems.

The system provides online hourly update monitoring and viewing of cement operations, including the raw material consumption using a standard formula and can be accessed directly by Head Office. It also provides an hourly update of stock information of all cement plants and cement terminals.

BUSINESS OUTLOOK FOR YEAR 2000 AND BEYOND

With the Indonesian economy improving with a GDP growth of 0.23 percent in 1999 compared to negative 13.2 percent in 1998, interest rates tapering off and business conditions starting to improve, the cement industry is now at the threshold of a recovery. The easing of our financial burdens and ultimate stabilizing of our financial condition combined with our strategies in the context of prevailing conditions will underpin and promote the Company's thrust to regain market leadership and growth towards the year 2000 and beyond.

Our continuing challenges will be to remain strong in enhancing our market position, ensuring competitive pricing and excellent distribution. Improving operational efficiency and maintaining cost-competitiveness alongside high quality product and services are company strengths that will continue to develop.

Strategic Thrusts

Our strategic thrust is to penetrate more effectively our main market, tapping opportunities as they emerge. We have revisited our strategy and conducted a broad re-examination of our capabilities to be able to address more effectively areas we need to improve on and to grow our strengths. Adjustments will have to be made in the way we manage and do business to ensure our success.

We will continue to focus our technological and managerial strengths to areas where we believe we can add the most value and pursue new opportunities within our core competencies to bring your Company to a higher level of growth. We will continuously take a hard look at all operations and human resources to ensure they remain efficient and effective.

As we continue to face challenges that fully test our capabilities, we place greater importance on the value of our human resources... our people

Backed up by our employees' skills, hard work and dedication, we are confident that we will be able to capitalize on the many opportunities ahead. We will continue to support community development and fulfill our role as a good corporate citizen.

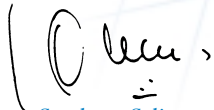
Once again, we thank our valued customers, employees and shareholders for their continuing faith and support during this difficult period.

Jakarta, April 20, 2000




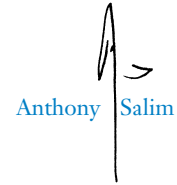
Board of Commissioners

Board of Directors


Soedono Salim


Sutanto Djuhar


Sudwikatmono


Anthony Salim


Johny Djuhar


Kuntara


Ibrahim Risjad


Tedy Djuhar

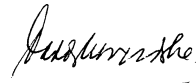

Andree Halim


Tanto Koeswanto



Iwa Kartiwa


Soepardjo


I Ketut Mardjana


Daddy Hariadi


Franciscus Welirang


Benny S. Santoso



Iwa Kartiwa

Franciscus Welirang

Benny S. Santoso

Tedy Djuhar



Daddy Hariadi

Soepardjo



Anthony Salim

Ibrahim Risjad

Sudwikatmono

The Board of Directors

The Board of Directors is responsible for day-to-day management of the affairs of the Company. Its members are elected by the shareholders for a term of five years. Indocement's Articles of Association provide that the Company shall have a maximum of nine Directors, including one President Director and one Vice President Director.

Sudwikatmono, 65

President Director

Mr. Sudwikatmono is one of the founders of Indocement and has been President Director of the Company since 1985. He is also a Director of First Pacific Company Limited and a Commissioner of PT Indomobil Sukses International Tbk. In addition, he serves on the boards of several Indonesian companies involved in property development, fishery and chemical businesses.

Anthony Salim, 50

Vice President Director

Mr. Salim, a son of Mr. Soedono Salim, has been Vice President Director of Indocement since 1989. He is also the President and Chief Executive Officer of the Salim Group and a Director of First Pacific Company Limited. He serves on the boards of a number of Indonesian companies engaged in the financial, agricultural and automotive businesses.

Ibrahim Risjad, 65*Director*

Mr. Risjad is one of the founders of Indocement and has been a Director of the Company since 1985. In addition, he is a Director of First Pacific Company Limited and a Vice President Commissioner of PT Indofood Sukses Makmur Tbk. He is actively involved in a number of Indonesian companies engaged in the property development, shipping and packaging businesses.

Tedy Djuhar, 48*Director*

Mr. Djuhar, a son of Mr. Sutanto Djuhar, received his B.A. degree from the University of New England and has been a Director of the Company since 1985. He is also a Director of First Pacific Company Limited.

Iwa Kartiwa, 58*Director*

Mr. Kartiwa has been a Director of Indocement since 1985. Before joining the Company, he was a Director of PT Semen Baturaja.

Soepardjo, 70*Director*

Mr. Soepardjo, a retired Army General, has been a Director of Indocement since 1985. He is the Chairman of the Indonesian Cement Association.

Daddy Hariadi, 53*Director*

Mr. Hariadi has been a Director of the Company since 1985. He is also the President Commissioner of PT Citra Marga Nusaphala Persada Tbk.

Franciscus Welirang, 48*Director*

Mr. Welirang has been a Director of Indocement since 1993. He is also a Director of PT Indofood Sukses Makmur Tbk.

Benny S. Santoso, 42*Director*

Mr. Santoso has been a Director of the Company since 1994.

Remuneration

The total remuneration of the Board of Commissioners and the Board of Directors amounted to Rp9.643 billion in 1999.

Review of Operations

MARKETING

Sales and market share

In 1999, the Indonesian construction sector remained stagnant, with a slight contraction of national cement consumption. This was reflected by the Tiga Roda cement market share of 32.4 percent in 1999.

With the operation of Indo Kodeco plant in South Kalimantan, we have the flexibility to shift the cement supply from Citeureup plants to IKC plant. This will strengthen our market share in the eastern part of Indonesia.

Our strategy to boost export sales delivered satisfactory results. The export sales increased from 1.2 million tons in 1998 to 2.2 million tons in 1999. This export sales volume was spread out to several countries including Asia, Africa and the Middle East.

Strong brand recognition and constant product quality, combined with successful marketing initiatives have bolstered our competitive leverage to increase sales within 2 years. We have reconfigured our marketing organization to enhance our focus and to strengthen our position to be one of the strongest market players in the region.

Total domestic and export sales increased by 13 percent, to reach 8.6 million tons from 7.6 million tons in 1998.

Price review

The increase in the domestic price of cement effected in December 1998, followed by gradual adjustments during 1999 has impacted the substantial rise in the average price of Rp286,982 per ton in 1999 compared to Rp210,979 per ton in 1998.

Export prices during 1999 remained hard-pressed by stiff competition and vulnerable to foreign exchange fluctuations of the rupiah.





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Market Share 1999

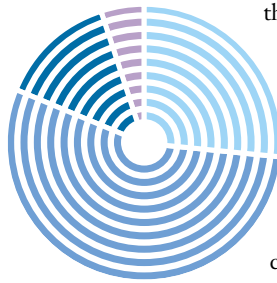
- 21.98% Domestic - Indocement
- 45.94% Domestic - Others
- 7.57% Export - Indocement
- 24.51% Export - Others

**Product portfolio**

During the year, we launched Pozzolan Cement under the same Tiga Roda brandname. The market responded favorably above our expectations with sales of around 300 thousand tons during the year.

Market Share 1998

- 26.59% Domestic - Indocement
- 54.71% Domestic - Others
- 5.04% Export - Indocement
- 13.66% Export - Others



Ordinary Portland Cement (OPC) stays as our principal product accounting for more than 90 percent of total sales volume. Specialty cement products composed of White Cement, Oil Well Cement, Type II and Type V.

Cement remain in our product portfolio serving the regular needs of specific market segments. Combined sales volume for these products dropped slightly during the year owing to lower demand.

Ready-mix Concrete production was scaled down owing to significant drop in demand as some construction activities in Jakarta and West Java were either completed or discontinued during the year. The industrial construction sector, which is the principal customer for ready-mix concrete is yet to resume activities, due to financial constraints.

In terms of domestic sales mix, bagged and bulk cement sales ratio during the year increased in favor of bagged cement to 95:5 compared to 93:7 in 1998. This indicates a faster phase of recovery in the domestic direct consumers market outside Jakarta and West Java.

Industry outlook

Opportunities are emerging on two fronts: The recovering domestic market indicates gradual increase in demand as the Indonesian economic and political conditions improve and the increasing potential of Indonesian cement in the export market.

Key issues and challenges to achieve our goals on both fronts have been identified and appropriate measures put in motion. Initial results indicate that we are on the right track.

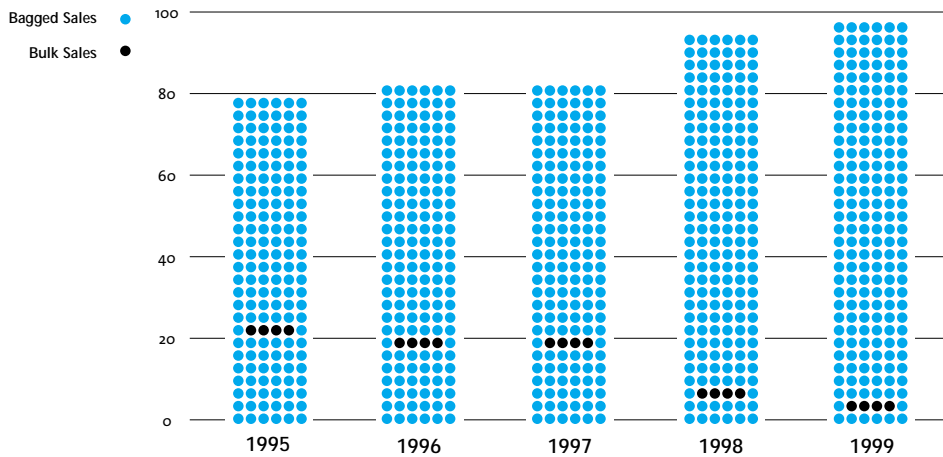
We have updated our strategies, reassessed our core competencies and enhanced our readiness, focusing on our collective efforts to optimize our gains as opportunities emerge.

We have learned much through our survival of the most difficult times and are determined to move ahead with confidence in our greater resilience and competence.

PRODUCTION

Including IKC and Plant 11, total production for the year was 7.6 million tons of cement and 8.4 million tons of clinker, a slight increase from last year's 7.1 million tons and 7.3 million tons of cement and clinker, respectively. Capacity utilization remained low at 56 percent compared to an equivalent of about 58 percent last year, based on current total production capacity including Plant 11. The continuing low demand for cement impeded our capability to run at full capacity resulting in a reduced efficiency and effectively higher production cost.

Trend of Bagged vs Bulk Cement Sales



Previous investments to improve our production and support facilities continued to provide the intended benefits in terms of lower energy consumption, improved production process and lower overhead costs

The waste heat recovery system implemented several years ago continued to yield substantial savings in power generation cost. The central power control system developed last year provided adequate protection to our plant's manufacturing equipment against costly breakdown in the event of power failure.

We have completed the cooler modification projects for Plant 7 resulting in improved production efficiency and sustained product quality. Completing the major modification projects for our mining facility in the Citeureup production complex during the year also enhanced our capability to supply a consistent quality of raw materials.

On March 1, 1999, the kiln of P11 was fired and a trial operation was successfully performed. The P11 project was executed during the economic downturn and political instability, however the project was completed as originally scheduled. Certain improvements and modifications are still to be undertaken before commercial operation starts in early 2000.

In addition, the completion of P11 gives us the flexibility to run only those efficient plants to minimize energy consumption. The effort to reduce energy consumption in plants that are not efficient has given us positive results. The total average heat consumption for plants that are in working operation improved by about 34 Kcal/kg clinker.

A BRIEF HISTORY

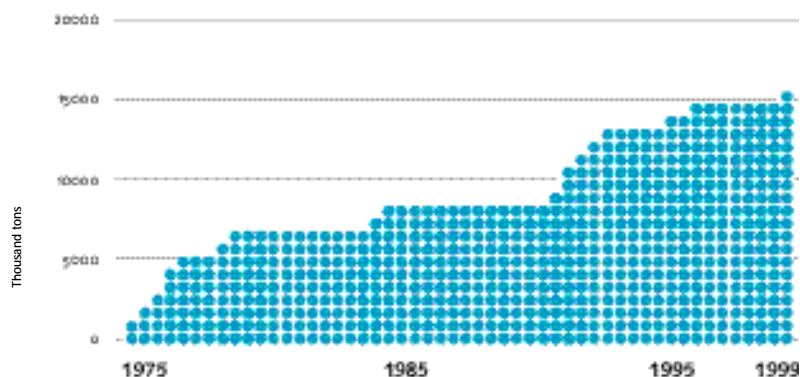
Year	Plant/Location	Product [†]	Production Capacity (in thousand tons of clinker per year)
1975	Plant 1/Citeureup	OPC	640
1976	Plant 2/Citeureup	OPC	534
1979	Plant 3/Citeureup	OPC	1,024
1980	Plant 4/Citeureup	OPC	1,024
	Plant 5/Citeureup	OWC/WHC	214
1983	Plant 6/Citeureup	OPC	1,472
1984	Plant 7/Citeureup	OPC	1,760
	Plant 8/Citeureup	OPC	1,520
1991*	Plant 9/Palimanan	OPC	1,216
1996	Plant 10/Palimanan	OPC	1,216
1998	Indo Kodeco plant/ South Kalimantan	OPC	2,400
1999	Plant 11/Citeureup	OPC	2,400
TOTAL			15,420

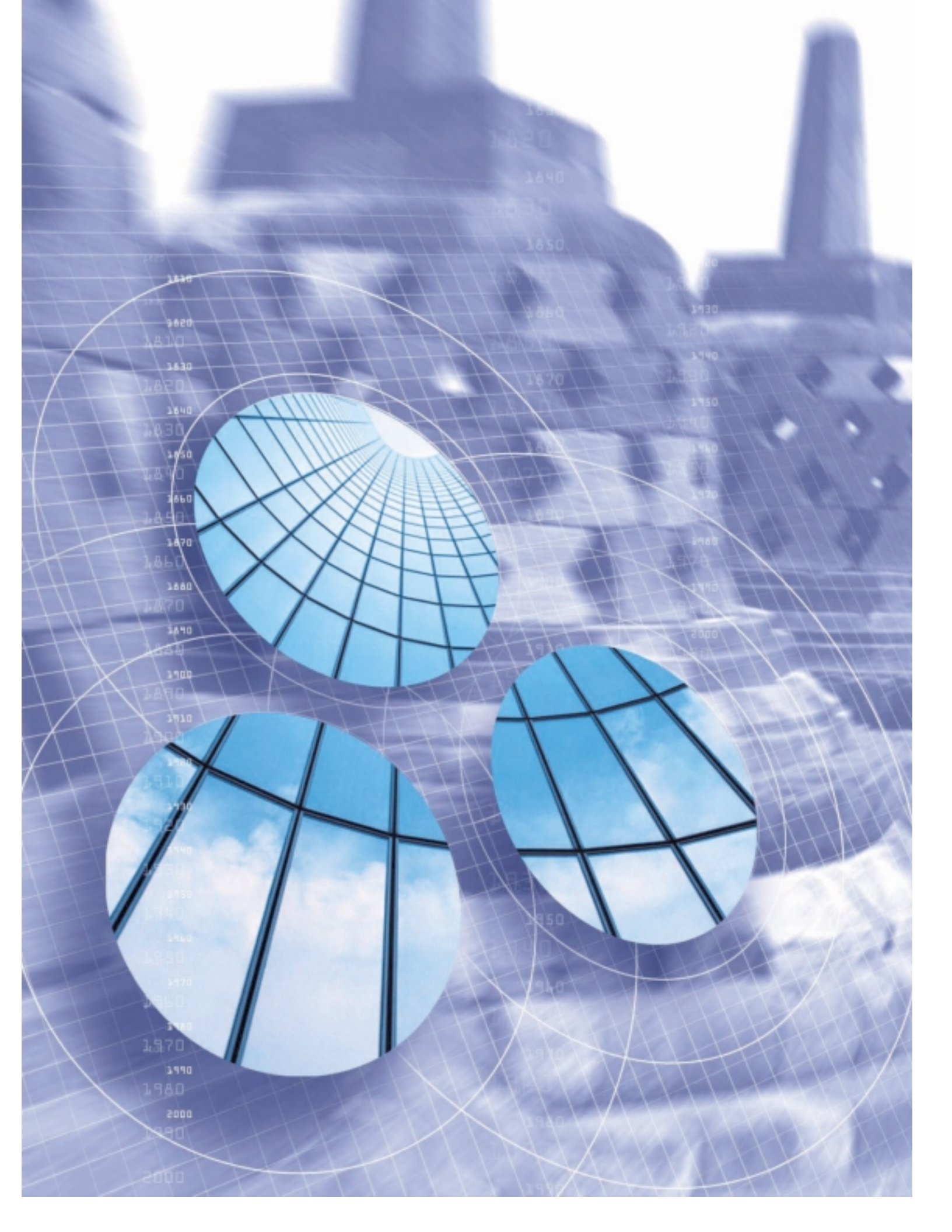
[†]OPC: Ordinary Portland Cement, OWC: Oil Well Cement, WHC: White Cement

*by acquisition

- 1985** The birth of PT Indocement Tunggal Prakarsa Tbk. as a newly formed and strengthened holding company after the merger of six companies owning each of the first eight cement plants.
- 1989** The Company went public, listing its shares on the Jakarta Stock Exchange.
- 1991** Constructed Surabaya Cement Terminal and launched Ready Mix Concrete Product business.
- 1992** Diversified business through the acquisition of a controlling stake in Indofood and Bogasari, Indonesia's leading food and flour companies. In the same year acquired Wisma Indosemen.
- 1997** Divestment of Indofood and Bogasari.

