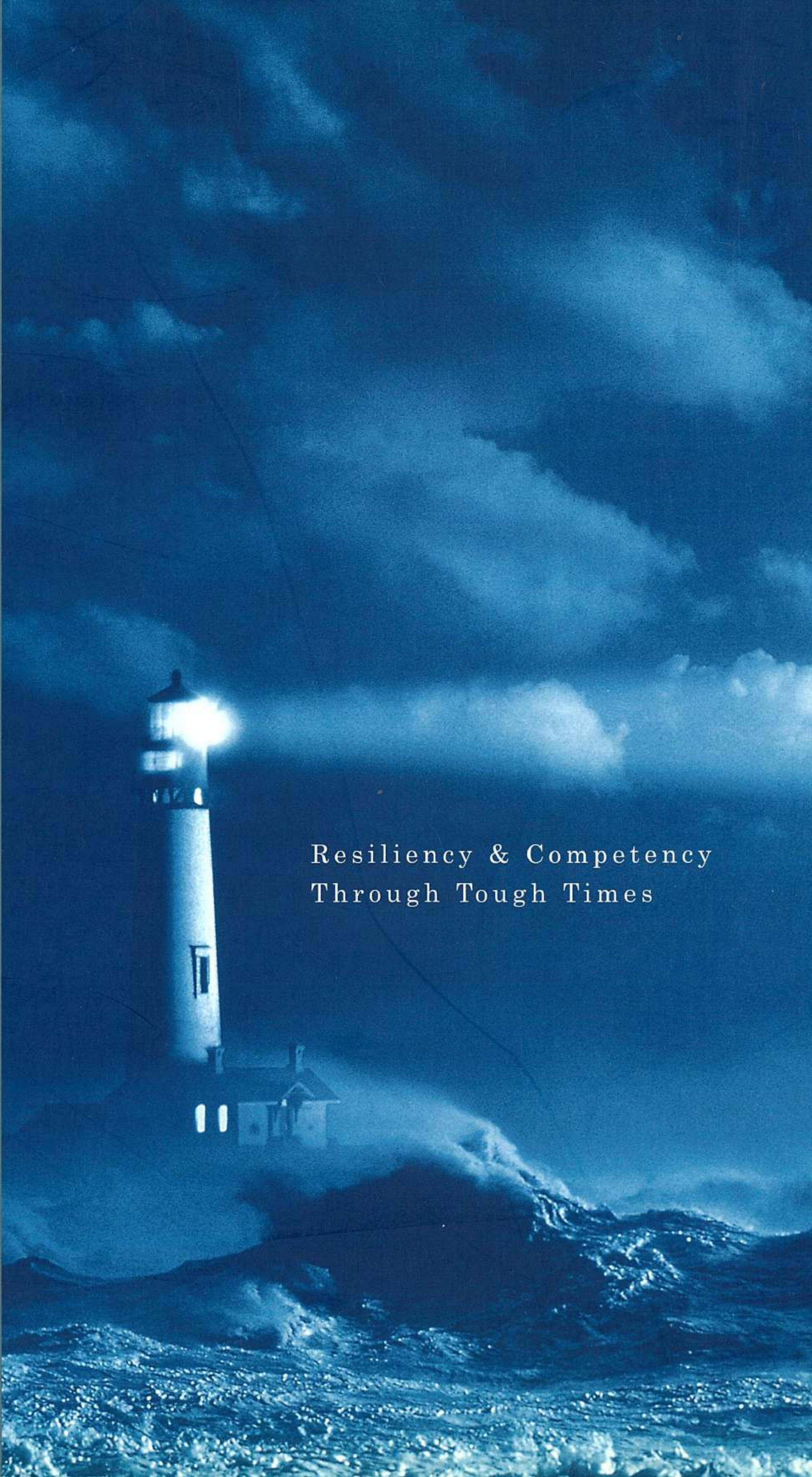
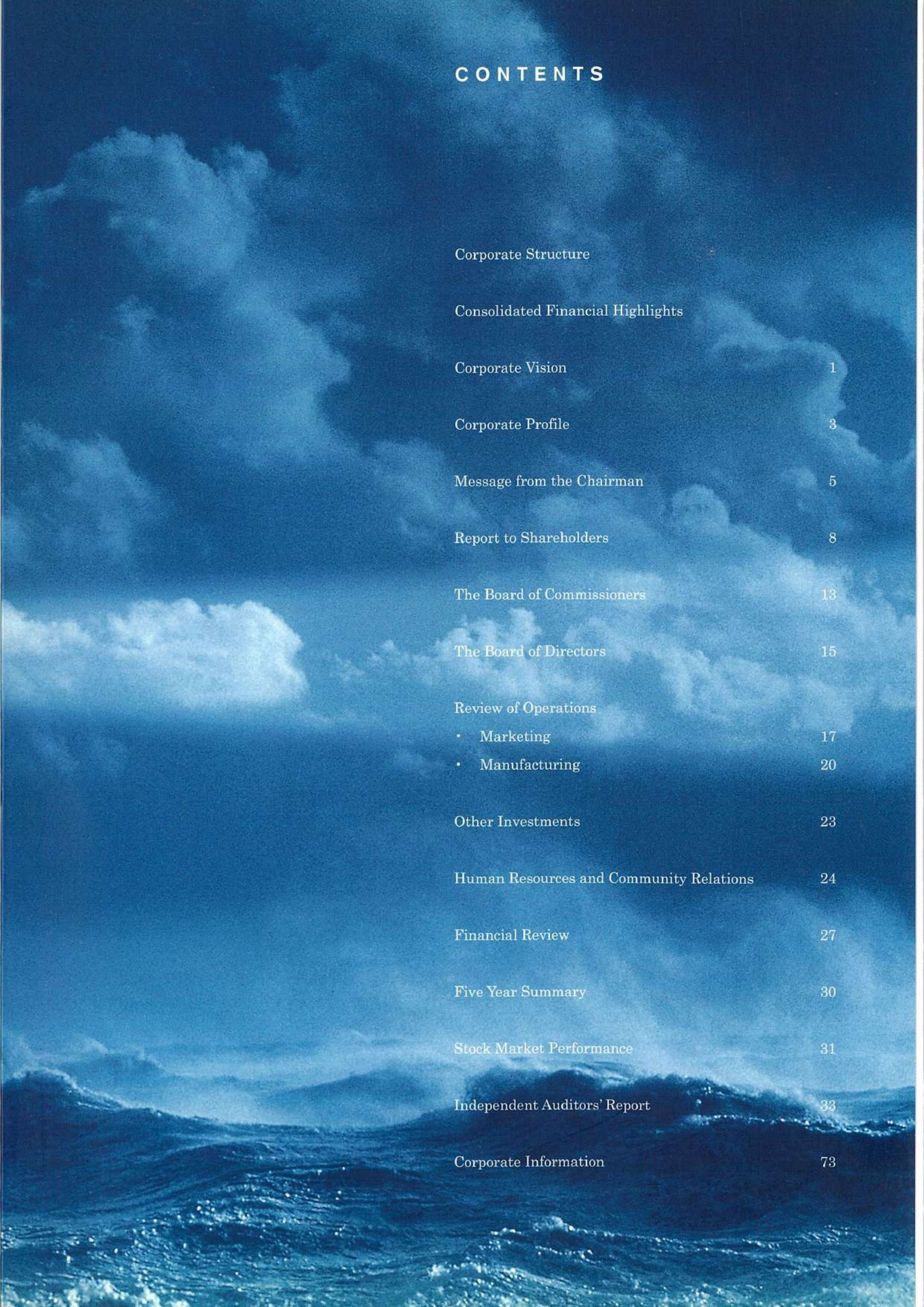
INDOCEMENT
ANNUAL REPORT
1998





CONTENTS

CORPORATE STRUCTURE

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

Cement

CEMENT OPERATIONS

PT Indocement Tunggal Prakarsa Tbk.	100.0%
Cirebon, West Java - 2 Plants	
Citeureup, West Java - 8 Plants	
PT Indo Kodeco Cement	71.4%
(Through PT Indocement Investama)	
Batulicin, South Kalimantan - 1 Plant	

OTHERS

PT Indocement Tunggal Prakarsa Tbk.	100.0%
Wisma Indosemen	
PT Indomix Perkasa	100.0%
Ready Mix Concrete	

Other Investments

OFFICES & HOTELS

PT Wisma Nusantara International	33.9%

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%
PT Indo Clean Set Cement	47.5%

CONSOLIDATED FINANCIAL HIGHLIGHTS

Amounts in billions of Rupiah unless otherwise stated	1998	1997	% change
Net revenues	1,590	1,572	1
Income from operations	437	530	(18)
Income (loss) from continuing operations	(1,061)	154	(789)
EBITDA	(382)	160	(339)
Net income (loss)	(1,053)	(378)	179
Earnings (loss) per share (Rp)	(436)	(156)	179
Net cash provided by operating activities	784	801	(2)
Capital expenditures	2,003	893	124
Total assets	9,108	6,670	37
Net indebtedness	8,340	4,884	71
Total shareholders' equity	140	894	(84)
Market capitalization as of 31 December	7,666	4,346	76
Foreign exchange loss	1,082	1,575	(31)
Financial ratios (%)			
Net gearing	5,382	491	996
Interest cover (times)	(1.8)	(0.5)	260
Debt to equity	1,658	432	284
Return on equity	(754)	(42)	1,695

CORPORATE VISION

We will actively contribute to Indonesia's economic development.

We will maintain our leadership in cement and associated products while continuing to expand our infrastructure where necessary to ensure long-term growth, notwithstanding economic downturns.

We will continue to utilize our financial resources efficiently. When the right opportunities arise, we will invest in businesses with strong potential for growth and profitability.

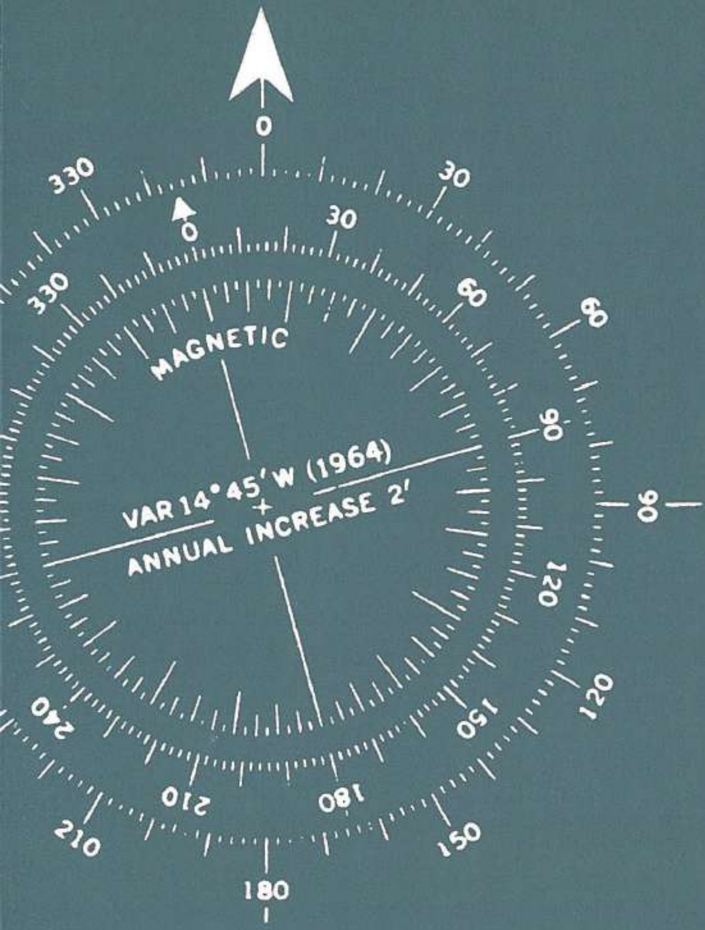
We will continue to improve our performance and our products by applying the best management expertise, together with the highest available levels of economically justifiable technology. And, we will strive to minimize our impact on the natural environment.

We will create excellent opportunities for our employees to develop and achieve their full potential.

We will continue to promote a culture of responsibility and accountability throughout the Company to sustain growth.

We will maximize shareholder value and provide appropriate opportunities for the public to participate in our success.

We will continue to be a good corporate citizen by supporting community development and upholding the public interest.



MAGNETIC
VAR 14° 45' W (1964)
ANNUAL INCREASE 2'
0
30
60
90
120
150
180
210
240
330

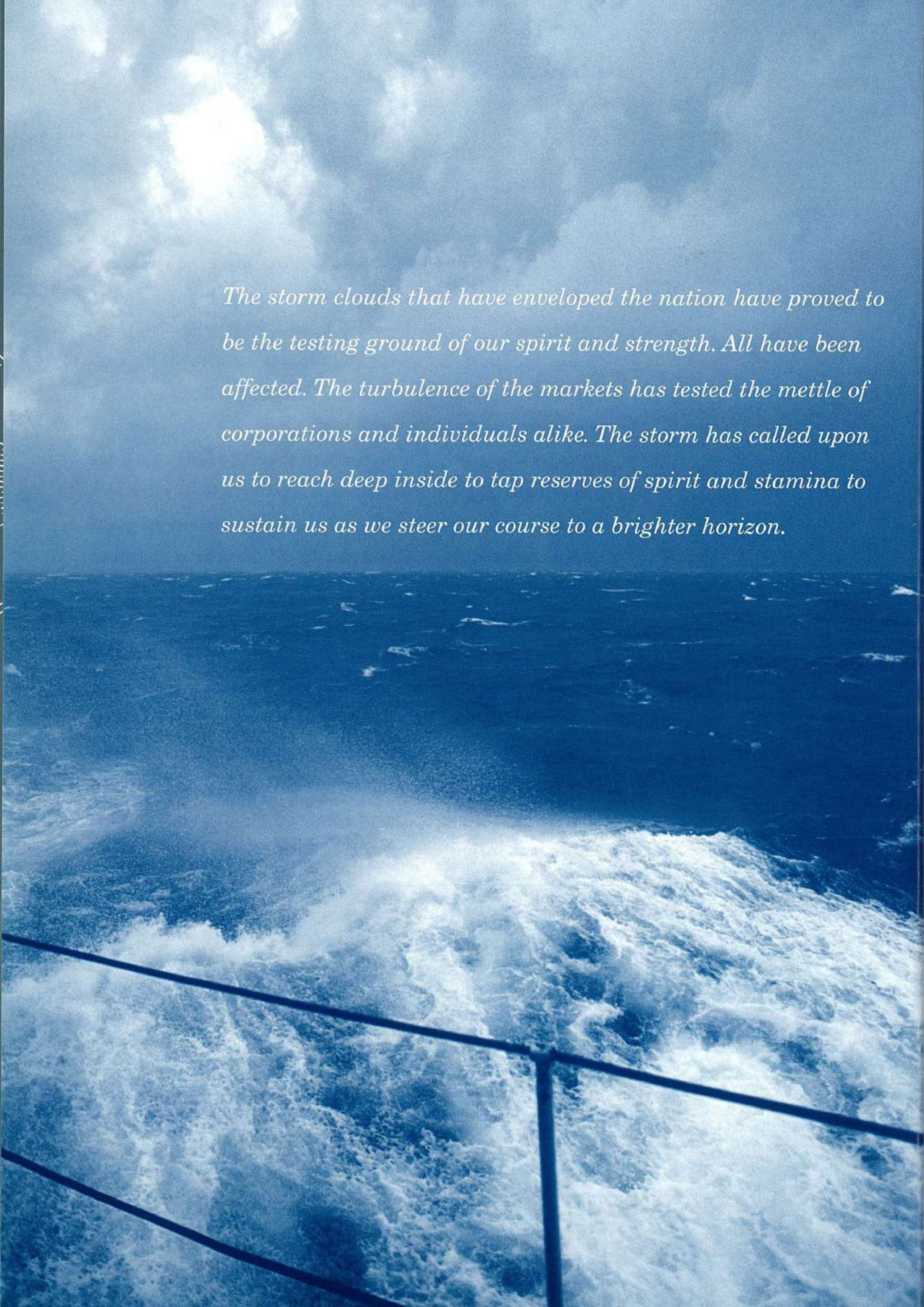
Indocement is one of Indonesia's leading producers and exporters of Portland and specialty cement products.

