

Vision 2010

To be a world class mining company with a competitive advantage in the global market place and the leader of the Indonesian Mining Industry.

Company's Mission

To provide superior quality products of nickel, gold and industrial minerals, with due concern for environmental conservation.

To achieve competitive advantages with a view to:

- Maximizing shareholders' value;
- Enhancing the quality of employees' work life; and

Improving the social welfare of the communities of the mining areas.

PT Aneka Tambang (Persero) Tbk

Is an Indonesian mining company that enhances its operation of seven producing mines with development efforts, aiming to assist in revitalization of the national economy, through facilitation of effective exploitation of Indonesia's rich mineral resources. The production focus of the Company revolves around the key metals of nickel and gold, augmented by other minerals that include bauxite and iron sand.

Aneka Tambang is in possession of 70 Exploration and Exploitation Kuasa Pertambangan (Indonesian mining rights), and 16 Contracts of Work (COWs) covering a total area of 3.54 million ha of fertile exploration ground.

Aneka Tambang is one of the lowest cost nickel and gold producers in the world. In 1998, the Company's production cash cost for nickel totaled US\$ 0.91/lb, while that of gold's amounted to US\$ 98.99/ t.oz.

Nickel

- Aneka Tambang operates the three nickel mines of Pomalaa Southeast Sulawesi, Gebe Island North Maluku, and Gee Island Central Halmahera, producing approximately 3-3.5 million wmt per year.
- The Company's ferronickel smelter and refinery is also located in Pomalaa, Southeast Sulawesi, and comprises the two lines of Ferronickel I and II, having a total capacity of 1,000 tonnes of nickel in ferronickel per year. The Company's ferronickel operations were the first of their kind in the world to receive ISO 9002 certification.
- The Company possesses of proven and probable reserves of 28.9 million wmt of high grade saprolite nickel ore and 12.1 million wmt of low grade limonite nickel ore as of September 30, 1998, while its abundant resource base is thought to contain more than 100 million wmt.
- The Company is currently planning the construction of FeNi III expansion and is conducting additional nickel development projects in Gag Island, Weda BaK Halmahera Island, Pakal Island and Obi Island.

Precious Metals

Aneka Tambang first discovered the Gunung Pongkor gold mine in West Java in 1988, and produced the mine's first precious metal in 1994. The company is currently expanding this mine to increase the daily ore throughput to 1,200 tonnes of ore, producing approximately 3-5 tonnes of gold per year.

- Pongkor's proven and probable reserves are equivalent to 2.02 million t. oz of gold and 22.31 million t. oz of silver as of September 30, 1998.
- The Company additionally operates Indonesia's sole precious metals smelter and refinery, Logam Mulia, whose gold and silver bullion were admitted to the London Bullion Market Association's "London Good Delivery L/st" as of January 1, 1999. The refinery has a capacity of 75 tonnes gold and 270 tonnes silver per year.
- The Company's gold exploration efforts are focused in Java, North Sumatra, Kalimantan, North Sulawesi; Nusa Tenggara and Halmahera Islands.

Non Core Products

- Aneka Tambang's non-core operations include the bauxite mine of Kijang, Bintan Island currently producing 800,000-1,300,000 wmt per year; and the iron sand mines of Cilacap, Kutoarjo and Lumajang in Java with an annual production of 350,000-575,000 wmt per year
- The Company's proven and probable bauxite reserves include the Tayan deposit of West Kalimantan in addition to that of Kijang; and the iron sand deposit of Purworejo, in Central Java.
- The Company is currently undertaking in joint venture test mining of the diamond deposits of Martapura, Cempaka, and Seran Lake, in South Kalimantan.

MESSAGE FROM THE BOARD OF COMMISSIONERS

The current prolonged economic crisis has adversely affected all businesses in Indonesia, with the exception of the resource sectors. Indeed, the progressive development of the mining industry in general has been greatly stimulated by the steep depreciation of the rupiah against the US dollar.

PT Aneka Tambang (Persero) Tbk, as a leading Indonesian mining and mineral processing company, has responded effectively to these circumstances by implementing its pertinent business strategies, concentrating on core products (+ 80% of which is exported), increasing exploration activities, increasing cooperation with joint venture partners, and continuing with post-privatization restructuring. The implementation of these strategies during 1998 resulted in strong performances, operationally as well as financially.

During 1998, not only did the Company achieve almost all of its various production targets, and increase its net profits by three folds as compared to 1997, but it also became one of the lowest cost producers of its core commodities in the world through the integration of its business activities, from exploration to mining, processing, marketing and trading.

The Board of Commissioners is confident that the Company remains in possession of all the key success elements for a mining company: dedicated human resources; abundant mineral reserves; solid financial strength; and the ability to locate and develop deposits into new mines. These elements furnish Aneka Tambang with promising prospects in the years ahead, enabling it to achieve its goal of becoming a world-class mining company.

Aside from its promising prospects, the Board of Commissioners realizes that Aneka Tambang will also face challenges associated with the slow recovery of the Indonesian economy, and the continued volatility of metals prices. However, with the management's visionary leadership, we are confident that Aneka Tambang will succeed in positioning itself to compete globally.

The Board of Commissioners deplores the incidents that took place at Pongkor in December of 1998, which were caused by a misunderstanding between the security forces and the illegal miners. Fortunately this adversity has been successfully coped with, and has not resulted in significant operational disruptions.

The Board highly values the loyalty of shareholders and other stakeholders, and the continued commitment of employees and directors of the Company, and therefore wishes to convey the deepest gratitude and appreciation to all.

Jakarta, March 17, 1999

PRESIDENT DIRECTOR REPORTS

The year 1998 marked the 30th anniversary of the merger of seven previously state-owned companies to form PT Aneka Tambang, during which time the Company's prominent operational and financial performance has fumed it into one of Indonesia's leading mining companies with an enviable international reputation.

While Aneka Tambang's production and sales of nickel ore, ferronickel, iron sand, and bauxite in 1998 reached their respective targets, that of gold and silver fell short, due partly to technical issues, and pantry to the socio-economic side-effects of the continuing economic crisis.

Despite the economic turmoil, Aneka Tambang's financial performance significantly improved, increasing the year's net revenues by 127%, to Rp 1,021.91 billion, from Rp 449.56 billion in 1997. The impact of the rupiah's continued depreciation against the US dollar was more pronounced on the Company's bottom-line which was also enhanced by the efficiency efforts carried out by the Company, enlarging net profits by 360%, from Rp 69.52 billion in 1997 to Rp 319.60 billion in 1998. Aside from the Company's efforts at increasing operating efficiencies, the major factor contributing to this phenomena is the Company's revenue and cost composition, which enabled it to be among a handful of mining companies around the world to improve financial performance amid the steep declining prices that metals in general, and nickel in particular exhibited during the year.

