

STRENGTHENING COMPANY FUNDAMENTALS TO MAXIMIZE STAKEHOLDERS' VALUE.

CORPORATE IDENTITY

VISION 2010

To be a world-class mining company possessing a competitive advantage in the global market and the leader of the Indonesian mining industry

COMPANY'S MISSION

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

To achieve competitive advantages in the global market, relying on corporate competencies with a view to:

- **Maximizing shareholders' value**
- **Enhancing employees' welfare; and**
- **Improving the social welfare of communities in the vicinity of the mining areas.**

CORPORATE STRATEGY

- **To maximize the advantages of the Company's expertise and core competencies regarding the exploration, production and marketing of nickel, gold and industrial minerals.**
- **To improve exploration activities, for nickel and gold in particular, and foster good relationships with local governments where mining occurs.**
- **To establish strategic alliances with world-class mining companies through joint ventures and mergers and acquisitions to access new technologies that can be applied to enhance competitiveness and accelerate business development.**
- **To restructure the operating units and human resources to improve accountability and efficiency and accelerate the Company's value enhancement.**
- **To strengthen competitive advantages, while upholding the position as one of the world's low-cost nickel and gold producers, through improved operational efficiencies (by way of outsourcing, business process improvements and asset reduction), enhanced knowledge of current market/industry information, continuous benchmarking and actively refining the Company's image.**
- **To enhance product quality with due concern for environmental preservation, workers' safety, community development, and steadfast attention to customer satisfaction through timely delivery and compliance with market demands.**

- To develop the employees' abilities and competencies to enhance their quality and productivity.
- To carefully manage the risks of fluctuating commodity prices and currency exchange rates through the application of an appropriate financial strategy.
- To implement good corporate governance principles and further develop a beneficial corporate culture.

KEY SUCCESS ELEMENTS

Antam is in possession of the key success elements for a mining company:

- Dedicated and high quality human resources;
- Abundant quality mineral reserves;
- Solid financial strength; and
- The ability to discover and develop deposits into new mines.

SIGNIFICANT EVENTS OF 1999

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| January 1 | : | Antam's precious metals refinery, Logam Mulia, obtained certification for admittance of its gold to the London Bullion Market Association's "London Good Delivery List for Gold". |
| February 15 | : | Replacement and modernization of the FeNi I smelter line at Pomalaa completed and operational. Commissioning resumed on April 1. |
| April 29 | : | Approval letter to apply for a foreign loan amounting to US\$ 120 million for the FeNi III Nickel Expansion Project received from the Coordinating Minister of Economy and Industry. |
| May 14 | : | Sales contract for gold signed between Antam and SK Global, a new customer of Antam from South Korea. |
| May 25 | : | An Extraordinary General Meeting of Shareholders resulted in the adoption of resolutions for and including corporate restructuring, approving the shortened name of PT Antam Tbk, and lengthening the term of the Board of Commissioners. |
| May 30 | : | Independent consultant, IMC MacKay Schnelmann, appointed to conduct an assessment of Antam's mineral reserves, a requirement of the secondary listing on the Australian Stock Exchange (ASX). |
| June 23 | : | Logam Mulia Test Laboratory authorized by the National Accreditation Commission to issue Certificates of Assay in accordance with internationally recognized ISO GUIDE 25 standards. |
| July 1 | : | Salaries of all employees raised by an average of 30%. |
| July 4 | : | PT Nusa Halmahera Minerals, a joint venture between Antam and Newcrest Singapore Holdings Pty Ltd., commenced commercial operations at the Gosowong gold mine on the island of Halmahera, Maluku. |
| August 9 | : | Antam's shares listed and traded on the ASX. |