Today, Indocement has ten dry-process cement plants with an annual production capacity of about 11 million tons. The completion of Indocement's 11th plant in early 1999 will increase its production capacity to over 13 million tons per year. Including PT Indo Kodeco Cement (IKC), of which Indocement holds 71.4 percent ownership, Indocement's total annual cement production capacity will be nearly 16 million tons by the year 2000.

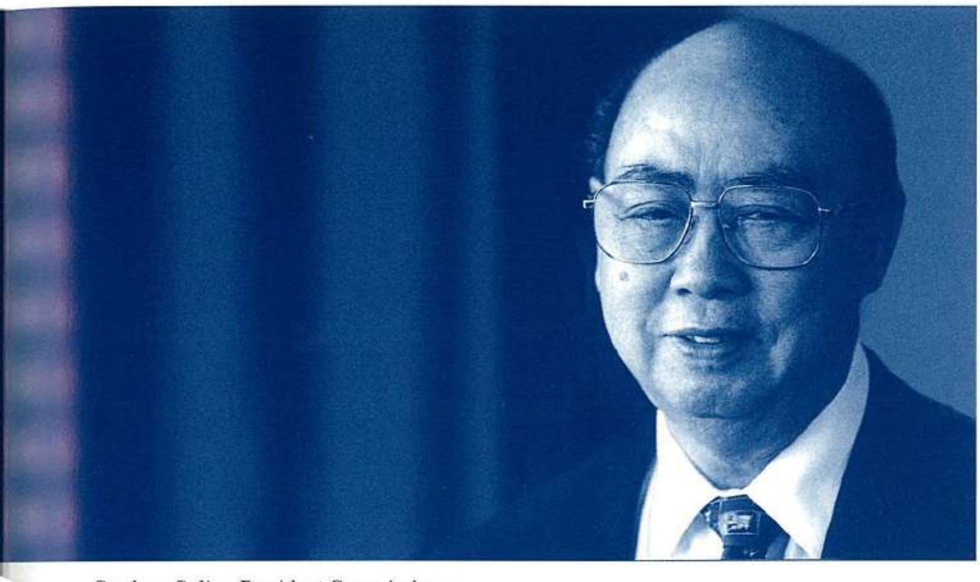
Indocement is a fully-integrated cement manufacturing company producing high quality cement products.

Indocement has fully-owned subsidiaries and major investments in other companies in the property and service businesses. It also has a major investment in a local coal mining company from which it sources part of its coal requirements.

The Indocement Group employs 7,332 people and has sales of approximately Rp1.6 trillion.



The storm clouds that have enveloped the nation have proved to be the testing ground of our spirit and strength. All have been affected. The turbulence of the markets has tested the mettle of corporations and individuals alike. The storm has called upon us to reach deep inside to tap reserves of spirit and stamina to sustain us as we steer our course to a brighter horizon.



Soedono Salim, President Commissioner

Nineteen ninety-eight was a year of extraordinary challenge for Indocement, a year made more difficult by the further devaluation of the rupiah and the prolonged economic crisis. Foreign exchange losses on our foreign currency denominated debts remained the single biggest factor negating our gains, which culminated in your Company sustaining significant losses.

Debt servicing became one of our main concerns, aside from maintaining sales, production and cost efficiencies to the highest level. The task was particularly difficult as business declined to unprecedented levels. The growth-driven construction sector of which we are part, suffered the most in terms of shrinking demand, increasing costs, contracting liquidity and escalating financial burdens from the outset of the economic crisis in Indonesia and Asia. All these took a toll on our profitability as margins declined.

Our response was to move forward to temper the effect of the crisis while negotiating for the restructuring of our loans and recharting our business strategies.

We began the year confronting three major issues:

- industry-wide excess in cement supply brought about by decreased demand and increased production capacity with the completion of pre-crisis expansion,
- significantly increased operating costs at the same time as prohibitive increases in foreign exchange losses and interest rates, and
- mounting pressures to service maturing debts at a time when liquidity was threatened by declining sales and collections.

Indocement managed to keep pace with the challenges as business developed favorably in accordance with the strategic measures we have implemented.

We ended the year with slightly higher sales revenue than last year and modest income from operations despite both decreasing sales volume and increasing cost of sales. Cash generated from operations was adequate to meet operational requirements. The construction of Plant 11 and other vital projects continued as planned.

Strategically, we are actively pursuing the restructuring of our loans and have taken steps to forge an alliance with strategic investors to further strengthen our financial condition. We also considered the re-alignment of our core business, and the rationalization of our operations to enhance operating results. The latter partly entails divesting non-performing investments and spinning off non-core assets to realize value. There are indications that these initiatives will generate positive results.

Our strategy of expanding our presence in the export market outside Asia means that Indocement can look to additional markets while local demand remains low. Approaching the end of the year, demand for cement export started to grow as Indonesian cement prices remained competitive.

We will continue to capitalize on the strategic gains we made over the past several years and build on our established core competency to improve our result in the coming years.

The dedication and commitment of our people and the continuing confidence and support of our stakeholders have bolstered our determination to not only survive but succeed in these difficult times. We thank them for giving us the impetus to collectively achieve better results amid a very challenging business environment.

We can be proud of our past, but we must continue to improve and assail the present with greater determination to confront the current challenges with resiliency and competency.

Soedono Salim
President Commissioner

Like the Captain of the ship surveying the horizon in stormy seas, the Board and Management are looking for a safe course to ensure the future well being of the Company, its shareholders and employees. This report chronicles the efforts of all the crew of Indocement as we continue our mission through this difficult passage.

Dear Shareholders,

For the second consecutive year, your Company's profitability has been significantly eroded by foreign exchange losses owing mostly to foreign currency denominated debts. Consolidated net loss for the year grew to Rp1,053 billion from Rp378 billion in 1997. However, income from continuing operations in 1998 was Rp21 billion compared to Rp154 billion in 1997. This is before the extraordinary foreign exchange losses (net), which have been charged to the current year pending the results of the loan restructuring negotiations with the lenders.

The continuing economic crisis in Indonesia and Asia remained a constant threat to our profitability, yet it did not deter us from achieving better operational results during the year. Indocement achieved consolidated sales revenue of Rp1,590 billion in 1998, slightly higher than that of Rp1,572 billion in 1997 with consolidated income from operations declining by 18 percent to Rp437 billion from Rp530 billion. The decline in consolidated operational income was mainly attributable to a significant drop in sales volume, increase in cost of sales, and an additional provision for doubtful accounts. The decline in sales revenues was partially offset by export sales and an increase in average selling price of 34 percent from last year.

Enhancing the Company's operating results for the year were our success in increasing export sales and the cost containment measures that tempered the effect of escalating material prices and operating costs.

EXPORT SALES

We have sustained the competitiveness of our products by leveraging on our flexibility and capacity to produce high-quality cement more efficiently. By strengthening our marketing network, we have improved our market penetration both locally and internationally. Our exports of cement and clinker surged to 1.2 million tons from 0.17 million tons in 1997, providing US$27.9 million in incremental sales revenue.

COST CONTAINMENT MEASURES

Our strategic initiatives of rationalizing and streamlining our operations helped enhance our cost competitiveness. The Plant 7 cooler modification resulted in improved fuel consumption efficiency and the Quarry D modification provided savings in operating costs. In addition, the conversion of Citeureup's Power Plant from diesel to oil-fed operation has provided us with the operational flexibility to use cheaper fuel depending on prevailing prices, thus enabling us to lower our power generation costs.

The successful implementation of other cost reduction measures provided additional savings which partly tempered the effect of increasing prices of raw materials and spare parts on production costs.

MAJOR CAPITAL PROJECTS

We were able to sustain the completion of major expansion projects, which had been started before the current economic crisis began in mid-1997. Our 71.4 percent owned subsidiary, PT Indo Kodeco Cement, completed its plant construction in 1997. Trial runs have been made and the resulting output of more than 122 thousand tons of cement was sold in East Java, Kalimantan and the eastern part of Indonesia.

The construction of Indocement's 11th plant in West Java went on as scheduled and the plant will commence operation by the second quarter of 1999.

Modification and related expansions of the Quarry D mining facility in West Java have been completed and the facility is now ready to meet our increased requirements for raw materials when the new plant is put into commercial operation.

All of these major capital projects were made possible by the continued faith and trust of our major contractors, suppliers and lenders in the Company's long-term viability.

The construction of our cement terminal in Semarang was temporarily shelved pending improvement in the local market situation.

EMPLOYEE AND COMMUNITY WELFARE

We remain steadfast on our commitment for continuing support to our employees and to the communities where we operate. We continued to fully support the financial requirements of the Company-built primary schools in Citeureup. After just two years of operation, these schools now provide subsidized education to nearly 500 students. Also, we ensured 24-hour operation of our medical clinic facilities, which provide free services to Company employees and their dependents as well as emergency service to the public.

POLLUTION CONTROL

Our past investments in pollution control facilities remained effective ensuring that dust emission levels are kept to the barest minimum. Our average dust emission level of less than 100 mg/Nm^3 was substantially below the government-mandated maximum limit of 150 mg/Nm^3.

Notwithstanding the precarious financial situation brought about by the economic crisis, the Company was able to sustain necessary major capital expenditures, honor its commitment to its employees, and fulfil its responsibilities to the community.

Y2K COMPLIANCE

After two years of sustained effort, Indocement's data processing systems are now Year 2000 (Y2K) compliant and trial tests were successfully carried out.

Tests of our plants' computerized process control systems are ongoing and are expected to be complete by mid-1999.

DEBT RESTRUCTURING

The continued profitability and growth of the Company partly depends on the successful restructuring of its long-term debts. In July 1998, Indocement declared a 'stand still' position for all of its debt service obligations. Subsequently, the lenders formed a Steering Committee composed of representatives from Bank of America NT&SA, as Chairman, and from The Chase Manhattan, N.A., Marubeni Corporation, Bank Nationale de Paris, The Fuji Bank Limited and Bank of Tokyo-Mitsubishi, as members. The Steering Committee appointed KPMG, a worldwide consulting company, as its financial consultant. In its initial report, KPMG strongly recommended that, given the long-term viability of Indocement, the lenders move forward on debt-restructuring.

Outlook

We anticipate that the domestic business environment will continue to be affected by a host of uncertainties until the political and economic situation in Indonesia have stabilized.

The construction sector will likely remain pressured by the combined effects of declining local demand, increased production capacity, and higher operating costs due to inflation. Greater interest costs and larger debt-servicing burdens will continue to exacerbate these challenges and erode any gains.

Sustained success in export sales is expected to allow us to optimize production capacity utilization over the next few years. Sales to our export markets should be further enhanced once the ongoing negotiations with strategic investors are completed.

The favorable conclusions of the current loan restructuring negotiations and the strategic undertakings now underway will play significant roles in Indocement's drive for improved profitability and long-term financial strength. We foresee that a successful conclusion to these initiatives will come in time for the Company to move forward resolutely in the years ahead.

STRATEGIC THRUSTS

Considering the outlook for the coming year, our strategic thrusts remain focussed on increasing export sales and easing our financial burden. Prudent financial management initiatives and creative operational policies will be an additional focus.

Aside from operational requirements, priority will be given to funding capital projects to support our strong marketing efforts and servicing our maturing financial obligations.

We will continue to build on our ability to provide high-quality products and services at the lowest possible price. Together with our operational rationalization and streamlining efforts, these initiatives should sustain our competitiveness.

Despite the daunting economic and political instability we faced as we ended 1998, we have renewed confidence in our ability to achieve our goals for the coming years as we proceed through these tough times with greater determination.

We thank our employees and our stakeholders for their unwavering faith and support during this critical time of change. Their continued diligence and dedication to the long-term interests of Indocement have created an environment in which we were able to respond decisively and with vigor to the many challenges we face.

Jakarta, 30 April 1999

BOARD OF COMMISSIONERS

Soedono Salim

H. Aang Kunaefi

Djuhar Sutanto

Johny Djuhar

Kuntara

Andree Halim

Tanto Koeswanto

BOARD OF DIRECTORS

Sudwikatmono

Anthony Salim

Ibrahim Risjad

Tedy Djuhar

Iwa Kartiwa

Soepardjo

Daddy Hariadi

Franciscus Welirang

Benny S. Santoso


Soedono Salim


H. Aang Kunaefi


Djuhar Sutanto


Johny Djuhar


Kuntara


Andree Halim


Tanto Koeswanto

The Board of Commissioners is responsible for overseeing the activities of the Board of Directors. Commissioners are entitled to 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, 82
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.

H. Aang Kunaefi, 76
Commissioner

Mr. Kunaefi has been a Commissioner of Indocement since 1985.

Djuhar Sutanto, 70
Commissioner

Mr. Sutanto has been a Commissioner of Indocement since 1985 and was one of its founders. He is closely associated with Mr. Soedono Salim as a business partner.

Johny Djuhar, 40
Commissioner

Mr. Djuhar has been a Commissioner of Indocement since 1993.

Kuntara, 59
Commissioner

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

Andree Halim, 51
Commissioner

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

Tanto Koeswanto, 58
Commissioner

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


Sudwikatmono


Anthony Salim


Ibrahim Risjad


Tedy Djuhar


Iwa Kartiwa


Soepardjo


Daddy Hariadi


Franciscus Welirang


Benny S. Santoso

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 provides that the Company shall have a maximum of nine Directors, including one President Director and one Vice President Director.

Sudwikatmono, 64
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.

Anthony Salim, 49
Vice President Director

Mr. Salim has been Vice President Director of Indocement since 1989. He is also the President and Chief Executive Officer of the Salim Group.

Ibrahim Risjad, 64
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.

Tedy Djuhar, 47
Director

Mr. Djuhar has been a Director of the Company since 1985. He is also a Director of First Pacific Company Limited.

Iwa Kartiwa, 57
Director

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

Soepardjo, 69
Director

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

Daddy Hariadi, 52
Director

Mr. Hariadi has been a Director of the Company since 1985. Formerly, he was a Director of PT Semen Padang.

Franciscus Welirang, 47
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, 41
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 Rp7.8 billion in 1998.

the line is taken once around

the line is passed across the original lead and around

it is tucked under the crossing

fair up by moving both turns together and snugging both leads

the **Clove Hitch** is a simple knot applied to post and bollards, non-slippery round surfaces, to withstand right-angle pull.

Our products still enjoy strong brand recognition in the domestic market. This, together with our established record as a reliable exporter of Portland and specialty cement products bolstered our overall competitive position in the market.

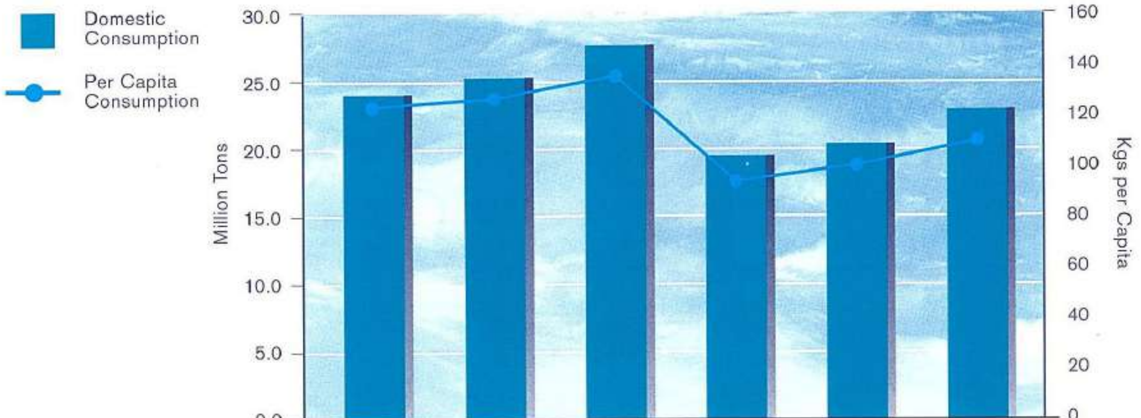
Marketing

SALES AND MARKET SHARE

Cement and clinker export totaled 1.2 million tons, more than seven times the 0.17 million tons shipped in 1997 and equivalent to 27 percent of Indonesia's total export of 4.4 million tons. Domestic cement sales dropped 34 percent to 6.4 million tons from 9.6 million tons with national market share slightly reduced to 33.1 percent compared to 34.4 percent in 1997.