PROSPECTS:

In 1998 Aneka Tambang continued to focus on enhancing the quality of its products, further promoting the demand for its ferronickel, as well as precious metals. To this end, the Company's perseverance, and determination finally fruited by the inclusion of the Company's gold and silver products on the "London-Good Delivery List" of the London Bullion Market Association, as of the end of 1998. The Board of Directors is confident that Aneka Tambang's business prospects for 1999 will continue to remain promising. Although the competitive and technological changes that the nickel industry is currently undergoing could prove fundamental in the long-term, Aneka Tambang's competitive positioning on the industry's cost curve will ensure it as a beneficiary of any such industrial developments.

For 1999, the corporate focus will remain on the various restructuring programs and the post-privatization process, currently underway. These efforts will most effectively position the Company to capitalize on its strengths, and ensure the realization of its various attractive growth prospects. Based on these foundations, Aneka Tambang will enter into the new millennium poised to compete effectively in the global market. The current programs and process are briefly outlined as follows:

- Organizational restructuring, to focus each Strategic Business Unit's operations and activities on their respective strengths and advantages; Human resources restructuring, to optimize the Company's most important resources, by implementing more effective reward and incentive systems;
- Ownership restructuring, to introduce the appropriate strategic partner who will facilitate access to more effective technology and more efficient funding, for the benefit of current operations and development projects alike;
- Secondary listing on the Australian Stock Exchange, to subject the Company to the highest standards of mining disclosure in the world, thereby enticing the return of investors confidence in Indonesian companies, and especially the mining sector. The consequent application of lower risk premiums by specialized investors is expected to increase the Company's share price in the long term.

Obstacles & Hurdles Caused By The Economic Crisis

- Notwithstanding the Company's bright prospects, the prevailing monetary crisis has given rise to numerous challenges that include:
- Debt funding of the Ferronickel III expansion project; (as capital markets remain inaccessible to most Asian issuers);
- Weakness of metals prices and especially nickel, whose largest consumer (Japan) has continued to suffer stagnating industrial output, resulting in an overall reduction in global demand;
- The socio-economic and political consequences of the monetary crisis, which can cause unforeseeable incidents such as that of December 3rd, 1998, involving illegal miners surrounding the Pongkor gold mine.
- The cautious attitude adopted by most of the Company's joint venture partners with respect to investment and development projects.

In response to such issues, Aneka Tambang expects to implement the following strategies, which seek to capitalize on the Company's strengths, and effectively address any weaknesses, ensuring the continued strong performance of the Company for the benefit of stakeholders:

- Maximize production to magnify the effects of the Company's strong margins;

- Utilize competitive funding offered by Export Credit Agencies in conjunction with the Engineering, Procurement, and Construction (EPC) Contract to carry out the FeNi III expansion project.
- Continue cost reduction efforts, with specific focus on overhead expenses; and
- Continue the development of human resources, and the outlined restructuring.

In closing, the Board of Directors wishes to extend its deepest gratitude to the shareholders, the Board of Commissions, and business partners, for their continued support and assistance which made 1998, Aneka Tambang's first full year as a public company, such a mile-stone. A special appreciation is due to all employees, who have proven their ability to cope well with change, and to make the sacrifices necessary to achieve the goal of turning Aneka Tambang into a world-class mining company

History of PT Aneka Tambang (Persero) Tbk

PT Aneka Tambang (Persero) Tbk is a leading Indonesian mining and minerals processing company that was founded on July 5, 1968 as Perusahaan Negara (State-Owned Company) "PN Aneka Tambang". The seven independent state owned companies that merged to form Aneka Tambang included: PT Nikel Indonesia; PN Tambang Bauksit Indonesia; PN Logam Mulia; BPU Perusahaan-perusahaan Tambang Umum Negara; Proyek Pertambangan Intan Martapura-South Kalimantan; PN Tambang Emas Tjikotok; and Proyek Emas Logas, Pakan Baru-Riau. On May 21, 1975, according to the decision of the Minister of Justice of the Republic of Indonesia, the status of Aneka Tambang was changed from a state-owned company (Perusahaan Negara) to a limited corporation -PT Aneka Tambang (Persero).

Achievements of the past 30 years

During thirty years of operation, Aneka Tambang has proven significant achievements. Year after year the Company has continuously improved its various facets, from operation and development, to finance, general affairs and human resources.

Operations

Production

Pomalaa nickel mine in Southeast Sulawesi, which covers a KP (mining license) area of 8,314 ha. Commenced ore production in 1938 and is the center of the company's ferronickel smelting and refining. Gebe island nickel mine, which commenced production in 1979, covers a KP area of 1,225 ha, and represents the largest production unit in terms of nickel content. The company's most recently commissioned nickel mine is on Gee Island. It commenced operation in late 1997, and will serve as the future source of ore for Pomalaa's ferronickel smelter and refinery. Pomalaa's first line (FeNi I) was initially commissioned with a capacity of 4,000 tonnes of nickel in ferronickel per annum in 1976, later expanding to 5,500 tpa. In 1995, due to ferronickel's robust demand, production capacity was increased to 11,000 tonnes of nickel in ferronickel through the construction of FeNi II. As global demand for ferronickel has remained strong despite the Asian Economic Crisis, the Company plans to capitalize on the strong quality positioning of its product (being the first smelter ever to receive the ISO 9002 quality certification) and expand production capacity by an additional 13,000 tpa through the construction of FeNi III.

Prior to the company's discovery of Gunung Pongkor in 1988, gold production was limited to that of Cikotok, which has since been transferred to Antam Resources International. Gunung Pongkor Gold mine, which covers an area of 4,058 ha, commercially entered production in 1994, and is currently expanding production. Aside from gold mining, the Company also owns and operates Indonesia's sole precious metals refinery, Logam Mulia, located in Jakarta.

1998 proved especially auspicious for Kijang unit, the Company's bauxite mine, which has operated in Risu since 1935. The strong operational and financial sum-around exhibited by this unit was timely in assisting Aneka Tambang to face low metals prices. In addition, the resources of Lomesa deposit were up-graded to probable and proven reserves status, extending Kijang's life to 2004.

The Iron sand operations of Cilacap, in Central Java began in 1971, augmented by Kutoarjo in 1989, and Lumajang in 1998, producing 560,524 tonnes of iron sand in the fiscal year.

Marketing

Aneka Tambang's products are generally exported, and priced internationally, with the benchmark for nickel prices being the London Metals Exchange (LME), and for gold the London Bullion Market Association (LBMA). Aneka Tambang oversees the marketing of its products from its Head office in

Jakarta in conjunction with its Tokyo representative office, while its Swiss sales agent focuses on sales of ferronickel in Europe.

In response to the strong margins that the Company's products produced in 1998, marketing efforts have increased with a view to maximizing the opportunities presented by existing relationships, and fostering new strategic ties. As a result, the Company maintained sales volume levels amid the environment of shrinking global demand for commodities caused by the regional economic trauma. The other significant factor prompting this marketing success was the Company's long-term focus on product quality.

The Company's quality improvement programs focused on gold in 1998, through the launch of programs to facilitate the achievement of ISO 9002 quality certification, similar to that already granted for Antam's ferronickel operations. The fruition of such efforts was displayed on December 14, 1998, through the admittance of Logam Mulia's gold and silver to the "London Good Delivery List" of the LBMA. This certification is expected to enhance the Company's international marketing of precious metals, aiming to replicate internationally, the strong brand positioning that Logam Mulia enjoys domestically.