- August 23** : **Antam and PT Mincom Indoservices sign agreement for the implementation of an integrated management information system SIM Antam 2000.**
- September 16** : **Agreement signed between Antam and the Bogor Agricultural Institute to develop the economic potential of the communities surrounding Pongkor mine in the Nanggung District near Bogor.**
- September 30** : **Approval letter to apply for a foreign loan amounting to US\$ 55.4 million for the FeNi III Power Plant Project received from the Coordinating Minister of Economy and Industry.**
- October 1** : **Hay Management Consultants Indonesia appointed to assist the implementation of Change Management, including performance management, reward strategies, and management development.**
- December 11** : **PT Galuh Cempaka, a joint venture between Antam and Ashton MMC Pty Ltd, completed the construction of a conventional bucketline dredge for bulk sampling. Trial mining for diamonds begins and further feasibility studies commenced in Cempaka, South Kalimantan.**
- December 14** : **Logam Mulia entered into an agreement with the State Pawnhouse to produce and sell ONH gold coins, used by Indonesian consumers saving for the Haj Pilgrimage.**
- December 14** : **Confirmation Letter of a 12-year ferronickel sales agreement signed between Antam, Krupp Thyssen Nirosta, Newco and Mitsui.**
- December 20** : **Preliminary Agreement letter received from the Director General of Electricity and New Energy for the FeNi III Power Plant Project.**

MESSAGE FROM THE BOARD OF COMMISSIONERS

Despite the largely poor national economic conditions of 1999, Antam's export-oriented sales policy resulted in an overall increase in the export volume of its core commodities, nickel and gold. As well, a higher nickel price in 1999 resulted in an increase of foreign currency denominated income, when compared to 1998 and 1997. During 1999, almost 93% of sales revenue came from exports, higher than the 90% export generated revenue of 1998 and with the increased sales volume of its core commodities, the Company was able to attain its 1999 profit target and improve the Company's financial standing.

Maintaining growth and profits through development is a key focus for Antam. Currently underway is a nickel expansion project to construct a third ferronickel smelter, FeNi III, and an accompanying power plant. FeNi III is designed to produce 13,000 tons of nickel in ferronickel annually, thereby more than doubling Antam's current annual capacity to 24,000 tons. During 1999, funding difficulties concerning FeNi III remained unsolved. Undeterred however, the Company is employing every means necessary to see the project commenced during 2000.

In line with its corporate strategy, Antam actively established strategic alliances to conduct various nickel and gold exploration projects throughout the archipelago. Antam's non-core mineral development focussed on bauxite.

The Board of Commissioners is relieved to know that the conditions precipitating the disturbances caused by the illegal miners at the Pongkor gold mine were improved and the situation was successfully brought under control. Antam's focussed efforts did not entirely remove the uncertainty of illegal miners, yet their numbers were reduced, contributing to the increased production at Pongkor during the last quarter of 1999.

Apart from the achievements of 1999 and a positive future outlook, Antam must contend with challenges related to the slow process of Indonesia's political, economic and financial recovery. In particular, despite a clear strategy to foster positive relationships with regional governments, the Central Government's plan for increased regional autonomy may affect Antam's operational activities, which are located throughout the country.

The Board of Commissioners contends that although certain challenges lie ahead, with a continued focus on its core commodities and a strong determination to reach its vision, Antam's advantages will prevail. These include its high quality and large mineral reserves, its proven ability to continue to locate new reserves, its dedicated human resources and the mining competency to be one of the lowest cost nickel and gold producers in the world. With these attributes, Antam will continue to move steadily to reach its vision for 2010 of being a world-class mining company.

The Board of Commissioners would like to acknowledge the hard work of Antam's Directors, employees and other stakeholders. We extend our appreciation and gratitude for the achievements made thus far and are confident that Antam's performance will continue to improve.

PRESIDENT DIRECTOR'S REPORT

During 1999, Antam marked the second year anniversary of the Company's transformation to a public company through its share listing on the Jakarta and Surabaya Stock Exchanges. To further increase its exposure to the global capital market, in August 1999 Antam became the first Indonesian company to list its shares on the Australian Stock Exchange (ASX). As well, in conjunction with a resolution adopted at the 1999 Extraordinary General Meeting of Shareholders, the name of PT Aneka Tambang (Persero) Tbk was shortened to PT Antam Tbk, a simplified name that is more easily recognized. These are just some of the important events of 1999, building on the past experience of Antam's 31 years of operation.

Company Performance and Share Activity

The 1999 production of all Antam's commodities, namely nickel ore, ferronickel, gold, silver, bauxite, and iron sand surpassed that of 1998. Sales of ferronickel, gold and iron sand increased during 1999, especially for gold sales, which increased by 44%. Efforts to further develop exports paid off with a new gold customer, SK Global, from South Korea.