Production Capacity





Financial Review

Management's Discussion and Analysis

The Company's consolidated financial statements include those of PT Indomix Perkasa, PT Dian Abadi Perkasa and PT Indo Kodeco Cement, a 72.1 percent owned subsidiary held through PT Indocement Investama.

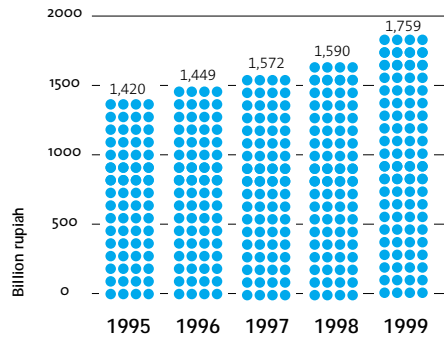
In 1999 the Company posted a net income after tax and minority interest of Rp523 billion, including a gain on foreign exchange of Rp527 billion, vis-a-vis a net loss of Rp634 billion in 1998.

The foreign exchange gain is primarily attributable to the adjustment in the exchange rate of our foreign currency debts. As a result of realizing a profit in 1999, the Company ended the year with a much stronger financial position.

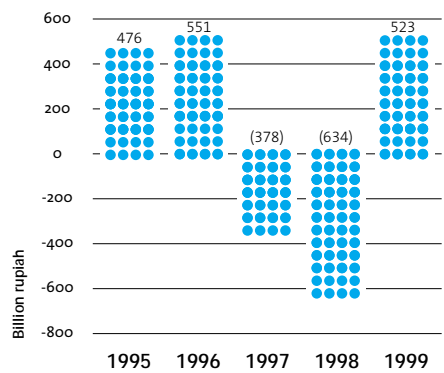
The consolidated net revenues increased by 11 percent, mostly from higher selling price and export sales, from Rp1,590 billion in 1998 to Rp1,759 billion in 1999, net of the sales revenue realized from Plant 11 production during the test-run period which was capitalized to construction in progress (minus corresponding cost) in conformity with generally accepted accounting practice. Against the backdrop of continuing economic difficulties, volumes and margins improved slightly across our cement products.

Cost of sales and operating expenses increased by 20 percent from Rp1,153 billion in 1998 to Rp1,388 billion last year due to higher provision for bad debts and increase in production costs. The income from operations decreased by 15 percent from Rp437 billion in 1998 to Rp371 billion in 1999. Other income (net of charges) increased from a net charge of Rp1,519 billion in 1998 to an income of Rp386 billion in 1999. A contributing factor to the positive change was the effect of foreign exchange. In 1998 there was a significant amount of foreign exchange loss of Rp1,082 billion while in 1999 we realized a foreign exchange gain of Rp527 billion. In addition, the interest expense was down to Rp255 billion in 1999 from Rp383 billion in 1998. The reduction in the interest expense was the result of the adjustment of the exchange rate from Rp8,025 to Rp7,100 in 1999.

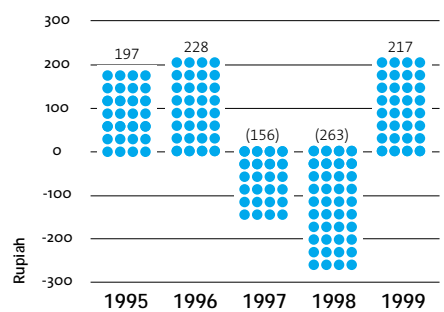
Net revenues



Net income (loss)



Earnings (loss) per share



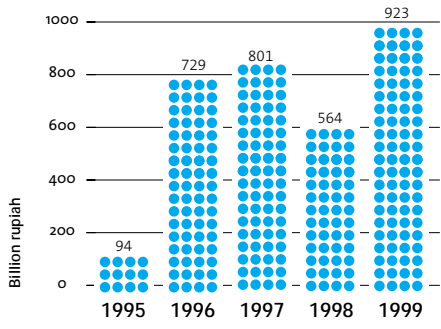
Property, plant and equipment decreased by about 1 percent or Rp48 billion from Rp8,565 billion in 1998 to Rp8,517 billion in 1999. The company limited its capital expenditures during the year to only those essential for continuity of operations and those projects which are more costly to postpone and resume construction in later years. The total capital expenditures during 1999, excluding the Plant 11 project, was Rp189 billion.

The total assets of the Company increased by 2 percent from Rp9,641 billion in 1998 to Rp9,851 billion in 1999. The balance sheet was further strengthened by a group-wide effort to conserve financial resources and improve asset productivity. Current assets stood at Rp1,944 billion in 1999 from Rp1,301 billion last year, resulting in the current ratio of 0.23:1 in 1999 against 0.15:1 in 1998. At the end of the year, the Company's cash position amounted to Rp1,024 billion, which was kept in cash, time deposits and short term investments to ensure a sufficient level of liquidity.

Investment and advances to investees increased by 19 percent or Rp51 billion, from Rp269 billion in 1998 to Rp320 billion in 1999. Other assets decreased by Rp56 billion from Rp245 billion last year to Rp189 billion this year.

Consolidated liabilities of the Company and its subsidiaries were Rp8,386 billion in 1999 as compared to Rp8,597 billion last year. The Company's leverage profile stood at seven times to one (7X:1). A substantial portion of the Company's borrowings is in foreign currency and is partly protected by the natural hedge provided by foreign exchange revenues from cement exports. Debt-to-equity ratio was 5:1 compared to 8:1 last year. The Company's total interest bearing debt at the end of the year amounted to Rp6,985 billion, 10 percent lower vis-a-vis Rp7,776 billion in 1998. Out of the Company's total loans, 82 percent was denominated in US dollars, 13 percent in yen and 3 percent in Italian lira and the balance in Indonesian rupiah.

Cash generated from operations



The Company has made a substantial progress in its debt restructuring negotiations with the creditors' steering committee. It has reached an agreement with the steering committee of its creditors on the framework of the restructuring. A definitive term sheet has been circulated to all creditors to obtain their agreement to the terms, subject to final documentation.

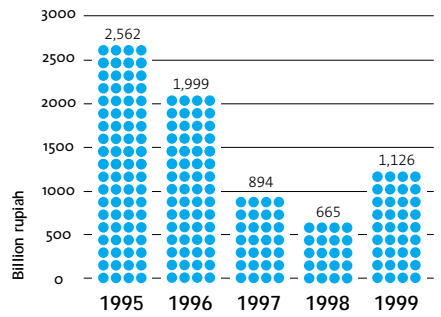
In August 1999, the Company and its creditors reached an agreement whereby Indo Kodeco, a 72.1 percent owned subsidiary held through PT Indocement Investama, will be merged into the Company with the Company assuming the liabilities of Indo Kodeco.

In October 1999, PT Mekar Perkasa, our majority shareholder, entered into an agreement with Heidelberg Zement for its prospective entry into the Company. The entry of Heidelberg into the Company will further strengthen its balance sheet and enhance the Company's technical and operational expertise. Heidelberg is one of the largest cement companies in the world with extensive experience in cement manufacturing.

Fulfilling part of its responsibilities to national development as a corporate citizen the Company has contributed a total of Rp7 billion in income taxes during the year.

Shareholders' equity amounted to Rp1,126 billion, growing from last year's total of Rp665 billion, and earnings per share was Rp217. As of December 31, 1999, issued capital stock consisted of 2,414,453,320 shares.

Shareholders' equity





Human Resources

Training, development and placement are key aspects of the Company's personnel activities

Considerable changes have taken place within the Company, particularly during the past ten years—new facilities, new process technology, new information systems and changed operating environment, all of which imposed new and more rigorous demands on the personnel. However, vacancies arising from regular retirements, which have not been filled, resulted in a reduction in the number of employees.

The aim of our personnel activities is to improve the efficiency of the organization and to give individual employees more stimulating tasks to encourage personal growth from within.

Training and development

In order to have a solid foundation on which to base personnel training and development activities, training needs are assessed throughout the organization on a fairly regular basis. Training and development programs suited to identified training needs are either developed internally or outsourced.

During the past several years, our "Trainer's Training Program" in which selected employees are sent on outside training and thereafter become internal trainers within the Company yielded a deep repository of qualified trainers for our employees. This, to a large extent, provides the assimilation of knowledge and skills at a much faster pace with lesser costs.

Complementary programs allow our employees mobility within the group enabling them to practice their added skills and providing them with the opportunity to harness their potential.

All these programs are carefully reviewed on a regular basis and updated to keep pace with changing needs.

Our people and the future

The Company recognizes human resources as the strongest link binding all its other business resources into one cohesive strand that fosters sustained success and growth

The Company's long-term goal is to build the necessary broad base of manpower strengths to allow the Company to move aggressively and to continue developing and growing its business in spite of temporary downturns.

The emerging realities indicate that making a difference in today's highly competitive business environment is, to a large extent, dependent on people. The significant advancements in process and information technologies help but people are still there to make the most of it.

We anticipate our business to recover slowly in the next few years and eventually pick-up to new level highs. Part of our efforts today is concentrated in optimizing returns given the current conditions, sharpening our focus to detect business opportunities as they appear, and enhancing our overall readiness to tackle business challenges as they grow.

The past and the present show our people's capability to make a difference. With our unique infrastructure anchored on self-sufficiency and economy of scale, the Company is confident to tackle the many challenges that lie ahead.

Environment and Community

Health, safety, community and environmental concerns are an integral part of our activities and are assessed on the same level as other operational tasks. Our first concern is to protect employees and others affected by our activities against work-related injuries and ill health.

We manage our activities in such a way that strains on health, safety and environment are minimized throughout the areas where we operate. Managers at all levels are responsible for the organization, training and implementing of health, safety and environment policies and procedures, and to ensure that practices are in compliance with statutory regulations. Each employee and every individual having access to our locations are required to adhere to instructions and guidelines established for the effective implementation of these policies and procedures. Deviations are dealt with, creating a basis for corrective actions and continuous improvement.

Environment

The most important environmental challenges we face today are related to measures aimed at reducing dust emissions, improving waste disposal, and minimizing the impact of our operations on the local environment.

The substantial capital expenditure made several years ago to equip all our plants with Electrostatic Precipitators (EP) maintains our capability to contain dust emission levels well below government mandated limits. For the past several years, our average dust emission level of 80 mg/Nm³ was much lower than the government limit of 150 mg/Nm³.

Further improvements in our dust emission control at our main production facility in Citeureup enabled us to further reduce the dust fall area to 5.5 square kilometer in 1999 from 6.1 in 1998 by applying the standard "Ambient Threshold Limit" of 5 tons per square kilometer per month.

Community

Despite financial difficulties, we continued to provide the funding requirements of two junior high schools now with 500 students, scholarship grants for deserving children of 350 employees, and education assistance to over 1,000 students under the "Foster Parents" program launched in 1987.

We have upgraded our medical facility in Citeureup to accommodate the increasing number of patients over the years. Citeureup medical and clinic facility provides a 24-hour free emergency medical service to the community.

We have continued to support the repairs and maintenance of various places of worship in the local communities where we operate and extended assistance for various community projects. The development of small businesses within the various communities covered by our operation, also continue to receive our support, together with other livelihood development projects.

We strive to continually improve our participation and support to community development, an effort that confirms our continuing resolve to be a part of nation building.



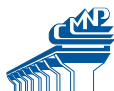


Other Investments



PT Indominco Mandiri

A local coal mining company in Bontang, East Kalimantan with an annual production capacity of 3.5 million tons of coal.



PT Citra Marga Nusaphala Persada Tbk.

The largest public company in Indonesia engaged in toll road operation. Its shares are listed on the Jakarta Stock Exchange.



PT Wisma Nusantara International

Owner of Wisma Nusantara, a 30-storey Office Tower and the adjacent 300-room President Hotel.



Stillwater Shipping Corporation

A shipping company operating in Indonesia and Singapore with a total handling capacity of 10,000 dead-weight tons (DWT).



PT Cibinong Center Industrial Estate

An industrial park leasing land and building, located at the ex quarry site in Citeureup.



PT Indotek Engico

An engineering service company providing design and construction management services.



PT Indo Clean Set Cement

A joint venture company producing special cement used in road construction and building foundation, as a soil stabilizer.

Other Investments

Revenue for the year *(amounts in billions of rupiah)*

Company	1999	1998
PT Indominco Mandiri	478.40	449.27
PT Citra Marga Nusaphala Persada Tbk.	276.14	271.18
PT Wisma Nusantara International	93.54	83.59
Stillwater Shipping Corporation*	29.27	38.73
PT Cibinong Center Industrial Estate	8.42	9.73
PT Indotek Engico	6.09	14.09
PT Indo Clean Set Cement	0.33	1.18
Total	892.19	867.77

*Revenue in US dollars and converted at an average exchange rate of Rp7,930 in 1999 and Rp9,926 in 1998.

Five Year Summary

Amounts in billions of rupiah					
unless otherwise stated	1999	1998	1997	1996	1995
Net revenues	1,759	1,590	1,572	1,449	1,420
Gross profit	635	616	668	695	701
Income from operations	371	437	530	591	605
EBITDA (1)	1,164	(546)	160	764	688
Net income (loss)	523	(634)	(378)	551	476
Total assets	9,851	9,641	6,670	4,607	5,341
Total liabilities	8,386	8,597	5,776	2,608	2,779
Shareholders' equity	1,126	665	894	1,999	2,562
Net borrowings (2)	5,951	7,516	4,392	1,692	1,221
Net cash provided by operating activities	923	564	801	729	94
Capital employed	1,490	1,070	5,139	3,799	4,530
Capital expenditures					
Fixed assets (3)	189	1,783	893	838	275
Issued ordinary shares (million)	2,414	2,414	2,414	2,414	1,207
Per share data (4) – [Rp]					
Primary earnings/(loss) per share	217	(263)	(156)	228	197
Dividend per share	–	–	150	70	120
Book value per share	466	276	370	828	1,061
Financial ratios (%)					
Current ratio	23	15	98	225	278
Net gearing (5)	530	1,131	491	85	48
Net borrowing to assets	60	78	66	37	23
Return on assets	5	(7)	(6)	12	9
Return on capital employed	35	(59)	(7)	15	11
Return on shareholders' equity	46	(95)	(42)	28	19
Number of employees	7,096	7,332	7,360	6,728	6,272

(1) Earnings before interest, taxes, depreciation and amortization

(2) Net borrowings is defined as long-term and short-term borrowings less cash and cash equivalent, and short term investment

(3) Including construction in progress

(4) Restated based on the weighted average number of shares after stock split in 1996

(5) Net borrowings as a percentage of shareholders' equity. Restated without Indofood data. The data covering 1995 and 1996 were restated to exclude Indofood.