Environmental Concerns and Safety Programs

Aneka Tambang's environmental philosophy centers on the fact that mining is only a temporary mode of land usage, and therefore, the original functionality of the land must be retained. This philosophy is implemented through the environmental management program at all of the Company's units. Activities include: post mining rehabilitation; erosion control; waste oil and material handling; and water quality monitored. The Company has so far rehabilitated 1,521 ha of post mining sites. Furthermore, Aneka Tambang's environmental concerns have led management to seek to implement programs that will lead to the procurement of ISO 14,000 environmental certification for the Pongkor, and Pomalaa operations.

In order to minimize the frequency of accidents, Aneka Tambang has devised safety procedures for both employees and contractors, which include providing self-protective tools, as well as conducting regular seminars and training courses focusing on work safety. As a result of such efforts, zero accident awards were received by Gebe nickel mine from 1992 to 1994; by Pomalaa nickel mine from 1991 to 1993, 1995 and 1997; and by Kijang bauxite mine from 1995 to 1998.

DEVELOPMENT

The results of Aneka Tambang's exploration activities are proven by the commissioning of numerous mines and operations during the last 30 years. Exploration efforts have increased over time, and are currently carried out through joint ventures with strategic partners, or by the Company through its Geology unit, which was established in 1980. In possession of 70 exploration and exploitation KPs (Kuasa Pertambangan- a mining authorization under Indonesian mining law), and 16 Contract of Works (COWs), covering a total area of 3.84 million ha, the Company has ample potential to discover new mineral resources and reserves. Some of the more promising development projects include:

- Nickel development project at Gag Island, Irian Jaya; a joint venture between Aneka Tambang and BHP Minerals International Exploration Inc.;
- Gold development project at Gosowong, Halmahera Island; a joint venture between Aneka Tambang and Newcrest Singapore Holdings Pte. Ltd.; Bauxite development project at Tayan, West Kalimantan; and Diamond development project at Martapura, South Kalimantan; a joint venture between Aneka Tambang and Ashton-MMC Pty. Ltd.
- Bauxite development project at Tayan, West Kalimantan; and
- Diamond development project at Martapura, South Kalimantan; a joint venture between Aneka Tambang and Ashton-MMC Pty., Ltd.

FINANCE

During the last 30 years, Aneka Tambang has demonstrated considerable financial growth. For the 15 years prior to 1997, the Company's assets grew at an average of 15%, equity at 31 %, and sales at 20% per year. In 1998, the Company exhibited significant liquidity, solvency, and profitability, with a current ratio of 299%, debt to equity ratio of 37%, and gross profit margin of 56%.

On June 25, 1997, Aneka Tambang implemented a new approach to the financing of its development projects through the drawing down of 135,764.5 t.oz of gold (equal to US\$ 46.35 million) from the Gold Project Facility. This cost-competitive metal denominated facility was the first of its kind involving an Indonesian borrower, and was extended by a syndicate of international banks, arranged by NM Rothschild & Sons (Australia) Limited.

The Company's financing activities reached a climax on November 27, 1997 when, despite difficult market conditions, the Company made its stock exchange debut through the public offering of 35% of its enlarged share capital, by listing on the Jakarta and Surabaya stock exchanges. The privatization program increased the Company's capital base, the proceeds of which will be used to carry out the Company's development program.

GENERAL AFFAIRS AND HUMAN RESOURCES

Aneka Tambang's presence at its mining sites has contributed to the growth and development of communities in the vicinity. Some such benefits include the construction of facilities and infrastructures focused on improving the transportation, education, health, religious, and social facilities of the communities, as well as providing job opportunities, and small business and cooperative development programs.

The Company recognizes the importance of human resources as the primary asset, determining any Company's ultimate success or failure. Therefore, regular training courses and development programs are conducted, aimed at cultivating employees' skills and professionalism. As of December 31st, 1998, Aneka Tambang employed 4,859 people at its various production units and offices, representing the lowest number of staff employed by the Company over the last 5 years, as Aneka Tambang continues to optimize its effective utilization.

With respect to the Company's employee welfare programs, Aneka Tambang provides bonuses and incentives, housing and transportation allowances, medical insurance, and pension benefits, as well as maintaining sporting, social, and religious facilities for their benefit.

Future Challenges

Globalization has forced companies in various parts of the world to maximize their efficiency, and effectiveness. Such forces are recognized by Aneka Tambang to result in a more competitive future, challenging the low cost producers to maintain the virtuous cycle, in continued search of efficiency improvements.

The current historically low levels of nickel and gold prices are due, not only to subsided demand as a result of lower Asian consumption, but also to increasing supply from mine expansions and new mine commissioning, as well as threats of sale by the official sector in gold. However, Aneka Tambang is confident that its focus on maintaining its low cost advantage while providing high quality products will ensure it as a net beneficiary of increased global competition. The Company's focus on quality is expected to manifest through the maintenance of its ISO accreditation, and the implementation of new ones such as ISO 14000.

A further challenge faced by the Company is the restoration of joint venture partners' confidence in Indonesia, and the country's suitability for mining investment, notwithstanding the current short term social, political, and economical challenges.

In meeting these challenges, Aneka Tambang will continue to focus on the key competencies which have turned the Company into a low cost, high quality producer, for the benefit of all shareholders.

OPERATION DIRECTOR'S REPORT

SIGNIFICANT EVENTS

- January 5 Gee Island nickel mine commenced commercial production, marked by the first nickel ore shipment to Pomalaa ferronickel smelter
- June 4 Bauxite mine at Wacopek commenced production, utilizing outsourcing of mining to PT Minerina Cipta Guna.
- July 1 Aneka Tambang and Krupp Thyssen Nirosta GmbH of Germany approved a long-term agreement for ferronickel supply over a period of 12 years.
- August 1 Chlorination process at Logam Mulia Refining and Smelting Plant entered commissioning, aimed at increasing the refining turn around time, reducing the working capital utilized in the process, and increasing recovery of metal. Aneka Tambang was assisted by Western Australia Mint Company in this endeavor
- August 3 Lumajang iron sand mine commenced production, utilizing outsourcing of mining to PT Minerina Bhakti.
- August 21 Replacement and modernization of FeNi I commenced with loading down the rotary kiln for the purpose of drying up the electronic furnace.
- September 30 IMC Mackay & Schnellmann of the UK, completed the review of the Company's proven and probable reserves.
- December 3 An unruly mob of people, dominated by illegal miners, set fire to Pongkor's facilities, burning the administration building.
- December 14 Committee members of the London Bullion Market Association (LBMA) recommended to their Management Committee that as of January 1, 1999, Aneka Tambang be placed on the "London Good Delivery List".