Except for gold and silver, the average price in 1999 for all of Antam's commodities increased over 1998 and in combination with increased export volumes of ferronickel and gold, the US dollar denominated sales revenue of 1999 was higher when compared with the previous year, rising from US\$ 93.35 million in 1998 to US\$ 119.78 million in 1999.

Compared to 1998, the US dollar denominated net profit of 1999 was relatively the same, at about US\$ 30 million. However, due to non-operational factors such as the strengthening Rupiah against the Dollar, 1999's net profit of Rp 225.19 billion represented a 25% decrease measured against the Rp 299.36 billion of 1998.

Antam's share price at the Jakarta Stock Exchange during 1999 was less volatile, yet decreased by 12.5% from Rp 1,600 at the beginning of the year, to Rp 1,400 by year-end. The highest recorded price was Rp 2,000 and Rp 1,250 was the year's low. The share price in 1999 was thus more stable than during 1998, which recorded a high of Rp 2,925 and a low of Rp 1,050. The Company's shares were initially listed on the ASX at A\$ 0.40, or the equivalent of Rp 1,850. Unfortunately, due to unfavorable national political conditions, regarding the East Timor situation in particular, the shares' performance was less active than anticipated.

Change Management

In 1999, the Company reaffirmed the fundamental changes required to realize and achieve the Company's stated mission and vision. Enhanced systemization, organizational restructuring and improved human resources management are examples of these important modifications.

The restructuring of the organization into separate Strategic Business Units, to improve accountability and efficiency, includes a new system of job performance management using a "Balanced Score Card" to track effectiveness. Corporate restructuring is one of the resolutions adopted by 1999's Extraordinary

General Meeting of Shareholders and was further refined during 1999. The individual operational units are now ready for the transformation to fully autonomous, individual legal entities.

In 1999 Antam completed the first phase of the implementation of a high technology Management Information System, through a project called SIM ANTAM 2000, the official 'go live' ceremony of which is to be held at the beginning of 2000. SIM ANTAM 2000 is an integrated information system that is expected to introduce further operational efficiencies and improvements with the management process through the application of programs such as Performance Assessment. The long-term view is that the project will enhance the Company's work culture.

Antam's system improvements of the past have resulted in international accreditation for Antam. In 1999, Antam obtained a renewed ISO 9002 Certification for the high quality management of the Company's ferronickel plant at Pomalaa. First received in 1996, the Company received the renewal following a re-auditing process, ensuring that the plant applies the Quality Management System in producing its ferronickel. Building on the success at Pomalaa, Antam's Pongkor gold mine has made the necessary preparations for the final audit towards receiving an additional ISO 9002 accreditation for Antam. As well, Antam's Logam Mulia precious metals refinery took receipt of a Certificate of Assay from the London Bullion Market Association (LBMA), which admitted the Company's gold into the "London Good Delivery List for Gold". This internationally recognized accreditation facilitates the worldwide marketing of Antam's gold as having a quality level of world-renowned gold producers. Lastly, Logam Mulia's Test Laboratory gained authorization from the National Accreditation Commission to issue Certificates of Assay in accordance with the international standards of the ISO GUIDE 25. These achievements are reflective of the Company's efforts to elevate its quality standards and further its image as a mining company of global standards.

Antam assembled a Y2K task force in anticipation of possible computer-related complications arising from the rollover to the Year 2000, which might have affected normal business operations. This task force was responsible to evaluate Antam's systems and preempt any Y2K problems through the execution of detailed and sophisticated contingency plans. Fortunately, Antam's Y2K concerns did not materialize during or following the rollover to 2000. The Y2K task force remains alert into the new year so as to cope with any possible complications.

In keeping with the Company's mission to enhance its employees' welfare, Antam raised the net salaries of its employees' by an average of 30% in 1999. The raise was implemented to add incentive and motivation to improve the Company's human resources.