Stock Market Performance

The Company's issued and outstanding stock, totaling 2,414,453,320 common shares with a par value of Rp500 per share, remained unchanged.

During the year a total of 274 million shares were traded, more than twice the volume of 124 million shares traded in the previous year.

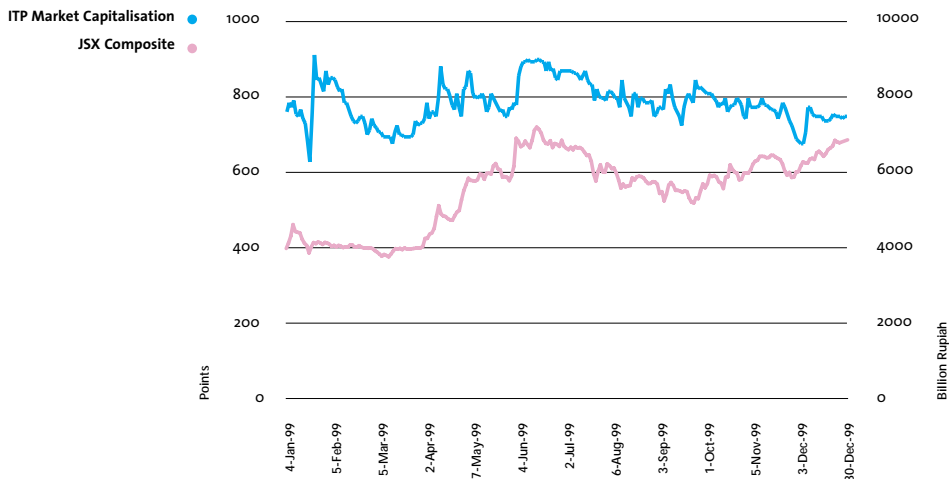
The Company's share price was relatively stable, opening at Rp3,175 per share on January 4 and closing at Rp3,100 per share on December 30, the first and the last trading days of 1999, respectively. The composite share price index at the Jakarta Stock Exchange increased from 394.5 points in January 1999 to 676.9 points in December 1999.

Highest and lowest share prices for the year were both recorded in January 1999 indicating a certain volatility of the stock market price with the unstable economic and political situation in Indonesia before the presidential election in June. The share price indicated some upward movement after the successful presidential election hitting a high transaction price of Rp3,900 per share in June 24 but slipped back to a low of Rp2,775 per share on November 30, 1999.

The stock market outlook will, in the meantime, remain dependent on the economic and business developments during this period of transition in the Indonesian political situation. A key factor for business recovery would be the economic and political reforms in Indonesia gradually being put in place. This will restore investors' confidence and enhance the inflow of foreign investment funds.

The number of the Company's shareholders as at December 31, 1999, was 1,453.

1999 ITP Market Capitalisation against JSX Composite



Independent Auditors' Report

Report No. 33396S

The Shareholders and Board of Directors

PT Indocement Tunggal Prakarsa Tbk.

We have audited the consolidated balance sheets of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of PT Indotek Engico as of December 31, 1999, and of PT Wisma Nusantara International and PT Indominco Mandiri as of December 31, 1999 and 1998. The investments in these associated companies, which are accounted for in the consolidated financial statements using the equity method, represent approximately 1.66% and 1.58% of the total consolidated assets as of December 31, 1999 and 1998, respectively, while the related net equity share in net earnings of these associated companies amounted to Rp 17,351,784,547 and Rp 25,706,221,841 in 1999 and 1998, respectively.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

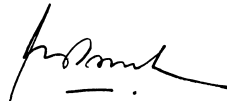
As discussed in Notes 2d, 2p and 3 to the consolidated financial statements, starting January 1, 1999, the Company and a certain subsidiary retroactively adopted the provisions of the new Statements of Financial Accounting Standards (PSAK) No. 46, "Accounting for Income Tax", and No. 50, "Accounting for Investments in Certain Securities". In accordance with generally accepted accounting principles, the consolidated financial statements as of and for the year ended December 31, 1998 have been restated to reflect the retroactive effects of the said changes in accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company and its Subsidiaries will continue to operate as a going concern. Note 21 to the consolidated financial statements includes a summary of the effects that the economic downturn in Indonesia has had on the Company and its Subsidiaries, as well as the measures that they have implemented and plan to implement in response to these economic events. As also mentioned in the same note, currently, the Indonesian

economy is still faced with lingering instability. Although in 1999 (particularly towards the second semester of that year), there are already some positive indicators of improving economic condition in Indonesia, at least on the macro level. Among others, inflation level has already been brought down to a manageable level; economic activities have improved and are increasing; interest rate has already been reduced to its pre-crisis level; and the Rupiah has partially recovered vis-à-vis the US Dollar. However, the Company and its Subsidiaries, as well as the cement industry as a whole, is still affected by the current slump in the construction and real estate sectors. The accompanying consolidated financial statements as of December 31, 1999 and 1998 include the effects of these economic events to the extent that they can be determined and estimated. As further discussed in Note 13 to the consolidated financial statements, the Company and a certain Subsidiary were not able to maintain certain financial ratios required under their existing loan agreements and have taken a standstill position and ceased all of their loan principal and interest payments. No formal waiver for such non-compliance have been obtained from the creditors. As of the date of this independent auditors' report, the Company and the said Subsidiary are in the process of negotiating the terms and conditions of their borrowings with the creditors and no definite terms have been established regarding the settlement of these obligations. As such, all of the subject long-term loans were reclassified and presented as part of current liabilities in the consolidated balance sheets in accordance with generally accepted accounting principles. As a result of the matters described, there is a significant uncertainty whether the Company and its Subsidiaries will be able to continue as a going concern, and therefore, whether they will be able to realize their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the consolidated financial statements. Resolution of the current economic instability and/or further improvement of the economy depends on the fiscal, monetary and other measures that have been and will be undertaken by the government, actions which are beyond the Company and its Subsidiaries' control, to achieve economic recovery. It is not possible to determine the future effects that a continuation of the current economic conditions may have on the Company's and its Subsidiaries' liquidity and earnings, including the effects flowing through from their investors, customers, suppliers, creditors and shareholders.

PRASETIO, UTOMO & CO.

License No. 98.2.0024



Drs. Adi Pranoto Leman
License No. 98.1.0060

February 18, 2000

Notice to Readers

The accompanying consolidated financial statements are intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not with those of any other jurisdictions. The standards, procedures and practices applied to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998

These consolidated financial statements are originally issued in Indonesian language

ASSETS	Notes	1999	1998
		Rp	(As Restated - Note 3) Rp
CURRENT ASSETS			
Cash and cash equivalent	2c,2f,4,6	869,980,602,924	84,094,783,367
Short-term investment - net	2d,3,20a	154,150,698,000	175,908,382,354
Accounts receivable	2e		
Trade (net of allowance for doubtful accounts of Rp 74,348,679,217 and Rp 3,079,529,790 in 1999 and 1998)	5,22		
Related parties	2f,6	9,317,028,371	141,978,725,677
Third parties		124,181,669,989	42,255,434,088
Non-trade (net of allowance for doubtful accounts of Rp 2,186,202,250 in 1999)			
Related parties	2f,6	49,505,290,147	75,853,415,396
Third parties		23,427,174,743	50,650,992,911
Inventories - net	2g,7	464,543,639,527	454,882,547,932
Advances and deposits	6	78,270,680,867	96,517,924,973
Prepaid taxes and expenses	2h,7	170,753,958,660	179,141,229,166
Total Current Assets		1,944,130,743,228	1,301,283,435,864
DEFERRED TAX ASSETS - Net	2p,3,12	299,436,181,916	530,258,684,381
LONG-TERM INVESTMENTS AND ADVANCES TO INVESTEES	2b,6,8,21	319,560,811,775	268,870,648,337
PROPERTY, PLANT AND EQUIPMENT	2i,2j,2k,6,9,10,13		
Carrying value	20e,20f	8,517,114,371,139	8,564,820,246,499
Accumulated depreciation, amortization and depletion		(1,417,718,997,613)	(1,269,158,209,492)
Net Book Value		7,099,395,373,526	7,295,662,037,007
OTHER ASSETS			
Deferred charges - net	2l	48,347,246,201	55,790,091,352
Restricted cash in bank	20h	42,705,718,858	46,780,924,728
Deferred landright acquisition costs	2l	8,352,947,195	-
Goodwill - net	2b	6,073,638,342	7,995,569,303
Others - net		83,096,450,928	134,034,603,300
Total Other Assets		188,576,001,524	244,601,188,683
TOTAL ASSETS	16	9,851,099,111,969	9,640,675,994,272

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998 (continued)

These consolidated financial statements are originally issued in Indonesian language

LIABILITIES AND STOCKHOLDERS' EQUITY

	Notes	1999	1998
			(As Restated - Note 3)
		Rp	Rp
CURRENT LIABILITIES			
Short-term loan	2f,2o,6,10	5,000,000,000	5,000,000,000
Accounts payable			
Trade	11		
Related parties	2f,6	3,127,286,806	769,512,562
Third parties		55,995,517,042	82,493,283,008
Non-trade			
Related parties	2f,6	88,149,036	14,044,523
Third parties	20d,20e	517,025,406,777	363,989,023,931
Accrued expenses	6,13,20h	778,464,751,735	323,741,270,605
Taxes payable	2p,12	28,644,039,734	21,223,381,035
Unearned income		2,573,103,988	3,054,490,661
Current maturities of long-term debts	2f,2o,6,13,21		
Bank loans		6,960,950,213,937	7,767,528,251,205
Obligation under capital lease	2j	3,091,006,580	3,091,006,580
Other		6,248,000,000	-
Total Current Liabilities		8,361,207,475,635	8,570,904,264,110
LONG-TERM DEBTS - Net of Current Maturities			
Other	2f,2o,6,13,21	9,372,000,000	-
DEFERRED GAIN ON SALE AND LEASEBACK TRANSACTIONS - Net			
	2j	15,430,714,703	26,071,800,388
MINORITY INTERESTS IN NET ASSETS OF SUBSIDIARIES			
		339,472,374,531	378,353,120,157
SHAREHOLDERS' EQUITY			
Capital stock - Rp 500 par value			
Authorized - 4,000,000,000 shares			
Issued - 2,414,453,320 shares	14	1,207,226,660,000	1,207,226,660,000
Additional paid-in capital	15	172,329,476,497	172,329,476,497
Foreign currency translation adjustments	2b	477,577,930,779	567,135,322,704
Differences arising from changes in subsidiary's equity	2b	19,310,551,854	(13,579,469,792)
Differences arising from restructuring transactions			
among entities under common control	2b	(1,496,514,575,077)	(1,496,514,575,077)
Unrealized gains (losses) on available-for-sale securities	2d,3,21	(1,891,104,470)	4,595,125,960
Retained earnings			
Appropriated		50,000,000,000	50,000,000,000
Unappropriated		697,577,607,517	174,154,269,325
Total Shareholders' Equity		1,125,616,547,100	665,346,809,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,851,099,111,969	9,640,675,994,272

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT Indocement Tunggol Prakarsa Tbk. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 1999 and 1998

These consolidated financial statements are originally issued in Indonesian language

	Notes	1999	1998
		Rp	(As Restated - Note 3) Rp
NET REVENUES	2m,6,16,21	1,758,966,257,437	1,589,882,081,427
COST OF REVENUES	2m,16,17	1,123,912,968,562	973,973,559,716
GROSS PROFIT		635,053,288,875	615,908,521,711
OPERATING EXPENSES	2m,18		
Delivery and selling		168,674,488,360	89,439,738,803
General and administrative		95,437,416,124	89,502,084,266
Total Operating Expenses		264,111,904,484	178,941,823,069
INCOME FROM OPERATIONS	16	370,941,384,391	436,966,698,642
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net	2k,2o,9,21	527,041,902,235	(1,082,100,373,287)
Interest income	4	73,570,981,447	46,491,961,168
Equity share in net earnings of investees - net	2b,8	15,781,029,118	31,798,016,552
Interest expense	2k,9,21	(254,538,347,386)	(383,251,921,349)
Swap costs	2o,20h	-	(151,433,215,818)
Others - net	2b,2d,2i, 2j,2l,3	23,988,831,736	19,338,101,897
Other Income (Charges) - Net		385,844,397,150	(1,519,157,430,837)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX		756,785,781,541	(1,082,190,732,195)

PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
 For the years ended December 31, 1999 and 1998 (continued)

These consolidated financial statements are originally issued in Indonesian language

	Notes	1999	1998
			(As Restated - Note 3)
		Rp	Rp
PROVISION FOR INCOME TAX	2p,3,12		
Current		482,713,590	770,197,715
Deferred		229,802,762,832	(443,093,479,070)
Net Provision for Income Tax		230,285,476,422	(442,323,281,355)
INCOME (LOSS) BEFORE MINORITY INTERESTS IN NET LOSSES (INCOME) OF SUBSIDIARIES		526,500,305,119	(639,867,450,840)
MINORITY INTERESTS IN NET LOSSES (INCOME) OF SUBSIDIARIES		(3,076,966,927)	5,734,289,815
NET INCOME (LOSS)		523,423,338,192	(634,133,161,025)
NET INCOME (LOSS) PER SHARE	2q	216.79	(262.64)

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 1999 and 1998

These consolidated financial statements are originally issued in Indonesian language

	Notes	Capital Stock Rp	Additional Paid-in Capital Rp	Foreign Currency Translation Adjustments Rp	Differences Arising from Changes in Subsidiary's Equity Rp
Balance, January 1, 1998 (as previously reported)		1,207,226,660,000	172,329,476,497	264,320,063,030	-
Retroactive effects of changes in accounting principles	2b,2d,2p,3	-	-	3,032,294,269	(11,207,585,633)
Balance, January 1, 1998 (as restated)		1,207,226,660,000	172,329,476,497	267,352,357,299	(11,207,585,633)
As previously reported					
Net loss	-	-	-	-	-
Foreign currency translation adjustments	2b	-	-	298,250,718,218	-
Retroactive effects of changes in accounting principles	2b,2d,2p,3	-	-	1,532,247,187	(2,371,884,159)
As restated	2b,2d,2p,3	-	-	299,782,965,405	(2,371,884,159)
Balance, December 31, 1998 (as restated)		1,207,226,660,000	172,329,476,497	567,135,322,704	(13,579,469,792)
Net income		-	-	-	-
Appreciation in market value of investments in marketable securities	2d	-	-	-	-
Realized gains on marketable securities	2d	-	-	-	-
Changes in Subsidiary's equity arising from the decline in market value of its investments in marketable securities	2b,2d	-	-	-	32,890,021,646
Foreign currency translation adjustments				(89,557,391,925)	-
Balance, December 31, 1999		1,207,226,660,000	172,329,476,497	477,577,930,779	19,310,551,854