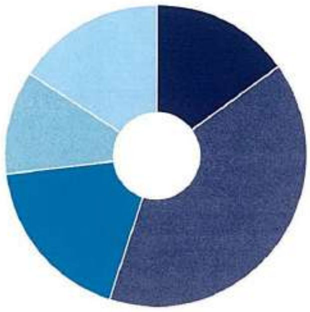
Total domestic cement consumption in 1998 was 19.1 million tons compared to 27.4 million tons in 1997. Hardest hit by the decline in local demand were Indocement's main markets of Jakarta and West Java which accounted for 41 percent of national demand in 1997. The combined market demand in these areas sank 42 percent compared to the national average of 30 percent.

Domestic & Per Capita Consumption



Sales by Region

DKI Jakarta	15.07%
West Java	40.18%
Central & East Java	17.83%
Other Domestic	11.12%
Export	15.80%



Although Indocement successfully penetrated other markets outside Jakarta and West Java, the additional volume was insufficient to outweigh the shortfall in sales volume in the main markets resulting in an overall reduction in Indocement's sales and market share.

Total sales volume for the year, including off-take volume from PT Indo Kodeco Cement, declined by 23 percent to 7.6 million tons from 9.8 million tons.

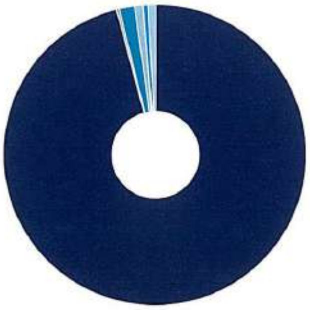
The average selling price of cement in 1998 was Rp212 thousand per ton, an increase of 34 percent over the previous year.

PRODUCT PORTFOLIO

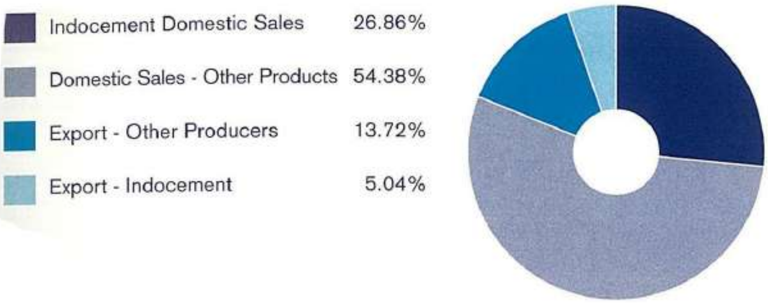
Portland cement remained our flagship product accounting for nearly 93 percent of total sales volume. Clinker, a semi-finished product awaiting final processing into cement, had substantial growth in export sales with sales of 28 times the previous year's volume. Five other product types, namely white cement, oil well cement, mixed cement, Type II cement and Type V cement, were kept in the product portfolio to serve as strategic leverage in marketing the main product. In some instances, buyer's preferences for Indocement are influenced by the Company's additional capability to supply other types of cement, particularly white cement, of which Indocement is the sole domestic producer.

1998 ITP Sales Volume

Grey Cement	98.23%
Mixed Cement	0.02%
White Cement	1.16%
OWC	0.39%
Type II	0.08%
Type V	0.12%



Export vs Domestic Sales



In terms of bulk and bagged cement sales mix, demand for bulk cement dropped substantially in favor of bagged cement. This was a direct result of the stoppage of most major construction projects in Jakarta and West Java, which were the main consumers of bulk cement.

Our products still enjoy strong brand recognition in the domestic market. This, together with our established record as a reliable exporter of Portland and specialty cement products bolstered our overall competitive position in the market.

Other Specialty Products

Demand for ready-mix concrete and clean set cement shrank substantially, owing to the suspension of major construction projects in the main markets of Jakarta and West Java. Growth is expected to remain flat over the next three years with slight recovery expected in two to three years.

MARKET PROSPECTS

Demand for cement in Asia is foreseen to remain low in the near-term. The capacity expansion undertaken by most of the cement producers in the region two years ago will lead to a further over-capacity in cement.

The aggressive entry of foreign players into Asia is expected to further stiffen competition for the limited growth in certain markets in the region. On the other hand, we foresee that their entry could smoothen the oversupply situation in the region as new markets outside the region become open.

The cost-competitiveness of Indonesian cement, in which Indocement is one of the front-runners, will continue to provide competitive leverage in the limited export market. Our marketing success will depend largely on how quickly and efficiently we can serve customer needs. Thus, our strategic directions are aimed at these challenges.

Peter Tanuwijaya
Division Manager-Marketing

Manufacturing Operations

CAPACITY UTILIZATION

The significant drop in overall sales volume reduced our capacity utilization to a ten-year low of less than 70 percent. Total cement production was 6.9 million tons, a decrease of 30 percent from last year's 9.8 million tons. Clinker production was 7.1 million tons, down by 23 percent compared to 9.2 million tons.

Notwithstanding the unfavorable business situation for cement, the reduced demand provides us the flexibility to operate the most efficient plants for optimum quality and cost while upgrading the other plants to tip-top condition. This in turn will improve our readiness to operate more efficiently when demand picks up in a few years.

SUPPORTING OPERATIONS

Mining Operation

Limestone and clay, which comprise over 90 percent of the raw materials used in the manufacture of cement, are produced in the on-site quarries owned and self-operated at each of our cement plant locations in Citeureup and Cirebon, West Java. Raw materials are transported to the plant primarily by means of overland conveyors. Mining operations rely heavily on the availability and dependability of heavy equipment, crushers and conveyors. The main cost components for the mining operation are fuel, lubricants, repairs and maintenance, and power, aside from labor and other fixed costs.

The critical performance areas we set for our mining operation require it to supply quality raw materials on time which it has accomplished satisfactorily.

During the year, we produced 9.1 million tons of limestone and 1.3 million tons of clay representing 65 percent capacity utilization. Our deposit reserve is expected to supply all our existing plant requirements at full capacity for over 50 years.

Power Plant Operation

Indocement owns and operates power plants, which fully supply the power requirements of Citeureup while Indonesia's state-owned electric company PLN supplies Cirebon's power requirements. The main cost components of power plant operation are fuel, lubricants, repairs and maintenance.

The established critical performance areas for this operation require it to provide uninterrupted power supply at optimum cost.

During the year, the Citeureup Power Plant generated a total of 826 million kilowatt- hours (KWH) representing 60 percent of operational capacity utilization. A central power control system was developed to protect the cement plant's manufacturing equipment and to avert any total plant blackout. Shutdowns resulting in disruption of plant operation were negligible with zero incident of total power failure in 1998.

Gunawan Purwadi, Kuky Permana
General Managers - Manufacturing

Our previous investments in acquiring a gas turbine and in upgrading our power plant facility and system in Citeureup now give us the flexibility to run our power plant at the most economical level. Our capability to shift into gas or oil-fed operation effectively addresses the volatility in their prices, which are strongly influenced by foreign exchange fluctuations.

In addition, the waste heat recovery system implemented several years ago continued to yield about 7 percent savings in energy for power generation.

Paper Bag Manufacturing Operation

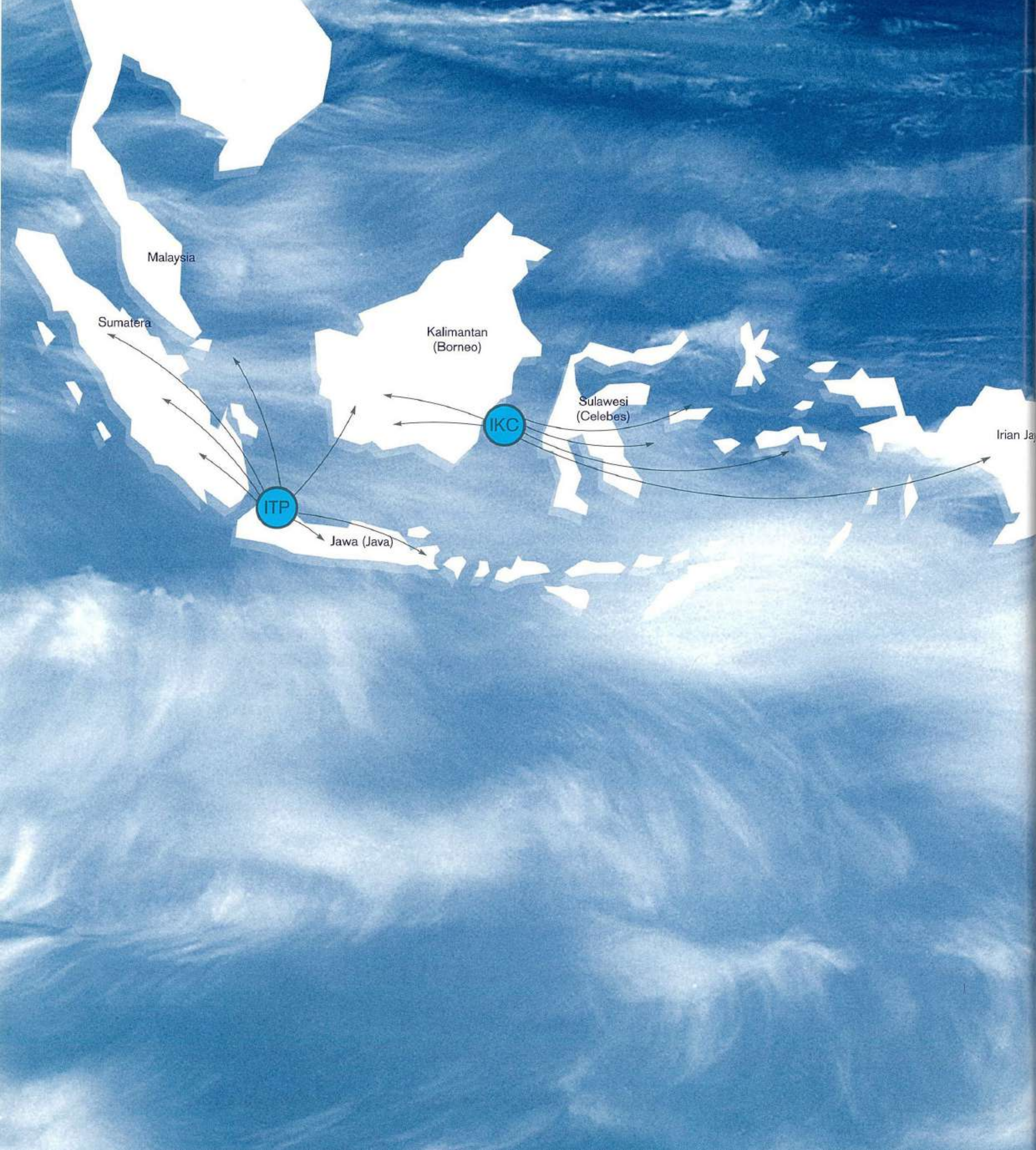
Indocement owns and operates paper bag making plants to supply its requirements. Production cost is principally dictated by the price of paper, which comprises over 80 percent of total production cost. The increased flexibility to produce pasted bags enabled the Company to realize cost savings in overall packing costs.

During the year, a total of 122 million bags were produced representing 37 percent capacity utilization. Production damages and rejects were within standard and the packing breakage rate was at a minimum level.

Existing paper bag production capacity was partly utilized to produce paper bags for sale to a number of customers and third parties dealing with similar bagged products. This enabled us to recover part of our fixed costs while at the same time further leveraging our sales of cement to bulk cement consolidators.

There is currently an increase in demand for paper bags, which could help reduce our production costs as we increase our capacity utilization.

STRATEGIC LOCATIONS OF OUR CEMENT PLANTS



OTHER INVESTMENTS

The company retains investments in property and service industries, which are in synergy with its core business.

PT Wisma Nusantara International

Owner of Wisma Nusantara, a 30-storey Office Tower and the adjacent 315-room President Hotel. Both are strategically located in the heart of Jakarta.
Revenue amounted to Rp83.6 billion in 1998.

PT Indominco Mandiri

A local coal mining company in Bontang, East Kalimantan, with annual production capacity of 3.5 million tons of coal started commercial operation in 1997.
Revenue amounted to Rp449.3 billion in 1998.

PT Indotek Engico

An engineering service company providing design and construction management services.
Revenue amounted to Rp14.1 billion in 1998.

PT Cibinong Center Industrial Estate

An industrial park leasing land and buildings in the vicinity of the cement operation complex at Citeureup.
Revenue amounted to Rp9.8 billion in 1998.

PT Indo Clean Set Cement

A joint venture company producing special cement used in road construction and building foundations.
Revenue amounted to Rp1.2 billion in 1998.

STILLWATER SHIPPING

Stillwater Shipping Corporation

A shipping company operating in Indonesia and nearby Singapore with total handling capacity of 10,000 deadweight tons.
Revenue amounted to Rp38.7 billion in 1998.

Indocement's continuing drive for efficiency and the challenge to achieve better results in spite of adverse economic conditions place heavy demands on personnel and necessitates a steady improvement in the quality and capability of employees at every level.

Our strategy of filling vacancies from within the Company, when possible, has proved very successful and will continue to be pursued. The continuing training in the form of both internal and external seminars, on-the-job coaching, developmental cross-posting and a multitasking program, ensure that the success of this strategy will continue to be met.

During 1998, the Company developed and implemented an integrated information system intended to measure improvements in employee productivity and efficiency as well as specific program results. This system will enable our managers to continually monitor progress and implement appropriate steps to keep training programs on track.

Great importance is also placed on the welfare of employees, their families and the communities in which we operate. Despite the Company's tight financial situation, employee benefits and community support programs were sustained in 1998 by our injection of additional monies to cover cost increases brought about by the economic crisis.

As a good corporate citizen and a caring employer we uphold our commitment to the community and our employees, a tradition that has bound a loyal, dedicated, motivated work force and a supportive community.