CORE PRODUCT PRODUCTION

Nickel

Aneka Tambang's production of nickel ore for 1998 was 3,233,374 wmt, surpassing the target of 2,900,000 wmt (for both Saprolite and Limonite), being produced by Pomalaa, Gebe and Gee Island. Mining operations at Gee Island are outsourced to mining contractors, PT Minerina Bhakh (a company owned by Aneka Tambang's pension fund foundation, Dana Pensiun Aneka Tambang).

Aneka Tambang's exploitation licenses for Pomalaa and Gebe mines cover areas of 8,314 ha and 1,225 ha, respectively. Although the exploitation license (KP) for Gee Island, covering an area of 39,040 ha, has not yet officially been issued, the Company has received permission to commence mining. The official exploitation license is expected to be issued in the first semester of 1999. In the long term, nickel ore production from Gee Island will replace the ore supply of Pomalaa and Gebe to the ferronickel smelter.

Ferronickel

Aneka Tambang has two ferronickel smelter lines at Pomalaa, called FeNi I and FeNi II. These produced 8,451 tonnes of high and low carbon nickel in ferronickel, (in the form of shots or ingots) in 1998. Comparing to the previous year's production of 9,999 tonnes of nickel in ferronickel, the decline was the result of the replacement and modernization of FeNi I, starting in August of 1998, by loading down the rotary kiln in order to dry up the electric furnace. Then in September, FeNi I was switched off to begin the refurbishment of the rotary kiln, electric furnace, and other supporting equipment such as the electrostatic separator and induction (ID) fan. The replacement is scheduled to be completed by mid-February of 1999, and production is expected to resume by the beginning of April.

This relining and overhaul is expected to increase FeNi I's production of nickel in ferronickel to 5,500 tonnes (as compared to around 5,000 tpa in 1997). Other expected benefits include: an increase in recovery from 90% to 92%; and further efficiency in power consumption, ultimately reducing production cost.

The ISO 9002 certification for Pomalaa ferronickel smelter is subject to renewal every six months. In 1998, the audits were conducted in April and October yielding satisfactory results. The Company also plans to obtain ISO 14000 certification which is scheduled for 1999.

Based on the cost study conducted by Brook Hunt, a leading metal and mining industry consultant, Aneka Tambang was the lowest cost producer of ferronickel in 1998.

Gold and Silver

Aneka Tambang operates the gold and silver mine of Gunung Pongkor in West Java, covering a KP area of 4058 Ha. The mining method utilized is that of underground cut and fill stope mining.

Production of these metals in 1998 resulted in 1,569 kg of gold with an average ore grade of 10.89 g/t and 12,392 kg of silver with an average ore grade of 142.81 g/t. The Company, through its subsidiary PT Antam Resourcindo, produced an additional 283 kg of gold and 1,140 kg of silver from Cikidang mine, located at West Java. Pongkor's production in 1998 did not achieve the target of 4,044 kg of gold, and 22,700 kg of silver, due to technical and non-technical problems. These included delays in the installation of back-fill pipes, the blockage of the glory hole, and the delay of spare parts imports caused by the supplier's temporary inability to secure adequate Letters of Credit from local banks.

As the Company was trying to overcome these technical problems, a social disturbance took place at the site, after a rumor spread that an illegal miner had been shot by a group of security personnel, who at the time were evacuating the corpses of illegal miners who were victims of a landslide.

Incited by this rumor, a group of illegal miners burned, damaged and looted the Company's property, including the warehouse, administrative and office building, and motor vehicles. Aneka Tambang is fortunate that the production facilities were not seriously damaged by this incident. At present, the insurance company, PT Asuransi Allianz Utama Indonesia, is undertaking the required investigations, in order to determine the extent of the damages and the corresponding claim.

Besides the above gold mines, Aneka Tambang owns and operates the Logam Mulia Smelter and Refinery, the only precious metals refinery in Indonesia. In 1998, Logam Mulia refined 33,375 kg of gold, of which 1,592 kg was supplied by Pongkor, 31,500 kg supplied by the Contract of Work projects (Newmont, Kelian, Indo Muro Kencana, and other gold mining companies), and 283 kg from Cikidang mine. Logam Mulia also refined 188,467 kg of silver in 1998, of which 12,579 kg was supplied by Pongkor, 174,748 kg supplied by the Contract of Work Projects (Newmont, Kelian, Indo Muro Kencana and other silver mining companies), and 1,140 kg from Cikidang mine.

To enhance the market positioning of Logam Mulia on the international scene, Aneka Tambang continued to pursue a London Bullion Market Association (LBMA) certification. These

Aneka Tambang terdaftar dalam London Good Delivery List Aneka Tambang is placed on the London Good Delivery List

efforts resulted in the placement of Logam Mulia on the London Good Delivery Lists for gold and silver, as of January 1, 1999. Furthermore, the Company plans to obtain ISO Guide 25 accreditation for laboratory tests from the National Accreditation Committee in 1999.

In order to increase production efficiency, Aneka Tambang with technical assistance from the Western Australia Mint Company, has completed the installation of the chlorination process in Logam Mulia, commencing operation in August of 1998. Technically the upgrade will enable Logam Mulia to accelerate the refining process, resulting in increased gold refining capacity from 60 to 75 tonnes per year. The chlorination process is also expected to: increase recovery; reduce working capital in the form of gold; enable variation of direct processing of gold carat grade in feed; create a cleaner working environment due to reduced diahon and gas emissions which are easier to neutralize; and ultimately reduce operating costs.

Currently the Company, in conjunction with PT Securicor Indonesia and PT Chubb Indonesia is implementing a comprehensive security program at Logam Mulia. The program include improving the plant's layout, installing a new integrated electronic security system, and appointing a security consultant to provide professional security guards.

NON CORE PRODUCTS PRODUCTION

Bauxite

Aneka Tambang, as the only bauxite producer in Indonesia, has three mining sites at Kijang, namely: Pari; Galang; and Wacopek. Presently, Kijang has a KP license covering an area of 11,246.6 ha.

In 1998, these sites produced 1,055,647 wmt of washed bauxite which represented an increase of 246,898 wmt from the previous year. The Wacopek mine, which commenced operations in June of 1998, is expected to replace Galang's and Pan's bauxite production. The mining at Wacopek is contracted out to PT Minerina Cipta Guna.

According to previous forecasts, bauxite reserves at Kijang would have depleted by 2001. However, in July of 1998, the Company announced the extension of Kijang bauxite unit's operating life by 3 years due to the upgrading of Lomesa's deposit to that of proven and probable reserves. The reserves include 2.5 million tons of export quality bauxite.

Iron Sand

During 1998, Aneka Tambang mined iron sand at three locations: Cilacap, Kutoarjo, and Lumajang, covering areas of 1,540 ha, 1,531 ha, and 423 ha, respectively. Production in 1998 was 560,524 wmt of iron sand, an increase of 15% over 1997. Of the 1998 production, 503,308 wmt was produced from Cilacap and Kutoarjo while the remaining 57,216 wmt was produced from Lumajang, beginning in August of 1998. The mining activity at Lumajang is contracted-out to PT Minerina Bhakti.

