

annual report 1994



PT. INDOCEMENT TUNGGAL PRAKARSA

our corporate vision

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We will actively contribute to Indonesia's economic development.

We will maintain our leadership in the cement and food industries and supply products of good quality at reasonable prices to customers throughout the nation.

We will continue to utilize our financial resources efficiently. And when the right opportunities arise, we will invest in profitable Indonesian businesses with strong market positions and good growth potential.

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

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

We will promote a culture of responsibility and accountability to develop executives capable of leading the growth and diversification of our company.

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

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

*We have enhanced our
core businesses through
capacity expansions to
sustain growth*

our business profile

Since Indocement's founding in 1973 by the Liem Investors, the company's outstanding performance has enabled it to become one of Indonesia's largest and most profitable corporations. Today, our company is a multi-business group with three divisions and its shares are listed on the Indonesian Stock Exchanges.



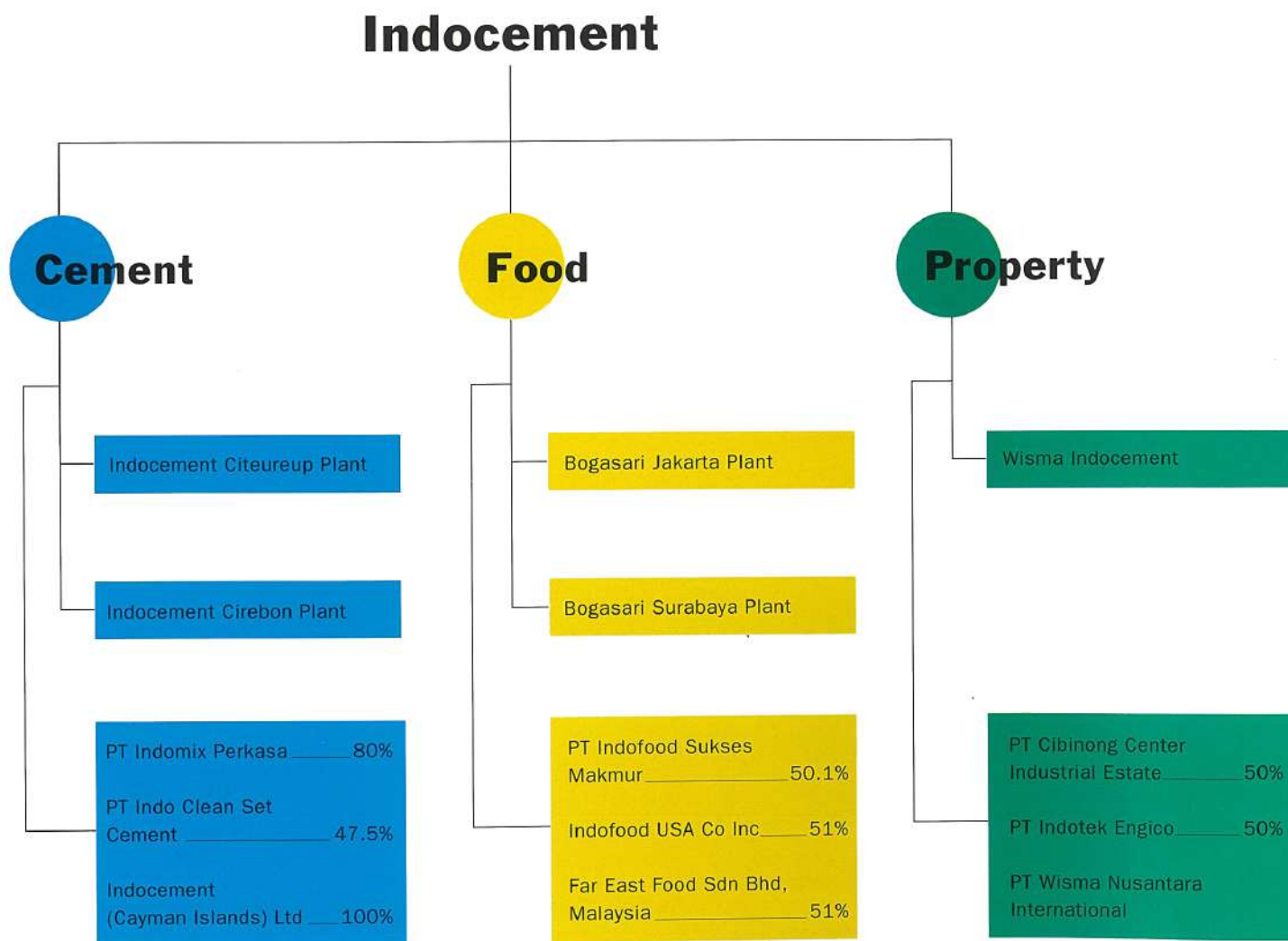
We are Indonesia's leading cement producer, with an annual production of almost 10 million tons. Our cement products, sold under the Tiga Roda brandname, hold a market share close to 45%.

Our Food Division, established through acquisitions in 1992, consists of Bogasari, Indonesia's largest flour miller, and Indofood, its largest processed food company. Indofood's instant noodles, snack foods, baby foods, seasonings and beverages hold extremely strong market positions with a 90% market share for instant noodles and a 60% market share for snacks and baby foods.

The principal asset of our Property Division, also established in 1992, is Wisma Indocement, the Jakarta office tower in which Indocement has its corporate headquarters. Our equity participation in PT Wisma Nusantara International has brought another strategically located office tower and a hotel into this division's portfolio.

At the end of 1994, almost 27, 000 dedicated employees worked in Indocement's three divisions.

corporate structure



highlights of the year



A Memorandum of Understanding for the development of an integrated cement plant in South Kalimantan is signed.

A new roller press installed in Citeureup increases finish mill production capacity by over 0.7 million tons annually.



Indofood receives a strong vote of confidence from the domestic and international financial markets with the success of its initial public offering in June.



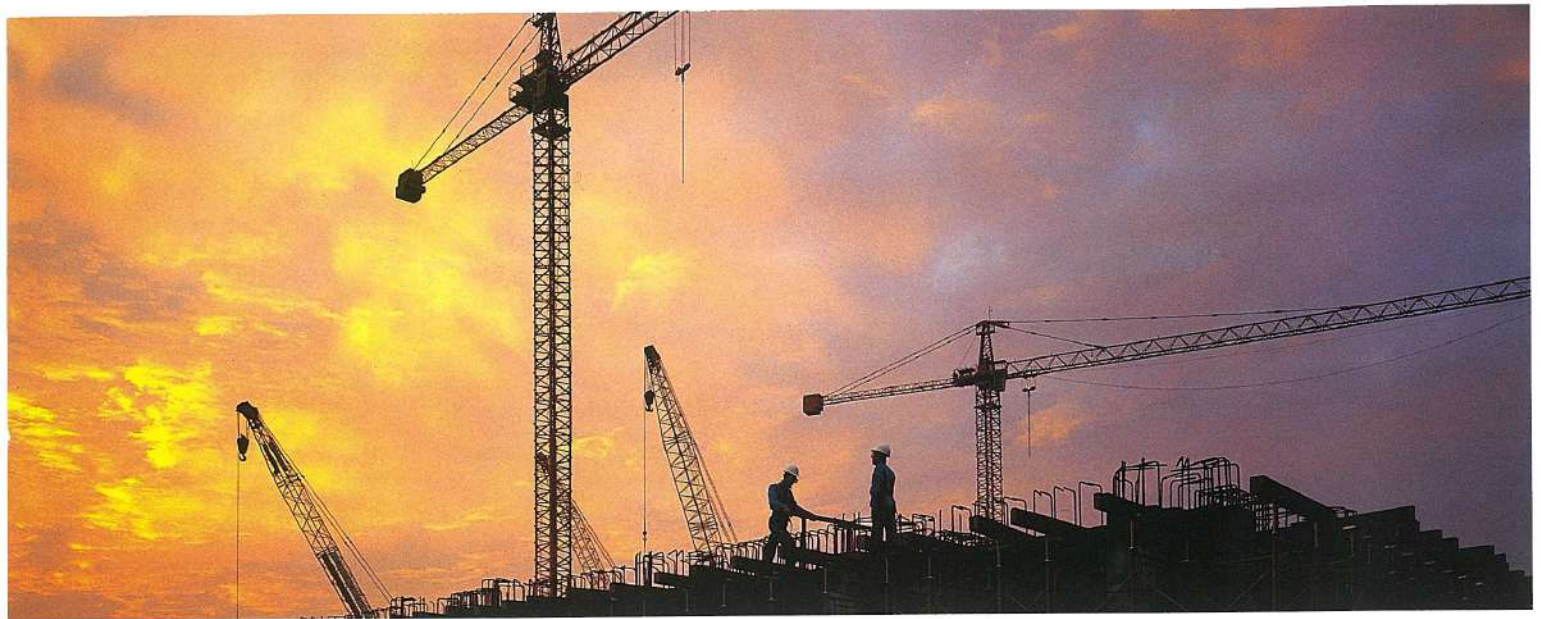
The inauguration of Indofood's satellite-linked communications system assures speedy and reliable information exchange among our head office and our production and distribution sites.

Bogasari inaugurates two new production lines at its Jakarta complex in January.

Indofood opens one noodle plant in Pekanbaru and adds two production lines to its existing two lines at the baby food plant in Padalarang.



current investment projects



*We will
continue to
grow our
businesses
through
capacity
expansions
to meet
rising market
demand*

Several projects now underway will enhance corporate value for shareholders by adding production capacity to meet rising market demand for our products.

Our new US \$142 million cement plant in Cirebon, with an annual production capacity of 1.3 million tons, will be operational by 1997.

Major modifications will add 1.8 million tons of annual capacity at the Citeureup plant by the end of 1997 at a total cost of approximately US \$170 million.

Our new joint-venture cement plant in South Kalimantan, scheduled for completion at the end of 1997 at a total cost of US \$488 million, including finance charges and infrastructure will have a production capacity of 2.4 million tons per year.

Bogasari is constructing additional flour silos and production lines. Two new lines will be operational before the end of 1995, followed by two more in 1996 and another during 1997. Total investment is estimated at about US \$186 million.

At Indofood, production capacity for instant noodles will increase with the completion of new factories in Pontianak and Manado. Investment costs will be US \$15.5 million overall.

Dawn unveils the \$142 million cement plant under construction in Cirebon, scheduled for completion by the beginning of 1997.



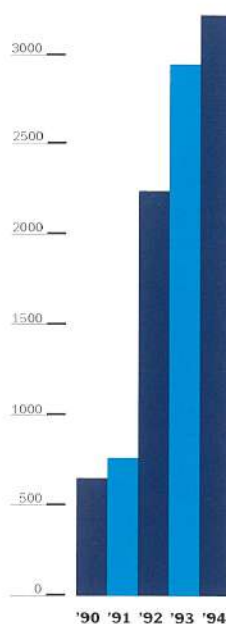
consolidated financial highlights

It was a year of both progress in sales and earnings and enhancement of our financial strength

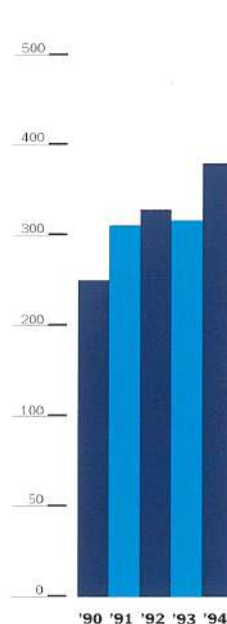
Amounts in Billions of Rupiah, except per share data	1994	1993	% change
Net Revenues	3,388.0	2,890.4	17.2 %
Income from Operations	890.2	703.3	26.6 %
Net Income	367.8	312.4	17.7 %
Cash Generated from Operations	617.4	538.9	14.6 %
Total Assets	5,556.4	5,054.0	9.9 %
Total Stockholders' Equity	2,278.9	1,902.4	19.8 %
Earnings per Share	306.4	260.8 *	17.5 %

* Restated - based on weighted average numbers of outstanding shares after bonus shares in 1994.

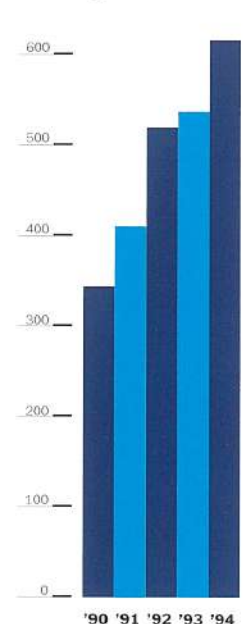
Net Revenues



Net Income



Cash Generated from Operations



Board of Commissioners



Soedono Salim



Djuhar Sutanto



E. Soekasah Somawidjaja



H.A. Kunaefi



Johny Djuhar



Kuntara



Andree Halim

report to shareholders

Our new projects will enhance corporate value for shareholders by adding production capacity to meet rising demand for our products

Consolidated Results of Operations

Last year was another year of exceptional performance and we again succeeded in improving results across the board.

It was a year of both progress in sales and earnings and enhancement of our financial strength.

In our 1993 Annual Report, we stated that we were confident of setting new performance records and strengthening the competitive position of our core businesses.

We are delighted to report that sales revenue rose by 17 % from Rp. 2,890 billion in 1993 to Rp. 3,388 billion in 1994.

Income from operations increased from Rp. 703 billion in 1993 to Rp. 890 billion in 1994, a jump of 27 %.