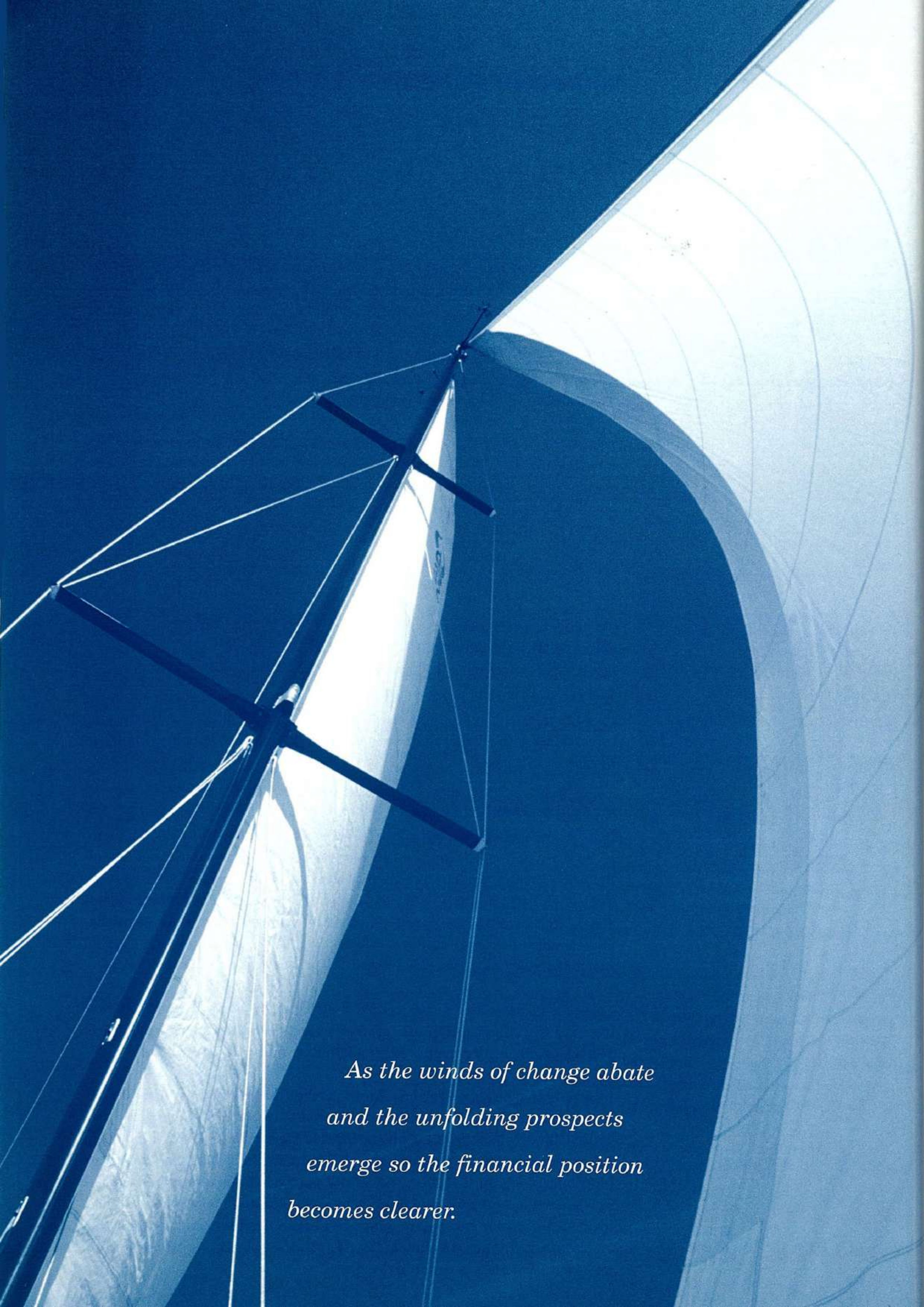
the line is taken through twice

it is passed across the lead and tucked through both turns

after snugging, the line is taken around and tucked again

the hitch is snugged and faired up by working it with fingers

the **Anchor Hitch** attaches a line to a ring or small diameter object.



As the winds of change abate and the unfolding prospects emerge so the financial position becomes clearer.

Consolidated net sales revenue in 1998 totaled Rp1,590 billion, a slight increase from Rp1,572 billion in 1997 but cost of sales and operating expenses increased at a faster rate of 11 percent to Rp1,153 billion from Rp1,042 billion.

MANAGEMENT'S ANALYSIS AND DISCUSSIONS

Indocement's consolidated financial statements include those of PT Indomix Perkasa and PT Indo Kodeco Cement, a 71.4 percent owned subsidiary held through PT Indocement Investama. Minority interest holdings and investments with other affiliates and subsidiaries were consolidated following the equity method.

Financial Results

Indocement's consolidated net loss for the year amounted to Rp1,053 billion, an increase of Rp675 billion or 179 percent from the consolidated net loss of Rp378 billion last year. This is primarily attributable to foreign exchange losses (net) of Rp1,082 billion arising mostly from foreign currency denominated debts. By charging this foreign exchange loss to the current year, the profitability of succeeding years will be unaffected by the amortization of previous year's foreign exchange losses.

Consolidated net sales revenue in 1998 totaled Rp1,590 billion, a slight increase from Rp1,572 billion in 1997 but cost of sales and operating expenses increased at a faster rate of 11 percent to Rp1,153 billion from Rp1,042 billion.

Income from operations declined by 18 percent to Rp437 billion from Rp530 billion due partly to the higher costs of production materials, gas and fuel, which followed the substantial depreciation of the rupiah. The average rupiah-dollar exchange rate in 1998 was Rp9,926 compared to Rp2,884 in 1997. Also contributing substantially to the decline in operating revenue were the increase in depreciation cost resulting from plant expansion and major modifications; increase in repairs and maintenance costs associated with a higher cost of spare parts; higher provision for doubtful accounts; and increase in transportation costs pertaining to exports.

The equity share in the net earnings of investees (net) amounted to Rp31 billion, up from Rp12 billion last year.

Other charges (net) during the year amounted to Rp1,498 billion, an increase of Rp1,121 billion from Rp377 billion. This was basically due to the net effect of the reduction in swap cost and the increase in foreign exchange losses and interest expenses.

Financial Position

The Company's consolidated assets stood at Rp9,108 billion as of December 31, 1998, an increase of Rp2,438 billion or 37 percent from Rp6,670 billion in 1997. Property, plant and equipment accounted for growth in assets due to the construction costs of Plant 11 and PT Indo Kodeco Cement and capitalized costs for major plant modifications including foreign exchange adjustments and applicable interest costs.

Santiago S. Navarro
Division Manager - Finance & Accounting

Total liabilities including minority interest in consolidated subsidiaries amounted to Rp8,968 billion, an increase of 55 percent or Rp3,192 billion over Rp5,776 billion in 1997. This was mainly due to the devaluation of the rupiah where about 85 percent of total liabilities are denominated in foreign currencies.

Shareholders' equity amounted to Rp140 billion in 1998, down by 84 percent from Rp894 billion mainly due to the net effect of the consolidated net loss and positive foreign currency translation adjustments.

Indocement's funding requirements in 1998 were covered by internal cash flows augmented by external borrowing for capital expenditures. Cash flow from operating activities in 1998 was Rp784 billion compared to Rp801 billion in 1997. Cash and cash equivalents, however, declined by 83 percent to Rp84 billion from Rp490 billion partly due to payment of certain liabilities.

Export sales accounted for 16 percent of total sales. This provided Rp257 billion in funds, which were immediately plowed back into operations thereby augmenting the Company's operational liquidity. Credit sales remained exclusive to four major distributors with established track records of over 20 years with the Company. The trade accounts receivable balance as of the end of the year amounted to Rp184 billion, an increase of Rp12 billion. Aging of receivables in 1998 averaged 42 days compared to 38 days in 1997.

The substantially low sales volume and forced production slowdown in December due to the Lebaran holidays were compounded by higher cost of materials, supplies and spare parts contributing to the increase in inventory balances.

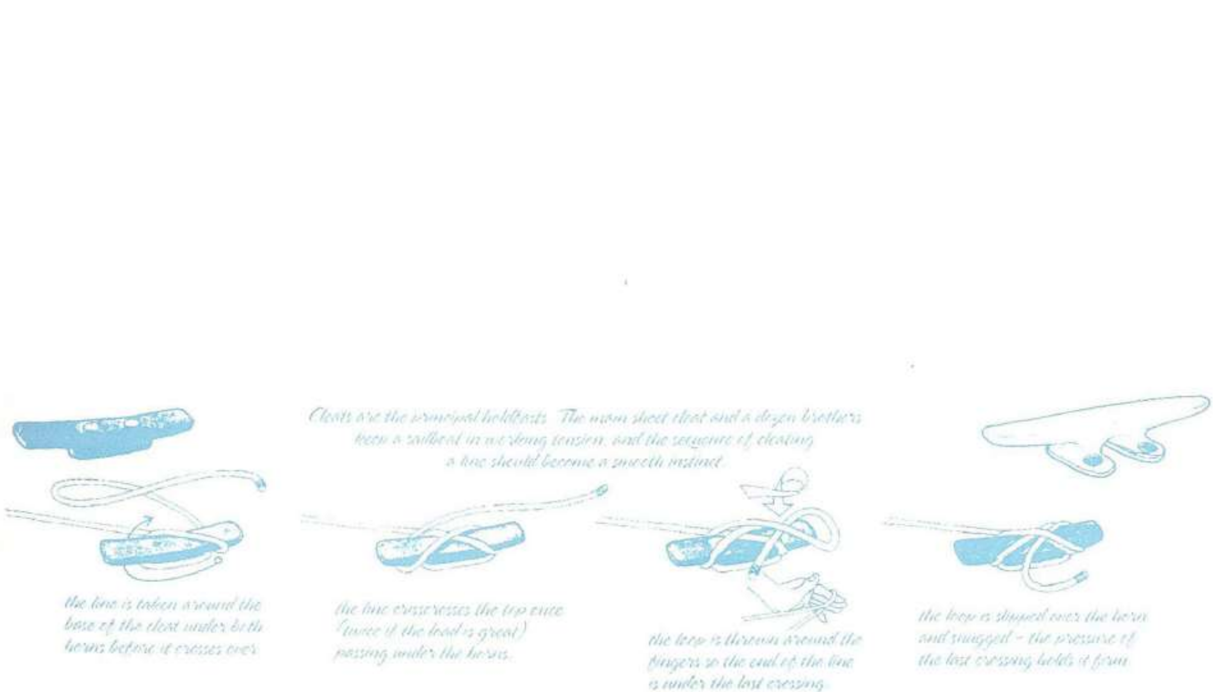
Property, plant and equipment including construction-in-progress balance increased by Rp2,803 billion. This includes capitalized interest costs and foreign exchange losses amounting to Rp113 billion.

Capital projects that had begun before the current crisis were pushed through despite the Company's tight cash position as it would have been more costly to postpone and resume construction in later years.

Indocement's consolidated total interest-bearing debt at the end of 1998 amounted to Rp7,776 billion of which 98 percent is denominated in foreign currency for a total of US$ 950 million. This includes new borrowings in 1998 amounting to US$ 119 million representing draw-downs from approved loans for the Plant 11 project.

As of December 31, 1998, issued capital stock consisted of 2,414 million class A shares held by 1,456 shareholders.

Phiong Phillipus
Division Manager - Corporate Finance



FIVE YEAR SUMMARY

Amounts in billions of Rupiah unless otherwise stated	1998	1997	1996	1995	1994
Net revenues	1,590	1,572	1,449	1,420	1,253
Gross profit	616	668	695	701	601
Income from operations	437	530	591	605	524
EBITDA (1)	(382)	160	764	688	628
Net income (loss)	(1,053)	(378)	551	476	368
Net cash provided by operating activities	784	801	729	94	224
Total assets	9,108	6,670	4,607	5,341	4,848
Total liabilities	8,968	5,776	2,608	2,779	4,846
Stockholders' equity	140	894	1,999	2,562	2,279
Net borrowings (2)	7,518	4,390	1,692	1,221	1,940
Capital employed	537	5,139	3,799	4,530	3,846
Capital expenditures					
Fixed assets (3)	2,003	893	838	275	279
Issued ordinary shares ('000)	2,414	2,414	2,414	1,207	1,207
Per share data (4)					
Primary earnings (loss) per share	(436)	(156)	228	197	152
Dividend per share		150	70	120	120
Book value per share	58	370	828	1,061	944
Financial Ratios (%)					
Current ratio	15	98	225	278	113
Net gearing (5)	5,382	491	85	48	85
Net borrowing to assets	83	66	37	23	40
Return on assets	(12)	(6)	12	9	8
Return on capital employed	(196)	(7)	15	11	10
Return on shareholders' equity	(754)	(42)	28	19	16
Number of employees	7,332	7,360	6,728	6,272	6,100

(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, less short term investment

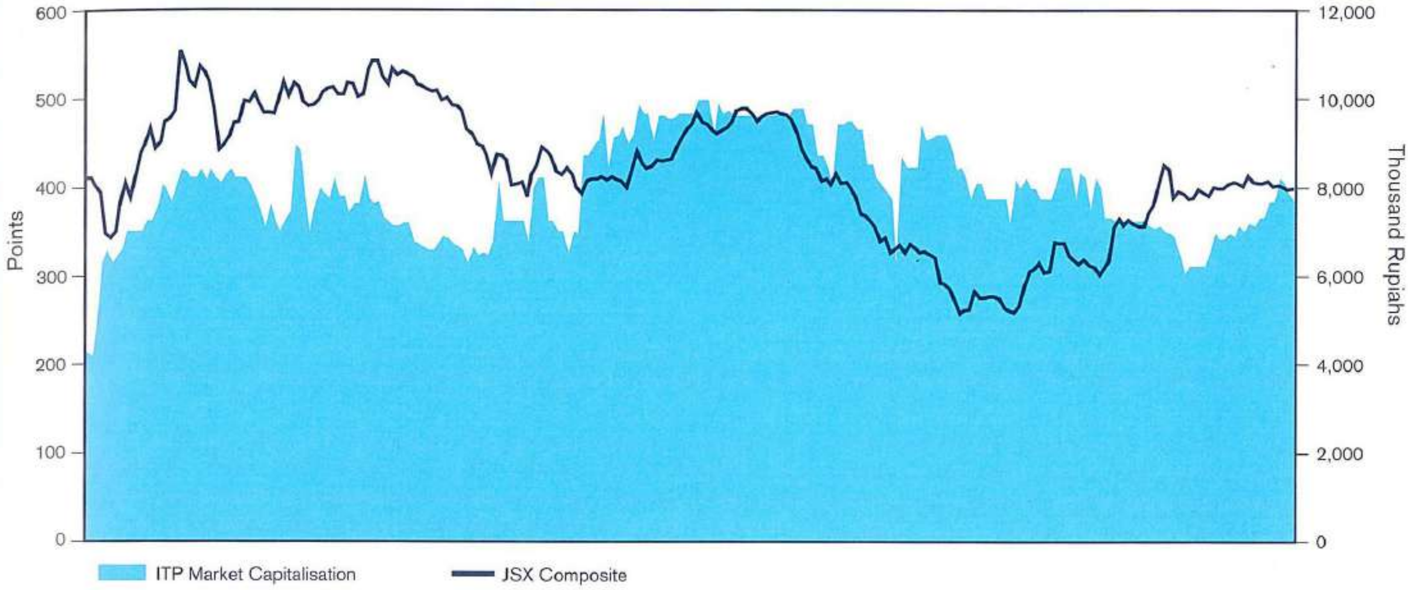
(3) Including construction in progress

(4) Restated based on the weighted average number of shares after bonus shares in 1994 and after stock split in 1996

(5) Net borrowings as a percentage of shareholders' equity. Restated without Indofood data

The data covering the period 1994 to 1996 were restated to exclude Indofood.

1998 ITP Market Capitalisation against JSX Composite



During the year a total of 124 million Indocement shares valued at Rp370 billion were traded on the Jakarta Stock Exchange compared with 441 million shares valued at Rp1,470 billion in 1997. The average number of shares traded daily was 0.5 million. Indocement shares closed at Rp3,175 per share on December 30, 1998 (the last trading day), nearly twice the opening price of Rp1,775 per share on January 2, 1998. In the same period the Jakarta Stock Exchange index moved from 410.01 points to 398.04 points.

Indocement's share price dropped as low as Rp1,675 per share in early January 1998, bounced back to over Rp3,000 per share in February 1998 and reached the highest level for the year at Rp4,150 per share in July 1998.

As of December 31, 1998, the number of Indocement shareholders was 1,456.

INDEPENDENT AUDITORS' REPORT

This Report is Originally Issued in Indonesian Language

Report No. 31686S

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, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These 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 financial statements of PT Wisma Nusantara International and PT Indominco Mandiri, the investments in which are accounted for in the accompanying consolidated financial statements using the equity method. The investments in these investees represent approximately 1.67% and 2.12% of the total consolidated assets as of December 31, 1998 and 1997, respectively, while the related net equity share in net earnings of these investees amounted to Rp 25,706,221,841 and Rp 8,824,581,159 in 1998 and 1997, 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 respect, the financial position of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted 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 22 to the consolidated financial statements includes a summary of the effects that the continuing adverse economic condition 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 the continuing adverse economic condition. The accompanying consolidated financial statements as of December 31, 1998 and 1997 include the effects of the continuing adverse economic condition to the extent that they can be determined and estimated. 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 continuing adverse economic condition 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 the continuing adverse economic condition may have on the Company's and its Subsidiaries' liquidity and earnings, including the effects flowing through from their customers, suppliers, creditors and shareholders.