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

Differences Arising from Restructuring Transactions Among Entities Under Common Control	Unrealized Gains (Losses) on Available-for-Sale Securities	Retained earnings		Total
		Appropriated	Unappropriated	
		Rp	Rp	
(1,496,514,575,077)	-	50,000,000,000	696,837,242,258	894,198,866,708
-	(25,722,928,500)	-	111,450,188,092	77,551,968,228
(1,496,514,575,077)	(25,722,928,500)	50,000,000,000	808,287,430,350	971,750,834,936
-	-	-	(1,052,750,649,261)	(1,052,750,649,261)
-	-	-	-	298,250,718,218
-	30,318,054,460	-	418,617,488,236	448,095,905,724
-	30,318,054,460	-	(634,133,161,025)	(306,404,025,319)
(1,496,514,575,077)	4,595,125,960	50,000,000,000	174,154,269,325	665,346,809,617
-	-	-	523,423,338,192	523,423,338,192
-	12,701,568,615	-	-	12,701,568,615
-	(19,187,799,045)	-	-	(19,187,799,045)
-	-	-	-	(32,890,021,646)
-	-	-	-	(89,557,391,925)
(1,496,514,575,077)	(1,891,104,470)	50,000,000,000	697,577,607,517	1,125,616,547,100

PT Indocement Tunggak Prakarsa Tbk. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 1999 and 1998

These consolidated financial statements are originally issued in Indonesian language

	1999	1998
	Rp	(As Restated - Note 3) Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	523,423,338,192	(634,133,161,025)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and depletion	152,983,409,108	153,387,589,799
Minority interests in net income (losses) of Subsidiaries	3,076,966,927	(5,734,289,815)
Unrealized losses (gains) on foreign exchange	(451,592,187,823)	1,337,232,363,818
Equity share in net earnings of investees - net	(15,781,029,118)	(31,798,016,552)
Dividend income from investments in shares of stock accounted at cost method	(6,485,000)	(4,410,838,560)
Other non-cash items - net	(26,510,429,503)	106,469,187,164
Changes in operating assets and liabilities:		
Accounts receivable – net	123,279,466,722	24,743,525,569
Inventories - net	(12,583,890,024)	(207,121,270,770)
Advances and deposits	17,250,120,566	74,482,082,288
Prepaid taxes and expenses	(2,266,486,374)	(90,019,161,799)
Deferred tax assets - net	229,802,762,832	(443,093,479,070)
Other assets	(14,480,763,582)	(12,977,228,845)
Accounts payable	136,196,387,657	216,442,507,248
Accrued expenses	247,075,686,323	75,792,560,806
Taxes payable	13,191,839,223	5,581,468,040
Unearned income	(557,498,227)	(877,463,049)
Net Cash Provided by Operating Activities	922,501,207,899	563,966,375,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of short-term investments	67,349,274,615	10,455,228,176
Dividend income from investments in shares of stock accounted for under the equity method	13,785,000,000	14,565,000,000
Proceeds from disposals of property and equipment	769,630,932	460,312,595
Dividend income from investments in shares of stock accounted at cost method	6,485,000	4,410,838,560
Additions to long-term investments in shares of stock and advances to investees	(32,591,562,364)	(15,681,429,091)
Additions to property, plant and equipment	(189,147,761,067)	(1,783,328,632,820)
Additions to short-term investments	-	(7,498,756,929)
Other investment activities – net	18,147,564,831	-
Net Cash Used in Investing Activities	(121,681,368,053)	(1,776,617,439,509)

PT Indocement Tunggol Prakarsa Tbk. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 1999 and 1998

These consolidated financial statements are originally issued in Indonesian language

	1999	1998
		(As Restated - Note 3)
	Rp	Rp
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debts	(5,444,000,000)	-
Net increase in long-term debts	-	1,239,498,482,735
Net decrease in short-term loans	-	(463,129,866,451)
Net Cash Provided by (Used in) Financing Activities	(5,444,000,000)	776,368,616,284
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENT	(9,490,020,289)	30,818,471,225
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	785,885,819,557	(405,463,976,753)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	84,094,783,367	489,558,760,120
CASH AND CASH EQUIVALENT AT END OF YEAR	869,980,602,924	84,094,783,367
Supplemental cash flow information		
Cash paid during the year for:		
Income taxes	7,087,592,313	48,241,131,880
Interest	-	478,343,431,236
Activities not affecting cash flows		
Financing costs capitalized to construction in progress	170,742,026,626	215,799,107,848
Acquisition of receivables through the incurrence of long-term debts	20,415,000,000	-

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

1. General

PT Indocement Tunggal Prakarsa Tbk. (the Company) was incorporated in Indonesia on January 16, 1985 and its deed of incorporation was approved by the Ministry of Justice on May 17, 1985. The Company's articles of association has been amended from time to time, the latest of which was covered by notarial deed No. 42 of Amrul Partomuan Pohan, S.H., dated August 21, 1997. The amendments made are primarily intended to align the Company's articles of association with the new Corporate Law No. 1, Year 1995. Such amendments were approved by the Ministry of Justice in its decision letters No. C2-11.426.HT.01.04.TH.97 and No. C2-HT.01.04.A.23746 both dated November 4, 1997, and were published in State Gazette of the Republic of Indonesia No. 24, Supplement No. 1689 dated March 24, 1998.

The Company started its commercial operations in 1985.

As stated in Article 3 of the Company's article of association, the scope of its activities comprises of, among others, manufacture of cement and building materials, food and beverages, textile, construction and trading.

The Company is domiciled in Jakarta, while its factories are located in Citeureup and Cirebon, West Java. The Company and its Subsidiaries (the "Group") were a multibusiness group divided into Cement Business, as the Group core business, and Other Business.

The Cement Business mainly includes the operations of the eight integrated cement plants at its Citeureup – Bogor site, two integrated cement plants at its Palimanan – Cirebon site with a combined annual capacity of 10.9 million tons, consisting of 10.7 million tons of portland cement and 0.2 million tons of specialty (white and oil well) cements, and its ready mix concrete manufacturing subsidiary.

Other Business includes, among others, the operations of the Company-owned property, Wisma Indosemen, a 23 storey office tower building with over 19,000 square meters of rentable space and two basement car parks and PT Wisma Nusantara International, an equitized subsidiary which owns and operates a 30 storey office building with 26,108 square meters of rentable space and President Hotel, a four star hotel with 315 rooms. The above mentioned buildings are located in Jakarta's central commercial district.

As of December 31, 1999, the members of the Company's boards of commissioners and directors are as follows:

Commissioner		Director	
Soedono Salim	- President Commissioner	Sudwikatmono	- President Director
Sutanto Djuhar	- Commissioner	Anthony Salim	- Vice President Director
Johny Djuhar	- Commissioner	Ibrahim Risjad	- Director
Kuntara	- Commissioner	Tedy Djuhar	- Director
Andree Halim	- Commissioner	Iwa Kartiwa	- Director
Tanto Koeswanto	- Commissioner	Soepardjo	- Director
I Ketut Mardjana	- Commissioner	Daddy Hariadi	- Director
		Franciscus Welirang	- Director
		Benny S. Santoso	- Director

As of December 31 1999, the Company and its subsidiaries have a total of 7,096 permanent employees (unaudited).

2. Summary of Significant Accounting Policies

a. Basis of Consolidated Financial Statements

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for inventories which are valued at the lower of cost or net realizable value (market), certain short-term investments which are stated at market value, certain investments in shares of stock which are accounted for under the equity method, and certain property, plant and equipment which are stated at revalued amounts.

The consolidated statements of cash flows present cash receipts and payments classified into operating, investing and financing activities, using the indirect method.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the following Subsidiaries, in which the Company owns, either directly or indirectly, more than 50% equity ownership:

	Principal Activity	Country of Domicile	Effective Percentage of Ownership	
			1999 %	1998 %
Direct Subsidiaries				
Indocement (Cayman Island) Limited	Investment	Cayman Island	100.00	100.00
Leamaat Omikron BV	Financing	Netherlands	100.00	100.00
PT Indomix Perkasa (Indomix)	Ready mixed concrete	Indonesia	99.99	99.99
PT Indocement Investama (Investama)	Investment	Indonesia	93.03	93.03
PT Dian Abadi Perkasa	Cement distributor	Indonesia	51.00	-
Indirect Subsidiary (through Investama)				
PT Indo Kodeco Cement (IKC)	Cement	Indonesia	72.09	71.43

PT Dian Abadi Perkasa was established in 1999 and primarily acts as the Company's main domestic distributor of bagged cement (see Note 6).

The integrated cement plant of IKC has an installed capacity of 2.45 million tons of portland cement per annum. As of December 31, 1999, IKC is already in its trial production stage.

Since 1997, IKC changed its functional currency for recording and reporting purposes from Rupiah to US Dollar currency. The management of IKC believes that such change is appropriate since its transactions are primarily US Dollar denominated.

For consolidation purposes, the accounts of foreign Subsidiaries and IKC are translated into Rupiah amounts on the following basis:

- Balance sheet accounts - Middle rates of exchange as of balance sheet date (US\$ 1 to Rp 7,100 and Rp 8,025 as of December 31 1999 and 1998, respectively; and NLG 1 to Rp 3,243.56 and Rp 4,239.64 as of December 31, 1999 and 1998, respectively).
- Profit and loss accounts - Average rates of exchange during the year (US\$ 1 to Rp 7,929.60 and Rp 9,926.18 for the years ended December 31, 1999 and 1998, respectively; and NLG 1 to Rp 3,911.08 and Rp 4,974.99 for the years ended December 31, 1999 and 1998, respectively).

The statements of cash flows of foreign Subsidiaries and IKC are translated using average exchange rates during the year. The resulting net difference arising from the translations of balance sheet and profit and loss accounts is presented as "Foreign Currency Translation Adjustments" under the Shareholders' Equity section of the consolidated balance sheets.

The difference of the purchase price over the underlying fair value of the net assets of the acquired subsidiaries is booked as "Goodwill" and amortized using the straight-line method over twenty (20) years, in view of the good future business prospect of the investees.

All significant intercompany accounts and transactions have been eliminated.

Investments in which the Company or its Subsidiaries have ownership interests of at least 20% but not exceeding 50% are accounted for under the equity method, whereby the costs of such investments are increased or decreased by the Company's or Subsidiaries' equity shares in the net earnings (losses) of the investees since date of acquisition, and are reduced by dividends received by the Company or Subsidiaries from the investees. The equity shares in net earnings (losses) of the investees are being adjusted for the straight-line amortization, over a twenty-year period (in view of the good future business prospects of the investees), of the difference between the cost of such investments and the Company's or Subsidiaries' proportionate shares in the underlying fair value of the net assets of investees at date of acquisition (goodwill).

All other investments are carried at cost (cost method).

In compliance with Statement of Financial Accounting Standards (PSAK) No. 38, "Accounting for Restructuring Transactions Among Entities under Common Control", the differences between the costs / proceeds of net assets acquired / disposed in connection with restructuring transactions among entities under common control compared to their net book values are recorded and presented as "Differences Arising from Restructuring Transactions Among Entities under Common Control" under the Shareholders' Equity section of the consolidated balance sheets.

In compliance with PSAK No. 40, "Accounting for Changes in Subsidiary's / Investee's Equity", the difference between the carrying amount of the Company's investment in, and the value of the underlying net assets of the subsidiary / investee due to changes in the latter's equity which are not resulting from transactions between the Company and the related subsidiary / investee is recorded and presented as "Differences Arising from Changes in Subsidiary's Equity" under the shareholders' equity section of the consolidated balance sheets.

c. Cash Equivalents

Time deposits and other short-term investments with maturities of three months or less at the time of placement or purchase and not pledged as collateral for loans are considered as "Cash Equivalents".

d. Short-Term Investments

Investments in equity securities listed in the stock exchanges, bonds and other investments with maturities of more than three months but not exceeding one year are classified as "Short-term Investments".

The bonds, which are held-to-maturity, are stated at cost adjusted for amortization of premiums or accretion of discounts to maturity.

Prior to 1999, investments in equity securities held available-for-sale were stated at the lower of aggregate cost or market value determined at balance sheet date. Any unrealized loss on decline in market value was charged to current operations.

In accordance with PSAK No. 50, "Accounting for Investments in Certain Securities", starting January 1, 1999, equity securities held available-for-sale are stated at market value. Any unrealized gains or losses on appreciation/decline in market value of the equity securities are recorded and presented as "Unrealized Gains (Losses) on Available-for-Sale Securities" under the Shareholders' Equity section of the consolidated balance sheets, which are credited or charged to operations upon realization. Accordingly, the consolidated financial statements as of and for the year ended December 31, 1998 have been restated to reflect the retroactive effects of the application of above mentioned PSAK (see Note 3).

e. Allowance for Doubtful Accounts

The Company and Subsidiaries provide allowance for doubtful accounts based on a review of the status of the individual receivable accounts at the end of year.

f. Transactions with Related Parties

The Company and Subsidiaries have transactions with related parties. Related party relationship is defined under PSAK No. 7, "Related Party Disclosures", as follows:

- (1) enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);
- (2) associated enterprises;
- (3) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, and close members of the family of any such individuals (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals, in conjunction with their transactions with the reporting enterprise);
- (4) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and
- (5) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4), or over which such a person is able to exercise significant influence. This definition includes enterprises owned by the commissioners, directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

All significant transactions with related parties, whether or not performed under normal prices and conditions similar to those with non-related parties, are disclosed herein.

g. Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the average method. The Company and its Subsidiaries provide allowance for inventory obsolescence based on a periodic review of the physical condition of the inventories.

h. Prepaid Expenses

Prepaid expenses are amortized over the periods benefited. Prepaid expenses which benefits extend beyond one year are presented under "Other Non-current Assets" in the consolidated balance sheets.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for certain assets revalued in accordance with government regulations, less accumulated depreciation, amortization and depletion. Main machinery and equipment related to the production of cement are depreciated using the unit-of-production method while all the other property, plant and equipment items are depreciated using the straight-line method based on their estimated useful lives as follows:

	Years
Land improvements; quarry; buildings and structures	8 – 30
Machinery and equipment	3 – 10
Leasehold improvements; furniture, fixtures and office equipment; and tools and other equipment	2 – 5
Transportation equipment	5 – 8

Land are stated at cost and not depreciated (see item l).

Construction in progress is stated at cost. The accumulated costs will be reclassified to the appropriate property, plant and equipment accounts when the construction is substantially completed and the asset is ready for its intended use.

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments as defined under PSAK No. 16, "Property, Plant and Equipment", are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation, amortization or depletion are removed from the accounts and the resulting gains or losses are credited or charged to current operations.

j. Leases

Lease transactions are accounted for under the capital lease method when the required capitalization criteria under PSAK No. 30, "Accounting for Leases" are met. Otherwise, lease transactions are accounted for under the operating lease method. Assets under capital lease (presented under "Property, Plant and Equipment" account in the consolidated balance sheets) are recorded based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period. Depreciation of leased assets is computed based on methods and estimated useful lives that are in line with those of the similar property, plant and equipment acquired under direct ownership.

Gain on sale-and-leaseback transactions is deferred and amortized using the same basis and methods as referred to above.

k. Capitalization of Borrowing Costs and Foreign Exchange Losses

In accordance with the revised PSAK No. 26, "Borrowing Costs", interest charges, foreign exchange differences on borrowings and other costs incurred to finance the constructions or installations of the property, plant and equipment are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is substantially completed and the asset is ready for its intended use.

l. Deferred Charges

Expenditures which benefits extend over one year are deferred and amortized over the periods benefited using the straight-line method.

In accordance with PSAK No. 47, "Accounting for Land", starting January 1, 1999, costs incurred in connection with the acquisitions/renewal of landrights, such as legal fees, land remeasurement fees, notarial fees, taxes and other expenses, are deferred and amortized using the straight-line method over the legal term of the related landrights. The net book value of such costs are presented as "Deferred Landright Acquisition Costs" in the consolidated balance sheets.

m. Revenue and Expense Recognition

Revenues are recognized as earned when the products are delivered and/or when services are rendered to customers. Cost and expenses are generally recognized and charged to operations when these are incurred (accrual basis).

n. Retirement Benefits

The Company has a defined contribution retirement plan covering substantially all of its full time employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings.