Net profit after tax also increased by 18 % from Rp. 312 billion in 1993 to Rp. 368 billion in 1994.

The Board of Commissioners has reviewed and concurs with the company's financial statements for the year ending December 31, 1994 as audited by Prasetio, Utomo & Co., a member firm of Arthur Andersen Worldwide Organization. We now present these for your approval and endorsement at the Annual General Meeting, together with a recommendation for payment of dividends for 1994.



Above:
Soedono Salim
Sudwikatmono

The Cement Division

While the Indonesian economy grew at an impressive rate of 7.3% during 1994, the construction sector's 14.7% growth was even faster. Domestic demand for cement surged 20.9%, well beyond most industry forecasts.

The unexpected 3.7 million tons increase in domestic demand led to shortages in several regions, particularly during the second half of 1994. Our cement exports reached only 183,000 tons at the end of 1994, as compared to 920,000 tons exported during 1993,



Above:
The kiln is used to process the ground raw material to become clinker, an intermediate cement product.

due to our compliance with government directives giving priority to local demand.

To meet increased demand and maintain our position of industry leadership, we are committed to building additional capacity. Major modifications at Citeureup that will ultimately add 1.8 million tons to installed annual capacity by 1997. Construction of a second plant in Cirebon will double capacity there. We are also building a new cement plant in South Kalimantan, in partnership with Korea Development Corporation and Marubeni Corporation. When production gets underway in 1998, annual capacity at the new plant will be 2.4 million tons.

During 1994, the Cement Division was able to increase sales revenue by 12% over 1993 and increase our income from operations by 20%

The Food Division

Last year saw solid increases in production volumes, sales revenues and earnings for both Bogasari and Indofood.

The successful public listing of Indofood in 1994 - and the Rp. 3,300 billion market valuation for our 50.1% holding in the company at the end of 1994 - more than justify our Rp. 777 billion initial investment in 1992.

Indofood's strong brand names and strong market position form the foundation for future growth in the Food Division.

We will continue to add capacity to meet demand. Though we increased the number of production lines from 81 to 86 during 1994, it was still necessary to run most lines on a three-shift basis for much of the year.

Food Division sales revenue increased by 20% over 1993 and income from operations increased by 38%.

The Property Division

Wisma Indocement achieved net revenues of Rp. 6.7 billion during 1994. The division's other operating units also continued to report increased earnings. We expect that the division will continue to perform well.

Our 35% equity participation in PT Wisma Nusantara International is expected to receive final approval by the Minister of Justice in 1995.

Net Revenue for the Property Division increased by 4% over 1993.

Outlook for the Future

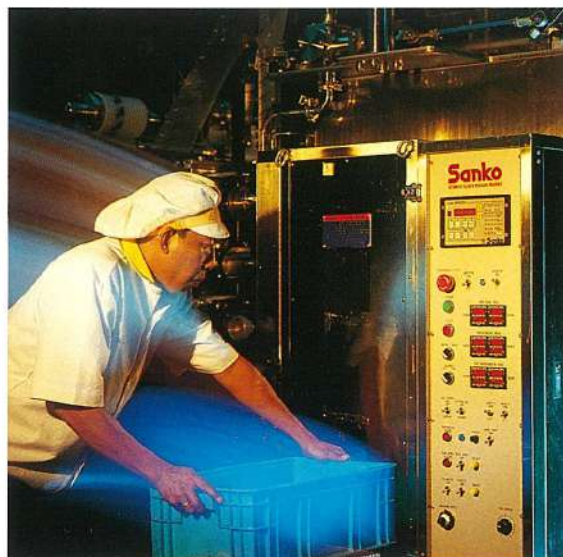
We will continue to grow our businesses through capacity expansion to meet rising market demand. The combination of increased efficiency and growth is at the heart of our commitment to increase shareholder

Indocement's reputation for products of a consistently high quality is vital to our overall strategy of adding capacity and maintaining market position

value still further. Our strategies will, of course, be impacted by the performance of the Indonesian economy. Yet the economy continues to be extremely robust, with overall growth of 7.8% forecast during 1995.

Foreign investment remains one of the principal reasons for this remarkable growth rate, with Indonesia having solidified its position as the premier investment site in Southeast Asia - and now ranking second only to China in all of Asia.

We look forward to an exciting period of sustained growth and increased earnings. On March 31, 1995, the Government increased the reference price of Portland Cement. We have won leading market positions in our core businesses. Our people have demonstrated their capabilities in dynamic



Above:
New spice packing machinery helps instant noodle production keep up with demand.

market sectors. The skills of our workforce and the recognized excellence of our products justify our confidence that this extraordinary growth and profitability will continue well into the future.

In February 1995, we announced our intention to sell 100% of the assets and business of Bogasari to Indofood at a price to be determined by an independent valuer and deemed fair to both companies. This transaction is subject to approval by regulatory agencies and independent shareholders.

The main objective of this restructuring is to enable Indocement to better pursue and finance the major capacity expansion of 5.5 million tons to 15.3 million tons of cement per annum by 1998, while still maintaining control over Bogasari. Indofood's position as the region's largest integrated food manufacturer will be strengthened. Bogasari will continue to participate in the growth of flour consumption in Indonesia through capacity additions.

We see this restructuring as an important step in further realigning our structure, increasing and maximizing shareholder value and better positioning ourselves to expand



Board of Directors



Sudwikatmono



Anthony Salim



Ibrahim Risjad



Tedy Djuhar



Iwa Kartiwa



Soepardjo



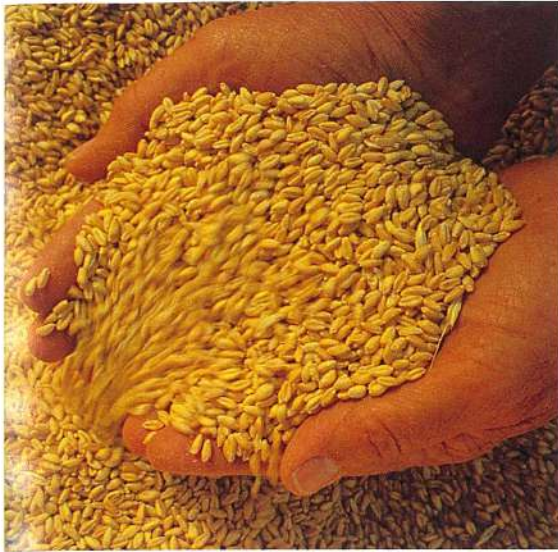
Daddy Hariadi



Franciscus Welirang



Benny S. Santoso



capacities at Indocement, Bogasari and Indofood, in line with the rapid growth in demand for our products resulting from the increased purchasing power of the people across our nation. We intend to further increase our stake in Indofood within the next few years.

Our Thanks

We heartily welcome Mr. Kuntara and Mr. Andree Halim as new members of Indocement's Board of Commissioners. We also congratulate Mr. Benny S. Santoso, who has been selected as the company's new Finance Director.

In conclusion, we extend our deepest appreciation to all our employees for their continued hard work and dedication throughout the year. We also thank the Government, our shareholders, customers and suppliers for the trust and support they have extended to the company.

Jakarta, April 17, 1995

For and on behalf of

The Board of Commissioners and The Board of Directors of P.T. Indocement Tungal Prakarsa



Soedono Salim
President Commissioner



Sudwikatmono
President Director

cement



Amounts in Billions of Rupiah	1994	1993	% change
Net Revenues	1,238.1	1,104.5	12.1%
Income from Operations	528.8	441.4	19.8%
Cash generated from Operations	345.8	277.4	24.7%
Capital Expenditure	275.8	232.1	18.8%
Total Assets	2,768.7	2,716.6	1.9%
Workforce	5,755	5,318	8.2%

Another Record Year

The Cement Division performed strongly during 1994 with record net sales revenues of Rp. 1,238 billion. Income from operations increased 20% to Rp. 529 billion, up from Rp. 441 billion during 1993.

Sales volume for 1994 was 9.6 million tons. The 2% decrease in production volume from the 1993 figure was due to mechanical problems on two production lines in Citeureup. Domestic net revenue increased 18% to reach Rp. 1,210 billion.

Given the long lead times required to build new cement production capacity, domestic shortages are likely to persist at least until 1996. To help alleviate this problem, Indocement has contracted to import approximately 0.3 million tons of cement during 1995 and has constructed special unloading facilities at the port in Tanjung Priok to deal with these shipments.

Long-Term Opportunities

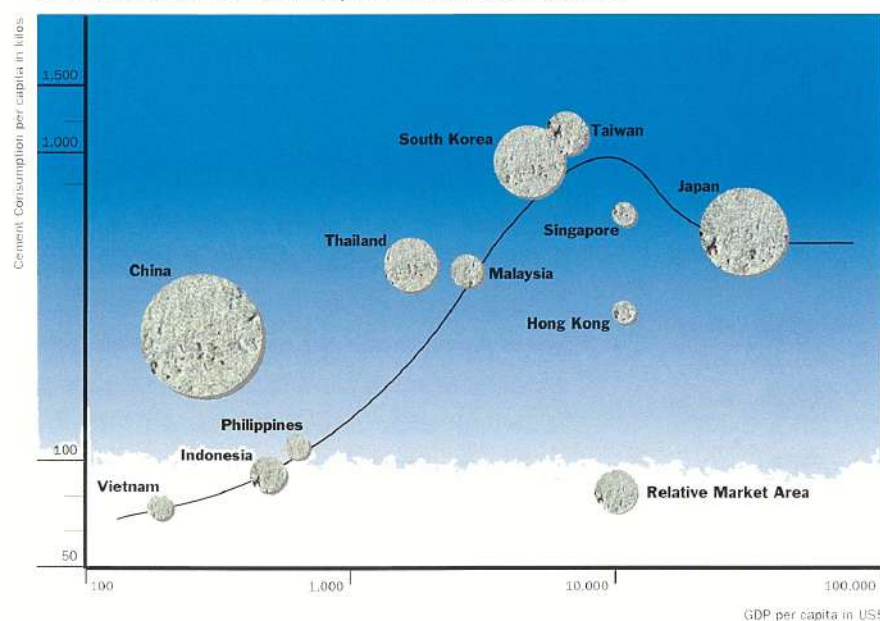
Since cement is a strategic product supporting Indonesia's development boom, domestic consumption grew by an average rate of 8.5% per year during the 1980s. This growth rate increased still further to reach an average annual growth rate of 13.8% during the 1990-94 period.

Indonesia is experiencing a surge in both residential and non-residential construction, as well as in public infrastructure projects. This pace of activity is likely to continue during the remainder of the decade.

This surge in domestic demand has enabled us to increase the proportion of our total sales in the key Jakarta and West Java regions, where our plants are located. These regions, in which we enjoy an important distribution cost advantage over most of our competitors, consumed a total of 6.9 million tons during 1994. Of this, Indocement held a 73% market share.

We are Indonesia's leading cement producer, with an annual capacity of almost 10 million tons

Indonesia's Cement Market Development vs Other Asian Economies



Domestic demand for cement surged 20.9% during 1994, well beyond most industry forecasts

Projections suggest that demand will exceed supply in these two regions by approximately 5 million tons in 1998, largely because several current and would-be cement producers will continue to have difficulty raising funds for their capacity expansion programs.

Overall domestic demand, estimated at 21.5 million tons for 1994, is expected to reach 25.8 million tons by 1995 and exceed 44 million tons by the turn of the century. Although demand growth is high, per capita cement consumption, now only about 112 kilograms per year, remains among the lowest in the region. By contrast, Malaysia is approaching an annual per capita consumption of 500 kilograms, while Taiwan is currently at 1,300 kilograms annually.

As the lowest-cost cement producer in Indonesia, we are able to maintain satisfactory margins despite government regulation of prices. We are confident that volume and profit opportunities will remain quite attractive over the long term. As a result, we expect a further growth of 20% in national demand for 1995 and an average growth of 15% in both 1996 and 1997.

Marketing Initiatives

Indocement continues to promote its sale of cement products in bulk, a system that large volume users find more convenient and cost-

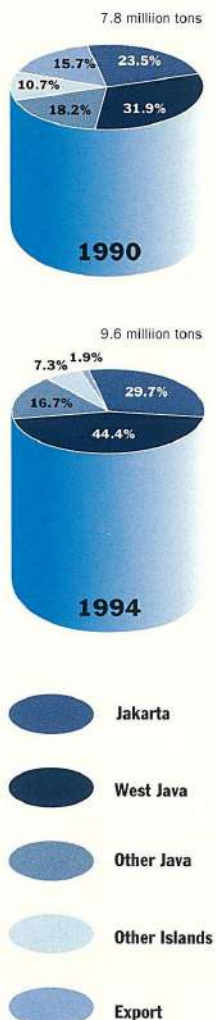
effective. We predict that higher margin bulk sales will eventually increase to 20-25% of our total domestic sales. In 1994, bulk sales volume rose by over 50% over the previous year to 1.6 million tons, representing 18.1% of our total domestic sales. We have added 52 new trucks to our bulk sales delivery fleet.

Cap Rumah, a more affordable new cement product launched in 1993 for non-structural uses, performed well in 1994 and continued to win market share. We expect to reach our annual sales target of 2 million tons by 1998.

Distribution

Indocement continues to search for ways to make distribution more efficient and cost-effective and to provide an even more rapid response to customer demand. Our Surabaya distribution terminal, operational since 1992, enables us to increase supply and gain better market penetration in surrounding areas.