PRASETIO, UTOMO & CO.

Drs. Adi Pranoto Leman
Licence No. 98.1.0060

March 1, 1999

Notice to Readers

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

CONSOLIDATED BALANCE SHEETS

December 31, 1998 and 1997

These Consolidated Financial Statements are Originally Issued in Indonesian Language

ASSETS

	Notes	1998	1997
		Rp	Rp
Current Assets			
Cash and cash equivalent	2c,2f,3,5	84,094,783,367	489,558,760,120
Short-term investments - net	2d	173,363,768,194	154,215,109,132
Accounts receivable			
Trade (net of allowance for doubtful accounts of Rp 3,079,529,790 in 1998 and Rp 786,260,900 in 1997)	2e,4		
Related parties	2f,5	141,978,725,677	90,385,222,062
Third parties		42,255,434,088	81,791,648,038
Non-trade (net of allowance for doubtful accounts of Rp 6,571,600,000 in 1997)	2e		
Related parties	2f,5	75,853,415,396	58,740,591,726
Third parties		50,650,992,911	22,089,058,881
Inventories - net	2g,6	454,882,547,932	254,925,552,986
Advances and deposits	21a	113,006,149,973	179,836,116,646
Prepaid taxes and expenses	2h,11	179,141,229,166	164,644,319,748
Total Current Assets		**1,315,227,046,704**	**1,496,186,379,339**
Investments in Shares of Stock and Advances to Investees	2b,7	**268,870,648,337**	**235,956,202,694**
Property, Plant and Equipment	2h,5,6,8,9,12,21c,21d		
Carrying value		8,564,820,246,499	5,761,818,624,372
Accumulated depreciation, amortization and depletion		(1,269,158,209,492)	(1,120,580,341,334)
Net Book Value		**7,295,662,037,007**	**4,641,238,283,038**
Other Assets			
Deferred charges - net	2l	55,790,091,352	22,738,954,087
Restricted cash in bank	21f	46,780,924,728	-
Goodwill - net	2b	7,995,569,303	11,955,805,104
Forward exchange contracts - net	2p,21f	-	185,828,375,133
Other non-current assets - net	2h,2m	117,546,378,300	76,218,795,011
Total Other Assets		**228,112,963,683**	**296,741,929,335**
Total Assets	17	**9,107,872,695,731**	**6,670,122,794,406**

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

CONSOLIDATED BALANCE SHEETS

December 31, 1998 and 1997 (continued)

These Consolidated Financial Statements are Originally Issued in Indonesian Language

LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	1998 Rp	1997 Rp
Current Liabilities			
Short-term loans	2f,5,9	5,000,000,000	468,129,866,451
Accounts payable			
Trade	10		
Related parties	2f,5	769,512,562	2,964,865,336
Third parties		82,493,283,008	93,392,567,333
Non-trade			
Related parties	2f,5	14,044,523	2,478,783,835
Third parties		363,989,023,931	234,427,998,394
Accrued expenses	5,12,21f	323,741,270,605	109,348,268,763
Taxes payable	2q,11	21,223,381,035	19,131,792,025
Unearned income		3,054,490,661	3,931,953,710
Current maturities of long-term debts	2p,5,12		
Bank loans		7,767,528,251,205	595,842,357,741
Obligations under capital leases	2j	3,091,006,580	1,790,033,008
Total Current Liabilities		**8,570,904,264,110**	**1,531,438,486,596**
Long-Term Debts - Net of Current Maturities	2p,5,12		
Bank loans		-	3,964,286,641,472
Obligations under capital leases	2j	-	3,806,855,488
Total Long-Term Debts		**-**	**3,968,093,496,960**
Deferred Gain on Sale and Leaseback Transactions	2j	**26,071,800,388**	**28,312,522,307**
Minority Interests in Net Assets of Subsidiaries		**371,197,695,568**	**248,079,421,835**
Shareholders' Equity			
Capital stock - Rp 500 par value			
Authorized - 4,000,000,000 shares			
Issued - 2,414,453,320 shares	13	1,207,226,660,000	1,207,226,660,000
Additional paid-in capital	14	172,329,476,497	172,329,476,497
Differences arising from restructuring transactions among entities under common control	2b,15	(1,496,514,575,077)	(1,496,514,575,077)
Foreign currency translation adjustments	2b	562,570,781,248	264,320,063,030
Retained earnings (deficit)	12,16		
Appropriated		50,000,000,000	50,000,000,000
Unappropriated		(355,913,407,003)	696,837,242,258
Total Shareholders' Equity		**139,698,935,665**	**894,198,866,708**
Total Liabilities and Shareholders' Equity		**9,107,872,695,731**	**6,670,122,794,406**

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

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 1998 and 1997

These Consolidated Financial Statements are Originally Issued in Indonesian Language

	Notes	1998	1997
		Rp	Rp
Net Revenues	2n,5,17	1,589,882,081,427	1,572,160,965,127
Cost of Revenues	2n,17,18	973,973,559,716	903,786,207,325
Gross Profit		**615,908,521,711**	**668,374,757,802**
Operating Expenses	2n,19		
Delivery and selling		83,367,683,460	52,456,946,579
General and administrative		95,574,139,609	85,859,454,096
Total Operating Expenses		**178,941,823,069**	**138,316,400,675**
Income from Operations	17	436,966,698,642	530,058,357,127
Other Income (Charges)			
Interest income	3	46,491,961,168	124,883,916,136
Equity share in net earnings of investees - net	2b,7	31,798,016,552	12,340,792,215
Foreign exchange losses – net	2k,2p,8,12	(1,082,100,373,287)	(99,147,536,908)
Interest expense	2k,8	(383,251,921,349)	(254,395,741,890)
Swap costs	2p,21f	(151,433,215,818)	(203,651,767,528)
Others - net	2b,2d,2j,2l,2m	40,215,658,038	43,433,163,707
Other Charges - net		**(1,498,279,874,696)**	**(376,537,174,268)**
Income (Loss) from Continuing Operations		(1,061,313,176,054)	153,521,182,859
Income from Discontinued Operations	1	-	3,549,505,066
Gain from Disposal of Discontinued Operations	1	-	933,541,000,403
Income (Loss) Before Extraordinary Losses on Foreign Exchange		(1,061,313,176,054)	1,090,611,688,328
Extraordinary Losses on Foreign Exchange - Net	2p	-	(1,476,049,439,430)
Loss Before Provision for Income Tax (carried forward)		(1,061,313,176,054)	(385,437,751,102)

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 1998 and 1997 (continued)

These Consolidated Financial Statements are Originally Issued in Indonesian Language

	Notes	1998	1997
		Rp	Rp
Loss Before Provision for Income Tax (brought forward)		(1,061,313,176,054)	(385,437,751,102)
Provision for Income Tax	2q,11	770,197,715	194,151,488
Loss Before Minority Interests in Net Losses of Subsidiaries		(1,062,083,373,769)	(385,631,902,590)
Minority Interests in Net Losses of Subsidiaries		9,332,724,508	7,829,764,908
Net Loss		**(1,052,750,649,261)**	**(377,802,137,682)**
Earnings (Loss) per Share	2r		
Income from operations		180.98	219.54
Net loss		(436.02)	(156.48)

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, 1998 and 1997

These Consolidated Financial Statements are Originally Issued in Indonesian Language

	Notes	Capital Stock	Additional Paid-in Capital	Differences Arising from Restructuring Transactions Among Entities Under Common Control
		Rp	Rp	Rp
Balance, January 1, 1997		1,207,226,660,000	172,329,476,497	(969,194,287,003)
Net loss	-	-	-	-
Foreign currency translation adjustments	2b	-	-	-
Differences arising from acquisitions by PT Indofood Sukses Makmur Tbk of equity ownerships on entities under common control	2b,15	-	-	(459,787,866,600)
Differences arising from acquisition by PT Indomix Perkasa of equity ownership on PT Indominco Mandiri	- 2b,15	-	-	(67,532,421,474)
Spin-off	1	-	-	-
Cash dividends	16	-	-	-
Appropriation for general reserve	16	-	-	-
Balance, December 31, 1997		1,207,226,660,000	172,329,476,497	(1,496,514,575,077)
Net loss		-	-	
Foreign currency translation adjustments	2b	-	-	
Balance, December 31, 1998		1,207,226,660,000	172,329,476,497	(1,496,514,575,077)

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

Foreign Currency Translation Adjustments	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total
Rp	Rp	Rp	Rp
(118,883,005)	25,000,000,000	1,563,690,181,482	1,998,933,147,971
-	-	(377,802,137,682)	(377,802,137,682)
264,438,946,035	-	-	264,438,946,035
-	-	-	(459,787,866,600)
-	-	-	(67,532,421,474)
-	-	(295,039,069,142)	(295,039,069,142)
-	-	(169,011,732,400)	(169,011,732,400)
-	25,000,000,000	(25,000,000,000)	-
264,320,063,030	50,000,000,000	696,837,242,258	894,198,866,708
-	-	(1,052,750,649,261)	(1,052,750,649,261)
298,250,718,218	-	-	298,250,718,218
562,570,781,248	50,000,000,000	(355,913,407,003)	139,698,935,665

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1998 and 1997

These Consolidated Financial Statements are Originally Issued in Indonesian Language

	1998	1997
	Rp	Rp
Cash Flows from Operating Activities		
Net loss	(1,052,750,649,261)	(377,802,137,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized losses on foreign exchange	1,440,119,793,391	1,334,572,306,453
Depreciation, amortization and depletion	296,200,703,497	290,546,180,569
Equity share in net earnings of investees - net	(31,798,016,552)	(12,340,792,215)
Decline (appreciation) in value of short-term investments	(19,570,502,133)	28,025,453,656
Minority interests in net losses of Subsidiaries	(9,332,724,508)	(7,829,764,908)
Gain from disposal of discontinued operations	-	(933,541,000,403)
Income from discontinued operations	-	(3,549,505,066)
Dividend income from investments in shares of stock accounted at cost method	(4,410,838,560)	(5,108,692,802)
Other reconciling items - net	7,235,500,846	18,250,920,609
Changes in operating assets and liabilities:		
Accounts receivable – net	24,743,525,569	54,778,515,408
Inventories - net	(207,121,270,770)	(6,098,365,665)
Advances and deposits	66,432,707,288	(148,845,231,268)
Prepaid taxes and expenses	(90,019,161,799)	15,922,719,011
Net operating assets of discontinued operations	-	493,180,533,178
Other assets	(49,814,335,233)	(46,897,744,985)
Accounts payable	216,442,507,248	126,013,251,682
Accrued expenses	192,930,455,334	39,475,711,142
Taxes payable	5,581,468,040	(58,809,478,711)
Unearned income	(877,463,049)	1,259,665,404
Net Cash Provided by Operating Activities	**783,991,699,348**	**801,202,543,407**
Cash Flows from Investing Activities		
Dividend income from investments in shares of stock accounted for under the equity method	14,565,000,000	-
Proceeds from sales of short-term investments	10,455,228,176	7,827,480,882
Dividend income from investments in shares of stock accounted at cost method	4,410,838,560	5,108,692,802
Proceeds from disposals of property and equipment	460,312,595	489,377,222
Additions to property, plant and equipment	(2,003,353,956,921)	(893,277,410,442)
Increase in investments in shares of stock and advances to investees	(15,681,429,091)	(901,931,553,522)
Increase in short-term investments	(7,498,756,929)	(114,214,157,521)
Proceeds from sales of investments in shares of stock	-	1,033,059,341,400
Receipts from joint ventures	-	454,274,899
Net Cash Used in Investing Activities	**(1,996,642,763,610)**	**(862,483,954,280)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1998 and 1997 (continued)

These Consolidated Financial Statements are Originally Issued in Indonesian Language

	1998	1997
	Rp	Rp
Cash Flows from Financing Activities		
Increase in long-term debts	1,239,498,482,735	14,904,637,986
Increase (decrease) in short-term loans	(463,129,866,451)	268,664,227,740
Payments of cash dividends	-	(169,011,732,400)
Net Cash Provided by Financing Activities	**776,368,616,284**	**114,557,133,326**
Net Effect of Changes in Exchange Rates on Cash and Cash Equivalent	**30,818,471,225**	**25,506,332,705**
Net Increase (Decrease) in Cash and Cash Equivalent	**(405,463,976,753)**	**78,782,055,158**
Cash and Cash Equivalent at Beginning of Year	**489,558,760,120**	**410,776,704,962**
Cash and Cash Equivalent at End of Year	**84,094,783,367**	**489,558,760,120**
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	48,241,131,880	132,523,408,000
Interest	478,343,431,236	227,813,643,859
Activities not affecting cash flows:		
Financing costs capitalized to construction in progress	112,861,431,505	107,707,984,417
Final settlement of obligations under capital leases through application of related security deposits	-	9,000,000,000

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 on January 16, 1985 and its deed of incorporation was approved by the Ministry of Justice on May 17, 1985. The 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 provisions of 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 No. 24, Supplement No. 1689 dated March 24, 1998.

Until August 21, 1997, the Company and its Subsidiaries are a multibusiness group divided into three major core businesses, namely Cement, Food and Others.

The Food Business consists of PT Indofood Sukses Makmur Tbk (ISM), which owns the Bogasari Flour Mills (Bogasari) operations, and its foodstuff manufacturing and distribution subsidiaries; Indofood USA Incorporation (IUI); and Far East Food Industries Sendirian Berhad (FEFIB). On August 21, 1997, the Company's shareholders approved the sale of 193,095,204 shares of ISM at a gain of approximately Rp 934 billion and the spin-off of the Company's Food Business through the pro-rata distribution of its remaining 724,335,996 shares of the said Subsidiary to all of its shareholders as dividends. Accordingly, subsequent to these transactions, the accounts of ISM are no longer included in the consolidated financial statements of the Company. Furthermore, the consolidated financial statements of the Company and its Subsidiaries have been recasted to reflect the consolidated results of operations and net assets of ISM and its Subsidiaries as "Discontinued Operations". In addition, the results of operations and net assets of IUI and FEFIB (formerly reported as part of Food Business), being insignificant to the consolidated operations of the group, are reported as part of Other Businesses in 1997. In 1998, the management of the Company has decided to deconsolidate the accounts of IUI and FEFIB.

The members of the Company's boards of commissioners and directors are as follows:

Commissioner		Director	
1. Soedono Salim	- President Commissioner	1. Sudwikatmono	- President Director
2. H. Aang Kunaefi	- Commissioner	2. Anthony Salim	- Vice President Director
3. Djuhar Sutanto	- Commissioner	3. Ibrahim Risjad	- Director
4. Johny Djuhar	- Commissioner	4. Tedy Djuhar	- Director
5. Kuntara	- Commissioner	5. Iwa Kartiwa	- Director
6. Andree Halim	- Commissioner	6. Soepardjo	- Director
7. Tanto Koeswanto	- Commissioner	7. Daddy Hariadi	- Director
		8. Franciscus Welirang	- Director
		9. Benny S. Santoso	- Director

As of December 31, 1998, the Company and its Subsidiaries have a total of 7,332 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 short-term investments and inventories which are valued at the lower of cost or net realizable (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. The cash flows from operating activities are presented 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 1998 %	1997 %
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
Indofood USA Incorporation (see Note 1)	Foodstuff	USA	-	51.00
Far East Food Industries Sendirian Berhad (see Note 1)	Foodstuff	Malaysia	-	51.00
Indirect Subsidiary (through Investama)				
PT Indo Kodeco Cement (IKC)	Cement	Indonesia	71.43	71.43

The integrated cement plant of IKC will have an installed capacity of 2.45 million tons of portland cement per annum. As of December 31, 1998, IKC is in its trial production stage.