MARKETING

Sales Achievements in 1998

Aneka Tambang's sales in 1998 amounted to Rp 1,021.91 billion, representing an increase of 127.31% over 1997. Exports contributed 89.53% of total sales, while the remainder was sold domestically.

Aneka Tambang bases the prices of its commodities on international bench-marks, namely the London Metals Exchange (LME), and the London Bullion Market Association (LBMA).

Aneka Tambang's 1998 sales achieved the Company's annual targets, with the exception of gold and silver. Despite the US dollar-terms price decline of core products during the year, in rup/ahterms revenues recorded a significant increase due to the currency's devaluation.

Nickel ore revenues increased from Rp 111.26 billion in 1997, to Rp 230.00 billion in 1998, while sales volume decreased slightly from 2,449,928 wmt in 1997 to 2,329,673 wmt in 1998. Japanese nickel smelters, Pacific Metals Co. Ltd., Sumitomo Metal Mining Co. Ltd., and Nippon Akin Kogyo Co. Ltd., are buyers of Aneka Tambang's Saprolite ore, while Queensland Nickel Pty, Ltd. of Australia is the Company's only buyer of Limonite ore.

Comparing last year's sales, ferronickel volume for 1998 showed a decrease of 12.4 %, due to the replacement and modernization at FeNi I. However, compared to 1997, ferronickel sales in 1998 increased from Rp 210.41 billion to Rp 387.79 billion. Aneka Tambang's ferronickel customers include Krupp Thyssen Nirosta GmbH-Germany, Avesta Sheffield-United Kingdom, ALZ-Belgium, Pohang Iron & Steel-Korea, DIED United Steel & Co. Taiwan and Nikkinko Trading-Japan.

Due to decreased gold demand in the domestic market resulting from a dramatic price increase in rupiah-terms, the Company shifted most precious metals sales to the export market, increasing sales by Rp 140.23 billion from Rp 61.79 billion in 1997 to Rp 202.02 billion in 1998. In the domestic market, sales of silver also recorded an increase of Rp 20.76 billion from Rp 15.22 billion in 1997 to Rp 35.98 billion in 1998. Additionally, the proceeds from the export of silver totaled just under Rp 9.04 billion.

Bauxite sales increased from Rp 28.50 billion in 1997 to Rp 110.46 billion in 1998 due to an increase in volume sold, from 793,056 wmt in 1997 to 1,047,874 wmt in 1998. The major buyers of Aneka Tambang's bauxite were Sumitomo Chemical Co., Nippon Light Metal Co., and Showa Denko K.K of Japan, as well as Shandong Aluminum Corp of China.

Although the monetary crisis has affected the production of cement factories, the sales of Aneka Tambang's iron sand recorded an increase, as the increased quantity of exported cement compensated for the weakened domestic demand. The sales of iron sand increased from Rp 14.03 billion in 1997 to

almost Rp 17.89 billion in 1998. The buyers of iron sand include all major cement factories in Indonesia - PT Indocement Tungal Prakarsa, PT Semen Padang, and PT Semen Gresik.

Products Prospects

In general, the prospects for Aneka Tambang's products remain strong. Based on a 1998 research study conducted by Brook Hunt, an English metal and mining industry consultancy group, nickel demand is expected to increase by 3.1% per annum between 1999 and 2009. This growth is expected to result from increased industrial consumption of stainless steel, used in the manufacture of products such as vehicles, kitchen utensils, new commercial and housing constructions, etc. On the other hand, the key to supply and demand balance will remain uncertain in the short-term, pending the outcome of attempts to adopt existing PAL (Pressure Acid Leach) technologies, and commercial implementation of the said, which is currently under-way in Western Australian Projects such as Murin Murin.

Although gold's fabrication demand (which includes the jewelry and gold industries) decreased in 1998 due to the Asian economic slowdown, a research study conducted by CRU International Ltd. forecasts that gold demand will increase by 4 % during 1999-2000. This increase is expected to be primarily driven by the fabrication demand of countries such as India, Italy, and the United States, as well the production of millenium commemorative gold coins. The largest looming threat with respect to gold prices in the next few years is likely to remain sales by the official sector (IMF, ECB, Switzerland, etc.).

Marketing Plan for 1999

Aneka Tambang has established a marketing plan, seeking to capitalize on any additional sales opportunities that may arise during the year, while maintaining focus on positioning the high quality of its products. The focus however, will not only be for the core commodities of nickel and gold, but also for other minerals, and especially for bauxite, in order to continue diversifying nickel price risk, and to benefit from Kijang unit's pleasant re-blossoming.

The Company will continue its marketing approach of long-term relationship fortification with the existing customer base, and will forge new relations and alliances in order to facilitate mutual benefits, aiming to add new constituents to the Company's list of satisfied industrial clients. Saprolitic nickel ore will continue to be delivered to Japan while limonitic nickel ore will be targeted to Australia; ferronickel to Japan, European countries, South Korea and Taiwan; gold will be targeted to Singapore; and bauxite to Japan and China.

Environment

"Aneka Tambang's /and use, for economic recovery of Its miners/ wealth, is of a temporary nature, after which, the /and must retain its origins/ functionality"

The Company recognizes that if humanity is to continue to reap the benefits that the resources of the earth provide, then it is vital that a symbiotic relationship of responsible stewardship and conservation is established. The Company therefore believes that only by including environmental concerns as an integral part of the production process, can Indonesia's economic development continuously and successfully progress, while still maintaining natural resources for the sustenance of future generations.

In 1998, Aneka Tambang's environmental protection and rehabilitation costs amounted to Rp 2.75 billion. The Company's commitment to the environment is specifically illustrated by its implementation of the following:

- Rehabilitation of post mining sites (entailing 38 ha at Pomalaa, 35 ha at Gebe, and 184 ha at Kijang) by planting Acacia mangium, Caesarian trees, and ground plants;
- Erosion prevention through regular dredging and building check-dams at Pomalaa and Gebe (dam capacity of Pomalaa: 40, 765 m3, of Gebe: 9,600 m3.); The use of recycled ferronickel slag in construction;

- Collection of disposal of waste oil through an environmental services company;
- Water quality monitoring at Pomalaa, Gebe, Kijang and Pongkor for regular analysis;
- Tailings treatment: at Pongkor 63,383 m³ of tailings were used as mine's back fill, while the remainder was treated at the tailings dam which has a capacity of 1.4 million m³. At Kijang the tailings were treated at the dam (1 million m³ capacity);
- Management of Pongkor gold mine's waste water through the handling facilities of Cikaret.
- Conducting training, focusing on environmental awareness at all operating levels.
- Auditing environmental performance, and assessing reclamation requirements. Conducting regular environmental inspection of the operational units; and
- Compliance reviews of the environmental reports and reclamation plans

Safety Programs

Aneka Tambang's production units' regular safety programs include the following:

- Work welfare coaching and review sessions for miners and operators.
- Safety patrols at accident-prone sites
- Safety Committee meetings to review progress
- Measuring and monitoring air noise, humidity, and dust from operations
- Providing, up-dating, and up-grading of selfprotective tools
- Regularly analyzing and improving the Standard Operating Procedures and Safety Protocols
- Fire prevention training and evacuation drills.