The Cement Division values its close business ties with its distributors across Indonesia and continues to build on the strength of these relationships, in order to defend the company's strategic position in key market areas. To help ensure a steady supply of our products to customers at fair prices, we will continue to support and develop these independent entrepreneurs. We are working together to introduce new products, increase our bulk sales and deliver more rapidly.





Production Capacity

Total actual production capacity of cement industry in Indonesia was 21.9 million tons in 1994 and is projected to increase to 45.5 million tons by 2000.

The Cement Division operates one of Southeast Asia's largest cement production complexes in Citeureup, outside Jakarta. Together, this complex and the plant in Cirebon have an annual installed capacity of 9.4 million tons.

With 1.3 million tons of additional capacity in Cirebon and 1.8 million tons of additional capacity in Citeureup by 1997 and with the 2.4 million tons of installed capacity coming onstream in South Kalimantan in 1998, we will maintain our leadership position in the industry.

Research and Development

The Cement Division provides centralized product development, engineering, geotechnology and information services to all its plants. Our research and development programs focus on improvements in manufacturing efficiency, introduction of advanced technology and new product development, even as we continue efforts to further reduce the impact of our operations on the natural environment.

With a team of 11 specialists, the R&D centre in Citeureup made notable progress in several

key areas during 1994. These included reductions in overall energy requirements, improvements in manufacturing efficiency, upgrades in equipment design and lower overall cost base.



Above:

At Tanjung Priok, cement is loaded for shipment to the Indocement terminal in Surabaya

Left:

Research and Development maintains the efficiency and quality of our products

Over the past several years, we have achieved substantial increases in efficiency in our use of energy. For example, all of our kilns are now equipped with pre-heaters and pre-calciners which reduce energy consumption through the productive re-use of waste heat.

Vertical Integration

Today, the Cement Division is fully integrated with activities ranging all the way from sourcing raw materials to delivery of finished products. The division mines its own limestone, produces its own paper bags and generates its own power.

The exploration for coal, begun in Bontang, East Kalimantan in 1992, is also very much in line with our strategy of vertical



integration. During the first full year of operation at our integrated mining facility in Bontang, we expect to mine 500,000 tons of coal. Output will gradually be increased to 3.5 million tons annually. This will fully satisfy the Cement Division's present and projected coal requirements while allowing us to sell approximately 1.0 million tons to third parties.

Additional self-sufficiency in shipping, too, is part of our vertical integration strategy. Stillwater Shipping Corporation, established as a joint venture operation in 1993, operates a specialized vessel which transports bulk cement from Tanjung Priok, Jakarta's main port, to our Surabaya distribution terminal.

Ready-Mix Concrete

Through its subsidiary P.T. Indomix Perkasa, the Cement Division delivers ready-mix concrete directly to construction sites in several areas of West Java. This subsidiary operates 5 strategically located batching plants and a fleet of 40 mixer trucks.

This year, strong market demand allowed P.T. Indomix Perkasa to exceed 1993 demand by over 300%. Sales revenues rose to Rp. 17.6 billion for 1994.

We anticipate significant growth for this subsidiary, since the advantages of ready-mix



Left:
Cement is stored in concrete silos at Indocement's production facilities.

Opposite:
After burning in the kiln, the temperature of the clinker is quenched in the planetary cooler.

concrete are being more widely recognized throughout the construction industry. We will add more trucks and more batching plants to match future growth.

A Highly Promising Outlook

Indocement's reputation for products of a consistently high quality is an important component of our overall strategy of adding capacity and maintaining our market position.

The additional production line in Cirebon, together with major modifications at our Citeureup complex, will secure our position of market leadership in West Java. The new plant in South Kalimantan will be that island's first cement production facility.

These projects will together increase our annual production capacity to 15.3 million tons by the end of 1998 and enable us to maintain a leading market position. Strategically located plants in Indonesia's key market regions, combined with strong market growth and our position as Indonesia's lowest cost-producer, will ensure that our tonnage sold and our margins-per-ton will further increase.







Amounts in Billions of Rupiah	1994	1993	% change
Net Revenues	2,143.2	1,779.5	20.4%
Income from Operations	365.8	265.6	37.7%
Cash generated from Operations	268.8	259.0	3.8%
Capital Expenditures	433.7	410.7	5.6%
Total Assets	2,685.3	2,229.6	20.4%
Workforce	21,012	20,237	3.8%

Overall Performance

The Food Division's two areas of operation are the flour-milling and pasta-manufacturing operations by Bogasari and Indofood's production and distribution of branded packaged food.

During only its second full year of operation in our portfolio, the Food Division increased sales by 20 % to Rp 2,143 billion in 1994 from Rp 1,780 billion in 1993. Sales volumes reached 2.3 million tons of flour and 6.3 billion packs of instant noodles. Income from operations totaled Rp 366 billion in 1994, another remarkable increase of 38 % over 1993.

In the successful June 1994 initial public offering of Indofood shares, 21,000,000 shares were offered to the public.

Bogasari Operations

Flour sales increased to 2.3 million tons in 1994. Bogasari sales revenues increased by 21% during 1994 to Rp. 794 billion from Rp. 659 billion in 1993.

Income from operations increased to Rp 96 billion from Rp. 85 billion in 1993. Domestic flour consumption increased by 20% in 1994 and is expected to grow by over 10% in 1995.

Although rice remains Indonesia's staple food with an annual per capita consumption of 145 kilograms, compared to only 13

kilograms of flour, wheat flour is becoming an increasingly important element in Indonesian diets.

Given the development of the processed food industry, a population growth figure of 2% per year and ever-higher levels of disposable income in the average Indonesian household, we are confident that demand for flour will continue to grow at an annual rate of around 10%.

Bogasari operates two modern fully-integrated plants in Jakarta and Surabaya with a combined annual capacity of 2.3 million tons of flour. The Jakarta milling complex is, in fact the world's largest on a single site. Additional capacity will be added to maintain Bogasari's current market share of 85%.

About 60% of the wheat flour sold in Indonesia is used in the production of fresh and processed noodles. The single largest user of Bogasari's flour is Indofood.

Bogasari's flour operation is supported by a fleet of three bulk carriers, ensuring that our mills receive supplies of wheat grain on a timely and reliable basis.

Bogasari is Indonesia's largest flour miller, while Indofood is its largest processed food company



Roller Mills:
Wheat is ground and sifted
into flour

The cotton bags used for packing flour are made by Bogasari's own factory. This operation produces over 100 million bags each year.

Indofood Operations

Indofood also experienced strong growth during 1994, with sales revenue increasing 20% to Rp 1,349 billion in 1994 from Rp 1,121 billion in 1993. Income from operations increased by 50% to Rp 270 billion.

The best indicator of Indofood's success today is the way its products dominate the shelves of Indonesia's supermarkets, specialty stores and traditional markets. Sales volume for instant noodles reached 6.3 billion packs, up 25% from 1993.

We expect sales to continue growing by about 25 % annually in coming years. This figure is around twelve times that for overall population growth and three and half times that for GDP growth.

Our noodles business operations are organized into regional clusters, with eleven general managers responsible for operations in their respective regions. Given Indonesia's cultural diversity and geographic spread, local tastes vary across regions. In order to meet specific local needs, our general managers have reasonable autonomy to drive local product development for their areas. This autonomy

extends to production, advertising and promotion, while research and development, packaging and the treasury function remain centralized.

A Closer Look at Indofood's Product Performance

Instant Noodles

Indonesia is the world's largest market for instant noodles with an annual consumption of 7 billion packs per year. The Indonesian market for noodles grew an impressive 25% in 1994. Indofood is the world's largest producer of these noodles.

Indofood's leading brands - Indomie, Sarimi and Supermi - have been household names in Indonesia for two decades. These products come in a range of flavors catering to different local tastes. They are available in packets with basic seasoning and flavoring or with freeze-dried ingredients. They are also available in cups complete with garnishes.

By the end of 1994, we had twelve manufacturing plants spread strategically across Indonesia. Our new noodle factory in Pekanbaru is already operational. Two other new plants in Pontianak and Manado will begin operations before the end of 1995. We can therefore service the market with fresher products more quickly and at lower cost.



Snack Foods

Indofood's Chiki, Chitato, Cheetos and JetZ

snack food brands have won a 60% market share and continue to gain popularity in the market.

The Food Division's snack food business is a joint-venture with Pepsico Foods International. Through this partnership, the company has access to new product know-how and the latest processing technology. Our most immediate goal is to expand its product line and increase its potato chip production capacity

Baby Foods

Our Promina and SUN baby food brands, two of the most popular choices among Indonesian parents, again performed well during 1994. The innovative use of local ingredients like mung beans and red rice helped to secure this strong market position.

Our ultra-modern baby food production facility in Padalarang was inaugurated and expanded with two cereal drum-dryers during 1994 in anticipation of a 10% market growth per year.

Food Seasonings

The Food Division's recent entry into food seasonings is because of the huge potential



Above:
Indofood's leading brands have been household names in Indonesia for two decades.

market and it is also consistent with our vertical integration strategy. Indofood is now assured of self-sufficiency in seasonings for its instant noodle product, along with lower costs.

Indofood's seasoning mixes and sauces have also secured a good market share by themselves and represent an attractive opportunity in a growing market segment. Sales volumes grew 59% in 1994 and are expected to triple in 1995.

Other Operations

Most of Indofood's requirements for flexible packaging materials continue to be met by two of the company's own factories. They also supply to outside companies.

Looking Toward the Future

With increasing per capita income and changing lifestyles, the consumption of quality processed foods will continue to increase rapidly in Indonesia. We are confident that growth prospects will remain excellent and that we will maintain our leadership position through our strategy of vertical integration, capacity expansion and development of new products.

Indofood's strong brand names and strong market position form the foundation for future growth in the Food Division





Amounts in Billions of Rupiah	1994	1993	% change
Net Revenues	6.7	6.4	4.4%
Income from Operations	(4.4)	(3.7)	19.8%
Cash generated from Operations	2.8	2.5	10.8%
Capital Expenditures	0.2	0.4	-35.7%
Total Assets	102.4	107.8	-5.0%
Workforce	189	193	-2.1%

Wisma Indocement

The Property Division's principal asset is Wisma Indocement, a 23-story office tower in the heart of the Jakarta business district. About half of its 19,000 square meters of rentable space is occupied by Indocement's corporate headquarters and by the head offices of the Cement, Food and Property Divisions.

Wisma Indocement rental revenues from third parties amounted to Rp 6.7 billion - up from Rp. 6.4 billion in 1993.

Hotel and Commercial Office Space The Property Division has secured the acquisition of a 35 % equity stake in PT Wisma Nusantara International. Completion of this acquisition is expected to take place in 1995. This company owns and operates a 30-story office building and the adjacent President Hotel, located in the center of Jakarta.

Industrial Estate

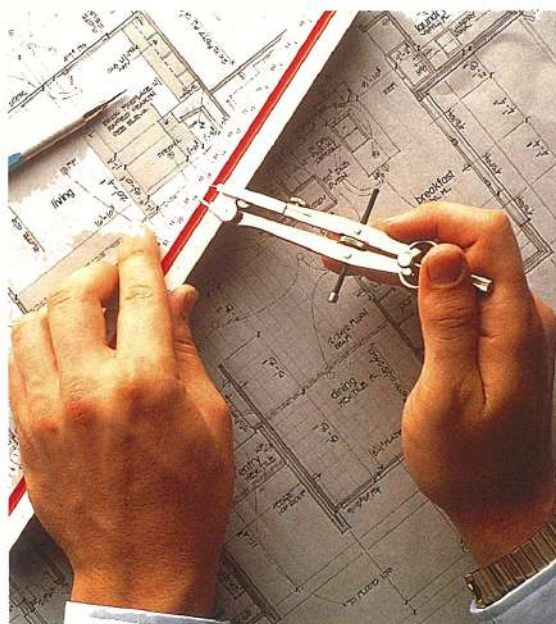
PT Cibinong Centre Industrial Estate (CCIE) is a subsidiary leasing land and buildings to various labor-intensive industries. Revenues for CCIE, located adjacent to the Citeureup production complex in a depleted and redeveloped limestone quarry area, exceeded Rp 4.6 billion in 1994.