In 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 will primarily be 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 8,025 and Rp 5,300 as of December 31, 1998 and 1997, respectively; NLG 1 to Rp 4,239.64 and Rp 2,630.28 as of December 31, 1998 and 1997, respectively)

Profit and loss accounts - Average rates of exchange during the year (US$ 1 to Rp 9,926.18 and Rp 2,884.43 for the years ended December 31, 1998 and 1997, respectively; NLG 1 to Rp 4,974.99 and Rp 1,687.11 for the years ended December 31, 1998 and 1997, respectively)

The statements of cash flows of foreign Subsidiaries' are translated using average exchange rate 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 being amortized using the straight-line method over twenty (20) years.

All significant intercompany accounts and transactions have been eliminated.

Investments in which the Company or its Subsidiaries have an ownership interest of at least 20% but not exceeding 50% are accounted for under the equity method, whereby the cost of investment is increased or decreased by the Company's or Subsidiaries' share in the net earnings (losses) of the investees since date of acquisition. Equity in net earnings (losses) is being adjusted for the straight-line amortization, over a twenty-year period, of the difference between the cost of such investment and the Company's or Subsidiaries' proportionate share 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).

Under Statement of Financial Accounting Standards (PSAK) No. 38, "Accounting for Restructuring Transactions with Entities under Common Control", the difference between the cost/proceeds of net assets acquired/disposed in connection with restructuring transactions among entities under common control compared to their net book value is recorded and presented as "Differences Arising from Restructuring Transactions Among Entities under Common Control" 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 investments in equity securities are stated at the lower of aggregate cost or market value determined at balance sheet date, while the investments in bonds are stated at cost adjusted for amortization of premiums or accretion of discounts to maturity.

e. Allowance for Doubtful Accounts

The Company and its 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 terms and conditions similar to those with non-related parties, are disclosed herein.

g. Inventories

Inventories are stated at the lower of cost or net realizable (market) value. Cost is determined by 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 are depreciated using the straight-line method based on their estimated useful lives as follows:

	Years
Land improvements; quarry; and 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

Landrights are stated at cost and not amortized.

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 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 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 gain or loss is reflected in income for the year.

j. Leases

Lease transactions are accounted for under the capital lease method when all of the required capitalization criteria under PSAK No. 30 are met (presented in "Property, Plant and Equipment"). Otherwise, lease transactions are accounted for under the operating lease method. Assets under capital lease are recorded based on the present value of all 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 property, plant and equipment are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is 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.

m. Preoperating Expenses

Expenses incurred by a certain Subsidiary prior to the start of its commercial operations were capitalized and are amortized over three (3) years using the straight-line method.

n. 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 charged to operations on the accrual basis.

o. Retirement Benefits

The Company has a defined contributions 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 upon retirement of their employees.

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the 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*).

Foreign exchange differentials recognized during the period from August 14, 1997 to December 31, 1997 are presented as "Extraordinary Losses on Foreign Exchange - net" in the consolidated statements of income. Foreign exchange gains or losses recognized prior to and after this period are presented under "Other Income (Charges)".

For December 31, 1998 and 1997, the rates of exchange used, among others, were as follows:

	1998	1997
US Dollar (US$ 1)	Rp 8,025.00	Rp 5,300.00
Japanese Yen (¥ 100)	Rp 7,000.49	Rp 4,079.28
Deutsche Mark (DEM 1)	Rp 4,776.93	Rp 2,964.13
Netherlands Gulden (NLG 1)	Rp 4,239.64	Rp 2,630.28
Denmark Kroner (DKK 1)	Rp 1,254.69	Rp 777.20
Italian Lira (ITL 100)	Rp 482.45	Rp 301.14

Swap agreements and forward exchange contracts are principally used by the Company in the management of its 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 are 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 as "Forward Exchange Contracts - net" account in the consolidated balance sheets) are adjusted to reflect the rates of exchange prevailing at such date, and any resulting gains or losses are credited or charged to operations of the current year. Amounts to be paid or received under the cross currency swap agreements are recognized as income or expense in the periods in which they accrue. Hedging costs are recognized as expense when these are incurred.

q. Provision for Income Tax

The Company and its Subsidiaries generally follow the taxes payable method in computing their provision for income tax. Under this method, provision for income tax is computed on the basis of estimated taxable income for the year.

On December 23, 1997, the Indonesian Institute of Accountants issued PSAK No. 46, "Accounting for Income Taxes", which becomes effective starting January 1, 1999 for public companies. PSAK No. 46 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.

r. Earnings (Loss) per Share

Income from operations and net loss per share are computed by dividing income from operations and net loss, respectively, with the weighted average number of shares outstanding during the year.

3. CASH AND CASH EQUIVALENT

The details of cash and cash equivalent are as follows:

	1998	1997
	Rp	Rp
Cash on hand	328,411,295	303,572,458
Cash in banks		
Related Parties (see Note 5)		
Rupiah accounts	49,655,124,659	23,118,063,582
US Dollar accounts (US$ 804,478 in 1998 and US$ 5,272,951 in 1997)	6,455,935,950	27,946,640,300
Third Parties		
Rupiah accounts	6,775,896,444	1,904,687,836
US Dollar accounts (US$ 878,493 in 1998 and US$ 809,509 in 1997)	7,049,906,325	3,837,011,000
Accounts in other foreign currencies	309,461,954	52,354,277
Cash equivalent		
Time deposits		
Related Parties (see Note 5)		
Rupiah accounts	2,852,046,740	497,364,974
US Dollar accounts (US$ 6,689,358 in 1997)	-	34,298,316,654
Third Parties		
Rupiah accounts	10,668,000,000	-
US Dollar accounts (US$ 75,000,000 in 1997)	-	397,600,749,039
Total	84,094,783,367	489,558,760,120

Interest rates range from 23% to 67.5% per annum in 1998 and from 15% to 30% per annum in 1997 for the Rupiah time deposits, and from 5.75% to 8.25% per annum in 1997 for the US Dollar time deposits.

4. ACCOUNTS RECEIVABLE - TRADE

The details of trade receivables are as follows:

	1998	1997
	Rp	Rp
Related Parties (see Note 5)		
Cement Business		
PT Semen Tiga Roda Prasetya	125,900,985,392	63,584,097,556
PT Pioneer Beton Industri	10,629,687,818	14,949,050,590
PT Indosahid Perdana	3,402,495,883	6,406,630,610
PT Super Beton Perkasa Industri	-	4,238,444,558
Others (each below Rp 1,000,000,000)	1,276,719,742	858,842,971
Sub-total	141,209,888,835	90,037,066,285
Other Businesses	768,836,842	348,155,777
Total	141,978,725,677	90,385,222,062
Third Parties		
Cement Business	44,878,792,406	79,855,000,953
Other Businesses	456,171,472	2,722,907,985
Total	45,334,963,878	82,577,908,938
Less allowance for doubtful accounts	(3,079,529,790)	(786,260,900)
Net	42,255,434,088	81,791,648,038

The changes in the allowance for doubtful accounts are as follows:

	1998	1997
	Rp	Rp
Balance at beginning of year	786,260,900	187,114,322
Provisions during the year	6,072,055,343	605,197,128
Receivables written-off during the year	(3,778,786,453)	(6,050,550)
Balance at end of year	3,079,529,790	786,260,900

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

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of their business, the Company and its Subsidiaries engage in transactions with related parties. The significa transactions 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 parti account for 76.84% and 78.47% of the consolidated net revenues in 1998 and 1997, respectively, with details as follows:

	1998	199
	Rp	R
PT Semen Tiga Roda Prasetya	1,010,908,376,803	1,018,988,506,35
PT Indosahid Perdana	202,136,897,436	190,459,144,60
PT Pioneer Beton Industri	8,217,683,288	20,303,721,24
PT Indo Clean Set Cement	534,484,559	3,864,074,22
Total	**1,221,797,442,086**	**1,233,615,446,42**

The related trade receivables arising from the above mentioned sales transactions are shown as part of "Accounts Receivable – Trade" (see Note 4).

b. The Company and Subsidiaries have loans, time deposits placements and forward exchange contracts with PT Bank Central Asia (BCA), which are all conducted under normal commercial terms and conditions. The Company and Subsidiaries also have current accounts in BCA and PT Bank Risjad Salim Internasional (see Note 3).

c. The Company insures a major portion of its assets with PT Asuransi Central Asia (see Notes 6 and 8).

d. The Company has lease transactions with PT Swadharma Indotama Finance, acting in its own capacity, and PT Central Sari Metropolitan Leasing Corporation (CSML), which acts as the agent for a leasing consortium. The related obligations under capital lease with CSML has been fully paid in 1997.

e. The loans obtained by the Company from PT Bank Pembangunan Indonesia and Marubeni General Leasing Corporation are guaranteed by certain related parties (see Notes 9 and 12).

f. The Company extended non-interest bearing advances to certain affiliated companies with no fixed repayment dates. These advances were partly recorded under "Accounts Receivable – Non trade (Related Parties)" account in the consolidated balance sheets. On September 19, 1997, the Company made an advance to First Pacific Company, Ltd. (FPC) for a planned investment, which is recorded under "Advances and Deposits" account. However, such investment plan did not push through, and the said advance was settled accordingly in 1998.

g. In 1997, IKC entered into 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 operation of its plant. As compensation, IKC pay PIK service fee based on tonnage consumption of limestone, clay and laterite. Service fees incurred amounted to US$ 562,996 for the year ended December 31, 1998. A portion of the service fees was capitalized to "Construction in Progress" since the raw materials were used for trial production runs. The related payable arising from this transaction amounted to US$ 245,313 as of December 31, 1998, and is shown under "Accrued Expenses" in the consolidated balance sheets.

h. On August 19, 1996, IKC entered into an agreement with PT Indotek Engico whereby the latter agreed to provide and undertake the construction of a 20 km long pipe line 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 witholding tax). As of December 31, 1998 and 1997, the total project related expenditures amounted to US$ 3,843,091 and US$ 3,425,132, respectively, which are recorded as part of "Construction in Progress".

The balances of accounts with related parties resulting from non-trade transactions are shown below:

	1998	1997
	Rp	Rp
Accounts receivable (current assets):		
PT Besland Pertiwi	31,500,000,000	-
PT Polymax International	10,572,082,488	10,572,082,488
PT Mekar Perkasa	7,706,250,000	-
Employees	6,255,205,100	17,402,898,860
PT Indofood Sukses Makmur Tbk	5,815,777,049	6,002,649,837
PT Mandara Medika Utama	5,000,000,000	5,000,000,000
PT Gula Putih Mataram	2,200,000,000	2,200,000,000
PT Indolampung Perkasa	2,200,000,000	2,200,000,000
PT Sweet Indolampung	2,200,000,000	2,200,000,000
PT Indomulti Intisukses Industri	2,186,202,250	1,793,339,270
PT Tatajabar Sejahtera	11,105,999	11,682,390,355
PT Inti Salim Corpora	-	5,603,481,054
Others (each below Rp 1,000,000,000)	206,792,510	655,349,862
Total	75,853,415,396	65,312,191,726
Less allowance for doubtful accounts	(-)	(6,571,600,000)
Net	75,853,415,396	58,740,591,726
Accounts payable (current liabilities)		
Various (each below Rp 1,000,000,000)	14,044,523	2,478,783,835

The changes in the allowance for doubtful accounts are as follows:

	1998	1997
	Rp	Rp
Balance at beginning of year	6,571,600,000	-
Provisions during the year	-	6,571,600,000
Reversal of 1997 provisions	(6,571,600,000)	-
Balance at end of year	-	6,571,600,000

6. INVENTORIES

Inventories consist of:

	1998	1997
	Rp	Rp
Finished goods	27,224,094,215	18,553,278,351
Work in process	50,879,134,602	24,881,253,667
Raw materials	27,530,149,563	10,484,193,180
Fuel and lubricants	68,574,220,857	22,621,210,935
Spare parts	282,353,772,245	187,144,283,280
Materials in-transit and others	8,323,788,695	1,243,945,818
Total	464,885,160,177	264,928,165,231
Less allowance for inventory obsolescence	(10,002,612,245)	(10,002,612,245)
Net	454,882,547,932	254,925,552,986

Inventories are insured against fire and other risks based on a certain policy package with total insurance coverage amounting to US$ 230,400,000 as of December 31, 1998, which, in management's opinion, is adequate to cover possible losses that may arise from the insured risks. Certain inventories are insured with PT Asuransi Central Asia, a related party (see Note 5).

In 1998, the finished goods and work in-process inventories of IKC valued at Rp 3,114,729,608 and Rp 6,129,859,415, respectively, represent outputs from its trial production runs. The cost of production of the said inventories is capitalized to "Construction in Progress".

7. INVESTMENTS IN SHARES OF STOCK AND ADVANCES TO INVESTEES

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

	1998			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
	%	Rp	Rp	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
Other investees				2,637,500,000
Sub-total				14,516,830,785
Total				268,870,648,337

	1997			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
	%	Rp	Rp	Rp
Investments in Shares of Stock				
PT Indotek Engico	50.00	500,000,000	3,663,750,312	4,163,750,312
Stillwater Shipping Corporation	50.00	105,500,000	2,996,937,982	3,102,437,982
PT Cibinong Center Industrial Estate	50.00	60,000,000	(60,000,000)	-
PT Indominco Mandiri	35.00	38,493,328,526	(28,365,534,776)	10,127,793,750
PT Wisma Nusantara International	33.98	93,750,000,000	37,190,115,935	130,940,115,935
PT Citra Marga Nusaphala Persada Tbk.	8.80	66,023,100,000	-	66,023,100,000
Other investees	various	8,420,590,976	(464,787,500)	7,955,803,476
Sub-total		207,352,519,502	14,960,481,953	222,313,001,455

	1997			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
	%	Rp	Rp	Rp
Advances				
PT Indo Clean Set Cement				7,494,002,280
PT Cibinong Center Industrial Estate				3,356,717,235
PT Indotek Engico				154,981,724
Other investees				2,637,500,000
Sub-total				13,643,201,239
Total				235,956,202,694

The principal activities of the above investees are as follows:

Investee	Principal Activity
PT Pioneer Beton Industri	Ready mixed concrete
PT Indotek Engico	Construction consultant
Stillwater Shipping Corporation	Freight
PT Cibinong Center Industrial Estate	Industrial estate
PT Indominco Mandiri	Coal mining
PT Wisma Nusantara International	Hotel and office space rental
PT Citra Marga Nusaphala Persada Tbk.	Toll highway operator

The details of equity in net earnings (losses) of investees, net inclusive of goodwill amortization, for the years ended December 31, 1998 and 1997 are as follows:

	1998	1997
	Rp	Rp
PT Wisma Nusantara International	35,834,015,591	37,190,115,935
PT Indotek Engico	3,463,712,927	2,600,303,038
Stillwater Shipping Corporation	1,771,331,784	1,387,233,554
PT Pioneer Beton Industri	856,750,000	-
PT Indominco Mandiri	(10,127,793,750)	(28,365,534,776)
PT Indo Clean Set Cement	-	3,488,090,978
PT Cibinong Center Industrial Estate	-	(3,959,416,514)
Total	31,798,016,552	12,340,792,215

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

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	1998			
	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp
Carrying Value				
Landrights 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
Assets 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 Carrying Value	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
Assets under capital lease	15,425,781,300	2,402,631,627	1,262,906,472	16,565,506,455
Total Accumulated Depreciation, Amortization and Depletion	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

	1997			
	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp
Carrying Value				
Landrights and land improvements	117,527,811,192	22,808,327,915	-	140,336,139,107
Leasehold improvements	1,756,804,811	407,618,939	-	2,164,423,750
Quarry	25,632,480,369	23,315,020	2,602,067	25,653,193,322
Buildings and structures	665,466,110,599	25,398,347,907	386,785,849	690,477,672,657
Machinery and equipment	1,684,184,085,016	238,612,924,756	2,578,748,731	1,920,218,261,041
Transportation equipment	189,606,322,595	24,818,534,057	10,561,238,775	203,863,617,877
Furniture, fixtures and office equipment	54,726,270,171	14,432,770,061	1,296,038,635	67,863,001,597
Tools and other equipment	20,807,579,545	3,132,926,945	74,432,523	23,866,073,967
Assets under capital lease	178,888,535,467	-	134,000,000,000	44,888,535,467
Construction in progress	501,025,735,325	2,248,312,046,706	106,850,076,444	2,642,487,705,587
Total Carrying Value	3,439,621,735,090	2,577,946,812,306	255,749,923,024	5,761,818,624,372
Accumulated Depreciation, Amortization and Depletion				
Land improvements	9,970,930,383	879,176,614	-	10,850,106,997
Leasehold improvements	1,374,773,448	294,173,482	-	1,668,946,930
Quarry	4,231,215,469	832,590,659	2,483,697	5,061,322,431
Buildings and structures	158,010,663,199	22,812,701,517	3,275,697	180,820,089,019
Machinery and equipment	603,702,706,003	124,367,639,798	1,056,365,918	727,013,979,883
Transportation equipment	97,808,715,830	30,032,245,543	9,119,618,014	118,721,343,359
Furniture, fixtures and office equipment	34,840,542,332	9,432,998,604	940,649,087	43,332,891,849
Tools and other equipment	15,207,214,978	2,540,562,028	61,897,440	17,685,879,566
Assets under capital lease	35,400,576,034	11,782,430,700	31,757,225,434	15,425,781,300
Total Accumulated Depreciation, Amortization and Depletion	960,547,337,676	202,974,518,945	42,941,515,287	1,120,580,341,334
Net Book Value	2,479,074,397,414			4,641,238,283,038

The details of assets under capital lease are as follows:

	1998	1997
	Rp	Rp
Carrying Value		
Buildings	42,019,726,200	42,019,726,200
Machinery and equipment	-	145,726,000
Transportation equipment	-	2,723,083,267
Total carrying value	42,019,726,200	44,888,535,467
Less accumulated depreciation	(16,565,506,455)	(15,425,781,300)
Net Book Value	25,454,219,745	29,462,754,167

Construction in progress consists of:

	1998 Rp	1997 Rp
Land under development	626,370,117	626,370,117
Buildings under construction	1,570,480,608,455	762,025,611,860
Machinery under installation	3,104,217,325,236	1,658,842,798,833
Others	594,925,650,440	220,992,924,777
Total	5,270,249,954,248	2,642,487,705,587

Certain property, plant and equipment are used as collateral to secure certain short-term loans and long-term debts (see Notes 9 and 12).