Safety and work welfare seminars are also regularly held to refresh the knowledge base of the current employee, and to properly educate the new ones. In 1998, for such seminar were held at Pongkor gold unit, and Gee nickel unit. The seminar were attended by 350 new employees.

In 1998, reported accidents decreased to 6 casers, from 17 cases in 1997. Two cases occurred at Cikotok, while the other four took place at Pongkor gold mine. Four employees were only slightly injured. The Company further regrets the unfortune passing away of Mr. Sutarma, Mr. Sutarma died at Cikotok Gold and Silver Exploration and Development Project, when the landover he was driving skidded from the road into the river. The management of Aneka Tambang extends its deepest sympathies and condolences to the family, friend, and colleagues of Mr. Sutarma.

Development Director's Report

SIGNIFICANT EVENTS

- February 19 Signing of the 15 Contracts of Work between the Government of Indonesia and the COW joint venture companies.
- May 4 Aneka Tambang conducted the limited international tender for the Engineering, Procurement, and Construction (EPC) Contract for the FeNi III expansion in Pomalaa.
- May 15 Completion of Tayan Alumina Project's feasibility Study.
- August 21 Aneka Tambang exercised the option to increase its ownership of PT Nusa Halmahera, (the COW company between Aneka Tambang and Newcrest Singapore Holdings Pte. Ltd.) to 17.5%.

CORE PRODUCTS

Ferronickel

Aneka Tambang plans to commence the construction of FeNi III, the basic design of which has already been completed. In May of 1998, the Company conducted a limited international tender for the Engineering, Procurement, and Construction (EPC) Contractor for the expansion project, by inviting 6 potential contractors. Mitusi & Co., Limited, a Japanese contractor, was subsequently determined as the preferred bidder. In 1998, the Company & the negotiation for the lump-sum, turn-key EPC contract, and are in the process of seeking Export Credit supported financing for the project's realization. The planned expansion is expected to produce 13,000 tonnes of additional nickel in ferronickel per annum. In relation to this expansion, the Company is also developing (through an Independent Power Producer) the required electricity generating facilities.

Nickel

Aneka Tambang is involved in several nickel development joint ventures with strategic partners on Gag Island and Weda Bay. The Company is also conducting an intensive nickel exploration program on Halmahera and its surrounding islands of Pakal and Obi.

The Gag Island project, which is located in Irian Jaya Province, is a joint venture between Aneka Tambang (25%), and BLIP Minerals International Exploration Inc. (75%), covering an area of 7,727 ha. Currently, the project is in its feasibility study stage, which is expected to take four years to complete. The implementation of commercial production will depend on the successful operation of a demonstration plant, which will be constructed at an approximate cost of US\$60 million, and will have a capacity of 100 tonnes per day.

The nickel development project in Weda Bay covers an area of 120,500 ha. This COW project is a joint venture between Aneka Tambang (10%) and Strand Management Ltd. (90%) and is currently in the general survey stage, with a feasibility study expected to start in early 1999. In May of 1998, PT Weda Bay Nickel, which will carry out the COW, identified nickel reserves of 63 million dry tonnes of latent ore.

Exploration activities have also been conducted at Tanjung Bull, Halmahera Island and Pakal Island (15 km east of Halmahera), covering an area of 39,040 ha. In June of 1996, the Company entered into a joint Scoping Study with QNI Limited. The Study's second phase was completed in December of 1998, prescribing further research into the proposed technology and site.

Gold and Silver

Based on the report of IMC Mackay & Schnellmann, the proven and probable reserves at Pongkor as of September 30, 1998 were approximately 5,133,450 wmt with average recoverable grades of 12.3 get and 135 get silver.

The Company is undertaking a number of joint ventures with international mining companies in connection with its gold and silver exploration and development projects. The Seventh Generation Contracts of Work, signed on February 19, 1998, approved 11 potential gold projects to proceed.

The Gosowong project, which falls under the COW of PT Nusa Halmahera Minerals, covers an area of 1,672,967 ha. This project is a joint venture between Aneka Tambang, which in August 1998 increased its interest from 10% to 17.5%, and Newcrest Singapore Holdings Pte. Ltd. with 82.5% interest. The feasibility study of Gosowong covered an area of 1,602 ha and was completed in April of 1998. The exploration results indicate a resource of approximately 1,000,000 tonnes with grades of up to 24 g/t of gold and 27 g/t of silver, expected to yield up to 740,800 t.oz of gold and 742,200 t.oz of silver. Commercial production from the open pit is expected to commence by the middle of 1999, equipped by a processing plant with a capacity of 200,000 wmt per year.

The Government of Indonesia approved 15 Contract of Works between Aneka Tambang and its partners.

gold prospects of Kotanopan and Pagar Gunung North Sunnatra, cover an area of 20,600 ha, falling under the COW of PT Sorikmas Mining, which is a joint venture between Aneka Tambang (25%) and Aberfoyle Pungkut Investments (75%). Currently, the project is in the exploration stage.

Regarding the gold prospects of East and West Nusa Tenggara, Aneka Tambang (20%) is engaged in a joint venture with Aberfoyle Indonesia Investments Pte. Ltd. (60%) and Giralia Resources NL (20%) to carry out an active exploration program covering an area of 1,026,500 ha.

Another COW for gold is earned out at Solok, West Sumatra, in conjunction with Western Mining Corporation, with Aneka Tambang holding a 20% carried interest, with an option to increase to 30%. The project is in the survey stage which is expected to take two to three years to complete.

Another gold prospect is Trenggalek, East Java covering an area of 78,950 ha. The project is a joint venture between Aneka Tambang and PT Fajar Mineralalami Internasional as well as other partners. The area was divided into 5 blocks. The economic values of C, D and E blocks have been transferred to PT Antam Resources through ARI, while A and B blocks are owned by Aneka Tambang and PT Fair Mineralalami Internasional.

For A Block, Aneka Tambang holds a 60% carried interest and for B Block, Aneka Tambang holds a 30% temporary carried interest.

The Company, through PT Antam Resources, conducts exploration activities at 11 KPs on Java Island, covering an area of approximately 400,000 ha; this area includes Cikidang (commencing operations in July of 1997) and other gold developments at Cibaliang, Cikatok, Trenggalek, Papandayan, Garut, and Cikondang.

NON CORE PRODUCTS

Bauxite

The independent appraisal earned out by IMC Mackay & Schnellmann, as of September 1998, indicated recoverable reserves at Pari/Lomesa, Wacopek, and Kijang (Kelong) of 2,330,450, 1,741,450, and 45,350 wmt respectively.

The Company's bauxite development project at Tayan, West Kalimantan covers an area of 36,400 ha. The project is currently obtaining the necessary approvals for its exploitation KP. The Company is

considering to construct an alumina plant with a production capacity of 300,000 tonnes of chemical alumina per year. A feasibility study for the construction of a chemical grade alumina plant was completed in April of 1998; it concluded that the project is technically and economically feasible. As of September 30, 1998, IMC Mackay and Schnellmann identified a potential bauxite reserve at Tayan of 28,137 million wmt.