On the other hand, the Subsidiaries still operate the "pay-as-you-go" retirement benefits scheme. Retirement benefits are accrued and/or charged to operations.

o. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the middle rates of exchange prevailing at transaction date. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at the last banking transaction date of the year, as published by Bank Indonesia, and any resulting gains or losses are credited or charged to current operations, except for those capitalized under PSAK No. 26 (see item k).

For December 31, 1999 and 1998, the rates of exchange used, are as follows:

	1999	1998
	Rp	Rp
US Dollar (US\$1)	7,100.00	8,025.00
Japanese Yen (¥ 100)	6,947.41	7,000.49
Deutsche Mark (DEM 1)	3,654.68	4,776.93
Denmark Kroner (DKK 1)	958.89	1,254.69
Italian Lira (ITL 100)	369.15	482.45

Transactions in other foreign currencies are considered insignificant.

Swap agreements and forward exchange contracts were principally used by the Company and a certain subsidiary in the management of their interest and foreign exchange rates exposures. Gains and losses arising from the difference between the contracted forward rate and the prevailing (spot) rate at the inception of the contract were deferred and amortized over the period of the hedge using the straight-line method. At balance sheet date, the related notional assets and liabilities denominated in foreign currencies (presented under "Forward Exchange Contracts Receivable - Net" account) were adjusted to reflect the rates of exchange prevailing at such date, and any resulting gains or losses were credited or charged to operations of the current year. Amounts to be paid or received under the cross currency swap agreements were recognized as income or expense in the periods in which they accrue. Hedging costs were recognized as expense when these are incurred.

p. Provision for Income Tax

Prior to 1999, the Company and Subsidiaries applied the taxes payable method in computing their provision for income tax. Under this method, provision for income tax was computed on the basis of estimated taxable income for the year.

Starting January 1, 1999, the Company and a Subsidiary applied PSAK No. 46, "Accounting for Income Taxes", which requires for the accounting of tax effects of the recovery of assets and settlement of liabilities at their carrying amounts, and the recognition and measurement of deferred tax assets and tax liabilities for the expected future tax consequences of events recognized in the financial statements, including tax loss carryforwards. The consolidated financial statements for the year ended December 31, 1998 have been restated to reflect the retroactive effects of the application of this PSAK (see Note 3).

q. Net Income (Loss) per Share

Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period (2,414,453,320 shares).

3. Changes in Accounting Principles

As explained in Notes 2d and 2p, effective January 1, 1999, the Company and certain Subsidiaries retroactively applied PSAK No. 46, "Accounting for Income Taxes", and PSAK No. 50, "Accounting for Investments in Certain Securities". Accordingly, the consolidated financial statements as of and for the year ended December 31, 1998 were restated to reflect the retroactive effects of these accounting changes.

A summary of consolidated financial statements as of and for the year ended December 31, 1998, before and after restatement, are as follows:

	As Previously Reported Rp	Effects of Changes in Accounting Principles Add (Deduct)		As Restated Rp
		PSAK No. 46 Rp	PSAK No. 50 Rp	
Total Assets	9,107,872,695,731	530,258,684,381	2,544,614,160	9,640,675,994,272
Total Liabilities	8,570,904,264,110	-	-	8,570,904,264,110
Retained Earnings (Deficit)				
- Unappropriated	(355,913,407,003)	518,538,718,336	11,528,957,992	174,154,269,325
Total Shareholders' Equity	139,698,935,665	523,103,259,792	2,544,614,160	665,346,809,617
Net Loss	(1,052,750,649,261)	439,495,044,377	(20,877,556,141)	(634,133,161,025)

The net effect of the non-adoption of PSAK No. 46 by certain Subsidiaries and investees is considered immaterial to the consolidated financial statements.

4. Cash and Cash Equivalent

The details of cash and cash equivalent are as follows:

	1999	1998
	Rp	Rp
Cash on hand	365,755,812	328,411,295
Cash in banks		
Related Parties (see Note 6)		
Rupiah accounts	81,112,537,081	49,655,124,659
US Dollar accounts (US\$ 3,217,856 in 1999 and US\$ 804,478 in 1998)	22,846,774,848	6,455,935,950
Third Parties		
Rupiah accounts	34,661,615,643	6,775,896,444
US Dollar accounts (US\$ 3,043,233 in 1999 and US\$ 878,493 in 1998)	21,606,953,302	7,049,906,325
Other foreign currencies	326,408,052	309,461,954
Cash equivalent		
Time deposits		
Related Parties (see Note 6)		
Rupiah accounts	52,740,399,046	2,852,046,740
Third Parties		
Rupiah accounts	653,966,353,500	10,668,000,000
US Dollar accounts (US\$ 300,000 in 1999)	2,130,000,000	-
Other foreign currencies	223,805,640	-
Total	869,980,602,924	84,094,783,367

Interest rates per annum range from 9% to 48% in 1999 and 23% to 67.5% in 1998 for the Rupiah time deposits, and from 5.5% to 13% in 1999 for the US Dollar time deposits.

5. Accounts Receivable – Trade

The details of trade receivables are as follows:

	1999	1998
	Rp	Rp
Related Parties (see Note 6)		
Cement Business		
PT Semen Tiga Roda Prasetya (STRP)	69,868,180,772	125,900,985,392
PT Pioneer Beton Industri	4,600,663,997	10,629,687,818
Indocement Singapore Pte. Ltd.,	3,327,125,604	936,648,147
PT Indosahid Perdana	–	3,402,495,883
Others (each below Rp 1.0 billion)	489,128,972	340,071,595
Sub-total	78,285,099,345	141,209,888,835
Other Businesses	900,109,798	768,836,842
Total	79,185,209,143	141,978,725,677
Less allowance for doubtful accounts (see Note 6a)	(69,868,180,772)	–
Net	9,317,028,371	141,978,725,677
Third Parties		
Cement Business		
Other Businesses	128,012,763,732	44,878,792,406
	649,404,702	456,171,472
Total	128,662,168,434	45,334,963,878
Less allowance for doubtful accounts	(4,480,498,445)	(3,079,529,790)
Net	124,181,669,989	42,255,434,088

An analysis of the changes in the balance of allowance for doubtful accounts follows:

	1999	1998
	Rp	Rp
Balance at beginning of year	3,079,529,790	786,260,900
Provisions during the year	72,667,719,267	6,072,055,343
Receivables written-off during the year	(1,398,569,840)	(3,778,786,453)
Balance at end of year	74,348,679,217	3,079,529,790

Based on the review of the status of the individual receivable accounts at the end of the year, management is of the opinion that the above allowance for doubtful accounts is sufficient to cover any possible losses from uncollectible accounts.

6. Transactions and Accounts with Related Parties

In the normal course of their business, the Company and its Subsidiaries engage in transactions and have contracts/agreements with related parties. The significant transactions, contracts/agreements and related account balances with related parties are as follows:

- a. The Company sells a substantial portion of its product to related parties. Net revenues derived from sales to related parties accounted for 19.59% and 78.68% of the consolidated net revenues for the years ended December 31, 1999 and 1998, respectively, with details as follows:

	1999	1998
	Rp	Rp
PT Semen Tiga Roda Prasetya (STRP)	163,837,900,056	1,010,908,376,803
PT Indosahid Perdana	114,098,112,706	202,136,897,436
Indocement Singapore Pte. Ltd.	58,778,415,915	29,148,863,273
PT Pioneer Beton Industri	7,716,864,795	8,217,683,288
PT Indo Clean Set Cement	138,374,040	534,484,559
Total	344,569,667,512	1,250,946,305,359

The related trade receivables arising from the above-mentioned sales transactions are shown as part of "Accounts Receivable – Trade" in the consolidated balance sheets (see Note 5).

In mid 1999, STRP ceased to become the Company's main distributor.

On April 26, 1999, PT Dian Abadi Perkasa (DAP), a subsidiary, entered into a distributorship agreement with Company whereby DAP acts as the Company's main distributor of bagged cement for domestic market, replacing STRP.

- b. The Company and Subsidiaries have loans and time deposits placements, and also entered into forward exchange contracts with PT Bank Central Asia (BCA). The Company and Subsidiaries also maintain current accounts with BCA and PT Bank Risjad Salim Internasional (see Notes 4, 13 and 20h).

Until mid-December 1999, BCA is still considered as a related party.

- c. The Company insures a major portion of its assets with PT Asuransi Central Asia (see Note 9).
- d. The Company has lease transactions with PT Swadharma Indotama Finance (see Note 13).
- e. The loan obtained by the Company from Marubeni Corporation is guaranteed by PT Mekar Perkasa (see Note 13).
- f. The Company extended non-interest bearing advances to certain affiliated companies with no fixed repayment dates. These advances are presented under "Accounts Receivable – Non trade (Related Parties)" account in the consolidated balance sheets.

- g. In 1999, the Company purchased non-interest bearing convertible bonds issued by PT Cibinong Center Industrial Estate, an investee, amounting to Rp 40,064,000,000, which have no fixed maturity date. As of December 31, 1999, the carrying value of this investment in bonds is presented as part of "Long-term Investments and Advances to Investees" account in the consolidated balance sheets (see Note 8).
- h. IKC entered into a mining agreement with PT Pama Indo Kodeco (PIK) whereby PIK agreed to develop and operate a limestone, clay and laterite mine, and to supply the limestone, clay and laterite requirements of IKC for the operations of its plant. As compensation, IKC pays PIK service fees based on its tonnage consumption of limestone, clay and laterite. Service fees incurred amounted to US\$ 2,339,200 and US\$ 562,996 for the years ended December 31, 1999 and 1998, respectively. A portion of the said service fees incurred was capitalized to "Construction in Progress" since the raw materials were used for trial production runs. The total outstanding payables as of December 31, 1999 and 1998 arising from these transactions amounted to US\$ 396,061 and US\$ 245,313, respectively, and is shown under "Accrued Expenses" in the consolidated balance sheets.
- i. IKC entered into an agreement with PT Indotek Engico whereby the latter agreed to provide and undertake the construction of a 20 km long pipeline at Tarjun, South Kalimantan, Indonesia. IKC has accepted the tender for the execution of such works in the sum of US\$ 3,770,000 (net of withholding tax). As of December 31, 1999 and 1998, the total project related expenditure amounted to US\$ 3,843,091 which is recorded as part of "Construction in Progress".

The balances of accounts with related parties arising from non-trade transactions are as follows:

	1999	1998
	Rp	Rp
Accounts receivable		
PT Semen Tiga Roda Prasetya (see Note 13c)	17,972,651,983	-
PT Mekar Perkasa	8,706,250,000	7,706,250,000
PT Indofood Sukses Makmur Tbk	5,733,207,115	5,815,777,049
PT Indolampung Perkasa	3,600,000,000	2,200,000,000
PT Mandara Medika Utama	3,285,500,000	5,000,000,000
Joint Operations Indomix-Indosipa	3,279,631,039	63,277,609
Employees	3,277,714,535	6,255,205,100
PT Indomulti Intisukses Industri	2,485,314,080	2,186,202,250
PT Polymax International	2,008,082,488	10,572,082,488
PT Gula Putih Mataram	1,000,000,000	2,200,000,000
PT Besland Pertiwi	-	31,500,000,000
PT Sweet Indolampung	-	2,200,000,000
Others (each below Rp 1.0 billion)	343,141,157	154,620,900
Total	51,691,492,397	75,853,415,396
Less allowance for doubtful accounts	(2,186,202,250)	-
Net	49,505,290,147	75,853,415,396
Accounts payable		
Various (each below Rp 1.0 billion)	88,149,036	14,044,523

An analysis of the changes in the balance of allowance for doubtful accounts follows:

	1999	1998
	Rp	Rp
Balance at beginning of year	-	6,571,600,000
Provisions during the year	2,186,202,250	-
Paid during the year	-	(6,571,600,000)
Balance at end of year	2,186,202,250	-

7. Inventories

Inventories consist of:

	1999	1998
	Rp	Rp
Finished goods	43,007,533,804	27,224,094,215
Work in process	58,470,959,562	50,879,134,602
Raw materials	19,548,482,557	27,530,149,563
Fuel and lubricants	78,672,114,846	68,574,220,857
Spare parts	267,620,968,711	282,353,772,245
Materials in-transit and others	8,645,104,930	8,323,788,695
Total	475,965,164,410	464,885,160,177
Less allowance for inventory obsolescence	(11,421,524,883)	(10,002,612,245)
Net	464,543,639,527	454,882,547,932

Inventories are insured against fire and other risks based on a certain policy package (see Note 9). The inventories in the Company's Plant-9 are used as collateral to the loans it obtained from PT Bank Mandiri (see Notes 10 and 13).

Finished goods and work in process inventories of IKC valued at Rp 3,268,211,650 and Rp 2,074,563,484 as of December 31, 1999, and Rp 3,114,729,608 and Rp 6,129,859,415 as of December 31, 1998, respectively, represent the outputs from its trial production runs.

8. Long-Term Investments and Advances to Investees

This account consists of long-term investments and advances to certain investees. The details of this account are follows:

1999	Percentage of Ownership %	Cost Rp	Accumulated Equity in Net Earnings (Losses) - Net Rp	Carrying Value Rp
Investments in Shares of Stock				
PT Pioneer Beton Industri	50.00	18,445,157,441	(952,250,261)	17,492,907,180
PT Indotek Engico	50.00	500,000,000	7,866,895,250	8,366,895,250
Stillwater Shipping Corporation	50.00	105,500,000	5,006,514,598	5,112,014,598
PT Cibinong Center Industrial Estate	50.00	60,000,000	(60,000,000)	–
PT Indominco Mandiri	35.00	38,493,328,526	(38,493,328,526)	–
PT Wisma Nusantara International	33.98	93,750,000,000	61,286,484,062	155,036,484,062
PT Citra Marga Nusaphala Persada Tbk.	8.80	66,023,100,000	–	66,023,100,000
Other investees	various	4,978,351,641	(464,787,500)	4,513,564,141
Sub-total		222,355,437,608	34,189,527,623	256,544,965,231
Advances				
PT Pioneer Beton Industri				9,153,653,435
PT Indo Clean Set Cement				8,043,453,021
PT Cibinong Center Industrial Estate				3,036,102,940
PT Indotek Engico				81,137,148
Stillwater Shipping Corporation				2,637,500,000
Sub-total				22,951,846,544
Convertible Bonds (see Note 6)				
PT Cibinong Center Industrial Estate				40,064,000,000
Total				319,560,811,775

1998	Percentage of Ownership %	Cost Rp	Accumulated Equity in Net Earnings (Losses) - Net Rp	Carrying Value Rp
Investments in Shares of Stock				
PT Pioneer Beton Industri	50.00	18,445,157,441	856,750,000	19,301,907,441
PT Indotek Engico	50.00	500,000,000	7,127,463,239	7,627,463,239
Stillwater Shipping Corporation	50.00	105,500,000	4,768,269,766	4,873,769,766
PT Cibinong Center Industrial Estate	50.00	60,000,000	(60,000,000)	-
PT Indominco Mandiri	35.00	38,493,328,526	(38,493,328,526)	-
PT Wisma Nusantara International	33.98	93,750,000,000	58,459,131,526	152,209,131,526
PT Citra Marga Nusaphala Persada Tbk.	8.80	66,023,100,000	-	66,023,100,000
Other investees	various	4,783,233,080	(464,787,500)	4,318,445,580
Sub-total		222,160,319,047	32,193,498,505	254,353,817,552
Advances				
PT Indo Clean Set Cement				7,831,713,860
PT Cibinong Center Industrial Estate				3,800,457,620
PT Indotek Engico				247,159,305
Stillwater Shipping Corporation				2,637,500,000
Sub-total				14,516,830,785
Total				268,870,648,337

The principal activities of the above investees are as follows:

Investee	Country of Domicile	Principal Business Activity
PT Pioneer Beton Industri	Indonesia	Production of ready mixed concrete
PT Indotek Engico	Indonesia	Construction engineering consultancy
Stillwater Shipping Corporation	Liberia	Shipping
PT Cibinong Center Industrial Estate	Indonesia	Development of industrial estates
PT Indominco Mandiri	Indonesia	Coal mining
PT Wisma Nusantara International	Indonesia	Hotel operations and office space rental
PT Citra Marga Nusaphala Persada Tbk.	Indonesia	Operations of toll highway
PT Indo Clean Set Cement	Indonesia	Production of special cement

The details of equity in net earnings (losses) of investees, net of goodwill amortization, for the years ended December 31, 1999 and 1998 are as follows:

	1999	1998
	Rp	Rp
PT Wisma Nusantara International	16,612,352,536	35,834,015,591
PT Indotek Engico	739,432,011	3,463,712,927
Stillwater Shipping Corporation	238,244,832	1,771,331,784
PT Pioneer Beton Industri	(1,809,000,261)	856,750,000
PT Indominco Mandiri	-	(10,127,793,750)
Total	15,781,029,118	31,798,016,552

In 1999 and 1998, the Company received dividend income from PT Wisma Nusantara International amounting to Rp 13,785,000,000 and Rp 14,565,000,000, respectively.