Depreciation, amortization and depletion charges totalled to Rp 153,387,589,799 in 1998 and Rp 169,576,476,836 in 1997.

Property, plant and equipment are covered by insurance against losses by fire and other risks under several policies with insurance coverage totalling Rp 123,463,089,750 and US$ 902,244,193 as of December 31, 1998, which, in management's opinion, is adequate to cover possible losses that may arise from the insured risks. Certain property, plant and equipment are insured with PT Asuransi Central Asia, a related party (see Note 5).

The Company and its Subsidiaries have lease commitments covering certain property and equipment with lease terms ranging from three (3) to seven (7) years and expiring on various dates.

Financing costs capitalized to construction in progress amounted to Rp 112,861,431,505 and Rp 107,707,984,417 in 1998 and 1997, respectively.

As of December 31, 1998, 31.82% and 68.18% of the total costs of construction in progress represents the accumulated construction costs of the Company's Plant 11 and IKC's integrated cement plant (see Notes 21d and 21e), respectively. From the financial point of view, the percentages of completion of the Company's Plant 11 and IKC's cement plant are approximately 93.3% and 93.42% as of December 31, 1998, respectively.

9. SHORT-TERM LOANS

Short-term loans consist of the following:

	1998	1997
	Rp	Rp
PT Bank Pembangunan Indonesia (Bapindo)	5,000,000,000	5,000,000,000
Credit Suisse First Boston, Singapore		
(US$ 75,000,000 in 1997)	-	397,500,000,000
PT Bank Central Asia (see Note 5)		
(US$ 12,382,993.67 in 1997)	-	65,629,866,451
Total	5,000,000,000	468,129,866,451

Interest rates ranged from 22% to 34% per annum in 1998 and from 17% to 22% per annum in 1997 for the Rupiah denominated loans, and from 6.65% to 8.06% per annum in 1997 for the US Dollar denominated loans.

The loans from Bapindo are collateralized by certain property, plant, and equipment, and are also guaranteed by certain directors of the Company and other related parties.

10. ACCOUNTS PAYABLE - TRADE

This account consists of the following:

	1998	1997
	Rp	Rp
Related Parties		
Cement Business		
Kitadin	-	1,532,027,269
Others (each below Rp 1,000,000,000)	769,512,562	1,432,838,067
Total	769,512,562	2,964,865,336
Third Parties		
Cement Business	**82,493,283,008**	**93,392,567,333**

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

Supplier	Product
Pertamina	Fuel
Topniche	Gypsum
Arker Far East	Coal
Veitscher Magnesitwerke V.C.M.H.H	Firebricks
Refratechnik GmbH	Firebricks
Didier Werke	Firebricks

11. TAXES PAYABLE

Taxes payable consists of:

	1998	1997
	Rp	Rp
Income taxes		
Article 21	2,389,958,752	2,517,913,873
Article 22	30,775,236	63,091,804
Article 23	601,513,084	1,376,849,740
Article 25	-	7,212,296,600
Article 26	17,847,500,991	2,575,401,391
Article 29	153,101,880	194,151,488
Value added tax	200,531,092	5,192,087,129
Total	21,223,381,035	19,131,792,025

A reconciliation between loss before provision for income tax, as shown in the consolidated statements of income, and estimated tax loss for the years ended December 31, 1998 and 1997 is as follows:

	1998	1997
	Rp	Rp
Loss before provision for income tax per consolidated statements of income	(1,061,313,176,054)	(385,437,751,102)
Add (deduct):		
Loss of Subsidiaries before provision for income tax - net	10,958,319,027	17,185,808,689
Net income of Other Businesses already subjected to final tax	(23,986,035,022)	(13,293,485,450)
Amortization of goodwill	-	16,678,722
Loss before provision for income tax attributable to the Company	(1,074,340,892,049)	(381,528,749,141)
Add (deduct) :		
Timing differences	(375,862,404,752)	34,487,544,463
Non-deductible expenses (mainly consist of employees' benefits, donations and public relations expenses)	20,604,734,357	32,740,460,974
Non-taxable income		
Income already subjected to final tax	(28,934,507,348)	(56,801,502,828)
Dividends	(4,410,838,560)	(5,108,692,802)
Gain on disposals of equity securities which was already subjected to final tax	(2,534,628,176)	(986,127,165,368)
Estimated tax loss of the Company	(1,465,478,536,528)	(1,362,338,104,702)

The consolidated provision for income tax and estimated corporate income tax payable (claims for tax refund) are as follows:

	1998	1997
	Rp	Rp
Provision for Income Tax		
Company	-	-
Subsidiaries	770,197,715	194,151,488
Provision for income tax per consolidated statements of income	770,197,715	194,151,488
Prepayments of Income Tax		
Company and Subsidiaries	(94,594,447,141)	(89,039,142,112)
Certain Subsidiary	-	-
Estimated corporate income tax payable (claims for tax refund)		
Company and Subsidiaries	(94,594,447,141)	(89,039,142,112)
Certain Subsidiary	770,197,715	194,151,488

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

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. The Company has also received several tax assessments for 1997 and the first six months of 1998 income tax, whereby according to the Tax Office, the Company has to pay additional tax and penalty totalling to Rp 12,097,798,062, which Rp 10,717,374,690 will be contested by the Company.

The above mentioned approved tax refund (after offseting against the balance of the Company's outstanding prepayment of 1998 income tax article 25 amounting to Rp 43,214,596,968 and the Company's above mentioned additional tax and penalty) amounting to Rp 33,381,140,741 was paid in cash and received by the Company in 1999.

12. LONG-TERM DEBTS

a. Bank Loans

As of December 31, 1998 and 1997, long-term debts represent loans obtained from the following banks:

		Amount in Foreign Currency as of December 31, 1998	1998 Rp	1997 Rp
Rupiah:				
PT Bank Central Asia (BCA)		-	95,241,057,709	144,935,082,856
PT Bank Pembangunan Indonesia (Bapindo)		-	40,430,345,466	54,680,345,466
PT Bank Mitsubishi Buana (BMB)		-	20,000,000,000	20,000,000,000
Foreign Currency:				
Syndicated offshore loan	US$	306,400,000	2,458,860,000,000	1,343,020,000,000
The Export - Import Bank of Japan (Japan Exim)	¥	13,412,455,503	938,937,606,242	-
Marubeni General Leasing Corporation (MGLC)	US$	103,948,750	834,188,718,750	-
The Chase Manhattan Bank, New York (CMB)	US$	100,000,000	802,500,000,000	530,000,000,000
Bank of America NT and SA, Taipei (BOA)	US$	100,000,000	802,500,000,000	530,000,000,000
The Chase Manhattan South East Ltd., Singapore (CMSE)	US$	42,800,000	343,470,000,000	253,075,000,000
Fuji Bank Limited, Singapore (Fuji)	US$	40,000,000	321,000,000,000	318,000,000,000
Yasuda Trust and Banking Co., Ltd., Singapore (Yasuda)	US$	35,000,000	280,875,000,000	185,500,000,000
The Chase Manhattan Asia Limited (CMAL)	ITL	52,480,935,530	253,194,273,464	171,019,788,891
Bank of Tokyo – Mitsubishi Ltd., Singapore (BOT)	US$	25,000,000	200,625,000,000	132,500,000,000
The Tokai Bank Ltd., Singapore (Tokai)	US$	25,000,000	200,625,000,000	132,500,000,000
Marubeni Corporation (Marubeni)	US$	12,788,618	102,628,660,574	-
Export Finance and Insurance Corporation (EFIC)	US$	9,028,360	72,452,589,000	50,665,032,000
The Asahi Bank Ltd., Singapore (Asahi)		-	-	53,000,000,000
Bank of Tokyo - Mitsubishi Ltd., Tokyo (BOT)		-	-	641,233,750,000
Total			7,767,528,251,205	4,560,128,999,213
Less Portion Currently Due				
Rupiah loans			155,671,403,175	136,435,082,856
Foreign currency loans			7,611,856,848,030	459,407,274,885
Total			7,767,528,251,205	595,842,357,741
Long-term Portion			-	3,964,286,641,472

The above indebtedness bear annual interest at the following rates:

	1998	1997
Rupiah	17.87% to 34.00%	12.16% to 28.00%
US Dollar	6.16% to 11.11%	6.06% to 8.83%
Italian Lira	7.35%	7.35%
Japanese Yen	2.3%	-

The loan from BOT (Tokyo), which is guaranteed by Marubeni, is used to finance the construction of certain cement plant facility of the Company (Plant 10). In October 1998, Marubeni General Leasing Corporation and Marubeni Corporation took over this loan. This loan will mature in July 1999.

On November 21, 1997, the Company obtained a loan facility from the Export - Import Bank of Japan (Exim Bank) with an aggregate principal amount not exceeding ¥ 14,984,029,840. This loan is intended to finance 85% of the total cost of imported machinery and equipment relating to the construction of another cement plant facility (Plant 11) of the Company, as discussed in Note 21d. The loan shall be repaid on sixteen (16) semi-annual payments starting December 26, 1999. The first drawdown of the loan was made on January 5, 1998.

On December 16, 1996, IKC obtained a US$ 345,000,000 syndicated offshore loan term facilities arranged by Banque National de Paris, The Fuji Bank Limited, Korea Exchange Bank, and The Mitsubishi Bank Limited, which also act as the offshore securities agent, facility agent, insurance agent, and technical agent, respectively. The said credit facilities are divided into four (4) tranches (A, B, C, and D):

- Tranches A and B, amounting to US$ 117,240,000 provided by Japan Exim Bank, and US$ 78,160,000 (guaranteed by the Ministry of International Trade and Industry of Japan), respectively, which will be paid in fifteen (15) semi-annual installments of US$ 8,400,000 and US$ 5,600,000, respectively, starting January 20, 1999 until January 20, 2006.

- Tranches C and D, amounting to US$ 72,477,194 and US$ 38,522,806, respectively. These loans will be paid 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 shall be an amount equivalent to the aggregate balances of the Tranche C outstanding and the Tranche D outstanding after the second installment payment divided by thirteen (13), with the resulting amounts rounded up if necessary to two decimal places.

The 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 from Fuji, CMB, BOA, Yasuda, BOT (Singapore), and Nippon also represent syndicated loans from various financial institutions.

Proceeds of the other loans obtained are mostly used as general funds of the Company with detail as follows:

Name of Banks	Collateral	Date of Maturity
Bapindo	Property, plant and equipment	December 25, 2000
BCA (Rp 27.5 billion)	Property, plant and equipment	March 25, 2001
BCA (+/- Rp 67.7 billion)	Commercial papers	December 12, 1998
BMB	Negative pledge	March 12, 2001
Fuji	Negative pledge	July 20, 1998
Syndicated off-shore loan	Property, plant and equipment	January 20, 2006
Japan Exim	Guaranteed by Marubeni	June 26 2007
MGLC	Property, plant and equipment	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
CMAL	Property, plant and equipment	March 31, 2002
BOT	Negative pledge	July 1, 2005
Tokai	Negative pledge	September 25, 2001
Marubeni	Property, plant and equipment	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 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 a specified amount. In addition, certain financial ratios are required to be maintained as follows:

- 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 as discussed in Note 22, as of December 31, 1998 and 1997, all of the above required financial ratios are not maintained. Starting July 1998, the Company has taken a standstill position and ceased all of its loan principal and interest payments. As of the date of the independent auditors' report, 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 totalling to approximately Rp 6,530 billion immediately due and payable, and were, therefore, reclassed and presented in the consolidated balance sheets as part of current liabilities as of December 31, 1998 in accordance with generally accepted accounting principles.

The Company and the Steering Committee representing the creditors are currently in the process of negotiating for the debts restructuring. Assuming the debt restructuring is agreed by the Company and Subsidiaries with their creditors and the provisions of BAPEPAM Decree No. Kep-49/PM/1998 are applied in the 1998 consolidated financial statements, the unrealized foreign exchange losses on long-term debts amounting to Rp 1,222,232,076,153 could be deferred and the net loss as originally reported, would become net income of Rp 169,481,426,892, and net shareholders' equity would increase to Rp 1,361,931,011,818.

b. Obligations Under Capital Leases

The Company and a Subsidiary have lease commitments covering certain buildings, machinery and equipment expiring at various dates. Future minimum lease payments (net of interest portion) under the lease agreements are as follows:

	1998	1997
	Rp	Rp
Years Ended		
1998	-	1,790,033,008
1999	3,091,006,580	3,806,855,488
Total	3,091,006,580	5,596,888,496
Less current portion	3,091,006,580	1,790,033,008
Long-term portion	-	3,806,855,488

13. CAPITAL STOCK

The details of share ownership are as follows:

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

Shareholder	1997 Number of Shares Issued	Percentage of Ownership	Amount
		%	Rp
PT Mekar Perkasa	1,330,099,104	55.08	665,049,552,000
Government of the Republic of Indonesia	621,128,380	25.73	310,564,190,000
PT Kaolin Indah Utama	106,600,820	4.42	53,300,410,000
Public and cooperatives	356,625,016	14.77	178,312,508,000
Total	2,414,453,320	100.00	1,207,226,660,000

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

14. 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.

15. DIFFERENCES ARISING FROM RESTRUCTURING TRANSACTIONS AMONG ENTITIES UNDER COMMON CONTROL

In compliance with PSAK No. 38, "Accounting for Restructuring Transactions Among Entities under Common Control", the Company recorded the net resulting differences arising from transactions among entities under common control as "Differences Arising from Restructuring Transactions Among Entities under Common Control" under the Shareholders' Equity section of the consolidated balance sheets. The details of this account are as follows:

Goodwill derived from acquisition of ISM's shares-net (1996)	Rp	648,726,124,953
Sales of Bogasari's net assets to ISM (1996)		304,230,533,194
Acquisition of certain companies by ISM (1997)		459,787,866,600
Acquisition of PT Indominco Mandiri by Indomix (1997)		67,532,421,474
Others		16,237,628,856
Total	Rp	1,496,514,575,077

16. RETAINED EARNINGS

a. During the shareholders' annual meeting held on June 24, 1997, the Company's shareholders ratified the declaration of final cash dividend amounting to Rp 70 per share to shareholders of records as of July 23, 1997.