Iron Sand

The new iron sand explorations at Cipatujah led to completion of the feasibility study on August 7, 1998. On April 16, 1998, Aneka Tambang was granted an exploitation license at Purworejo covering an area of 1,531 ha.

Diamonds

Aneka Tambang is undertaking exploration for alluvial diamond deposits at Martapura, Cempaka, and Danau Seran in South Kalimantan, covering an area of 3,920 ha, through the joint venture company, PT Galuh Cempaka (the Company owning 20%, and Ashton - MMC Ply. Ltd. (Singapore) holding the remaining 80%). The JV company's Contract of Work was approved on February 19, 1998. Aneka Tambang has an irrevocable option to increase its ownership to 30%, expiring with the completion of the feasibility study. The channels are estimated to contain 260 million cubic meters of high quality diamonds of dredge-bearing gravel resources. The dredge for trial mining is expected to be operational by the middle of 1999. The dredge was constructed at a cost of US\$ 13 million,

Base Metals

The COW for base and precious metals at Gorontalo, Sulawesi covers an area of 61,570 ha. The project is a joint venture between Aneka Tambang (20%) and BLIP Mineral Sulawesi Inc. (80%). The project is currently in the exploration stage, with an identified reserve of 1.5 million tonnes.

The Company is also conducting a base and precious metals development project at Maluku on Haroku Island, Ambon, Nusa Laut, and Saparua. The project is in the COW of PT Ingold Maluku Satu, which is a joint venture between Aneka Tambang (15%) and Ingold Investment Holding Indonesia Inc. (85%).

EXPLORATION SERVICE

In recognition of the non-renewable nature of mining deposits, Aneka Tambang has assigned a special strategic value to exploration, which is either carried out independently through the Geology Unit, or through joint ventures with strategic partners. The Company's Geology Unit provides exploration services to Aneka Tambang and third parties; activities which include: geological exploration; geophysical investigation; surveying; drilling; chemical analysis; and electronic data processing. In 1998, the Company spent a total of Rp 11.27 billion, as the Geology Unit focused exploration on the Company's KPs, aiming to prove up new reserves and resources.

Finance Director's Report

SIGNIFICANT EVENTS

- February 13 Aneka Tambang entered the first of three, three-year flat forward sales agreements, for a portion of Pongkor's future production of gold and silver, hedging part of its precious metals price risk with NM Rothschild & Sons (Australia) Limited.
- June 3 The Annual General Meeting of Shareholders of PT Aneka Tambang (Persero) Tbk was held, resulting in shareholders' resolution for the Company to seek the secondary listing of its equity capital, and to declare dividends.
- December 25 The Government of Indonesia agreed to further privatize PT Aneka Tambang (Persero) Tbk, by selling part of its stake to appropriate strategic partners.

FINANCIAL PERFORMANCE

Sales

In 1998, rupiah sales increased by 127.31 % over 1997, from Rp 449.56 billion to Rp 1,021.91 billion. The increase was mainly due to the steep depreciation of rupiah against US dollar.

Cost of Goods Sold

Most element of the Company's cost of goods sold (COGS) increased considerably in 1998, caused by the high rupiah inflation rate. As a result, COGS increased by 78.67%, from Rp. 252.28 billion in 1997 to Rp 450.75 billion in 1998. The major contributing factors were the cost of materials, and metals royalties, which rose by 80.32% and 162.77 respectively, mainly due to the rupiah-terms increase in the cost of imported goods, and the US dollar denomination of royalties payable to the government.

Operating Costs

Operating costs in 1998 amounted to Rp 95.83 billion, an increase of 87.53% over 1997, most significantly due to an increase of 191.44% in the costs of selling, as its respective cost components are US dollar denominated.

Other Income and Charges

The Company's other income was mainly derived from interest income amounting to Rp 120.98 billion, while other charges resulted from the loss on foreign exchange transactions. In 1998, the Company recorded total other charges amounting to Rp 94.23 billion, an increase of 44.47%, over 1997.

Profitability

Aneka Tambang's 1998 income from operations amounted to Rp 475.33 billion, representing an increase of 225.19% over 1997. Net profit improved by 359.74 %, from Rp 69.52 billion to Rp 319.60 billion, increasing the net profit margin by 102.25% from a margin of 15.46% in 1997, to 31.27% in 1998.

CASH FLOW AND LIQUIDITY

Cash Flow from Operating Activities

Cash flow from operating activities in 1998 increased by Rp. 421.61 billion, from Rp. 118.04 billion in 1997 to Rp. 539.65 billion in 1998. The increase resulted from sales growth which significantly increased the Company's profits.

Cash flow from Investing Activities

In 1998, the Company recorded its expenditure of cash flow from investing activities amounting to Rp. 264.17 billion, with the primary contribution resulting from fixed asset acquisitions, amounting to Rp. 254.59 billion, that were allocated to the construction of Pongkor II and the replacement and modernization of FeNi I.

Cash flow from Financing Activities

In 1998, there was no cash inflow provided by the Company financing activities in either proceeds from capital or loan. On the other hand, Aneka Tambang's financing cash outflow amounted to Rp. 334.57 billion, which was mainly used for payment of short-term loans of Rp. 211.42 billion, in addition to long term loan and cash dividend payments.

Liquidity

On December 31, 1998 the Company's working capital was Rp. 472.13 billion, an increasing of Rp. 20.23 billion compared to Rp. 451.90 billion in 1997. The rise resulted from the payment of short-term bank loans, and an increase in accounts receivable, and inventories. Total current assets at the end of 1998 were Rp. 709.88 billion (or approximately US\$ 88 million) while total current liabilities were Rp. 237.75 billion (or approximately US\$ 30 million).

Precious Metals Prices Hedging

In the first quarter of 1998, Aneka Tambang entered into hedging agreements aimed at reducing the price risk of its precious metals through flat-forward sales of a portion of Pongkor's future gold and silver production with NM Rothchild & Sons (Australia) Limited. Through these instruments, the company agreed to sell three years forward: a total of 23,900 t.oz of gold at a flat price of US\$ 320/t.oz; 47,300 t.oz of gold, at a flat price of Rp. 3,250,000/t.oz; and 2,050,000 t.oz of silver at flat price of Rp. 55,500/t.oz. These hedging transactions resulted in a cash inflow of Rp. 8.4 billion for the year.

Privatization

In December of 1998. The Government of Indonesia, as the 65% owner of Aneka Tambang, agreed of further privatize the Company by selling a portion of its stake to appropriate strategic partners. The Company's expected benefits from this process include access to value-added processing technology, and possible access to more competitive funding for the realization of its growth development opportunities, as well as raising funds for the Government, to assist in covering the state's expected fiscal budget deficit.