Business Development

The Board of Directors is confident that Antam is in possession of the key success elements of a mining company. Antam's business prospects for 2000 remain bright and as in previous years Antam will remain competitive by maintaining product quality and low-cost advantages. Antam has solid ferronickel customers, with most committed to long-term sales agreements. In 1999, for example, a Confirmation Letter was signed for a 12-year nickel sales contract with Antam, Krupp Thyssen Nirosta, Newco and Mitsui. Among the sales developments for gold, Antam entered into an agreement with the State

Pawnhouse to produce and sell ONH gold coins, which are used by Indonesian consumers hoping to save for the Haj pilgrimage to Mecca, Saudi Arabia.

The Company's plan to expand its nickel output with the FeNi III project met with some delays during 1999 and has been pushed back by approximately 12 months. These delays center on funding difficulties with the acquisition of both domestic and foreign loans. An initial funding scheme, with the Central Government acting as the guarantor/lender, was rejected and the project must now seek economical funding alternatives from abroad. Along with developing a new ferronickel smelter line, as part of the FeNi III project Antam will build a diesel fuel power plant to supply the necessary electricity to Antam's entire ferronickel smelting operation. Antam is dedicated to the development of FeNi III and the accompanying power plant becoming a reality.

Antam's partnerships demonstrated positive developments in 1999. Among them was PT Nusa Halmahera Minerals, a joint venture between Antam and Newcrest Singapore Holdings Pty Ltd., which operates a gold mine at Gosowong, Halmahera Island. The mine became commercially operational during July 1999 and produced 123,696 oz of gold by year-end. Another Antam joint venture, PT Galuh Cempaka, which is the result of a partnership with Ashton MMC Pty Ltd., completed the construction of a conventional bucketline dredge for bulk sampling towards the end of 1999. Trial mining for diamonds has begun at the tenement, located in the Banjar Regency of South Kalimantan.

Social Responsibilities

In accordance with the Company's social mission to improve the communities living in proximity to its mine sites, Antam implemented several community development programs in 1999. Programs for the communities near the Pongkor gold mine included providing funds to build schools, mosques and Moslem dormitories and to repair roads, bridges and other public facilities. Packages containing daily necessities were distributed to communities surrounding the Pomalaa nickel mine, while at the Gebe nickel mine, local residents enjoyed the provision of electricity. As well, soft capital loans were made available to small entrepreneurs and cooperatives near the Kijang bauxite mine. Antam provides soft loans from its Small Business Entrepreneurs and Cooperatives Development Fund to develop local businesses and the fund is capitalized by the Government's portion of Antam's annual net profit. In pursuit of equal treatment, the Company always invites local bidders to join in any procurement bids.

Various attempts have been made to contend with the complicated and multidimensional social problem of illegal miners. In 1999, Antam's efforts were successful in reducing the numbers of illegal miners at its Pongkor mine, although further work is needed to completely eradicate the problem.

Efficiency Enhancements

Antam benefited from increased efficiency following the necessary replacement and modernization of the Company's first ferronickel smelter, FeNi I, once commercial operations had resumed in April. With the aim of further efficiencies, Antam outsourced the production of its nickel ores at Gee Island, bauxite ore at Kijang and iron sand at Lumajang. As well, Antam outsources the ocean transportation of its nickel ores from its nickel mines at Gebe and Gee to the smelters in Pomalaa. Other initiatives include projects already outlined, such as the corporate restructuring of Antam into autonomous Strategic Business

Units, the implementation of SIM ANTAM 2000 and the attainment of international accreditation such as the ISO 9002, the LBMA's "London Good Delivery List for Gold", and the ISO GUIDE 25. All these undertakings are geared to improve efficiency as well as enhance the Company's corporate image.

Challenges

Antam's confidence regarding its future prospects notwithstanding, the Board of Directors realizes that Antam will face future challenges. The uncertain regional security conditions and the passing in 1999 of Law No. 22 on regional administration and Law No. 25 on intergovernmental fiscal balance, which are designed to give regions greater autonomy over their affairs, make appropriate community relations policies especially important. An unfavorable socio-political climate and new environmental legislation are other important issues that must be handled properly.

The possibility of an increasing fuel price, which may affect the ferronickel production cost, is another challenge. As well, faced with constantly fluctuating metal prices, Antam must continue to implement a proactive hedging strategy. Decreasing iron sand demand due to cement factories' usage of copper slag as a substitute, necessitates that Antam look for different markets and new buyers. Further, should the adverse investment climate fail to improve, Antam must heighten its search for funding alternatives for the FeNi III project.