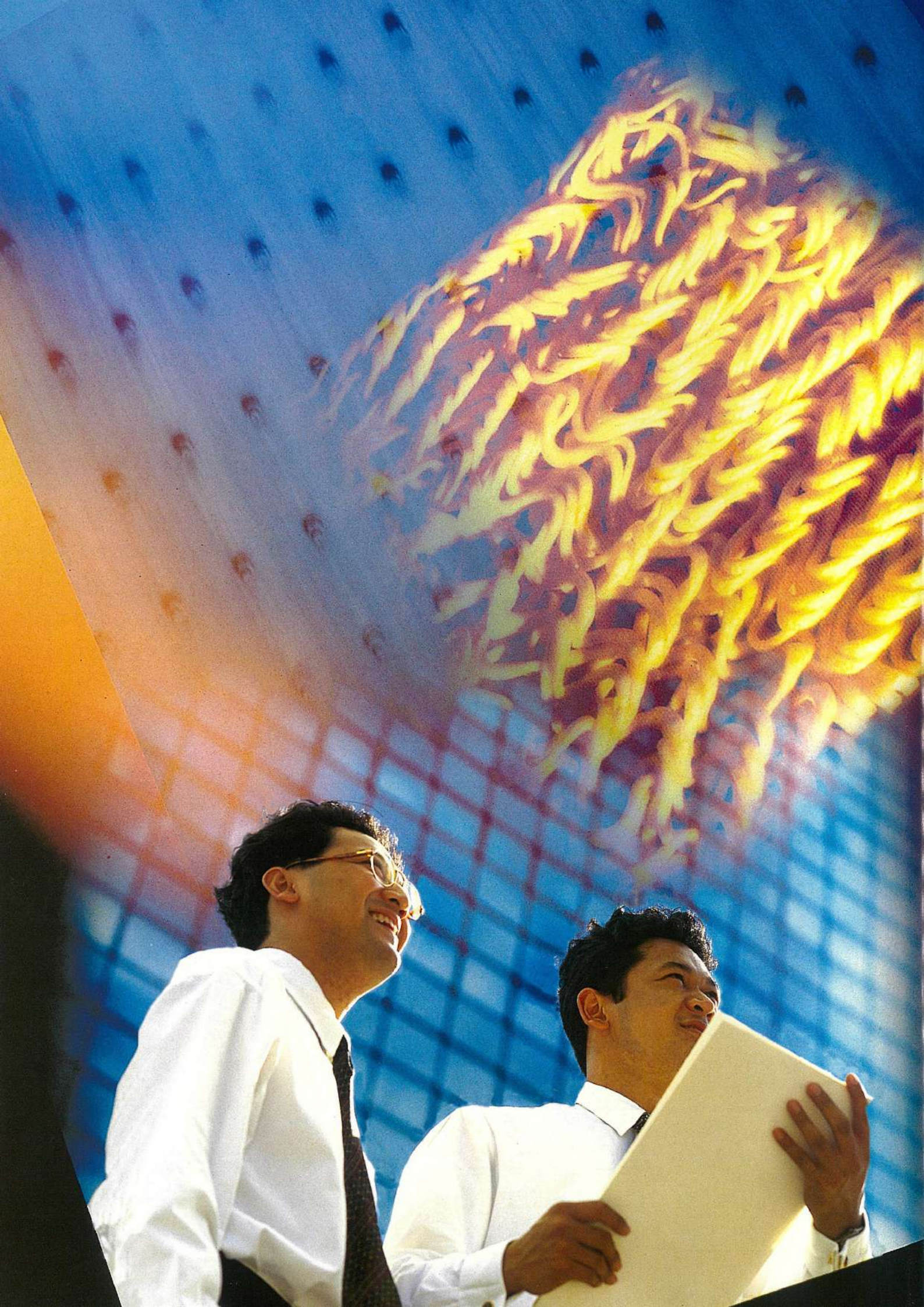
Because CCIE has legal status as an export-processing zone, companies operating there can clear imported raw materials through customs and transfer them to their processing areas in Citeureup without having to pay duties.

Engineering Services

PT Indotek Engico provides engineering design and construction management services. Through its strategic alliance with an international engineering firm, Indotek Engico provides design, procurement and construction management services to clients in Indonesia. Revenues increased by 20% to Rp 2.1 billion from Rp 1.7 billion in 1993.

Wisma Indocement remained fully occupied during 1994





financial review

Analysis of Consolidated Statements of Income for the Year Ended 31st December 1994

The constituent elements of all divisions' profit for the year, as they are disclosed in the Consolidated Statements of Income on page 38, are summarized below together with a brief explanation of year-on-year variances.

Amounts in Billions of Rupiah	1994	1993	Summary of Main Variances
Net Revenues	3,388.0	2,890.4	Significantly increased cement sales of Rp. 134 billion as well as dramatic organic growth in sales at the food division of Rp. 364 billion accounted for the increase in revenues
Income from Operations	890.2	703.3	By maintaining the lowest cost position as well as efficiency in cement production and by introducing more production lines in our food division, income from operation increased by 27%, Rp. 87 billion increase in cement and Rp.100 billion in the food division.
Profit before taxation			
Consolidated Activities	575.2	420.3	Profit before taxation increased by 37% or Rp. 155 billion although other charges increased by Rp. 32 billion.

Summary of Consolidated Cash Flow

A detailed consolidated statement of cash flows appears on page 40 in this annual report. Below is a summary of those figures.

Amounts in Billions of Rupiah	1994	1993	% change
Cash Generated from Operations	617.4	538.9	14.6%
Income Taxes paid	79.2	54.8	44.5%
Net cash used in Investing Activities	(436.0)	(641.7)	-32.1%
Net cash used in Financing Activities	(62.4)	(104.5)	-40.3%
Net Increase (Decrease) in Cash and Cash Equivalents	177.1	(69.1)	—

Gearing

Consolidated net gearing was reduced from 100% to 74% through substantially increased profitability in all divisions and through significant reduced level of indebtedness in Indofood.

We were able to reduce financing charges by Rp. 4 billion, or 1.3%, to Rp. 306 billion from Rp. 310 billion, by refinancing our loans.



environment and community

We are committed to minimizing our impact on the natural environment and to the betterment of life in those communities where we do business

Indocement is well aware of its responsibilities in preserving the natural environment and minimizing the impact of its operations on surrounding communities. In facing environmental issues squarely and dealing with them, the company is also strengthening its competitive edge.

We have employed the best available technology to deal with the dust emissions common to cement production everywhere. Eight new electrostatic precipitators in use since 1992 are part of a multi-million dollar program ensuring that emissions of 100 mg/Nm³ are well below permissible levels (400-600 mg/Nm³). Approximately 55 dust-fall checkpoints inside and outside our plants allow continuous monitoring of the effectiveness of our operating procedures and emission control systems.

Meanwhile, the Cement Division continues its extensive greening drive that will eventually result in the planting of more than 1.0 million trees, with 361,200 planted during 1994.

Our Food Division, too, maintains high standards for environmental protection at its production facilities and faces no pollution or land-use problems. For example, Indofood will install effluent treatment facilities in its relevant factories in the near future.



Our company's broad range of community development service programs contributes to the betterment of life in those local communities where we operate. Among the programs undertaken by our various divisions during 1994 were those for construction or refurbishment of schools, places of worship - 5 mosques, health clinics, security posts and community centres. We were once again active in road-building and the establishment of local sanitary facilities.

Another notable initiative by the Cement Division was the extension of aid to small-scale local businesses in the form of free technical and marketing assistance. The company also provided vocational training in basic mechanics, electrical engineering, motor vehicle repair and tailoring to a large number of school-leavers.

During the year, the company granted 265 scholarships to deserving students. We continue to provide financial assistance to our selected employees making the haj pilgrimage.



Human Resources and Training

- Better customer care
- Employment flexibility
- Management effectiveness
- Career development
- Setting strategic goals



human resources

At the end of 1994, almost 27,000 dedicated employees worked in Indocement's three divisions

In maximizing development of the company's most important resource — its people — we regard training as a top priority. We will maintain this policy as we meet increased demand for our products in a dynamic marketplace, improve the services we offer to our customers and continuously increase efficiency and productivity.

Training programs are organized within each of our three divisions. Courses are designed to provide employees with the skills they need to perform their present jobs more effectively and prepare them for future advancement.

During 1994, a total of 231,313 employee-hours of training took place within our divisions, an increase of 27 % over the 182,280 hours recorded during 1993.

By delegating broad responsibilities for management of daily operations, we are fostering individual initiative throughout our divisions.

We continue to recruit actively and added a total of 391 new employees during the year, thus laying a foundation for future growth.

Employee newsletters, team briefings and joint committees on health and safety keep our workforce better informed about issues directly affecting their daily lives.

The company is also active in promoting recreational activities for employees and their families. Tournaments in such sports as football, volleyball and table tennis were held during 1994. Such activities serve to promote both employee fitness and a sense of camaraderie.



We continue to emphasize safety in every aspect of our operations and spend significant time and money to make employees aware of safety and health issues. This campaign helped to reduce work-related accidents in the Cement Division by 56 % during 1994.

FIVE - YEAR SUMMARY

(Amounts in Millions of Rupiah)
Except Per Share Data

Net Revenue

Cement Division (*)

Fe & Division (**)

LAPORAN TAHUNAN
ANNUAL REPORT
1990

P.T. INDOCEMENT

Annual Report 1992



ANNUAL REPORT 1993

INDOCEMENT

1989	1990	1991	1992	1993
671,259	488,601	71,319	268,752	1,104,492
671,259	488,601	71,319	234,699	1,779,503
38%	43%	15%	2,464	6,386
310,181	282,355	144,985	2,206,114	2,890,384
310,181	282,355	144,985	31%	186%
308,674	250,123	12,5		
521,590	416,245	353,644		
1,739,778	1,517,189	1,298,347		
1,991,846	1,39,684	(134,211)		
3,767,175	2,007,054	1,369,254		
501,268	61,136	21,3		
2,085,170	545,999	3		
598,881	598,881	59		
546,67	515,42			
250	245			
2,905	2,533			
101%	461%			
100%	114%			
8%	11%			
17%	20%			
25,748	23,650			

five-year summary

Amount in Millions of Rupiah, except per share data	1994 Rp	1993 Rp	1992 Rp	1991 Rp	1990 Rp
Net Revenues					
Cement Division	1,238,148	1,104,492	968,752	771,319	671,259
Food Division	2,143,196	1,779,506	1,234,698	—	—
Property Division	6,670	6,386	2,664	—	—
Total	3,388,014	2,890,384	2,206,114	771,319	671,259
Revenue Growth	17%	31%	186%	15%	38%
Income From Operations					
Cement Division	528,774	441,382	361,864	310,181	282,355
Food Division	365,850	265,621	202,081	—	—
Property Division	(4,387)	(3,661)	(1,787)	—	—
Total	890,237	703,342	562,158	310,181	282,355
Net Income	367,837	312,388	327,393	308,674	250,123
Cash Generated from Operations	617,377	538,935	521,590	416,245	353,644
Stockholders' Equity	2,278,859	1,902,445	1,739,778	1,517,189	1,298,347
Net Borrowings (Net Cash)	1,692,809	1,864,697	1,991,846	139,684	(134,211)
Capital Employed	4,584,276	3,767,175	3,821,401	2,007,054	1,369,254
Capital Expenditures					
Fixed Assets (including Construction in progress)	709,701	643,188	501,268	61,136	21,308
Investments and Aquisitions	25,252	6,711	2,085,170	545,999	3,963
Issued Ordinary Shares ('000)	1,207,227	598,881	598,881	598,881	598,881
Per share data					
Earnings per Share	306.40	260.8 *	273.3 *	257.7 *	208.8 *
Dividends per Share	**	208	250	245	80
Book Value per Share	1,888	1,588 *	1,453 *	1,267 *	1,084 *
Financial Ratios					
Current Ratio	115%	70%	101%	461%	675%
Net Gearing (Net Borrowing as a percentage of Stockholders' Fund)	74%	98%	114%	9%	-10%
Return on Capital Employed	8%	8%	11%	15%	18%
Return on Stockholders' Equity	16%	16%	20%	22%	21%
Number of Employees	26,956	25,748	23,650	5,067	4,415

* Restated - based on the weighted average numbers of shares after bonus shares in 1994

** Before dividend declaration for the year 1994



Indocitra
Indofood SM
Indocement
Indorama
Indosat
Indosepamas
Indospring
Indovest Bank
Intan Wi
Inter

HARGA SAHAM

PERUSAHAAN	PRI N (Rp)	24-Feb (Rp)	
		2	3
Semen Cibinong	1	10.000	4.900
Indocement		10.000	7.600
Semen Gresik		7.000	8.600
Berlina		7.900	2.150
ter Dharma I		4.500	800
ias Sentosa		11.800	2.150

stock & market performance

Indocement ranks among the largest companies listed on the Indonesian Stock Exchanges, with 7.6% of total market capitalization

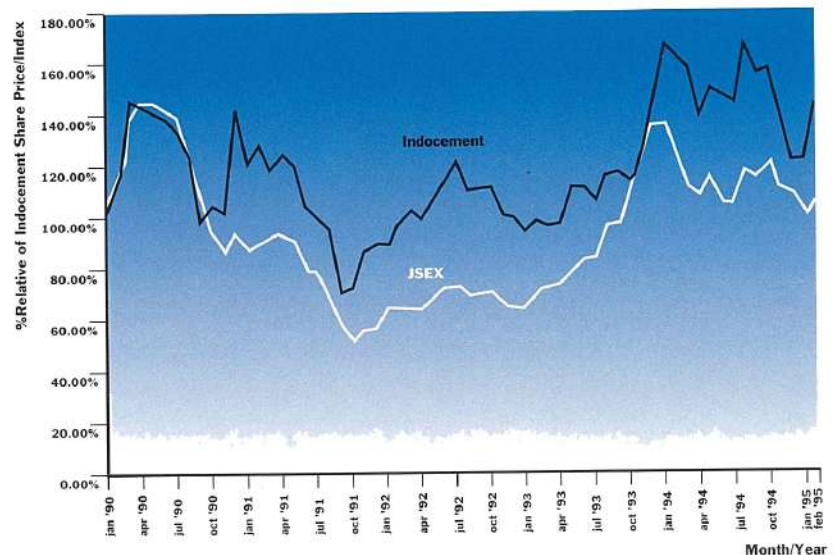
Indocement has a total of 1.2 billion common shares with a par value of Rp. 1,000 per share listed on the Indonesian Stock Exchanges. The company has listed all its shares since September 26, 1994.