9. Property, Plant and Equipment

Property, plant and equipment consist of:

1999	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp
Carrying Value				
Land and land improvements	160,140,000,401	40,726,692,057	-	200,866,692,458
Leasehold improvements	1,962,180,836	(57,731,586)	-	1,904,449,250
Quarry	45,250,525,922	10,582,555,325	-	55,833,081,247
Buildings and structures	718,989,389,603	5,553,016,813	1,196,471	724,541,209,945
Machinery and equipment	2,006,685,886,124	88,472,877,659	1,446,929,277	2,093,711,834,506
Transportation equipment	218,456,180,944	2,305,216,124	2,695,515,826	218,065,881,242
Furniture, fixtures and office equipment	75,100,039,443	5,188,871,848	274,762,539	80,014,148,752
Tools and other equipment	25,966,362,778	3,195,114,759	244,162,499	28,917,315,038
Buildings under capital lease	42,019,726,200	-	-	42,019,726,200
Construction in progress	5,270,249,954,248	(119,576,137,254)	79,433,784,493	5,071,240,032,501
Total	8,564,820,246,499	36,390,475,745	84,096,351,105	8,517,114,371,139

1999	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp
Accumulated Depreciation, Amortization and Depletion				
Land improvements	11,944,897,316	1,084,451,638	–	13,029,348,954
Leasehold improvements	1,690,942,975	93,127,315	–	1,784,070,290
Quarry	5,903,028,234	922,566,126	315,419	6,825,278,941
Buildings and structures	205,398,172,927	25,129,252,931	–	230,527,425,858
Machinery and equipment	811,106,575,593	76,860,764,879	–	887,967,340,472
Transportation equipment	143,029,163,631	24,211,489,852	2,321,594,344	164,919,059,139
Furniture, fixtures and office equipment	53,389,095,475	8,755,123,901	155,768,235	61,988,451,141
Tools and other equipment	20,130,826,886	2,229,252,711	131,660,985	22,228,418,612
Buildings under capital lease	16,565,506,455	11,884,097,751	–	28,449,604,206
Total	1,269,158,209,492	151,170,127,104	2,609,338,983	1,417,718,997,613
Net Book Value	7,295,662,037,007			7,099,395,373,526
1998				
	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp
Carrying Value				
Land and land improvements	140,336,139,107	19,803,861,294	–	160,140,000,401
Leasehold improvements	2,164,423,750	596,182,080	798,424,994	1,962,180,836
Quarry	25,653,193,322	19,597,332,600	–	45,250,525,922
Buildings and structures	690,477,672,657	29,327,822,687	816,105,741	718,989,389,603
Machinery and equipment	1,920,218,261,041	87,105,048,519	637,423,436	2,006,685,886,124
Transportation equipment	203,863,617,877	22,787,130,819	8,194,567,752	218,456,180,944
Furniture, fixtures and office equipment	67,863,001,597	8,011,091,462	774,053,616	75,100,039,443
Tools and other equipment	23,866,073,967	2,224,187,196	123,898,385	25,966,362,778
Buildings under capital lease	44,888,535,467	–	2,868,809,267	42,019,726,200
Construction in progress	2,642,487,705,587	2,717,323,680,154	89,561,431,493	5,270,249,954,248
Total	5,761,818,624,372	2,906,776,336,811	103,774,714,684	8,564,820,246,499
Accumulated Depreciation, Amortization and Depletion				
Land improvements	10,850,106,997	1,094,790,319	–	11,944,897,316
Leasehold improvements	1,668,946,930	478,032,548	456,036,503	1,690,942,975
Quarry	5,061,322,431	841,705,803	–	5,903,028,234
Buildings and structures	180,820,089,019	24,699,337,378	121,253,470	205,398,172,927
Machinery and equipment	727,013,979,883	84,273,488,990	180,893,280	811,106,575,593
Transportation equipment	118,721,343,359	31,600,582,241	7,292,761,969	143,029,163,631
Furniture, fixtures and office equipment	43,332,891,849	10,466,067,824	409,864,198	53,389,095,475
Tools and other equipment	17,685,879,566	2,537,760,793	92,813,473	20,130,826,886
Buildings under capital lease	15,425,781,300	2,402,631,627	1,262,906,472	16,565,506,455
Total	1,120,580,341,334	158,394,397,523	9,816,529,365	1,269,158,209,492
Net Book Value	4,641,238,283,038			7,295,662,037,007

Foreign currency translation adjustments amounting to (Rp 451,633,977,056) and Rp 968,745,915,892 as of December 31, 1999 and 1998, respectively, which mainly arise from the translation of IKC's US Dollar financial statements into Rupiah, are presented as part of "Additions/Reclassifications" in the above analysis of property, plant and equipment account.

Construction in progress consists of:

	1999	1998
	Rp	Rp
Land under development	626,370,117	626,370,117
Buildings under construction	662,602,996,770	1,570,480,608,455
Machinery under installation	4,388,270,518,714	3,104,217,325,236
Others	19,740,146,900	594,925,650,440
Total	5,071,240,032,501	5,270,249,954,248

A significant portion of the above construction in progress represents the accumulated costs of IKC's cement plant and related facilities and infrastructure under construction (see Note 20f). As of December 31, 1999, the full completion and/or final commissioning of the said cement plant is still on hold due to certain major technical problems noted during the cement plant's trial production runs. IKC is currently negotiating with its project suppliers and main contractors for the resolution of such problems.

The other major portion of the construction progress pertains to the accumulated costs of the Company's cement plant (Plant 11) in Citeureup (see Note 20e). This project has been fully completed and subsequently closed/reclassified to the appropriate property, plant and equipment accounts in 2000.

Property, plant and equipment are used as collateral to secure short-term loans and long-term debts (see Notes 10 and 13).

Depreciation, amortization and depletion charges totalled to Rp 152,983,409,108 and Rp 153,387,589,799 for years ended December 31, 1999 and 1998, respectively.

The Company and Subsidiaries insure their property, plant and equipment and inventories against losses by fire and other insurable risks under several policies with insurance coverage totalling Rp 153,628,446,530 and US\$ 1,615,153,770 as of December 31, 1999. In management's opinion, the said amount of insurance coverage is adequate to cover any possible losses that may arise from the insured risks. About 71% of the aforesaid insurance coverage are insured with PT Asuransi Central Asia, a related party (see Note 6).

Financing costs capitalized to construction in progress amounted to Rp 170,742,026,626 and Rp 215,799,107,848 for years ended December 31, 1999 and 1998, respectively. The total cumulative amount of financing costs capitalized to construction in progress as of December 31, 1999 amounted to Rp 510,648,337,050.

The Company and Subsidiaries owned HGB (Hak Guna Bangunan) and HP (Hak Pakai) covering approximately 7,343 hectares of land at several locations in Indonesia, with legal terms ranging from 8 to 30 years. Management is of the opinion that these titles of landright ownership can be extended upon their expiration.

As of December 31, 1999, the title of ownership on the Company's land located at Citeureup, West Java, with a carrying value of Rp 47,544,024,587 and covering approximately 1,349 hectares, is still in process. Total costs incurred in connection with the processing of the said title of ownership amounted to Rp 8,352,947,195 and is presented as "Deferred Landrights Acquisition Costs" in the consolidated balance sheets.

10. Short-Term Loans

Short-term loan represents working capital loan from PT Bank Mandiri (formerly under the name of PT Bank Pembangunan Indonesia), which bears interest at annual rates of 34% in 1999 and ranging from 22% to 34% in 1998. This loan is collateralized by inventories, and property, plant, and equipment (see Notes 7 and 9).

11. Accounts Payable – Trade

This account consists of the following:

	1999 Rp	1998 Rp
Related Parties (see Note 6)		
Cement Business		
PT Pama Indo Kodeco	2,812,033,100	-
Others (each below Rp 1.0 billion)	315,253,706	769,512,562
Total	3,127,286,806	769,512,562
Third Parties		
Cement Business	55,995,517,042	82,493,283,008

Trade payables mostly arise from purchases of raw materials and other supporting materials. The main suppliers of the Company are as follows:

Supplier	Product
Topniche	Gypsum
Anker Far East	Coal
Veitscher Magnesitwerke V.C.M.H.H	Firebricks
Refratechnik GmbH	Firebricks
Didier Werke	Firebricks
PT Fajar Mas Murni	Paper Bag
Pertambangan Minyak dan Gas Negara	Fuel
PT Sumberkencana Ekspresindo	Iron Sand, Silica Sand and Pyrate Cynder
Magotteaux Co. Ltd	Steel Ball

12. Taxes Payable

Taxes payable consists of:

	1999	1998
	Rp	Rp
Income taxes		
Article 21	4,780,675,417	2,389,958,752
Article 22	434,759,780	30,775,236
Article 23	4,293,302,826	601,513,084
Article 26	15,752,983,357	17,847,500,991
Corporate income tax	201,522,383	153,101,880
Value added tax	3,180,795,971	200,531,092
Total	28,644,039,734	21,223,381,035

A reconciliation between income (loss) before provision for income tax, as shown in the consolidated statements of income, and estimated taxable income (fiscal loss) for the years ended December 31, 1999 and 1998 is as follows:

	1999	1998
	Rp	(As Restated–Note 3) Rp
Income (loss) before provision for income tax per consolidated statements of income	756,785,781,541	(1,082,190,732,195)
Add (deduct):		
Loss (income) of Subsidiaries before provision for income tax - net	(18,154,155,994)	8,586,434,868
Net income of Other Businesses already subjected to final tax	(18,107,917,617)	(23,986,035,022)
Income (loss) before provision for income tax attributable to the Company	720,523,707,930	(1,097,590,332,349)
Add (deduct) :		
Timing differences (mainly consist of allowance for doubtful accounts in 1999 and foreign exchange losses in 1998)	81,600,051,899	(355,058,786,253)
Non-deductible expenses (mainly consist of employees' benefits, donations and public relations expenses)	19,872,883,090	62,347,984,673
Equity in net earnings of investees	(17,351,784,547)	(39,297,728,518)
Income already subjected to final tax	(60,775,323,141)	(28,934,507,348)
Dividends	(6,485,000)	(4,410,838,560)
Gains on disposals of investments in equity securities already subjected to final tax	(19,351,209,045)	(2,534,628,176)
Estimated taxable income (fiscal loss) of the Company - current year	724,511,841,186	(1,465,478,836,531)
Tax loss carry forward from prior years	(2,459,706,693,774)	(1,014,236,628,538)
Tax corrections	-	20,008,771,295
Total tax loss carry forward - end of year	(1,735,194,852,588)	(2,459,706,693,774)

Under existing tax regulations, the prescription period for tax loss carry forward is five years from the date the tax loss occurred.

The computation of the provision for income tax is as follows:

	1999	1998 (As Restated-Note 3)
	Rp	Rp
Total tax loss carry forward	(1,735,194,852,588)	(2,459,706,693,774)
Provision for income tax - current		
Company	-	-
Subsidiaries	482,713,590	770,197,715
Total provision for income tax - current	482,713,590	770,197,715
Provision for income tax - deferred		
Company		
Previous years' fiscal losses compensated with current year's estimated taxable income	217,353,552,356	-
Depreciation of fixed assets	(1,410,074,904)	3,060,792,243
Sale and leaseback transactions	(326,359,060)	227,196,647
Fiscal losses	-	(433,641,019,572)
Allowances for doubtful accounts and inventory obsolescence	-	(1,816,238,635)
Sub-total	215,617,118,392	(432,169,269,317)
Subsidiary	14,185,644,440	(10,924,209,753)
Total provision for income tax - deferred	229,802,762,832	(443,093,479,070)
Provision for Income Tax per Consolidated Statements of Income		
Current	482,713,590	770,197,715
Deferred	229,802,762,832	(443,093,479,070)
Net	230,285,476,422	(442,323,281,355)

The calculation of estimated corporate income tax payable (claims for tax refund) is as follows:

	1999 Rp	1998 Rp
Provision for Income Tax - current		
Company	-	-
Subsidiaries	482,713,590	770,197,715
Total	482,713,590	770,197,715
Prepayments of Income Tax		
Company	101,607,082,064	94,404,082,331
Subsidiaries	461,499,967	807,460,645
Total	102,068,582,031	95,211,542,976
Estimated Claims for Tax Refund		
Company	101,607,082,064	94,404,082,331
Subsidiaries	180,308,760	190,364,810
Total	101,787,390,824	94,594,447,141
Estimated Corporate Income Tax Payable		
Subsidiary	201,522,383	153,101,880

The above estimated claims for tax refund is presented under "Prepaid Taxes and Expenses" account in the consolidated balance sheets.

The amount of estimated taxable income for 1999 that will be reported by the Company in its 1999 tax return will be based on the related amount as shown above.

The Company's estimated fiscal loss for 1998, as stated above, conforms with the related amount reported in the income tax returns submitted to Tax Office.

In 1998, the Tax Office approved to refund a substantial portion of the Company's 1997 claims for tax refund amounting to Rp 88,693,535,771. In addition, the Company has also received several withholding tax assessments for 1997 and for the first six months of 1998, which require the Company to pay additional tax and penalty totalling Rp 12,097,798,062. Out of the said total amount of assessment, Rp 10,717,374,690 is contested by the Company. As of the independent auditors' report date, the Tax Office has not yet responded on the said tax protest filed by the Company.

The above-mentioned approved tax refund is paid in cash and received by the Company in 1999 in the amount of Rp 33,381,140,741 (after offsetting the Company's additional tax and penalty mentioned above and the Company's outstanding income tax payable Article 25 and penalty for fiscal year 1998).

In January 2000, the Tax Office approved to refund the Company's 1998 claims for tax refund amounting to Rp 83,591,401,846. During 1999 and the period from January 1, 2000 up to the independent auditors' report date, the Company has also received several withholding tax assessments for the second semester of 1998, whereby according to the Tax Office, the Company has to pay additional tax and penalty totalling Rp 6,967,452,371. Out of the said total amount of assessment, Rp 5,698,564,853 will be contested by the Company.

Furthermore, the Company's corporate income tax for 1998 and 1997 had been examined by Tax Office. On February 3, 1999, the Company contested the results of the Tax Office's income tax examination for fiscal year 1997 amounting to Rp 318.5 billion. Up to auditors' report date, the Tax Office has not yet given any response on the said tax protest filed by the Company.