Despite these challenges, Antam continues with its comprehensive and unified effort to constantly improve the Company's performance and benefit Antam's shareholders. In facing these challenges, Antam will continue to anticipate all conditions which might affect the operation and use a proactive management approach concerning all areas of mine development, finance, human resources and administration with a view to performance maximization.

In closing, the Board of Directors wishes to extend its deepest gratitude to the shareholders, the Board of Commissioners and Antam's valued business partners, for their continued support and assistance. Our special appreciation is extended to all of Antam's employees for their hard work and dedication during 1999 and their commitment to confront future challenges in achieving Antam's vision for 2010 of being a world-class mining company.

OPERATIONS REPORT

Production Development

Nickel Ores

Nickel ore production (both laterite and limonite) reached 3,235,285 wmt in 1999, exceeding the 3,233,374 wmt produced in 1998. Nickel ores are mined at Pomalaa, Gebe Island and Gee Island, with the mining operations at Gee Island outsourced to a third party to realize cost efficiencies. Located in Southeast Sulawesi and North Maluku, the mines are covered by Indonesian Mining Licenses, or exploitation KPs, over an area of 8,314.4 Ha and 1,225.0 Ha respectively.

Ferronickel (FeNi)

Antam has two ferronickel smelters at the Pomalaa mine facility, FeNi I and FeNi II, the annual production capacity of which is 11,000 tons of high and low carbon nickel in ferronickel. The nickel is produced in the form of shots or ingot. In 1999, production at Pomalaa resulted in 9,221 tons of nickel in ferronickel, a 9.11% increase over the 8,451 tons produced during 1998. The scheduled replacement and modernization of Antam's first ferronickel smelter, FeNi I, was completed in February 1999 and contributed to 1999's nickel production increase following the resumption of commercial operations in April.

The ISO 9002 certification for high quality management, which was initially obtained by Pomalaa in 1996, is subject to renewal every six months. Audits are conducted at the end of the first and third quarter of each year and in 1999 Antam received renewal of the accreditation. Referring to the "Nickel Industry Cost Study (1997-2007)", published in November 1999 by mining and metal industry consultants Brook Hunt & Associates, Antam is one of the world's low-cost ferronickel producers, which is testament to the efficient management of the facility. The Company is now undertaking to attain the ISO 14000 Certification for environmental management.

Gold and Silver

Antam owns and operates the Pongkor gold mine in West Java, licensed by a KP covering an area of 4,058 Ha. Discovered by Antam, Pongkor's existence can be attributed to Antam's competencies in discovering and developing mineral deposits into a mining operation. Both underground and fill stope mining techniques are employed. Production of gold ore in 1999 was 286,287 tons with an average ore grade of 12.67 gr./t gold and 165.4 gr./t silver. Ore refining produced 2,956 kg of gold and 21,064 kg of silver, representing an increase over 1998's production of 1,569 kg of gold and 12,392 kg of silver, an increase of 88.4% and 70.0% respectively. The improved performance is largely due to the improved security situation at Pongkor, with a large reduction in the numbers of illegal miners and the successful amendment of certain technical problems. As of August 1999, tunneling constructed at the mine in the Kubang Cicau, Ciguha and Ciurug veins reached a total of 1,386.95m.

In 1999, PT Antam Resourcindo, owned by Antam's subsidiary International Antam Resources Ltd. (a publicly traded Canadian company of which Antam has an 82% interest), mined 35,504 tons of gold ore

from its mine at Cikidang, with an ore grade of 9.63 gr./t gold and 66.239 gr./t silver. Following refining, 282 kg of gold and 1,316 kg of silver was produced.

Logam Mulia Smelter and Refinery

Antam owns and operates Logam Mulia, the only precious metals smelter and refinery in Indonesia. In 1999, it refined 38,637 kg of gold of which Pongkor supplied 2,933 kg. The bulk of the gold refined at Logam Mulia, a total of 35,428 kg, was supplied by Contract of Work (COW) projects throughout Indonesia, from mines operated by companies such as Newmont, Kelian, Indo Muro and others. Additionally, 276 kg of the refined gold at Logam Mulia came from Antam Resourcindo's Cikidang gold mine. Logam Mulia refined 154,414 kg of silver in 1999. Of that production, Pongkor supplied 20,852 kg, 132,257 kg was supplied by Contract of Work projects, and 1,305 kg came from Antam Resourcindo. Gold production in 1999 represents a 15.7% increase over the 33,375 kg produced in 1998.