Indocement ranked second on the Indonesian Stock Exchanges, with 7.6% of total market capitalization. As of December 31, 1994, the number of Indocement shareholders was approximately 3,000.

A total of 59.6 million Indocement shares were traded on the Indonesian Stock Exchanges in 1994. During the year, Indocement shares traded at prices ranging from a low of Rp. 13,500,- to a high of Rp. 17,700,- prior to our issue of bonus shares. Thereafter, price ranged between Rp. 6,100,- and Rp. 9,000,-.

The bonus shares granted on August 23, 1994 were to increase the total market capitalization as well as the liquidity of our shares on the stock market.

Indocement Share Price vs Jakarta Stock Exchange Index
January 1990 — February 1995



Prospects

During the first two months of 1995, the price of Indocement shares appreciated by 14% - the second largest gain of any stock during this period.

We are confident that in 1995 our stock will continue to appreciate in value. In view of the company's plans to expand its installed annual production for cement to 15.3 million tons by 1998 - and its strategic move to sell 100% of assets and business of Bogasari to Indofood, shareholders will likely see a continued appreciation in the value of their investments.

[illegible]

independant auditor's report

PRASETIO UTOMO

ARTHUR ANDERSEN & CO SC

INDEPENDENT AUDITORS' REPORT

Prasetio, Utomo & Co.
Registered Public Accountants

Chase Plaza
Jalan Jend. Sudirman Kav. 21
Jakarta 12920
Indonesia

Report No. 23111S


The Stockholders and Board of Directors
P.T. Indocement Tungal Prakarsa

We have audited the consolidated balance sheets of P.T. Indocement Tungal Prakarsa and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, retained earnings 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 conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P.T. Indocement Tungal Prakarsa and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

PRASETIO, UTOMO & CO



Drs M.P. Sibarani
Registered Accountant No. D-514

March 20, 1995

consolidated balance sheets

December 31, 1994 and 1993

Assets		Notes	1994 Rp	1993 Rp
Current Assets				
Cash and cash equivalents	2,3		229,250,330,582	52,110,812,084
Marketable securities	2,4		3,880,332,000	10,015,822,500
Accounts receivable	2,11,13,19,22			
Trade	5		331,778,766,830	234,011,157,393
Affiliates			16,953,682,655	18,767,141,684
Officers, employees and others			29,165,388,428	21,158,427,838
Inventories	2,6,11,13		356,354,007,738	329,633,888,793
Advances and deposits	23		107,594,543,581	108,507,348,468
Prepaid expenses and other current assets	2,23		45,125,142,197	50,357,842,449
Total Current Assets			1,120,102,194,011	824,562,441,209
Long-Term Investments				
Investments in and advances to investees	2,7		62,823,811,156	37,794,134,578
Excess of cost over net assets value - net of accumulated amortization	2,8		719,295,409,614	700,642,380,488
Total Long-term Investments			782,119,220,770	738,436,515,066
Property, Plant and Equipment				
- Net of accumulated depreciation, amortization and depletion	2,9,11,13		3,282,987,485,573	3,126,777,475,698
Other Assets				
Construction in progress	2,10		228,803,253,427	265,509,108,800
Deferred charges	2		45,414,583,864	51,516,549,031
Preoperating expenses	2		1,975,188,464	11,146,726,006
Other noncurrent assets	2,20		95,004,401,392	36,079,373,920
Total Other Assets			371,197,427,147	364,251,757,757
Total Assets			5,556,406,327,501	5,054,028,189,730

See accompanying Notes to Consolidated Financial Statements which are an Integral Part of the Consolidated Financial Statements.

consolidated balance sheets

December 31, 1994 and 1993

Liabilities and Stockholders' Equity

	Notes	1994 Rp	1993 Rp
Current Liabilities			
Short-term loans	2,6,9,11,19,22	350,134,520,231	635,548,750,311
Accounts payable	2,19		
Trade		188,200,245,060	166,440,074,986
Affiliates		15,653,868,298	692,043,892
Others		32,975,377,196	19,202,729,242
Accrued expenses	2	60,648,107,369	60,299,942,397
Accrued taxes	2,12	81,560,329,951	56,731,761,781
Unearned income	2	1,154,136,923	1,285,718,392
Portion of long-term debts currently due	2,6,9,13,19,22	241,804,241,824	242,596,174,138
Total Current Liabilities		972,130,826,852	1,182,797,195,139
Long-Term Debts			
Net of portion currently due	2,6,9,13,19,22	1,680,254,829,949	1,515,961,758,484
Other Liabilities and Credits			
Deferred gain on sale and leaseback transaction	2	44,307,956,855	34,033,214,057
Due to affiliates	19	25,482,370,478	121,153,616,759
6.75% Convertible Bonds due 2001	4	—	158,250,000,000
Total Other Liabilities and Credits		69,790,327,333	313,436,830,816
Minority Interest in Equity of Consolidated Subsidiaries			
	2	555,370,908,829	139,387,173,971
Stockholders' Equity			
Capital stock - Rp 1,000 par value			
Authorized - 2,000,000,000 shares in 1994 and 750,000,000 shares in 1993			
Issued - 1,207,226,660 shares in 1994 and 598,881,000 shares in 1993	15	1,207,226,660,000	598,881,000,000
Additional paid-in capital	16	172,329,476,497	650,090,196,497
Retained earnings		899,303,298,041	653,474,034,823
Total Stockholders' Equity		2,278,859,434,538	1,902,445,231,320
Total Liabilities and Stockholders' Equity		5,556,406,327,501	5,054,028,189,730

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, 1994 and 1993

	Notes	1994 Rp	1993 Rp
Net Revenues	2,17,19	3,388,014,339,466	2,890,384,433,734
Cost of Revenues	2,17	2,168,156,098,695	1,888,554,080,929
Gross Profit		1,219,858,240,771	1,001,830,352,805
Operating Expenses	2,18		
Delivery and selling		192,696,380,697	182,314,409,826
General and administrative		136,925,317,302	116,174,178,202
Total Operating Expenses		329,621,697,999	298,488,588,028
Income from Operations	17	890,236,542,772	703,341,764,777
Other Income (Charges)			
Freight revenues - net	2	23,058,346,657	20,637,366,275
Equity in net earnings of investees	2,7	1,557,240,514	831,419,455
Pension cost	2,18	(14,614,928,292)	—
Amortization	2,8,9,18	(27,541,171,146)	(25,131,830,824)
Financing charges - net	2,3,4,11,13	(306,487,856,854)	(310,410,634,229)
Others - net	2,4,20	8,999,508,142	31,077,281,657
Other Charges - Net		315,028,860,979	282,996,397,666
Income Before Provision for Income Tax		575,207,681,793	420,345,367,111
Provision for Income Tax	2,12	98,972,375,100	49,503,129,311
Income Before Minority Interest in Net Income of Consolidated Subsidiaries		476,235,306,693	370,842,237,800
Minority Interest in Net Income of Consolidated Subsidiaries	2	(108,398,657,319)	(58,454,379,950)
Net Income		367,836,649,374	312,387,857,850
Earnings per Share	2	306.38	260.81

See accompanying Notes to Consolidated Financial Statements which are an Integral Part of the Consolidated Financial Statements.

consolidated statements of retained earnings

for the years ended December 31, 1994 and 1993

	Notes	1994 Rp	1993 Rp
Retained Earnings at Beginning of Year			
As previously reported		653,474,034,823	490,806,426,973
Adjustments due to merger of P.T. Indofood Sukses Makmur (formerly P.T. Panganjaya Intikusuma)	2	2,704,680,180	—
As restated		656,178,715,003	490,806,426,973
Net Income		367,836,649,374	312,387,857,850
Cash Dividends	21	(124,712,066,336)	(149,720,250,000)
Retained Earnings at End of Year		899,303,298,041	653,474,034,823

See accompanying Notes to Consolidated Financial Statements which are an Integral Part of the Consolidated Financial Statements.

consolidated statements of cash flows

for the years ended December 31, 1994 and 1993

	1994 Rp	1993 Rp
Cash Flows from Operating Activities		
Net income	367,836,649,374	312,387,857,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest in equity of consolidated subsidiaries	108,398,657,319	58,454,379,950
Depreciation, amortization and depletion	224,930,703,300	194,690,455,015
Decline (increase) in value of marketable securities	306,953,833	(4,707,267,500)
Equity in net earnings of investees	(1,557,240,514)	(831,419,455)
Other non-cash items - net	24,609,521,004	31,805,749,239
Changes in Current Assets and Current Liabilities:		
Decrease (increase) in:		
Accounts receivable	(103,961,110,998)	84,052,188,645
Inventories	(26,720,118,945)	12,622,947,996
Advances and deposits	912,804,887	2,473,681,102
Prepaid expenses and other current assets	5,232,700,252	(9,382,978,621)
Increase (decrease) in:		
Accounts payable	50,494,642,434	569,091,655
Accrued expenses	348,164,972	(3,046,947,389)
Accrued taxes	24,828,568,170	(1,525,920,318)
Unearned income	(131,581,469)	(468,093,314)
Net Cash Provided by Operating Activities	675,529,313,619	677,093,724,855
Cash Flows from Investing Activities		
Proceeds from disposal of property and equipment	380,609,785,605	37,280,703,796
Proceeds from sale of marketable securities	8,015,650,000	5,000,000,000
Decrease (increase) in deferred charges	6,101,965,167	(29,840,978,137)
Additions to property, plant and equipment	(746,407,139,299)	(516,808,466,989)
Decrease (increase) in construction in progress	36,705,855,373	(126,379,381,523)
Increase in long-term investments	(62,114,498,488)	(6,617,590,861)
Increase in other investing activities - net	(58,925,027,472)	(4,336,601,379)
Net Cash Used in Investing Activities	(436,013,409,114)	(641,702,315,093)

consolidated statements of cash flows

for the years ended December 31, 1994 and 1993

	1994 Rp	1993 Rp
Cash Flows from Financing Activities		
Other financing activities mainly due to issuance of shares and merger of subsidiary companies	362,294,277,539	204,000,000
Increase (decrease) in long-term debts	163,501,139,151	(196,286,524,448)
Increase (decrease) in short-term loans	(285,414,230,080)	137,320,807,974
Payments of cash dividends	(124,712,066,336)	(149,720,250,000)
Increase (decrease) in due to affiliates	(95,671,246,281)	103,952,675,853
Payment of 6.75% convertible bonds	(82,374,260,000)	—
Net Cash Used in Financing Activities	(62,376,386,007)	(104,529,290,621)
Net increase (decrease) In Cash and Cash Equivalents	177,139,518,498	(69,137,880,859)
Cash and Cash Equivalents at Beginning of Year	52,110,812,084	121,248,692,943
Cash and Cash Equivalents at End of Year	229,250,330,582	52,110,812,084
Supplemental Disclosures of Cash Flows Information		
Payments during the year for:		
Income taxes	79,218,790,486	54,839,564,267
Interest	216,086,121,136	269,225,318,880
Transfer from 6.75% Convertible Bonds to:		
Capital stock	8,555,640,000	—
Additional paid-in capital	67,320,100,000	—

See accompanying Notes to Consolidated Financial Statements which are an Integral Part of the Consolidated Financial Statements.

notes to consolidated financial statements

1. General

P.T. Indocement Tunggal Prakarsa (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, most recently by notarial deed of Amrul Partomuan Pohan, S.H., LL.M. No. 129 dated June 28, 1994 regarding the increase in the authorized capital stock from Rp 750 billion to Rp 2,000 billion and Nos. 72 and 73 dated October 10, 1994 regarding the changes in the composition of the Company's Board of Commissioners. The amendment concerning the increase in the authorized capital stock was approved by the Ministry of Justice in its decision letter No. C2-11.432.HT.01.04.TH.94 dated July 26, 1994 and published in the State Gazette of the Republic of Indonesia No. 8209 and Supplement No. 84 dated October 12, 1994.

The Company is a multi-business group with three major divisions, namely Cement Division, Food Division and Property Division.

The Cement Division, which is one of the Company's core businesses, manages eight integrated cement plants at its Citeureup - Bogor site and one integrated cement plant at its Palimanan - Cirebon site with a combined annual capacity of 9.4 million tons, consisting of 9.2 million tons of portland cement and 0.2 million tons of specialty (white and oil well) cements.

The Food Division is composed of two separate core operations consisting of the Flour Milling Operations (Bogasari) and subsidiary companies, P.T. Indofood Sukses Makmur (formerly P.T. Panganjaya Intikusuma), Indofood USA Incorporation, and Far East Food Industries Sendirian Berhad, which are collectively called as

Indofood. Bogasari consists of two modern integrated flour milling plants, located in Jakarta and Surabaya, with a combined annual capacity of 2.4 million tons of flour and 60,000 tons of pasta, while P.T. Indofood Sukses Makmur manages a group of companies engaged in the processing and distribution of instant noodles, snacks, coffee, baby foods and specialty foods. On January 1, 1994, certain companies within the Indofood Group were merged into P.T. Panganjaya Intikusuma. Immediately after the merger, P.T. Panganjaya Intikusuma, the surviving entity, changed its name to P.T. Indofood Sukses Makmur (see Note 2).

The Property Division manages Wisma Indocement, a 23-story office tower building located in Jakarta's central commercial district with over 19,000 square meters of lettable space and two basement car parks.