Secondary Listing

Pursuant to the shareholders' resolution the Company's Annual General Meeting of June 3, 1998, Aneka Tambang will seek the secondary listing of its equity capital on the Australian Stock Exchange (ASX). The aim of this secondary listing is to subject the Company to the highest levels of mining disclosure requirements, thereby enticing the return of investors' confidence to Indonesia. In the longer-term, the

company expects such transparency efforts to result in the reduction of risk premiums sought by international investors, thereby maximizing shareholder's value.

Aside from the ASX's stringent mining disclosure standards, management determined this exchange as optimal due to its large pool of specialized mining investor, its proximity to Indonesia, and hence well-developed understanding of the Company's operating environment, as well as the access it will provide to world class mining analysts that cover the companies listed on this exchange.

Foreign Exchange Rate

In 1998, rupiah's exchange rate against the US dollar closed at 8,025, depreciating by 73% over the year. One result of the depreciations was a significant increase in the Company's revenues, as around 98% is dollar denominated.

Similarly, the Company's liabilities (73.93% of which is dollar denominated) recorded an increased in rupiah-terms in 1998, even though a portion of the dollar loans were paid of during the year. The Company recorded an accounting foreign exchange loss of Rp. 180.27 billion, the non-cash nature of which indicates an example of the extent of the Company's accounting exposure to changes in the rupiah's foreign exchange rate.

Generals Affairs & Human Resources Director's Report

SIGNIFICANT EVENTS

January 1, Aneka Tambang donated to and facilitated the holding of public markets, providing basic necessities for the people living in the vicinity of its mining sites, as a token of the Company's concern for those who are struggling through the economic crisis.

April 6, In support of employees facing rampant inflation, the Company increase all employees' net salaries by an average of 32.5%.

May 29, As the Company's first step in its planned restructuring the organization of the head office was simplified. Whereas the previous organization chart consisted of 6 levels and 84 structural positions, the simplification resulted in reduction to 4 levels and 28 structural positions.

June 1. The Company appointed Hay Management Consultants Indonesia to assist the management in validating the Company's strategic approach, and to analyze the Company corporate culture and organizational structure in order to optimize the effectiveness of human resources. The Company also appointed Price Waterhouse-Coopers to optimize the Company's strategy in implementation of Management Information System

June 6. Aneka Tambang, in conjunction with PT Bank Bumi Daya the Ministry of Cooperatives and Small Business Entrepreneurs (Bali Regional Office), and the Association of Silver Smiths in Gianyar Regency Bali, reaffirmed its concern for the welfare of domestic silver smiths, and its commitment to further developing down-stream markets.

Employees Welfare

Aneka Tambang's concern for the welfare of its employees is a fundamental one; it recognizes them as the key to, not only its survival, but also its success. Aside from salary, bonuses and incentives, the Company's material appreciation for their efforts is demonstrated through benefits that include housing, transportation, and seniority allowances, as well as healthcare benefits, pension and social security, and Haj grants. Additionally, Aneka Tambang's housing complexes provide both social and public facilities for employees' benefit.

In order to assist in alleviating the hard-ships caused by the economic crisis, in April of 1998 the Company increased all employees' net salaries by an average of 32.5%. The minimum raise was 25%, and the maximum 50%.

HUMAN RESOURCES DEVELOPMENT

While the Company's in-house development programs for its human resources is limited to training, and various topical seminars and courses, the employees are further encouraged to seek formal technical and managerial training that is tailored to the individual employee's needs and aspirations.

As of December 1998, the Company has had 2,001 employees complete various technical and managerial training programs, including post-graduate studies, at a total cost of Rp 1.88 billion.

ORGANIZATIONAL RESTRUCTURING PROGRAM

In order to improve the Company's performance and operating efficiency, in accordance with the stated business strategy, Aneka Tambang is organizationally restructuring its units and operations. The previous organizational structure divided activities into seven

operational units, each acting as a cost center. The Company believes that business efficiency and corporate accountability can be improved by restructuring into four divisions, each responsible for focused profitability. The proposed four divisions are: Nickel, Gold, Industrial Minerals, and Geology. As part of the restructuring program, the Company has conducted a study to convert PT Aneka Tambang (Persero) Tbk into a holding company, and to establish wholly-owned subsidiaries.

HUMAN RESOURCES MANAGEMENT

Aneka Tambang has implemented various initiatives aimed at optimizing the utilization and effectiveness of its human resources and the way these crucial resources are managed. The Company's efforts in this regard are assisted by Hay Management Consultants, and include the following:

Comprehensive analysis of work and corporate cultures; Analysis of staffing levels and organizational structure; Assessment of management performance; Design of reward and incentive systems; and, Training and development.

In 1998, the Company completed the comprehensive analysis of work and corporate cultures, and initiated the analysis of staffing levels and organizational structure. Both programs are slated for implementation in 1999.

MANAGEMENT INFORMATION SYSTEMS

In recognition of the fact that operating in today's business environment demands fast and accurate information, the Company expects to implement an MIS system which integrates management functions, thereby improving the planning, controlling, and monitoring systems, and ultimately increasing operating efficiencies. The Company has also probed the preliminary stage of the processing system implementation based on the activities (Activity Based Costing) aiming to provide relevant and accurate

information in order to increase operating efficiency. In 1998, the Company completed the Management Information Systems Strategic and Conceptual Plan, assisted by Price WaterhouseCoopers' consultants.

SOCIAL RESPONSIBILITIES

Aneka Tambang's Mission Statement calls for social responsibility to improve the welfare of the community at large. This responsibility is carried out through community development projects, particularly for remote areas. Such development initiatives have included the facilitation of repairs to public facilities and infrastructure, and the provision of excess electricity. The Company also provides job opportunities for local people, and supports the development of local community businesses through initiatives such as the partnership program with the silver craftsmen of Bali.

Number of Shares

The company's authorized capital is Rp. 1,600 billion, consisting of 1 preferred stock and 3,199,999,999 common stock, both with a par value of Rp 500 per share. The subscribed and paid-up capital stock amounts to Rp. 615.38 billion, consisting of 1 preferred stock and 1,230,768,999 common stock.

Shares Composition

Thirty-five percent of the Company's shares (or 430,769,000 shares), are traded on the Jakarta Stock Exchange and Surabaya Stock Exchange had 8,073 shareholders, including 219 foreign shareholders who held 31% of the company's publicly listed shares.

Share Price Movement

In 1998, Aneka Tambang's share price on the Jakarta Stock Exchange increased by 22.64% from Rp. 1,325 at the beginning of the year to Rp. 1,625 at the end of the year 1998. The Jakarta Stock Exchange index decreased slightly by 0.91% from 401.71 in 1997 to 398.04 in 1998.

Dividend Policy

Aneka Tambang's dividend policy states that dividends in respect of each financial year are to be paid in the form of cash money to shareholders at least once per year. Starting with fiscal 1997, the minimum amount of dividends payable is 40% of net income after tax, or as decided by a shareholders' meeting. At the Annual General Meeting of Shareholders on June 3, 1998, cash dividends amounting to Rp. 27.80 billion, representing 40% of net income after tax of 1997, was declared.