To diversify its product line and customer base, on December 14, 1999, Logam Mulia entered into an agreement with Indonesia's State Pawnhouse to produce ONH gold coins, which are popular amongst Indonesians saving towards covering the cost of the Haj Pilgrimage.

Bauxite

At present, bauxite mining is conducted at three sites surrounding Antam's Kijang concession on Bintan Island. The areas of Kijang, Pari and Waicopek are covered by an exploitation KP with an area of 11,246.61 Ha. In 1999, combined production from Kijang amounted to 1,116,323 wmt of washed bauxite, representing an increase of 5.7% over the 1,055,647 wmt produced during the previous year.

Previously the mine life at Kijang was anticipated to continue until 2001. However, with new discoveries at Antam's concession in nearby Lomesa, the proven and probable reserves of which are 2.5 million wmt of export quality bauxite, the Kijang mine life has been extended until 2004.

Iron Sand

During 1999, Antam mined iron sand at its tenement containing the 1,540 Ha Cilacap area, the 1,531 Ha Kutoarjo region and the 423 Ha Lumajang prospect. Production in 1999 was 584,428 wmt, representing an increase of 4.3% compared to the 560,524 wmt of iron sand mined in 1998.

Y2K Readiness

Antam first anticipated the Y2K problem in 1997 and in mid-1999 established a Y2K Task Force to subvert any negative eventualities arising from the roll over to 2000. The main goal of the task force was to anticipate computer-related problems caused by the Y2K 'bug' and prevent normal business operations from being adversely affected and possibly curbing profits.

The task force's scope of work focussed on all of Antam's computers and equipment with embedded microchips. Integrated and embedded systems were analyzed and amended using a systematic procedure

of awareness, inventory, assessment, remediation, testing and developing new systems (hardware or software). The final stage was the creation of several contingency plans. Among them were disaster recovery plans for glitches hampering production or compromising workers safety.

Fortunately, Y2K problems did not materialize and no area of Antam's operation was affected. The task force shall remain alert into 2000, so as to subvert any delayed Y2K hazards.

Marketing

1999 Sales Performance

Along with production increases in 1999, there was a correspondent increase in the sales volumes of Antam's gold and ferronickel. The sales volume of gold increased by 43.7%, from 2,078 kg in 1998 to 2,987 kg in 1999. Ferronickel sales volume reached 9,140 tons, representing an increase of 6.2% over the 8,610 tons sold in 1998. Except for iron sand, however, the sales volumes of Antam's other commodities were reduced. Nickel sales decreased by 13.0%, from 2,329,673 wmt in 1998 to 2,027,737 wmt in 1999. Bauxite sales volumes decreased by 2.1%, from 1,047,874 wmt in 1998 to 1,025,616 wmt, while silver sales decreased by 9.7%, from 21,852 kg to 19,730 kg. The sales volume of iron sand was 496,202 wmt in 1999, representing an increase of 4.5% over the 474,704 wmt sold in 1998. This increase comes amidst lower demand from cement factories that are turning to copper slag as an iron sand substitute.

The sales price of Antam's core commodities are set according to international metal prices, which for nickel is based on the price at the London Metals Exchange (LME), and for gold and silver is based on the price as determined by the London Bullion Market Association (LBMA). Except for high-grade nickel ore, gold and silver, the average prices of Antam's commodities in 1999 experienced an increase compared to the previous year.

In line with the Company's increased export-orientation, Antam has shifted its target market for gold to foreign customers. In 1999, South Korea's SK Global became Antam's most recent gold customer. The slow pace of national economic recovery and the introduction of a value-added tax negatively impacted domestic demand, hastening the shift to gold exporting. In 1999, 2,823 kg of Antam's gold was exported, representing an increase of 58.0% over the 1,787 kg exported in 1998. Silver exports increased by 271.4%, from 3,500 kg to 13,000 kg.