The Company and its subsidiaries are domiciled in Jakarta and Semarang, while its factories are located in Jakarta, Citeureup, Cirebon, Cikampek, Bandung, Semarang, Surabaya, Ujung Pandang, Medan, Palembang and Banjarmasin.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements are prepared on the historical cost basis, except for certain property, plant and equipment acquired up to September 12, 1986 which are stated at revalued amounts.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries as follows

Company	Percentage of Ownership	
	1994 %	1993 %
Indocement (Cayman Island) Limited	100.0	100.0
P.T. Indomix Perkasa	80.0	80.0
Indofood USA Incorporation	51.0	51.0
Far East Food Industries Sendirian Berhad	51.0	51.0
P.T. Indofood Sukses Makmur (formerly P.T. Panganjaya Intikusuma)	50.1	51.0
P.T. Sanmaru Manufacturer Company Limited	—	51.0
P.T. Sarimi Asli Jaya	—	51.0
P.T. Multi Guna Agung	—	51.0
P.T. Anekapangan Dwitama	—	51.0
P.T. Indofood Interna Corporation	—	51.0

notes to consolidated financial statements

Effective January 1, 1994, certain companies within the Indofood Group including P.T. Sanmaru Manufacturer Company Limited, P.T. Sarimi Asli Jaya, P.T. Multi Guna Agung, P.T. Anekapangan Dwitama, P.T. Indocipta Pangan Makmur, and P.T. Indofood Interna Corporation, referred to as "The Merged Companies", were merged into P.T. Panganjaya Intikusuma. Immediately after the merger, P.T. Panganjaya Intikusuma, the surviving entity, changed its name to P.T. Indofood Sukses Makmur (ISM). The merger was documented in the notarial deed of Benny Kristianto, S.H. No. 5 dated March 1, 1994.

The merger was accounted for by using the pooling of interest method. Under this method, the assets and liabilities of the merged companies were transferred to ISM at book values. Based on the notarial deed of Benny Kristianto, S.H. Nos. 5, 7 to 24 dated March 1, 1994, the merged companies were liquidated.

On May 17, 1994, based on notarial deed No. 124 of the same notary, ISM offered 21,000,000 shares to the public. This was approved by the Ministry of Justice in its letter No. C2-8449.HT.01.04.94 dated May 31, 1994.

Investments in companies which are 20% to 50% owned are accounted for under the equity method. Under the equity method, the cost of investment is increased or decreased by the Company's equity in net earnings or losses of the investee companies, amortization of goodwill and dividends received.

Investments wherein the Company has an equity interest of less than 20 % are stated at cost.

All significant intercompany account balances and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents

Cash on hand and in banks, time deposits and commercial papers with maturities of three months or less at the time of placement or purchase are classified as "Cash and Cash Equivalents".

Marketable Securities

Marketable securities are carried at the lower of aggregate cost or market value determined at balance sheet date.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of a review of the status of the individual receivable accounts at the end of the year.

Inventories

Inventories are generally stated at the lower of cost or net realizable value, using either the average or first-in, first-out method.

The Company and its subsidiaries provide an allowance for obsolescence on inventories based on a periodic review of their condition.

Prepaid Expenses

Prepaid expenses are amortized over the periods benefited using the straight-line method. Prepayments with benefits extending beyond one year are presented under "Other Noncurrent Assets" in the consolidated balance sheets.

Excess of Cost/Net Assets Value over Net Assets Value/ Cost

Excess of cost/net assets value over net assets value/cost, which comprises the excess of the purchase price/net assets value over the fair value/purchase price of the assets acquired in connection with the acquisitions of subsidiaries, are amortized over a period of 10 to 40 years using the straight-line method. Under the new Financial Accounting Standard Statement No. 22 "Accounting for Business Combination" which will take effect on January 1, 1995, the amortization period should not be more than 5 years or 20 years if reasonably justifiable.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for certain property, plant and equipment used in operations and acquired up to September 12, 1986 which were revalued in 1987 in accordance with Government Regulation No. 45 dated October 2, 1986.

Landrights are not amortized, while main machinery and equipment related to the production of cement are depreciated using the unit-of-production method. The other property, plant and equipment items are depreciated from the start of commercial production using the straight-line method based on the estimated useful lives of the assets as follows:

Land improvements; quarry; and buildings and structures	20-30 years
Machinery and equipment	5-20 years
Leasehold improvements; furniture, fixtures and office equipment; and tools and other equipment	2-5 years
Transportation equipment	5-19 years

The cost of maintenance and repairs is charged to operations as incurred; significant replacements and betterments are capitalized. When assets are retired or disposed of, their carrying values and related accumulated depreciation, amortization or depletion are removed from the accounts and the resulting gains or losses are credited or charged to current operations.

notes to consolidated financial statements

Leases

Leases are accounted for under the capital lease method if these meet all the following criteria:

- a. Lessee has the option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement.
- b. Total periodic payments to be paid by the lessee plus residual value shall fully cover the acquisition cost of leased assets plus interest thereon which is the lessor's profit.
- c. Lease period shall be a minimum of two years.

Leases that do not meet all of the abovementioned criteria are accounted for under the operating lease method.

Under the capital lease method, the lease obligations are presented as "Obligations Under Capital Lease" shown under Long-term Debts, while the related leased assets are presented as "Assets Acquired Under Capital Lease" shown under Property, Plant and Equipment. These assets are depreciated using the straight-line method based on their estimated useful lives. Gains and losses on sale and leaseback of property and equipment are amortized over the estimated useful lives of the leased assets using the straight-line method.

Construction in Progress

Construction in progress is stated at cost. The accumulated cost will be reclassified to the appropriate property, plant and equipment accounts upon completion of the project.

Capitalization of Interest and Foreign Exchange Losses

Interest and foreign exchange losses incurred on borrowings used to finance specific property developments and manufacturing facilities during the construction period are capitalized.

Deferred Charges

Certain expenditures whose benefits extend over one year are deferred and amortized over their estimated useful lives using the straight-line method.

Deferred Shares Issuance Costs

Costs incurred in connection with the offering of ISM's shares are deferred and are amortized over three years using the straight-line method.

Preoperating Expenses

Preoperating expenses were capitalized and are amortized to operations from the start of commercial production for periods ranging from 3 to 10 years using the straight-line method. Under the new Financial Accounting Standard Statement No. 6 "Accounting and Reporting for a Development Stage Company" which will take effect on January 1, 1995, preoperating expenses should not be deferred. During the transition period, the balance of preoperating expenses could be directly charged to operations in 1995 or amortized over a maximum period of three years.

Franchise

Franchise is stated at cost and being amortized over five years up to 1998 using the straight-line method.

Trademarks

Cost incurred relating to the use of trademarks for noodles, snack food products of certain countries and coffee products are capitalized and amortized over five years up to 1996 using the straight-line method.

Revenue and Expense Recognition

Revenues are recorded as earned when products are delivered to customers or when services are rendered, except for the Flour Milling Operation (Bogasari) wherein revenues are recognized as earned upon issuance of sales invoice or delivery order. Freight revenues are generally recorded as income when a voyage is completed. Expenses are generally charged to operations on the accrual basis.

Transactions with Affiliates

The Company has transactions with entities which are regarded as having special relationships, as defined under the Ministry of Finance Decree No. 1548/KMK.013/1990 dated December 4, 1990 and as amended by the Ministry of Finance Decree No. 1199/KMK.010/1991 dated November 30, 1991 as follows:

- Family relationship by marriage and descent up to the second level, both horizontally and vertically;
- The relationship between a company and its employees, the directors or commissioners;
- The relationship between a company and another which directly or indirectly controls, is controlled, or under a single control of the latter; or
- The relationship between a company and its major stockholders.

All significant transactions with affiliates, whether or not performed under normal price and conditions as those with non-affiliates, are disclosed in the financial statements.

notes to consolidated financial statements

Pension Benefits

The Company accrues pension cost under a funded and contributory pension plan covering substantially all full-time employees of the Cement Division of the Company.

The costs of providing pension benefits for employees in the Food and Property Divisions are charged to operations at the time of their retirements, since these Divisions still operate the "pay-as-you-go" retirement benefits scheme. The scheme is neither funded nor contributory.

Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at transaction date. At balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the approximate exchange rates of Rupiah prevailing at such date. The resulting gains or losses are credited or charged to current operations. Swap cost is amortized over the terms of the swap contracts.

The assets and liabilities of foreign affiliates are translated into Rupiah currency at year-end exchange rates. Profit and loss items are translated at the average exchange rate prevailing during the year. Resulting translation adjustments, being insignificant, are reported under "Other Noncurrent Assets" in the balance sheets.

Provision for Income Tax

The Company follows the taxes payable method in computing its provision for income tax. Under this method, provision for income tax is computed on the basis of estimated taxable income for the year. No deferred tax is provided for the timing difference in the recognition of income and expenses for financial reporting and taxation purposes.

Earnings per Share

Earnings per share is computed based on the weighted average number of outstanding shares during the year with retroactive adjustment to the bonus shares issued in 1994 (see Note 15).

notes to consolidated financial statements

3. Cash and Cash Equivalents

The details of cash and cash equivalents are as follows:

	1994 Rp	1993 Rp
Cash on Hand and in Banks		
Petty cash funds	1,941,409,318	1,103,054,287
P.T. Bank Dagang Negara (Persero)	4,245,921,506	1,313,622,600
P.T. Bank Central Asia	4,203,065,491	31,900,768,162
P.T. Bank Umum Koperasi Indonesia	3,337,558,610	3,596,710,797
P.T. Bank Astria	2,019,296,423	830,208,746
P.T. Bank Ekspor Impor Indonesia (Persero)	1,822,439,324	861,129,113
Bank of America	558,001,235	371,837,244
P.T. Bank Risjad Salim International	409,951,291	3,780,238,299
P.T. Bank Surya	268,881,908	—
P.T. Bank Negara Indonesia 1946 (Persero)	237,545,745	1,855,784,741
Citibank, N.A., Jakarta	223,526,180	1,088,910,069
Others (below Rp 200,000,000 each)	212,431,127	592,695,075
	19,480,028,158	47,294,959,133
Time Deposits		
Rupiah		
P.T. Bank Central Asia	127,584,553,385	324,103,912
P.T. Bank Risjad Salim International	12,400,000,000	—
P.T. Dharmala Bank	8,700,000,000	—
P.T. Subentra Bank	8,500,000,000	—
P.T. Bank Umum Nasional	6,100,000,000	—
P.T. Bank Ekonomi	6,000,000,000	—
P.T. Bank Indonesia Raya	5,450,000,000	—
P.T. Sejahtera Bank Umum	3,000,000,000	—
Other banks (below Rp 200,000,000 each)	100,749,039	135,749,039
US Dollar		
P.T. Bank Central Asia	935,000,000	—
P.T. The Long Term Credit Bank Central Asia	—	2,252,000,000
First Pacific Bank	—	2,104,000,000
	178,770,302,424	4,815,852,951
Commercial Papers		
P.T. Indomobil Investment Corporation	20,000,000,000	—
P.T. Tamaco Graha Krida	8,000,000,000	—
P.T. Metropolitan Development	2,000,000,000	—
P.T. Swadharma Indotama Finance	1,000,000,000	—
	31,000,000,000	—
Total	229,250,330,582	52,110,812,084

Interest rates range from 11.50% to 18.00% per annum in 1994 and 14.50% to 21.00% per annum in 1993 for Rupiah time deposits and from 4.50% to 6.75% per annum in 1994 and 5.00% to 7.50% per annum in 1993 for US dollar time deposits.

notes to consolidated financial statements

4. Marketable Securities

These represent short-term investments in the following security papers:

	Number of Shares	1994 Rp	1993 Rp
Listed Equity Shares			
P.T. Indonesian Nickel Corporation	500,000	4,900,000,000	4,900,000,000
P.T. Inti Indorayon Utama	190,000	1,247,630,000	1,970,000,000
P.T. Sahid Jaya International	774,880	944,385,000	944,385,000
P.T. Bank Duta	75,000	600,000,000	600,000,000
P.T. Perusahaan Rokok Tjap Gudang Garam Kediri	—	—	5,535,000,000
	1,539,880	7,692,015,000	13,949,385,000
Less allowance for decline in market value of securities		3,811,683,000	3,933,562,500
Total		3,880,332,000	10,015,822,500

Cash dividends included in other income amounted to Rp 1,483,892,800 in 1994 and Rp 217,312,500 in 1993, while realized gain on sales of marketable securities amounted to Rp 2,187,113,333 in 1994.