The deferred tax effects of the significant timing differences between commercial and fiscal reporting are as follows:

	1999	1998
	Rp	Rp
Deferred Tax Assets		
Company		
Fiscal loss carried forward	520,558,455,778	737,912,008,132
Allowances for doubtful accounts and inventory obsolescence	1,245,115,062	1,245,115,062
Sub-total	521,803,570,840	739,157,123,194
Subsidiary	7,242,319,500	22,514,233,800
Total	529,045,890,340	761,671,356,994
Deferred Tax Liabilities		
Company		
Property, plant and equipment	228,736,159,052	230,146,233,955
Sales and leaseback transactions	148,446,252	474,805,310
Sub-total	228,884,605,304	230,621,039,265
Subsidiary	725,103,120	791,633,348
Total	229,609,708,424	231,412,672,613
Deferred Tax Assets - Net	299,436,181,916	530,258,684,381

Management is of the opinion that the above deferred tax assets can be fully recovered through future taxable income.

13. Long-Term Debts

a. Bank Loans

Bank loans consist of the following:

	1999	1998
	Rp	Rp
Rupiah:		
PT Bank Central Asia (BCA)	95,241,057,709	95,241,057,709
PT Bank Mandiri (formerly under the name of PT Bank Pembangunan Indonesia)	40,430,345,466	40,430,345,466
PT Bank Mitsubishi Buana (BMB)	20,000,000,000	20,000,000,000
Foreign currencies:		
Syndicated offshore loan	2,175,440,000,000	2,458,860,000,000
The Export – Import Bank of Japan (Japan Exim Bank)	931,788,767,459	938,937,606,242
Marubeni General Leasing Corporation (MGLC)	738,036,125,000	834,188,718,750
The Chase Manhattan Bank, New York (CMB)	710,000,000,000	802,500,000,000
Bank of America NT and SA, Taipei (BOA)	710,000,000,000	802,500,000,000
The Chase Manhattan South East Ltd., Singapore (CMSE)	303,880,000,000	343,470,000,000
Fuji Bank Limited, Singapore (Fuji)	284,000,000,000	321,000,000,000
Yasuda Trust and Banking Co.,Ltd., Singapore (Yasuda)	248,500,000,000	280,875,000,000
Chase Investment Bank Limited (CIBL)	193,733,373,508	253,194,273,464
Bank of Tokyo - Mitsubishi Ltd., Singapore (BOTM)	177,500,000,000	200,625,000,000
The Tokai Bank Ltd., Singapore (Tokai)	177,500,000,000	200,625,000,000
Marubeni Corporation (Marubeni)	90,799,188,795	102,628,660,574
Export Finance and Insurance Corporation (EFIC)	64,101,356,000	72,452,589,000
Total	6,960,950,213,937	7,767,528,251,205
Less portions currently due		
Rupiah	155,671,403,175	155,671,403,175
Foreign currencies	6,805,278,810,762	7,611,856,848,030
Total	6,960,950,213,937	7,767,528,251,205
Long-term portion	-	-

The balances of the above foreign currency denominated loans in their original currencies are as follows:

	1999		1998	
Syndicated offshore loan	US\$	306,400,000	US\$	306,400,000
Japan Exim Bank	¥	13,412,455,503	¥	13,412,455,503
MGLC	US\$	103,948,750	US\$	103,948,750
CMB	US\$	100,000,000	US\$	100,000,000
BOA	US\$	100,000,000	US\$	100,000,000
CMSE	US\$	42,800,000	US\$	42,800,000
Fuji	US\$	40,000,000	US\$	40,000,000
Yasuda	US\$	35,000,000	US\$	35,000,000
CIBL	ITL	52,480,935,530	ITL	52,480,935,530
BOTM	US\$	25,000,000	US\$	25,000,000
Tokai	US\$	25,000,000	US\$	25,000,000
Marubeni	US\$	12,788,618	US\$	12,788,618
EFIC	US\$	9,028,360	US\$	9,028,360

The above indebtedness bear interest at the following annual rates:

	1999	1998
Rupiah	17.87% to 41.00%	17.87% to 34.00%
US Dollar	4.93% to 10.48%	6.16% to 11.11%
Italian Lira	7.35%	7.35%
Japanese Yen	2.3%	2.3%

The loans from MGLC and Marubeni are used to finance the construction of the Company's cement plant facility (Plant 10).

The Company obtained a loan facility from the Japan Exim Bank with maximum credit limit amounting to ¥ 14,984,029,840. This facility is used to finance about 85% of the total cost of imported machinery and equipment relating to the construction of the Company's cement plant facility (Plant 11), as discussed in Note 20e.

IKC obtained US\$ 345,000,000 syndicated offshore loan facilities arranged by Banque Nationale de Paris, The Fuji Bank Limited, Korea Exchange Bank, and The Mitsubishi Bank Limited, which also act as the security agent, facility agent, insurance agent, and technical agent, respectively. The said credit facilities are divided into four (4) tranches (A, B, C, and D) with the following terms:

- Tranches A and B amounting to US\$ 117,240,000 and US\$ 78,160,000, respectively, which will be repaid in fifteen (15) semi-annual installments of US\$ 7,816,000 and US\$ 5,211,000, respectively, starting from January 20, 1999 until January 20, 2006.
- Tranches C and D amounting to US\$ 72,477,194 and US\$ 38,522,806, respectively. These tranches will be repaid in fifteen (15) semi-annual installments; the first two of such installments being an aggregate of US\$ 5,000,000 each prorated between the two tranches, and the remaining thirteen (13) installments being an aggregate of US\$ 7,769,231 each prorated between the two tranches.

These loan facilities, which bear interest at LIBOR (London Inter-bank Offered Rate) plus bank's margin, shall only be used specifically to finance the project construction costs, equipment and start-up costs, import duties and initial working capital of IKC.

The loans obtained by the Company from Fuji, CMB, BOA, Yasuda and BOTM also represent syndicated loans from various financial institutions.

All the other loans, as enumerated below, are mostly obtained to finance the general fund requirements of the Company.

Name of Banks	Security	Date of Maturity
PT Bank Mandiri	Plant 1, 2 and 9; and inventories of Plant 9	December 25, 2000
BCA (Rp 27.5 billion)	Plant 1 – 5	March 25, 2001
BCA (+/- Rp 67.7 billion)	Plant 1 – 5	December 12, 1998
BMB	Negative pledge	March 12, 2001
Fuji	Negative pledge	July 20, 1998
Syndicated off-shore loan	Property, plant and equipment of IKC	January 20, 2006
Japan Exim Bank	Plant 11	June 26, 2007
MGLC	Plant 10	July 1, 2005
CMB	Negative pledge	May 19, 2002
BOA	Negative pledge	May 19, 2002
CMSE	Negative pledge	October 6, 2002
Yasuda	Negative pledge	September 12, 2001
CIBL	Property, plant and equipment	March 31, 2002
BOTM	Negative pledge	July 1, 2005
Tokai	Negative pledge	September 25, 2001
Marubeni	Plant 10, corporate guarantee by PT Mekar Perkasa	July 1, 1999
EFIC	Property, plant and equipment	October 15, 2006

Certain loan agreements contain terms and conditions requiring the Company and the concerned Subsidiaries to obtain prior written consent from the lenders with respect to changes in the Company's and the concerned Subsidiaries' legal status, the composition of their board of directors and their capital structure; and incurrence of significant capital expenditures in excess of certain specified amounts. In addition, the following financial ratios are required to be maintained:

- Ratio of consolidated total liabilities to consolidated tangible net worth should not be more than 3 : 1
- Ratio of consolidated total current assets to consolidated current liabilities should be at least 0.8 : 1
- Interest coverage ratio should be at least 2 : 1
- Consolidated tangible net worth will not at any time be less than Rp 1,500,000,000,000

As a result of the extraordinary Rupiah depreciation discussed in Note 21, as of December 31, 1999 and 1998, some of the above required financial ratios are not maintained. Starting July 1998, the Company and Subsidiaries have taken a standstill position and ceased all of their loan principal and interest payments. Up to the independent auditors' report date, no formal waivers for such non-compliance have been obtained from the creditors. As provided for in the covering loan agreements, such non-compliance with the loan covenants render all of the subject loans immediately due and payable, and therefore, were reclassified and presented in the consolidated balance sheets as part of current liabilities as of December 31, 1999 and 1998 in accordance with generally accepted accounting principles.

Unpaid interest expenses amounted to Rp 734,496,182,746 and Rp 285,302,983,375 as of December 31, 1999 and 1998, respectively, which are presented as part of "Accrued Expenses" in the consolidated balance sheets.

The Company and a Steering Committee representing the creditors are currently in the process of negotiating for the debt restructuring (see Note 21).

b. Obligation Under Capital Lease

The Company has lease commitments covering certain buildings expiring in 1999. Obligation under capital lease are collateralized by the related assets.

c. Others

On October 1, 1999, DAP entered into a "Transfer and Assignment of Contract Agreement" with CMB, whereby CMB agreed to irrevocably sell, transfer, assign, grant and convey to DAP, without recourse, all of CMB's rights on its loan receivables from STRP for a total consideration of US\$ 3.0 million, which shall be settled through an initial payment of US\$ 800,000 and five (5) equal semi-annual installments for the remaining balance. The agreement further provides that any collections made by DAP from the aforesaid loan receivables transferred in excess of US\$ 3.0 million shall be shared by DAP and CMB on a 50:50 basis. As of December 31, 1999, the balance of the long-term payable to CMB in connection with the said transaction amounted to US\$ 2.2 million, which is scheduled to be paid as follows:

Year		Installment Amount
2000	US	\$ 880,000
2001		880,000
2002		440,000
Total	US	\$ 2,200,000

14. Capital Stock

The details of share ownership list based on share registrar are as follows:

1999	Shareholder	Number of Shares		Percentage of Ownership	Amount
		Issued and Fully Paid			
				%	Rp
	PT Mekar Perkasa Government of the Republic of Indonesia	1,390,955,104		57.60	695,481,552,000
	PT Kaolin Indah Utama	621,128,380		25.73	310,564,190,000
	Public and cooperatives	106,600,820		4.42	53,300,410,000
		295,769,016		12.25	147,880,508,000
	Total	2,414,453,320		100.00	1,207,226,660,000

1998	Shareholder	Number of Shares		Percentage of Ownership	Amount
		Issued and Fully Paid			
				%	Rp
	PT Mekar Perkasa Government of the Republic of Indonesia	1,396,298,604		57.83	698,149,302,000
	PT Kaolin Indah Utama	621,128,380		25.73	310,564,190,000
	Public and cooperatives	106,600,820		4.42	53,300,410,000
		290,425,516		12.02	145,212,758,000
	Total	2,414,453,320		100.00%	1,207,226,660,000

The Company's shares are listed in Jakarta and Surabaya Stock Exchanges.

15. Additional Paid-In Capital

This account represents the excess of the amounts received or the carrying value of converted debentures and bonds over the par value of the shares issued.

16. Segment Information

The information concerning the Company and Subsidiaries' business segments are as follows:

	1999	1998
	Rp	Rp
Net Revenues		
Cement Business		
Cement		
Domestic	2,729,204,462,612	1,316,989,255,181
Export	248,828,519,000	258,420,184,000
Ready mixed concrete	15,952,659,714	17,792,672,106
Other Businesses	28,406,803,033	30,241,062,829
Total	3,022,392,444,359	1,623,443,174,116
Eliminations	(1,263,426,186,922)	(33,561,092,689)
Net	1,758,966,257,437	1,589,882,081,427
Cost of Revenues		
Cement Business		
Cement	2,343,590,378,847	962,817,608,029
Ready mixed concrete	15,658,507,655	17,283,507,514
Other Businesses	11,631,049,598	10,639,056,561
Total	2,370,879,936,100	990,740,172,104
Eliminations	(1,246,966,967,538)	(16,766,612,388)
Net	1,123,912,968,562	973,973,559,716
Income (loss) from Operations		
Cement Business		
Cement	361,883,068,943	421,742,907,400
Ready mixed concrete	(3,902,913,380)	(1,541,997,601)
Other Businesses	13,087,419,187	16,765,788,843
Total	371,067,574,750	436,966,698,642
Eliminations	(126,190,359)	-
Net	370,941,384,391	436,966,698,642
Identifiable Assets		
Cement Business		
Cement	10,296,527,918,509	9,977,392,988,358
Ready mixed concrete	125,708,952,481	127,740,892,779
Other Businesses	1,524,285,702,154	1,703,835,363,179
Total	11,946,522,573,144	11,808,969,244,316
Eliminations	(2,095,423,461,175)	(2,168,293,250,044)
Net	9,851,099,111,969	9,640,675,994,272

17. Cost of Revenues

The details of cost of revenues are as follows:

	1999	1998
	Rp	Rp
Raw materials used	161,816,967,609	155,782,186,471
Direct labor	81,093,083,433	68,673,895,241
Fuel and power	476,042,573,134	436,472,385,052
Manufacturing overhead	258,772,061,935	202,056,584,416
Total Manufacturing Cost	977,724,686,111	862,985,051,180
Work in Process Inventory		
At beginning of year	44,749,275,187	24,881,253,667
At end of year	(56,396,396,078)	(44,749,275,187)
Cost of Goods Manufactured	966,077,565,220	843,117,029,660
Finished Goods Inventory		
At beginning of year	24,109,364,607	18,553,278,351
Others	5,481,334,742	(2,792,789,137)
At end of year	(39,739,322,154)	(24,109,364,607)
Cost of Goods Sold before Packing Cost	955,928,942,415	834,768,154,267
Packing Cost	156,352,976,549	128,566,348,888
Total Cost of Goods Sold	1,112,281,918,964	963,334,503,155
Cost of Services		
Direct cost	9,382,298,829	8,698,904,367
Indirect cost	2,248,750,769	1,940,152,194
Total Cost of Services	11,631,049,598	10,639,056,561
Total Cost of Revenues	1,123,912,968,562	973,973,559,716

18. Operating Expenses

The details of operating expenses are as follows:

	1999	1998
	Rp	Rp
Delivery and Selling Expenses		
Provision for doubtful accounts	72,667,719,267	6,072,055,343
Delivery, loading and transportation	66,202,129,810	63,209,367,313
Salaries, wages and employees' benefits	9,446,881,326	3,440,651,271
Repairs and maintenance	2,682,129,329	1,375,843,246
Depreciation	2,626,123,425	4,314,004,715
Advertising and promotions	2,594,932,323	1,795,958,575
Rental	2,207,554,335	1,191,916,117
Professional fees	1,911,502,570	576,402,863
Association and membership dues	1,613,757,882	2,358,376,701
Electricity and water	1,101,507,215	1,046,653,581
Miscellaneous (each below Rp 1.0 billion)	5,620,250,878	4,058,509,078
Total Delivery and Selling Expenses	168,674,488,360	89,439,738,803
General and Administrative Expenses		
Salaries, wages and employees' benefits	38,790,408,301	47,131,154,886
Professional fees	17,552,393,802	7,461,252,819
Public relations	9,857,389,162	3,939,506,483
Depreciation	6,297,187,150	7,606,800,868
Rental	3,701,405,146	4,741,857,779
Communication	2,590,842,869	3,616,131,936
Repairs and maintenance	1,937,802,536	1,312,257,150
Travelling and transportation	1,706,391,858	2,063,672,757
Advertising and promotions	1,704,006,488	1,452,147,638
Donations	1,185,460,213	976,697,132
Medical	1,400,784,601	1,487,113,673
Documentation	355,772,943	1,501,634,155
Miscellaneous (each below Rp 1.0 billion)	8,357,571,055	6,211,856,990
Total General and Administrative Expenses	95,437,416,124	89,502,084,266
Total Operating Expenses	264,111,904,484	178,941,823,069

19. Retirement Benefits

The Company has a defined contributory retirement plan covering substantially all of its full-time employees. Retirement benefits charged to operations amounted to approximately Rp 5.2 billion and Rp 4.9 billion for the years ended December 31, 1999 and 1998, respectively.