Antam's has reliable ferronickel customers with whom Antam has signed long-term sales contracts. Among these buyers are Krupp Thyssen Nirosta GmbH from Germany (a 12-year sales contract commenced in 1999), Avesta Sheffield of England, ALZ BV from Belgium, Pohang Iron and Steel Co. from South Korea and Yieh United Steel and Co. from Taiwan. From Japan, Antam's ferronickel customers include Nikkindo Trading Co., Mitsubishi Corp., Nissin Steel Co. Ltd. and Nippon Yakin Kogyo Co. Ltd.

Antam's high-grade nickel ore customers have also signed long-term sales contracts with Antam and include Pacific Metals Co. Ltd., Sumitomo Metals Mining Co., and Nippon Yakin Kogyo Co. Ltd.

Antam has a long-term sales agreement with Queensland Nickel Pty. Ltd. of Australia, which to date has been the sole buyer of Antam's low-grade nickel ore.

Japan's Sumitomo Chemical Co. Ltd., Nippon Light Metals Co., and Showa Denko KK are all long-term bauxite customers of Antam.

Commodity Price Outlook and Marketing Policy

In general, the outlook for Antam's core commodities is positive. Opinions vary, yet most analysts agree that due to constricted supply and strong demand, especially from stainless steel manufacturers, a strong nickel price should remain until 2001. According to the Pechiney Group's "Base Metals Outlook 2000", published in October 1999, the global demand for refined nickel will increase by 8% in 2000 over that of 1999.

Nickel price movement at the end of 1999 continued on the positive upward trend as experienced throughout 1999. The average spot price reached US\$ 2.72/lb or US\$ 6,015/t while the average three month forward rate averaged US\$ 2.75/lb or US\$ 6,073/t. It is widely held that the nickel price shall remain strong through 2000.

According to a gold market study published in December 1999 by CRU International Ltd., gold demand for fabrication for the year 2000 is expected to reach 3,912 tons, representing an increase of 2.1% over 1999. Gold price movement showed improvements at the end of 1999 and the average price is expected to range near US\$ 300/t for the beginning of 2000.

The Company has established beneficial marketing relationships with its customers and this continued during 1999. Antam's marketing policy is customer focussed and is committed to maintaining long-term buyers for its products and obtaining new relationships, such as that recently established with South Korea's SK Global.

Environment

Antam's adheres to the belief that land utilization for the extraction of economical mineral resources is of a transient nature and that the original function of the mine site should be regenerated when mining is complete. Based on this philosophy, Antam is committed to maintaining the ecosystems, including the flora and fauna, of its operational sites.

The Company makes efforts to limit the impact on the mine site's surrounding environment and accordingly has developed an environmental policy which must be adhered to by all of Antam's employees and contractors.

Integrated programs of environmental rejuvenation are an integral part of Antam's mining plans, covering all stages from exploration through to the post-mining period. Rehabilitating post-mine sites includes recovering topsoil and replanting the appropriate vegetation to regenerate the original characteristics of the land. Terraced slopes are established to prevent landslides and soil erosion, while

check and tailing dams (settling ponds) are constructed whenever necessary. Air quality and wastewater are regularly and carefully monitored for the existence of any contaminants.

In 1999, Antam's environmental management expenditure reached Rp 5.3 billion, of which Rp 1.04 billion was spent for post-mine site reclamation. This reclamation covered an area of 138.35 Ha and included the replanting of 88,781 trees over a 120.79 Ha area.

Antam has established agreements with third parties to enhance environmental management. These joint-initiatives include a program with the Bogor Agricultural Institute to conduct research on soil characteristics and suitable vegetation for the environment of the Pomalaa nickel mine and another with the Bandung Institute of Technology to conduct research on bio-processed cyanide waste management treatment for the Cikotok gold facility.

Illegal Miners

Various programs and measures have been conducted to alleviate the problems of illegal miners at the Pongkor gold mine. Antam's individual initiatives as well as those with related institutions made some headway, yet they were limited due to the sheer volume of illegal miners. Antam has coordinated with the Bogor Regional Authority and the Regional Security Command, as well with other institutions such as the Ministry of Mines and Energy, the Ministry of Forestry, the Environmental Monitoring Board, the State Forestry Company and the Bogor Agricultural Institution to conduct community development programs in the communities surrounding Pongkor, in the Nanggung District near Bogor. These programs included improving and establishing 'good-neighbor' relationships with the local community through an informal approach and facilitating repairs to public facilities and infrastructure areas close to Pongkor. The Company also initiated several Small Entrepreneurs and Cooperatives Development Programs to develop the businesses of the local community and invited local bidders to join in procurement bids for the mine.