5. Accounts Receivable - Trade

The details of accounts receivable-trade are as follows:

	1994 Rp	1993 Rp
Food Division	251,210,832,093	174,551,889,759
Cement Division	80,306,776,595	59,203,780,358
Property Division	261,158,142	255,487,276
Total	331,778,766,830	234,011,157,393

6. Inventories

Inventories consist of:

	1994 Rp	1993 Rp
Finished goods	52,532,486,209	45,746,158,699
Work in process	30,673,755,023	18,588,452,455
Raw materials	76,202,397,717	88,697,311,379
Fuel and lubricants	22,708,772,042	35,391,360,979
Operating supplies	43,502,343,736	25,952,609,595
Spare parts - net	122,119,454,207	111,091,475,817
Materials in transit and others - net	8,614,798,804	4,166,519,869
Total	356.354.007.738	329.633.888.793

Certain of inventories are used as collateral for the short-term loans and long-term debts (see Notes 11 and 13).

notes to consolidated financial statements

7. Investments in and Advances to Investees

These consist of long-term investments, advances to certain investees for working capital requirements and advances to prospective joint operations, the details of which are as follows:

	Ownership Interest %	1994 Rp	1993 Rp
Investments in Shares of Stock			
Acquisition Cost:			
P.T. Cibinong Center Industrial Estate	50.0	60,000,000	60,000,000
P.T. Indotek Engico	50.0	60,000,000	60,000,000
P.T. Indo Clean Set Cement	47.5	464,787,500	464,787,500
P.T. Citra Marga Nusaphala Persada	8.8	22,007,700,000	8,000,000,000
Other investee companies	—	1,470,000,000	2,452,500,000
Cumulative Equity in Net Earnings (Losses) - Net of Amortization of Goodwill and Dividends Received:			
P.T. Cibinong Center Industrial Estate		639,984,600	28,015,627
P.T. Indotek Engico		45,693,337	36,956,425
P.T. Indo Clean Set Cement		(2,375,540,730)	(1,061,308,712)
Other investee companies		5,003,413,946	3,023,334,626
		27,376,038,653	13,064,285,466
Advances			
Indocement/Indominco Joint Operation		17,442,633,997	13,137,884,940
P.T. Cibinong Center Industrial Estate		9,912,792,935	8,869,244,765
P.T. Indo Clean Set Cement		2,355,838,955	1,459,902,877
P.T. Indotek Engico		436,506,616	328,486,210
P.T. Citra Marga Nusaphala Persada		—	934,330,320
Other investee companies		5,300,000,000	—
		35,447,772,503	24,729,849,112
Total		62,823,811,156	37,794,134,578

On February 10, 1992, the Company signed a Memorandum of Understanding with P.T. Indominco Mandiri to form a coal mining joint operation in East Kalimantan. It is expected that the Joint Venture Agreement will be signed before the end of April 1995.

notes to consolidated financial statements

8. Excess of Cost Over Net Assets Value

This account represents the unamortized net excess of cost of acquired companies, mainly ISM, over their net assets value. Amortization expense charged to operations amounted to Rp 19,989,033,298 in 1994 and Rp 19,174,917,685 in 1993.

9. Property, Plant and Equipment

A summary of property, plant and equipment is presented below:

	1994 Rp	1993 Rp
Carrying Value		
Landrights and land improvements	342,502,015,747	319,585,099,920
Leasehold improvements	3,363,422,411	1,553,041,443
Quarry	17,696,104,243	17,170,349,991
Buildings and structures	903,563,005,225	950,390,767,689
Machinery and equipment	2,224,680,684,162	2,200,677,105,497
Transportation equipment	224,275,186,951	197,612,662,846
Furniture, fixtures and office equipment	71,476,988,648	55,106,988,689
Tools and other equipment	16,217,918,558	13,761,502,295
Assets acquired under capital lease:		
Buildings	145,979,726,200	46,677,539,136
Machinery and equipment	235,554,039,136	42,302,510,279
	4,185,309,091,281	3,844,837,567,785
Less accumulated depreciation, amortization and depletion	902,321,605,708	718,060,092,087
Net	3,282,987,485,573	3,126,777,475,698

Certain property, plant and equipment are used as collateral for the short-term loans and long-term debts (see Notes 11 and 13).

Depreciation, amortization and depletion charges totalled Rp 224,930,703,300 in 1994 and Rp 194,690,455,015 in 1993.

notes to consolidated financial statements

10. Construction in Progress

This account consists of:

	1994 Rp	1993 Rp
Land improvements	2,751,207,569	3,558,192,357
Buildings and structures	39,421,889,602	31,356,947,436
Machinery and equipment	177,199,887,966	195,092,603,630
Others	9,430,268,290	35,501,365,377
Total	228,803,253,427	265,509,108,800

This mainly represents the construction and installation of manufacturing facilities in line with the Company's capacity expansion program

11. Short-Term Loans

Short-term loans consist of the following:

	1994 Rp	1993 Rp
Overdraft		
P.T. Bank Negara Indonesia 1946 (Persero)	49,971,038,434	9,214,967,959
P.T. Bank Central Asia	37,876,686,784	29,406,456,777
Other local banks (with balances of Rp 5 billion each or less)	4,390,435,440	—
	92,238,160,658	38,621,424,736
Usance Letter of Credit		
P.T. Bank Central Asia	5,667,238,976	37,839,750,980
Other Term Loans		
Union Bank of Switzerland	110,000,000,000	—
Long Term Credit Bank, Singapore	66,000,000,000	1,200,000,000
P.T. Bank Central Asia	45,189,119,583	219,083,553,274
P.T. Rabobank Duta Indonesia	13,000,000,000	12,600,000,000
P.T. Inter Pacific Financial Corporation	11,000,000,000	7,996,900,000
Bank of America	7,040,001,014	13,390,800,000
Citibank, N.A., Jakarta	—	145,115,200,000
The Chase Manhattan Bank, N.A., Jakarta	—	78,925,000,000
P.T. Bank Niaga	—	51,145,000,000
American Express Bank, N.A., Jakarta	—	22,788,000,000
Other banks (with balances of Rp 5 billion each or less)	—	6,843,121,321
	252,229,120,597	559,087,574,595
Total	350,134,520,231	635,548,750,311

Interest rates range from 5.25% to 9.375% per annum in 1994 and 7.00% to 10.50% per annum in 1993 for foreign currency denominated loans and from 13.75% to 19.5% per annum in 1994 and 11.50% to 21.50% per annum in 1993 for Rupiah denominated loans. Certain loans are collateralized by certain property, plant and equipment, inventories, trade receivables, promissory notes and personal guarantees from certain stockholders.

notes to consolidated financial statements

12. Taxation

The details of accrued taxes are as follows:

	1994 Rp	1993 Rp
Estimated corporate income tax payable	33,967,769,065	17,774,886,455
Other taxes accrued and withheld		
Income tax - Article 21	4,003,902,486	4,297,200,845
Income tax - Article 23	613,527,135	3,108,930,532
Income tax - Article 25	4,646,229,891	1,307,066,873
Income tax - Article 26	698,121,467	754,677,852
Value Added Tax - Output	37,630,779,907	29,446,644,447
Other taxes	—	42,354,777
Total	81,560,329,951	56,731,761,781
The fiscal computation, together with a reconciliation of the Company's income before provision for income tax and estimated taxable income, is shown below:		
Income before provision for income tax per consolidated statements of income	575,207,681,793	420,345,367,111
Add (deduct) :		
Income of the subsidiaries before provision for income tax	(271,593,458,194)	(187,174,967,843)
Amortization of excess of investment cost over net assets value	18,445,468,954	17,814,977,987
Income before provision for income tax attributable to the Company	322,059,692,553	250,985,377,255
Add (deduct) :		
Timing differences, mainly the excess of tax over book depreciation	(194,491,705,869)	(153,002,732,814)
Non-deductible expenses, mainly employees' benefits and public relations	31,022,636,352	13,938,767,706
Non-taxable income - dividends	(1,483,892,800)	(217,312,500)
Estimated taxable income before tax losses relief	157,106,730,236	111,704,099,647
Tax losses brought forward at beginning of year	(24,036,014,318)	(140,690,662,430)
Balance	133,070,715,918	(28,986,562,783)
Tax losses relief lapsed during the year	—	4,950,548,465
Estimated taxable income (tax losses to be carried forward to the succeeding years)	133,070,715,918	(24,036,014,318)

notes to consolidated financial statements

The provision for income tax and estimated corporate income tax payable are as follows:

	1994 Rp	1993 Rp
Estimated taxable income	133,070,715,000	—
Provision for Income Tax		
Company	46,568,750,250	—
Subsidiaries	52,403,624,850	49,503,129,311
Provision for income tax per consolidated statements of income	98,972,375,100	49,503,129,311
Prepayments of Income Tax		
Company	(29,428,164,194)	—
Subsidiaries	(35,576,441,841)	(31,728,242,856)
Estimated corporate income tax payable	33,967,769,065	17,774,886,455

The estimated corporate income tax payable as of December 31, 1993 and the provision for income tax for 1993 pertains to ISM. No corporate income tax was provided by the Company for the year ended December 31, 1993 since the Company was still in a fiscal loss position after applying the available tax losses carried forward from prior years.

13. Long-Term Debts

Long-term debts consist of the following:

		1994 Rp	1993 Rp
Rupiah Loans	Foreign Currency US\$		
P.T. Bank Central Asia		108,325,689,424	92,759,473,900
P.T. Bank Pembangunan Indonesia (Persero)		101,680,345,466	110,780,345,466
P.T. Mitsubishi Buana Bank		20,000,000,000	—
Consortium of local banks (with P.T. Bank Duta as lead manager)		10,000,000,000	16,000,000,000
The Chase Manhattan Bank, N.A., Jakarta		—	12,818,250,000
P.T. Bank Negara Indonesia 1946 (Persero)		—	4,375,000,000
Other local banks (with balances of Rp 10 billion each or less))		—	12,099,440,410
		240,006,034,890	248,832,509,776
Foreign Currency Loans			
Consortium Fuji Bank Limited, Singapore	100,000,000	220,000,000,000	—
Consortium Yasuda Trust & Bank, Singapore	42,500,000	93,500,000,000	15,825,000,000
Consortium Asean Finance Corporation, Singapore	36,500,000	80,300,000,000	77,015,000,000
P.T. Bank Negara Indonesia 1946 (Persero), Cayman Island Branch	36,160,000	79,552,000,000	97,102,200,000

notes to consolidated financial statements

	Foreign Currency US\$	1994 Rp	1993 Rp
Consortium Nippon Credit Bank, Singapore	27,500,000	60,500,000,000	15,825,000,000
Tokai Bank, Singapore	25,000,000	55,000,000,000	—
Banque Paribas, Singapore	7,500,000	16,500,000,000	15,825,000,000
Commerz Bank, Singapore	7,500,000	16,500,000,000	15,825,000,000
Commonwealth Bank, Singapore	7,500,000	16,500,000,000	15,825,000,000
P.N. Pertamina Unit EP III, Cirebon	6,024,082	13,252,980,576	18,943,752,872
Fuji Bank Limited, Japan		—	161,506,131,069
		651,604,980,576	433,692,083,941
Promissory Notes	210,000,000	462,000,000,000	569,700,000,000
Commercial Papers		387,000,000,000	400,000,000,000
Suppliers' Credit	Various	31,995,686,611	38,884,799,969
Obligations Under Capital Lease		149,452,369,696	67,448,538,936
Total		1,922,059,071,773	1,758,557,932,622
Less Portion Currently Due			
Rupiah loans		19,500,000,000	33,815,306,945
Foreign currency loans		31,819,318,366	52,827,656,084
Promissory notes		132,000,000,000	126,600,000,000
Suppliers' credit		10,665,950,010	8,535,259,889
Obligations under capital lease		47,818,973,448	20,817,951,220
		241,804,241,824	242,596,174,138
Long-term Portion		1,680,254,829,949	1,515,961,758,484

The commercial papers issued by the Company, with P.T. Bank Central Asia as arranger, have a maximum amount of Rp 400 billion payable in two years starting October 20, 1992. On October 20, 1994, the facility was extended up to March 31, 1998.

The promissory notes with a balance of US\$ 210 million issued to P.T. Bogasari Flour Mills are being repaid in quarterly installments up to August 1998. On July 16, 1993, these promissory notes were sold by P.T. Bogasari Flour Mills to P.T. Bank Ekspor Impor Indonesia (Persero). In 1994, P.T. Bank Ekspor Impor Indonesia (Persero) sold the last six installments to P.T. Bank Central Asia with the same repayment terms.

Suppliers' credits, which are mainly denominated in US dollars, represent liabilities to foreign suppliers for the purchase of machinery and equipment.

The Company and its subsidiaries have lease commitments covering certain buildings and machinery and equipment expiring at various dates with the option to purchase the leased assets at the end of the lease term. Future minimum lease payments under these leases are Rp 47.8 billion, Rp 31 billion, Rp 30.9 billion and Rp 7.6

billion for the years ending December 31, 1995, 1996, 1997 and 1998, respectively; while total lease payment due after the fifth year is Rp 32.1 billion.

The above indebtedness, which bear interest at rates ranging from 10.34% to 20% per annum in 1994 and 12.00% to 20.64% per annum in 1993 for Rupiah denominated loans and from 6.025% to 9.89% per annum in 1994 and 5.25% to 9.00% per annum in 1993 for foreign currency denominated loans, are collateralized by certain property, plant and equipment, inventories, trade receivables, standby letters of credit and personal guarantees from certain stockholders and officers.

Certain loan agreements contain terms and conditions restricting the Company from, without prior consent from the lenders, taking on additional long-term liabilities, changing the Company's legal status and composition of the board of directors, restructuring the equity capital and incurring significant capital expenditures in excess of a specified limit. In addition, the Company has to maintain certain financial ratios.

notes to consolidated financial statements

14. 6.75% Convertible Bonds Due 2001

On June 20, 1991, the Company issued and listed US\$ 75 million 6.75% Euroconvertible bonds (Bonds) due 2001 at the Luxembourg Stock Exchange at 100% issue price. The Bonds are convertible starting August 1, 1991 up to May 20, 2001 into common shares at the option of the bondholder. The initial conversion price at which the shares shall be issued is at Rp 14,450 per share with a fixed rate of exchange upon conversion of US\$ 1 to Rp 1,946.