The plan's assets are administered by Dana Pensiun Karyawan Indocement Tunggol Prakarsa, the establishment of which was approved by the Ministry of Finance on November 12, 1991, as amended by decree No. Kep-332/KM.17/1994 dated December 1, 1994.

20. Significant Agreements

- a. The Company has acquired Medium-Term Notes issued by PT Bank Tabungan Negara (Persero) amounting to Rp 50 billion. The bonds, which bear interest at semi-annual rate of 1% above IRSOR (Indonesian Rupiah Swap Offered Rate), will mature on August 2, 2000.
- b. On March 20, 1998, the Company had a memorandum of understanding with PT Indonesia Air Transport to form a charter hire airplane joint operations. In connection with this, total advances made by the Company amounted to US\$ 2,943,750 (equivalent to Rp 16,488,225,000) as of December 31, 1999 and 1998 for a 50% ownership of the airplane. These advances are shown as part of "Other Assets - Others - Net" in the consolidated balance sheets.
- c. On May 16, 1998, IKC entered into a sale and purchase agreement called "Senakin and Satui Coal Supply Contract" with PT Arutmin Indonesia (AI) whereby IKC agreed to purchase, and AI agreed to supply, 70,000 tons of Senakin coal and 38,500 tons of Satui coal at prices stated in the agreement. Total purchases made under this contract totalled to US\$ 517,676 and US\$ 1,765,399 for the years ended December 31, 1999 and 1998, respectively.
- d. IKC has an agreement with ABB Power Generation Services Pty Ltd., (ABB) whereby the latter agreed to provide IKC with the technical documentation, station operational strategies and policies, and ancillary services. As compensation, IKC pays ABB technical information fee determined based on certain agreed computation. Technical information fees incurred amounted to US\$ 1,410,383 and US\$ 3,349,473 for the years ended December 31, 1999 and 1998, respectively. The related payable arising from this transaction amounting to US\$ 1,477,029 and US\$ 1,934,442 as of December 31, 1999 and 1998, respectively, is shown under "Account Payable - Non Trade" in the consolidated balance sheets.
- e. The Company has outstanding contracts with Marubeni Corporation (Marubeni) and Kawasaki Heavy Industries Limited (Kawasaki) for the construction and installation of its cement plant (Plant 11) in Citeureup, which will have a production capacity of 2.45 million tons of portland cement per annum, at a total contract price of about US\$ 229 million. This project has been fully completed subsequently in 2000. The related contract payables totalling to US\$ 47,144,908 and US\$ 40,790,149 as of December 31, 1999 and 1998, respectively, are presented under "Account Payable - Non Trade" in the consolidated balance sheets. Relative to the above, on November 25, 1999, Kawasaki has approved the Company's proposal on the settlement of its contract payable to the former amounting to US\$ 23,585,214. Under the said approved settlement proposal, the Company shall pay the aforementioned liability in eighteen monthly installments of US\$ 572,609, and the remaining balance of US\$ 13,278,252 to be paid in accordance with the debt restructuring plan (see Note 13). The first installment was paid in December 1999.
- f. IKC has an agreement with Marubeni whereby the latter undertakes the construction of a new cement plant for US\$ 167,632,870, and the supply of imported machinery and equipment for a total contract amount of US\$ 209,945,000. As of December 31, 1999 and 1998, the total project related expenditures amounted to US\$ 347,264,633 and US\$ 345,142,482, respectively, which is recorded under "Construction in Progress". The project is expected to be fully completed in 2000.
- g. IKC entered into sale and purchase contracts with PT Bahari Cakrawala Sebuku (BCS) whereby IKC agreed to purchase, and BCS agreed to supply, 150,000 tons of coal for the period from January 1999 to February 2000. Total purchases made in 1999 amounted to US\$ 2,550,488.

- h. As of December 31 1997, the Company had various types of outstanding hedging contracts with several financial institutions. Net aggregate receivables and payables on such hedging transactions amounted to US\$ 379,453,411 and approximately Rp 2,030 billion, respectively. In March 1998, the Company also entered into various types of hedging contracts with Credit Suisse First Boston (CSFB). The net aggregate receivables from those hedging contracts amounted to US\$ 102,280,000, while the related payables amounted to US\$ 33,000,000 and Rp 645 billion.

All of the above hedging contracts were entered into by the Company in order to manage its interest and foreign exchange exposures on some of its foreign currency denominated loans.

However, due to the Company's declaration of a standstill position with respect to its loans as discussed in Note 13, all of the above mentioned hedging contracts were pre-terminated as follows:

- On July 13, 1998, all of the hedging agreements with Chase Manhattan Asia Limited (CMAL) were pre-terminated, resulting to a net payable of US\$ 1,043,497.75 by the Company to CMAL. As of December 31, 1999, this amount is still outstanding and recorded under "Accrued Expenses" account.
- On September 9, 1998, the Company and CSFB agreed to terminate and cancel all their hedging transactions. In net final settlement, CSFB paid US\$ 3,000,000 to the Company.
- On November 4, 1998, the hedging transaction with Morgan Stanley Asia Limited (MSAL) was cancelled, and MSAL paid US\$ 2,800,000 to the Company as final settlement.

The payments received from CSFB and MSAL were transferred to the Company's escrow account in Bank of America National Trust and Savings Association, Singapore Branch. Any withdrawals from the said escrow account shall be approved by the Company and the Steering Committee representing the Company's creditors. Accordingly, the said escrow account is presented as "Restricted Cash in Bank" in the consolidated balance sheets.

The members of the above mentioned Steering Committee are Bank of America, The Bank of Tokyo-Mitsubishi, Limited, Banque Nationale de Paris, Marubeni Corporation, The Chase Manhattan Bank, and Fuji Bank, Limited.

- i. On October 4, 1999, PT Mekar Perkasa and PT Kaolin Indah Utama, the Company's top two shareholders, have entered into conditional agreements with Heidelberger Zement Group (HZ) whereby HZ, subject to, inter alia, a successful debt restructuring, may take a direct or indirect interest in the Company based on terms and conditions that may be agreed upon among the concerned parties.
- j. On November 19, 1999, the Company signed a contract with Semt Pielstick (SEMT) for the supply of equipment in connection with the rehabilitation of nine (9) engines of the power plant in Company's Citeureup plant for a total contract price of FRF 95,192,305. A down payment of FRF 18,586,219 is to be paid in three installments while the remaining FRF 76,606,086 shall be paid partly in the form of sale of cement by the Company to SEMT through Transclear S.A., and partly by drawing from the trustee account as referred to in the agreement (see Note 22).

Transclear S.A, which has been requested by SEMT to act on its behalf, has signed a Summary of Meeting with the Company on November 11, 1999 for the purchase of cement valued at approximately US\$ 5,130,000, which represent about 38% of the amount to be paid by the Company as settlement for the above-mentioned supply contract.

- k. In November 1999, the Company signed four technical assistance contracts with Centrales Diesel Export (CDE) for technical assistance services relating to the rehabilitation, operation and maintenance of the power plant in the Company's Citeureup plant for an aggregate contract price of FRF 6,104,050. The payments of the contract price are to be made by drawing from the trustee account as referred to in the agreements (see Note 22).

21. Economic Environment

Many Asia Pacific countries, including Indonesia, have experienced economic downturn brought about by the currency devaluation in the region, which is characterized by extreme lack of liquidity and highly volatile exchange and interest rates. Such adverse economic condition has also involved tightening of available credits, postponement of major construction projects, general price increases of commodities and reduced economic activities. The postponements and/or stoppage of major construction projects have significantly reduced the Company's sales volume. In addition, the volatility in exchange and interest rates had adversely affected the Company's and Subsidiaries' cost of funds, as well as their capacity to service their debts, given that the balances of the Company's and its Subsidiaries' borrowings denominated in foreign currencies have increased significantly in Rupiah terms, and interest rates on their Rupiah denominated loans had likewise increased significantly. Consequently, the Company and IKC were unable to maintain the required financial ratios, as specified in their existing loan agreements, and have defaulted on their loan principal and interest payments (see Note 13). Furthermore, the effects of the adverse economic condition on the financial conditions of the Company's and its Subsidiaries' customers have slowed down sales and increased credit risks inherent in receivables from customers.

Currently, the Indonesian economy is still faced with lingering instability. Although, in 1999 (particularly towards the second semester), there are already some positive indicators of improving economic condition in Indonesia, at least on the macro level. Among others, inflation rate has been brought down to a manageable level; economic activities have improved and are increasing; interest rate has been reduced to its pre-crisis level; and the Rupiah has partially recovered vis-à-vis the US Dollar. However, the Company and its Subsidiaries, as well as the cement industry as a whole, is still affected by the current slump in the construction and real estate sectors.

Furthermore, the Company has made substantial progress in its debt restructuring negotiations over the past year, by reaching a board agreement with the Steering Committee of its creditors in 1999 regarding the framework of the restructuring, which is expected to be concluded in the final documentation process in 2000. In this connection, pursuant to the requirements and/or demands from the creditors, the Company and IKC are currently planning to merge their operations.

As part of their continuing effort to respond and manage the adverse effects of the above-mentioned economic events, the Company and its Subsidiaries have undertaken and are continuously implementing the following measures, among others:

- a. Finalize the loan restructuring documentation;
- b. Enhance export sales, which will further be boosted especially with the plan to have Heidelberger Zement, one of the largest trading companies in the world, as one of the Company's joint-controlling shareholders;
- c. Consistently apply cost-cutting programs that were initiated in previous years, such as:
 - Consumption of domestic products to the extent possible;
 - Reduction of non-essential operating expenses, such as unnecessary foreign travelling, ceremonial expenses, etc; and
 - Conversion of foreign currency denominated expenses into Rupiah currency.
- d. Continuously review capital expenditures, investments and expansion plans;
- e. Continuously apply dynamic and prudent treasury management; and
- f. Assess the possibility to spin-off the non-core assets and businesses.

As of December 31, 1999, the Company and its Subsidiaries, which use Rupiah as their functional currency, have assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah	
			December 31, 1999 (Balance Sheet Date)	February 18, 2000 (Audit Report Date)
			Rp	Rp
Assets				
in US Dollar	US\$	15,460,867	109,772,155,700	114,487,720,135
in Japanese Yen	¥	3,778,789	262,527,965	252,522,487
Total			110,034,683,665	114,740,242,622
Liabilities				
in US Dollar	US\$	297,017,897	2,108,827,068,700	2,199,417,527,285
in Japanese Yen	¥	13,412,489,987	931,820,670,606	896,307,079,618
in Italian Lira	ITL	52,480,935,530	193,733,373,509	198,456,657,707
in Deutsche Mark	DEM	2,072,129	7,572,968,414	7,757,595,108
in Denmark Kroner	DKK	784,747	752,486,051	771,743,742
Total			3,242,706,567,280	3,302,710,603,460
Net liabilities			3,132,671,883,615	3,187,970,360,838

As of December 31, 1999, assets and liabilities of foreign subsidiaries and IKC are as follows:

	Foreign Currency		Equivalent in Rupiah	
			December 31, 1999 (Balance Sheet Date)	February 18, 2000 (Audit Report Date)
			Rp	Rp
Assets				
in US Dollar	US\$	507,089,162	3,600,333,050,200	3,754,995,244,610
in Netherlands Gulden	NLG	25,872,822	83,920,050,526	85,965,814,562
Total			3,684,253,100,726	3,840,961,059,172
Liabilities				
in US Dollar	US\$	366,320,049	2,600,872,347,900	2,712,599,962,845
in Netherlands Gulden	NLG	438,616,849	1,422,680,066,742	1,457,361,500,993
Total			4,023,552,414,642	4,169,961,463,838
Net liabilities			339,299,313,916	329,000,404,666

As shown in the table below, the Rupiah currency has fluctuated in value based on the average rates of exchange for export bills and bank notes published by Bank Indonesia:

Foreign Currency	February 18, 2000	December 31, 1999
	Rp	Rp
US Dollar (US\$ 1)	7,405.00	7,100.00
Japanese yen (¥ 100)	6,682.63	6,947.41
Deutsche Mark (DEM 1)	3,743.78	3,654.68
Denmark Kroner (DKK 1)	983.43	958.89
Italia Lira (ITL 100)	378.15	369.15
Netherlands Gulden (NLG 1)	3,322.63	3,243.56

Had the assets and liabilities denominated in foreign currencies as of December 31, 1999 been reflected using the above average rates of exchange as of February 18, 2000 (the independent auditors' report date), the net foreign currency denominated liabilities would have increased by approximately Rp 45 billion in Rupiah terms.

Resolution of the current economic instability and/or further improvement of the economy depend on the fiscal, monetary and other measures that have been and will be undertaken by the government, actions which are beyond the Company and its Subsidiaries' control, to fully achieve economic recovery. It is not possible to determine the future effects that a continuation of the current economic condition may have on the Company's and its Subsidiaries' liquidity and earnings, including the effects flowing through from their investors, customers, suppliers, creditors and shareholders.

22. Subsequent Events

On January 17, 2000, the Company, SEMT and Natexis Banque London Branch (Natexis) entered into a trust agreement in connection with the contracts mentioned in 20j and 20k. As required under the said agreement, the Company shall maintain a trustee account with Natexis which shall have a minimum balance of FRF 18,000,000 at all times during the period starting from the third month after the signing of the trust agreement until the twelfth month; then a minimum of FRF 9,000,000 for the succeeding three months; and a minimum of FRF 2,200,000 for the remaining fifteen months or until all payments are made to SEMT, whichever is earlier.

Corporate Information

Major Shareholders

PT Mekar Perkasa
57.60%
Government of the Republic of Indonesia
25.73%

Share listing : all shares are listed on the Main Board of the Stock Exchange in Indonesia – Reuters INTPJK

Corporate Address

8th Floor, Wisma Indosemen
Jl. Jenderal Sudirman Kav. 70-71
Jakarta 12910, Indonesia
Phone : +62 21 2512121
P.O.Box : 4018 Jakarta 10040
Facsimile : +62 21 2510066
<http://www.indocement.co.id>

Other Shareholder Information

Annual General Meeting

The Annual General Meeting of Shareholders will be held on the 21st Floor, Wisma Indosemen, Jl. Jenderal Sudirman Kav. 70-71 Jakarta 12910 On June 26, 2000

For further information, please contact :

Corporate Secretariat Division
PT Indocement Tunggal Prakarsa Tbk.
8th Floor, Wisma Indosemen
Jl. Jenderal Sudirman Kav. 70-71
Jakarta 12910, Indonesia
Phone : +62 21 2512121
Facsimile : +62 21 2510066
E-mail : corpsec@indocement.co.id

Investor inquiries may be directed to :

Corporate Finance Division
PT Indocement Tunggal Prakarsa Tbk.
9th Floor, Wisma Indosemen
Jl. Jenderal Sudirman Kav. 70-71
Jakarta 12910, Indonesia
Phone : +62 21 2512121
Facsimile : +62 21 2510076/2512076
E-mail : investor_relations@indocement.co.id

Professionals and Bankers

Auditors

Prasetio, Utomo & Co.
(A member of Arthur Andersen & Co.SC)
25-28th Floor, Wisma 46, Kota BNI
Jl. Jenderal Sudirman Kav. 1
Jakarta 10220, Indonesia

Corporate Lawyers

Hadiputranto, Hadinoto & Partners
The Jakarta Stock Exchange Building
Tower II, 21st Floor
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12910, Indonesia

Share Registrar

PT Risjad Salim Registra
4th Floor, Sentral Plaza Building
Jl. Jenderal Sudirman Kav. 47-48
Jakarta 12930, Indonesia

Major Bankers

Marubeni Corporation
The Chase Manhattan Bank, N.A.
The Export-Import Bank of Japan
Bank of America
The Fuji Bank Limited
The Yasuda Trust and Banking Company Ltd.
Export Finance and Insurance Corporation
Bank Central Asia
Bank Mandiri