Also, based on the shareholders' extraordinary meeting held on August 21, 1997, the Company's shareholders approved to distribute the remaining 724,335,996 ISM shares they held (representing 39.56% ownership interest) to shareholders as dividends. Each of the Company's shareholders received three (3) ISM shares for every ten (10) Company's shares they held (see Note 1).

b. In compliance with the new Corporate Law No. 1, Year 1995 dated March 7, 1995, which requires companies to set aside on a gradual basis an amount equivalent to at least 20% of their subscribed capital as general reserve, the shareholders approved partial appropriation of the Company's retained earnings amounting to Rp 25 billion as general reserve during their annual meeting held on June 24, 1997.

17. SEGMENT INFORMATION

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

	1998	1997
	Rp	Rp
Net Revenues		
Cement Business		
Cement	1,575,409,439,181	1,551,094,766,995
Ready mixed concrete	17,792,672,106	37,299,666,118
Other Businesses	30,241,062,829	18,699,294,535
Total	1,623,443,174,116	1,607,093,727,648
Eliminations	(33,561,092,689)	(34,932,762,521)
Net	1,589,882,081,427	1,572,160,965,127
Cost of Revenues		
Cement Business		
Cement	962,817,608,029	882,297,020,353
Ready mixed concrete	17,283,507,514	36,427,189,440
Other Businesses	10,639,056,561	11,575,872,454
Total	990,740,172,104	930,300,082,247
Eliminations	(16,766,612,388)	(26,513,874,922)
Net	973,973,559,716	903,786,207,325
Income (loss) from Operations		
Cement Business		
Cement	421,742,907,400	526,276,652,655
Ready mixed concrete	(1,541,997,601)	(1,377,651,594)
Other Businesses	16,765,788,843	5,159,356,066
Total	436,966,698,642	530,058,357,127
Eliminations	-	-
Net	436,966,698,642	530,058,357,127
Identifiable Assets		
Cement Business		
Cement	9,431,484,701,653	7,069,999,330,893
Ready mixed concrete	142,276,361,872	106,548,343,286
Other Businesses	1,702,404,882,250	1,166,288,176,812
Total	11,276,165,945,775	8,342,835,850,991
Eliminations	(2,168,293,250,044)	(1,672,713,056,585)
Net	9,107,872,695,731	6,670,122,794,406

18. COST OF REVENUES

The details of cost of revenues are as follows:

	1998	1997
	Rp	Rp
Raw materials used	155,782,186,471	139,192,684,202
Direct labor	68,673,895,241	73,195,371,139
Fuel and power	436,472,385,052	334,400,256,785
Manufacturing overhead	202,056,584,416	267,317,843,672
Total Manufacturing Cost	862,985,051,180	814,106,155,798
Work in Process Inventory		
At beginning of year	24,881,253,667	19,381,890,209
At end of year	(44,749,275,187)	(24,881,253,667)
Cost of Goods Manufactured	843,117,029,660	808,606,792,340
Finished Goods Inventory		
At beginning of year	18,553,278,351	18,905,572,092
Others - principally own usages and donations	(2,792,789,137)	(310,928,715)
At end of year	(24,109,364,607)	(18,553,278,351)
Cost of Goods Sold before Packing Cost	834,768,154,267	808,648,157,366
Packing Cost	128,566,348,888	84,681,998,505
Total Cost of Goods Sold	963,334,503,155	893,330,155,871
Cost of Services		
Direct cost	8,698,904,367	8,779,070,135
Indirect cost	1,940,152,194	1,676,981,319
Total Cost of Services	10,639,056,561	10,456,051,454
Total Cost of Revenues	973,973,559,716	903,786,207,325

19. OPERATING EXPENSES

The details of operating expenses are as follows:

	1998	1997
	Rp	Rp
Delivery and Selling		
Delivery, loading and transportation	63,209,367,313	38,054,580,859
Depreciation	4,314,004,715	1,242,438,527
Salaries, wages and employees' benefits	3,440,651,271	3,323,099,487
Association and membership dues	2,358,376,701	2,548,932,305
Advertising and promotions	1,795,958,575	1,794,826,761
Repairs and maintenance	1,375,843,246	937,551,111
Rental	1,191,916,117	769,226,506
Electricity and water	1,046,653,581	937,551,111
Miscellaneous (each below Rp 1,000,000,000)	4,634,911,941	2,848,739,912
Total Delivery and Selling Expenses	**83,367,683,460**	**52,456,946,579**
General and Administrative		
Salaries, wages and employees' benefits	47,131,154,886	37,070,051,020
Depreciation	7,606,800,868	4,396,201,933
Professional fees	7,461,252,819	1,322,542,769
Provision for doubtful accounts	6,072,055,343	7,176,797,128
Rental	4,741,857,779	1,889,832,569
Public relations	3,939,506,483	10,814,738,433
Communication	3,616,131,936	1,636,128,005
Travelling and transportation	2,063,672,757	1,502,085,064
Printing and documentation	1,501,634,155	580,696,822
Medical	1,487,113,673	2,270,881,237
Advertising and promotions	1,452,147,638	4,205,550,904
Repairs and maintenance	1,312,257,150	1,107,044,359
Donations	976,697,132	4,016,741,030
Social cost	-	2,256,291,188
Miscellaneous (each below Rp 1,000,000,000)	6,211,856,990	5,613,871,635
Total General and Administrative Expenses	95,574,139,609	85,859,454,096
Total Operating Expenses	178,941,823,069	138,316,400,675

20. RETIREMENT BENEFITS

The Company has a defined contributions retirement plan covering substantially all of its full-time employees. Retirement benefits charged to operations amounted to approximately Rp 4.9 billion and Rp 4.5 billion in 1998 and 1997, respectively.

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

21. SIGNIFICANT AGREEMENTS AND COMMITMENTS

a. 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, as of December 31, 1998 and 1997, the Company has made advances amounting to US$ 1,518,750 (equivalent to Rp 18,049,375,000) and US$ 1,425,000 (equivalent to Rp 8,438,850,000), respectively, for a 50% ownership of the airplane.

b. The Company has unused letters of credit facilities from PT Bank Central Asia, a related party, amounting to approximately US$ 94.3 million as of December 31, 1998.

c. On October 31, 1996, the Company signed 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 value of about US$ 229 million. As of December 31, 1998, the project is still in process (see Note 8).

d. On October 3, 1995, IKC entered into 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, 1998 and 1997, total project related expenditures amounted to US$ 348,472,486 and US$ 326,119,193, respectively, which is recorded under "Construction in Progress".

e. In connection with the construction of IKC's cement plant in Batulicin with a total production capacity of 2.45 million tons per annum, IKC has entered into several agreements with contractors for the constructions of related infrastructures for a total contract amount of US$ 17,864,813 and Rp 4,128,340,000. The construction of the cement plant is planned to be completed in 1999.

f. As of December 31, 1997, the Company has 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 CSFB. Net aggregate receivables from these 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 are entered into by the Company in order to manage its interest and foreign exchange exposures on certain foreign currency denominated loans.

However, due to the Company's declaration of a standstill position as discussed in Note 12, all of the above mentioned hedging contracts were pre-terminated, as follows:

- On July 13, 1998, all of the hedging agreements with CMAL were pre-terminated, resulting to a net payable of US$ 1,043,497.75 by the Company to CMAL. As of December 31, 1998, this amount still payable and recorded under "Accrued Expenses" account.
- On September 9, 1998, the Company and CSFB agreed to terminate and cancel all the hedging transactions, and CSFB agreed to pay US$ 3,000,000 to the Company.
- On November 4, 1998, the hedging transaction with MSAL was cancelled, and MSAL agreed to pay US$ 2,800,000 to the Company.

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, and presented as "Restricted Cash in Bank" account in the consolidated balance sheets. Any withdrawals from the said escrow account shall be approved by the Company and the Steering Committee representing the Company's creditors. The Steering Committee members consist of Bank of America, The Bank of Tokyo-Mitsubishi, Limited, Banque Nationale de Paris, Marubeni Corporation, The Chase Manhattan Bank, and the Fuji Bank, Limited.

g. On October 8, 1997, IKC entered into agreement with ABB Power Generation Pty.Ltd., whereby the latter agreed to provide certain technical and consulting services to IKC relating to the operations of a 55 MW coal fired power plant. Consultancy technical fees incurred amounted to US$ 424,900 for the year ended December 31, 1998.

h. On October 8, 1997, IKC entered into agreement with ABB Power Generation Services Pty. Ltd. (ABB), whereby the latter agreed to supply the technical documentation, station operational strategies and policies, and ancillary services. As compensation, IKC pays ABB technical information fee based on certain agreed computation. Technical information fees incurred amounted to US$ 3,349,473 for the year ended December 31, 1998. The related payable arising from this transaction amounting to US$ 1,934,442 as of December 31, 1998 is shown under "Account Payable-Non Trade (Others)" in the consolidated balance sheets.

i. 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 agreement amounted to US$ 1,765,399 for the year ended December 31, 1998.

22. ECONOMIC ENVIRONMENT

Many Asia Pacific countries, including Indonesia, are experiencing continuing adverse economic condition mainly resulting from currency devaluation in the region, the principal consequences of which have been an extreme lack of liquidity and highly volatile exchange and interest rates. These continuing adverse economic condition have also involved declining prices in shares listed in the Indonesian Stock Exchanges, tightening of available credits, postponement of major construction projects, general price increases of commodities and services and reduced economic activities. Postponements and/or stoppage of major construction projects have significantly reduced the Company's sales volume. In addition, volatility in exchange and interest rates has adversely affected the Company's and Subsidiaries' cost of funds, as well as their capacity to service their debts, given that balances of their borrowings denominated in foreign currencies have increased significantly in Rupiah terms, and interest rates on their Rupiah-denominated loans have increased significantly, which resulted to the Company's and IKC's inability to maintain the required financial ratios, as specified in their existing loan agreements, and have defaulted on principal and interest payments (including penalty) of their loans (see Note 12).

Certain investments of the Company have been written down due to the impairment of value attributable to the weak financial conditions of the issuer. The effects of the adverse economic condition on the financial condition of the Company's and Subsidiaries' customers have slowed down sales and increased credit risks inherent in receivables from customers. Given the economic pressures on the Company's and Subsidiaries' suppliers, the availability of certain components used in the manufacture of their product have tightened, thereby increasing related prices.

In 1998 and onwards, the Company and Subsidiaries continue to implement the following actions, among others:

a. Initiated cost-cutting programs which include:
   - Consumption of domestic products to the extent possible;
   - Converted expenses which have substances in foreign currency into Rupiah currency;
   - Reduction of non-essential operating expenses, such as ceremonial expenses;

b. Finalization of debt restructuring program with the lenders to enhance cash flow position of the Company;

c. Enhanced export sales;

d. Continuously review capital expenditures, investments and expansion plans (excluding the necessary ongoing projects);

e. Continuously apply dynamic and prudent treasury management; and

f. Assess the possibility to spin-off assets as a means of raising long-term financing with affordable costs

As of December 31,1998, the Company and its Subsidiaries, which use Rupiah as their functional currency, have assets and liabilities denominated in foreign currencies as follows:

			Equivalent in Rupiah	
		Foreign Currency	December 31, 1998 (Balance Sheet Date)	March 1, 1999 (Audit Report Date)
			Rp	Rp
Assets				
in US Dollar	US$	10,063,478	80,759,410,950	88,649,177,702
in Japanese Yen	¥	3,776,256	264,356,424	279,122,717
			81,023,767,374	88,928,300,419
Liabilities				
in US Dollar	US$	346,157,953	2,777,917,572,825	3,049,305,407,977
in Japanese Yen	¥	13,574,248,682	950,263,921,559	1,003,343,306,180
in Italian Lira	ITL	52,480,935,530	253,194,273,464	262,840,269,415
in Deutsche Mark	DEM	6,174,994	29,497,514,088	30,617,534,500
in Denmark Kroner	DKK	784,747	984,614,213	1,023,608,292
			4,011,857,896,149	4,347,130,126,364
Net liabilities			3,930,834,128,775	4,258,201,825,945

As of December 31, 1998, assets and liabilities of foreign subsidiaries and IKC are as follow:

			Equivalent in Rupiah	
		Foreign Currency	December 31, 1998 (Balance Sheet Date)	March 1, 1999 (Audit Report Date)
			Rp	Rp
Assets				
in US Dollar	US$	476,808,619	3,826,389,167,475	4,200,207,124,771
in Netherlands Gulden	NLG	21,198	89,871,889	93,282,647
			3,826,479,039,364	4,200,300,407,418
Liabilities				
in US Dollar	US$	540,732,031	4,339,374,548,775	4,763,308,461,079
in Netherlands Gulden	NLG	47,534	201,527,048	209,175,268
			4,339,576,075,823	4,763,517,636,347
Net liabilities			513,097,036,459	563,217,228,929

The Rupiah currency has further depreciated in value as set out in the table below based on the middle rates of exchange for export bills and bank notes published by Bank Indonesia:

Foreign Currency	December 31, 1997		December 31, 1998		March 1, 1999	
US Dollar (US$ 1)	Rp	5,300.00	Rp	8,025.00	Rp	8,809.00
Japanese Yen (¥ 100)	Rp	4,079.28	Rp	7,000.49	Rp	7,391.52
Deutsche Mark (DEM 1)	Rp	2,964.13	Rp	4,776.93	Rp	4,958.31
Netherlands Gulden (NLG 1)	Rp	2,630.28	Rp	4,239.64	Rp	4,400.54
Denmark Kroner (DKK 1)	Rp	777.20	Rp	1,254.69	Rp	1,304.38
Italian Lira (ITL 100)	Rp	301.14	Rp	482.45	Rp	500.83

Had the above foreign currency denominated assets and liabilities as of December 31, 1998 are restated using the above middle rates of exchange as of March 1, 1999, the net liabilities would have increased by approximately Rp 377 billion.

At present, in connection with the loan restructuring process, the Company and IKC are still in the negotiation stage with the Steering Committee appointed by creditors.

Resolution of the continuing adverse economic condition 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 the continuing adverse economic condition may have on the Company's and its Subsidiaries' liquidity and earnings, including the effects flowing through from their customers, suppliers, creditors and shareholders.

23. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 1997 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 1998 consolidated financial statements.

CORPORATE INFORMATION

MAJOR SHAREHOLDERS

PT Mekar Perkasa	57.83%
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

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P.O.Box : 4018 Jakarta 10040
Cable : INDOCEMENT
Telex : 65150, 652149, 65731 INCEM IA
Facsimile : 62-21-2510066
http://www.indocement.co.id

OTHER SHAREHOLDERS 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 30th, 1999

For further information, please contact :

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Facsimile : 62-21-2510066
E-mail : corpsec@ibm.net

Investor Inquiries :

Investor inquiries may be directed to:
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Jakarta 12910, Indonesia
Phone : 62-21-2512121
Facsimile : 62-21-2510076/2512076
E-mail : corpfin@cbn.net.id

PROFESSIONALS AND BANKERS

Auditors

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(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

The Export-Import Bank of Japan
The Chase Manhattan Bank, N.A.
Bank of America NT&SA
The Fuji Bank, Ltd
Bank Central Asia
Bank Pembangunan Indonesia
Marubeni General Leasing Company
Export Finance and Insurance Corporation
The Daiwa Bank Ltd
The Mitsubishi Trust and Banking Corporation
The Sakura Bank Ltd
The Yasuda Trust and Banking Company, Ltd


INDOCEMENT
PT INDOCEMENT TUNGGAL PRAKARSA Tbk.