In 1994, the Company issued 8,555,640 shares of stock upon conversion of the US\$ 35,140,000 principal amount of Bonds. Accordingly, the Company transferred Rp 8,555,640,000 to capital stock and Rp 67,320,100,000 to additional paid in capital. The remaining balance of US\$ 39,860,000 was fully paid in 1994.

15. Capital Stock

In the Extraordinary General Meeting of the Stockholders held on June 15, 1994, the stockholders approved the increase in the authorized capital stock from Rp 750 billion to Rp 2,000 billion and the issuance of bonus shares of one share for each share owned based on shares outstanding as of August 23, 1994 (see Note 1). Further, in 1994, the 6.75% convertible bonds with an aggregate value of US\$ 35,140,000 were converted into 8,555,640 shares (see Note 14). As a result of the foregoing transactions, the Company's paid up capital as of December 31, 1994 and 1993 is as follows:

	1994		1993	
	Percentage of Ownership %	Amount Rp	Percentage of Ownership %	Amount Rp
P.T. Mekar Perkasa	42.06	507,806,000,000	42.40	253,903,000,000
Government of the Republic of Indonesia	25.73	310,564,190,000	25.93	155,282,095,000
P.T. Citrabuana Dirgapuri	12.65	152,715,652,000	12.75	76,357,826,000
P.T. Kaolin Indah Utama	4.42	53,300,410,000	4.45	26,650,205,000
Cooperatives	0.99	12,000,000,000	1.00	6,000,000,000
Sudwikatmono	0.13	1,613,696,000	0.13	806,848,000
Ibrahim Risjad	0.13	1,613,696,000	0.13	806,848,000
Public	13.89	167,613,016,000	13.21	79,074,178,000
Total	100.00	1,207,226,660,000	100.00	598,881,000,000

16. Additional Paid-in Capital

This account represents the excess of the amounts received or carrying value of convertible debentures and convertible bonds over the par value of the shares issued. The changes in this account in 1994 are as follows :

Beginning balance	Rp 650,090,196,497
Excess of the net amount received over the par value of the ISM's shares issued to the public	54,709,200,000
Excess of the carrying amount of the convertible bonds over the par value of the shares issued	67,320,100,000
Less portion distributed as bonus shares	(599,790,020,000)
Ending balance	Rp 172,329,476,497

notes to consolidated financial statements

17. Operating Segmental Information

The Company and its subsidiaries classify their manufactured products and services into three business segments: Cement Division, Food Division and Property Division. Information concerning the Company and its subsidiaries' business segments is as follows:

	1994 Rp	1993 Rp
Net Revenues:		
Cement Division		
Cement	1,220,583,089,247	1,099,884,029,961
Ready mixed concrete	17,565,129,825	4,607,572,075
Food Division		
Bogasari	793,867,588,915	658,760,576,175
Indofood	1,349,328,758,944	1,120,746,312,912
Property Division		
Wisma Indocement	6,669,772,535	6,385,942,611
Total	3,388,014,339,466	2,890,384,433,734
Cost of Revenues:		
Cement Division		
Cement	629,318,638,148	592,905,684,138
Ready mixed concrete	8,660,715,748	3,085,041,958
Food Division		
Bogasari	671,293,342,033	545,036,834,959
Indofood	849,096,341,869	738,684,759,591
Property Division		
Wisma Indocement	9,787,060,897	8,841,760,283
Total	2,168,156,098,695	1,888,554,080,929
Income (Loss) from Operations:		
Cement Division		
Cement	520,475,755,071	440,157,065,701
Ready mixed concrete	8,298,445,708	1,224,403,743
Food Division		
Bogasari	96,163,340,841	85,427,076,302
Indofood	269,686,255,854	180,194,120,653
Property Division		
Wisma Indocement	(4,387,254,702)	(3,660,901,622)
Total	890,236,542,772	703,341,764,777

notes to consolidated financial statements

	1994 Rp	1993 Rp
Total Assets:		
Cement Division		
Cement	2,753,018,590,698	2,708,825,607,664
Ready mixed concrete	15,707,938,216	7,760,958,877
Food Division		
Bogasari	1,244,763,663,369	1,212,028,799,434
Indofood	1,440,526,986,598	1,017,607,520,592
Property Division		
Wisma Indocement	102,389,148,620	107,805,303,163
Total	5,556,406,327,501	5,054,028,189,730

18. Pension and Retirement Benefits Plan

In December 1994, the Company changed its pension plan program of the Cement Division from Defined Benefits Plan to a Defined Contribution Plan. The plan covers substantially all full-time employees of the Cement Division of the Company. Pension contributions of the Company and its Cement Division employees amount to 10% and 5%, respectively, of the pensionable earnings of the employees. Regular pension costs charged to operations amounted to Rp 2,986,735,645 in 1994 and Rp 2,349,126,270 in 1993.

Upon adoption of the Defined Contribution Plan, the Company fully funded the unfunded past service liability of Rp 14.6 billion. This was charged to the current year's operations.

The pension fund is held separately and administered by the Dana Pensiun Karyawan P.T. Indocement Tunggal Prakarsa (formerly Yayasan Dana Pensiun Karyawan P.T. 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.

The Food and Property Divisions and the Company's subsidiaries still operate the "pay-as-you-go" retirement benefits scheme (see Note 24b).

19. Transactions and Accounts With Affiliates

The significant transactions and related account balances with affiliates are as follows:

- The Company substantially sells its inventory of portland cement to P.T. Semen Tiga Roda Prasetya, one of the Company's main distributors. Total sales amounted to Rp 811,103,354,002 or 65.95% of its total sales in 1994 and Rp 714,405,686,367 or 64.82% of its total sales in 1993. The outstanding receivables as of December 31, 1994 and 1993 amounted to Rp 32,882,344,212 and Rp 27,995,936,228, respectively.
- ISM sells finished goods to certain affiliates. Sales to affiliates are 60.2% and 63.4% of its total sales in 1994 and 1993, respectively.
- ISM purchases finished goods from certain affiliates. Net purchases from affiliates represent 11.65% and 83.2% of its total purchases in 1994 and 1993, respectively.
- The Company and its subsidiaries obtain loans from P.T. Bank Central Asia, which bear interest at prevailing commercial rates (see Note 13).
- The Company insures a portion of its assets with P.T. Asuransi Central Asia.
- The Company has lease transactions with P.T. Central Sari Metropolitan Leasing Corporation, which acts as the agent of leasing consortium, and P.T. Swadharma Indotama Finance.

Transactions with affiliates other than those pertaining to the main businesses of the Company and its subsidiaries are reported under "Accounts Receivable/ Payable - Affiliates". Those advances received which are not expected to be repaid within twelve months are presented under "Due to Affiliates".

notes to consolidated financial statements

20. Agreements

The Company and its subsidiaries have several technical and licensing agreements with third parties, the more significant of which are as follows:

- a. ISM has a management agreement with P.T. Putri Daya Usahatama, P.T. Cereko Reksa Corporation, P.T. Cemako Mandiri Corporation, P.T. Semesta Rasa Foods and Pinehill Arabia Food Limited whereby ISM agreed to provide management assistance, administration and service. As compensation thereof, ISM receives management fee which amounted to Rp 1,130,655,960 in 1994 and Rp 504,106,500 in 1993.
- b. Since 1993, ISM has an agreement with P.T. Bank Niaga, for publishing and payment of notes payable whereby P.T. Bank Niaga agrees to act as an agent responsible for arranging the sale of short-term notes payable with the total sales value not exceeding US\$ 50,000,000.
- c. ISM has signed several contracts for the purchase of machineries from Ranton Development Limited, amounted to US\$ 59,796,993 as of December 31, 1994. Of this amount, ISM has made advance payments totalling US\$ 25,294,479 (Rp 55,647,853,800).
- d. On March 1, 1994, the Company signed a Memorandum of Understanding with Korea Development Company Limited (Kodeco) and Marubeni Corporation (Marubeni), whereby the Company, Kodeco and Marubeni mutually agreed to build a grey portland cement manufacturing plant at Batulicin, South Kalimantan. This plant will have an installed capacity of 2.45 million tons of grey cement per annum and is expected to be in full operation in early 1998 at a total estimated cost of US\$ 488,000,000. The Company and its associates, as local participants, will own 51% of the equity, while Kodeco and Marubeni, as foreign participants, will have 49% of the equity.

21. Cash Dividends

In the Annual General Meetings held on July 21, 1994 and June 9, 1993, the stockholders approved the distribution of final cash dividend of Rp 208 per share to stockholders of records as of July 21, 1994 and Rp 250 per share to stockholders of record as of July 9, 1993, respectively.

22. Commitments

- a. The Company hedges a portion of its US dollar liabilities by entering into straight currency and interest rate swap contracts totalling US\$ 205,000,000 with Bank Indonesia and other financial institutions.
- b. The Company has unused letters of credit facilities amounting to approximately Rp 104 billion as of December 31, 1994.

23. Other Matter

In line with its intention to invest in a prime property in Jakarta, the Company, in 1992, made an advance payment of Rp 77.9 billion for the purchase of the shares of stock of P.T. Wisma Nusantara International (P.T. WNI) representing a 35% ownership interest. The investment was approved by the Capital Investment Coordinating Board (Badan Koordinasi Penanaman Modal) in its letter No. 3113/III/PMA/1993 dated June 25, 1993. The approval from the Ministry of Justice is still in process as of December 31, 1994.

24. Subsequent Events

- a. In accordance with the Company's plan of expanding the production of its cement plant in Cirebon to 1.3 million tons per annum, on January 20, 1995, the Company entered into a contract with Kawasaki Heavy Industries Limited for the supply of locally manufactured machinery and equipment and supervision of the construction of the new cement plant at a contract cost of US\$ 10,063,750. On the same date, the Company also signed a contract with Marubeni Corporation for the supply of machinery and equipment amounting to US\$ 85,386,250 intended for the construction of the new cement plant.
- b. On February 3, 1995 the Ministry of Finance in its letters No. KEP-027/KM.17/1995 and No. KEP-028/KM.17/1995 has approved Bogasari's Defined Benefits Pension Plan and Defined Contribution Pension Plan, respectively.
- c. In February 1995, the Company announced its plan to sell the assets and business of the Bogasari to its subsidiary, ISM. This plan is still subject to approval of the independent stockholders at the Extraordinary Stockholders Meeting of the Companies.

25. Reclassification of Accounts

Certain accounts in the 1993 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 1994 consolidated financial statements.

corporate information

Major Shareholders

P.T. Mekar Perkasa 42.06%

Government of the Republic of Indonesia 25.73%

P.T. Citrabuana Dirgapuri 12.65%

Share Listing: the whole shares are listed on the Main Board of the Stock Exchange in Indonesia - Reuters ICMT.JK.

Board of Commissioners

President Commissioner Soedono Salim

Commissioner Djuhar Sutanto

Commissioner E. Soekasah Somawidjaja

Commissioner H. Aang Kunaefi

Commissioner Johnny Djuhar

Commissioner Kuntara

Commissioner Andree Halim

Board of Directors

President Director Sudwikatmono

Vice-President Director Anthony Salim

Director Ibrahim Risjad

Director Tedy Djuhar

Director Iwa Kartiwa

Director Soepardjo

Director Daddy Hariadi

Director Franciscus Welirang

Director Benny S. Santoso

Corporate Address

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Jl. Jend. Sudirman Kav. 70-71
Jakarta 12910, Indonesia
Phone: 62-021-2512121

P.O. Box: 4018 Jakarta 10001

Cable: INDOCEMENT

Telex: 65150, 65249, 65731
INCEM IA

Facsimile: 62-021-2510066

corporate information

Professionals and Bankers:

Auditors

Prasetio Utomo & Co.
(A member of Arthur Andersen
Worldwide Organization)
8th and 11th Floor, Chase Plaza
Jl. Jend. Sudirman Kav. 21
Jakarta 12910 Indonesia

Corporate Lawyers

Mochtar, Karuwin & Komar
14th Floor, Wisma Metropolitan II
Jl. Jend. Sudirman Kav. 31, Jakarta
12920, Indonesia

Share Registrar

P.T. Risjad Salim Registra,
Ground Floor, Central Plaza,
Jl. Jend. Sudirman Kav. 47-48,
Jakarta 12920, Indonesia

Major Bankers

Bank Central Asia
Bank Ekspor Impor Indonesia
Bank Pembangunan Indonesia
Bank Negara Indonesia 1946
Bank Duta
Bank Niaga
Mitsubishi Buana Bank
Union Bank of Switzerland
Long Term Credit Bank
Bank of America
Fuji Bank Ltd., Japan
Yasuda Trust & Bank
Asean Finance Corporation
Nippon Credit Bank
Tokai Bank
Commerz Bank
Banque Paribas
Commonwealth Bank
The Chase Manhattan Bank, N.A.
Citibank, N.A.

corporate information

Other Shareholder Information

Annual General Meeting

The Annual General Meeting of Shareholders will be held on the 21st Floor, Wisma Indocement Jl. Jend. Sudirman Kav. 70-71, Jakarta 12910 at 9:30 A.M. on Friday, June 30, 1995.

For further information, please contact:

Corporate Secretariat

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Investor Inquiries

Investor inquiries may be directed to:

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