At the beginning of 1999 there were 6,500 illegal miners, which was reduced to 1,500 by the end of the year. The mining methods that are used by the illegal miners are extremely dangerous and severely damaging to the environment, causing deforestation and the pollution of reservoirs due to the harmful use of mercury to extract gold from the ore. Antam's primary concern regarding the elimination of illegal mining at Pongkor is to prevent the senseless deaths that result from the activity's inherent dangers.

Illegal mining is a complex problem caused by such factors as high unemployment, the poor economy, socio-political conditions and inadequate law enforcement. However, a large piece of the puzzle is the existence of individuals who provide the necessary funding for the activities of the illegal miners and corrupt security personnel who facilitate their activities and provide protection. These individuals contribute significantly to the prevailing uncertainties of illegal mining.

Worker Safety

In accordance with Antam's mission to enhance the welfare of its employees', worker safety is of a paramount importance. Antam has a good safety record and holds regular Safety and Worker Welfare

seminars and programs to refresh the knowledge base of current employees and to properly educate Antam's new workers.

Despite Antam's best safety efforts, there were two cases of work-related accidents in 1999. The first accident occurred at the Gebe nickel mine, causing the deaths of three people. Bambang Paijo, Rusli Spey Djamal and Yosep Maray died of toxic gas inhalation while they were repairing a barge. The second accident occurred at the Kijang bauxite mine when Apriyadi, an employee of Antam's contractor, slipped from the wheel loader he was driving and died. The Company's management extends its deepest sympathies and condolences to the families of the deceased.

DEVELOPMENT REPORT

Commodities Development

Nickel and Ferronickel

Due to some difficulties related to financing, the realization of the turnkey nickel development project, FeNi III, has been delayed by approximately 12 months. The project is to increase Antam's annual nickel production capacity by 13,000 tons, with the execution of the development plan expected to begin during 2000. The Company is determined to have the project move forward, yet the current uncertain economic, political and regional security concerns have made prospective investors hesitant. These unfavorable conditions have unfortunately reduced the country's risk rating for mineral investment in Indonesia from 8th in 1998 (Trendgold, The Australian Mining Monthly, February 1999) to 16th in 1999.

Mitsui & Co. Ltd., the project's appointed preferred bidder until February 3, 2000, offered a proposal containing two financing alternatives from the J-Exim Bank. The first alternative, J-Exim Buyer's Credit with Letter of Guarantee (Export Credit), requires a letter of guarantee (L/G) with the Government of the Republic of Indonesia as the guarantor/lender. The Government has rejected this option. The second alternative, J-Exim Buyer's Credit Without Letter of Guarantee (Export Credit Agency), requires neither an L/G nor for the Government to act as the guarantor, yet the specific lending arrangements had yet to be finalized by the end of 1999.

During the third quarter of 1999, Mitsui invited certain German banks and companies to join a consortium to finance the project. The arrangement does not require a L/G but specifies that 70% of the necessary equipment be purchased from Germany, while the rest be purchased from Japan and Indonesia. While waiting for submission of the proposal from the Consortium, expected in January 2000, the Company shall explore alternative solutions for more optimal and economical financing for the Project.

In 1999, Antam obtained the Preliminary Agreement Letter to build an electric power plant with a 60 MW capacity, from the Directorate General of Electricity and New Energy. The Company has also received a Letter of Agreement from the Ministry of Economy and Industry to apply for sub-loans of US\$120 million to be used for the FeNi III smelter and US\$ 55.4 million for developing the power plant.

Gold and Silver

On the first of January 1999, Antam's Logam Mulia Smelter and Refinery received certification from the London Bullion Market Association (LBMA) for admittance of Logam Mulia's high quality gold into the "London Good Delivery List for Gold". The internationally recognized certification serves as a guarantee of the refinery's gold products and facilitates Antam's worldwide precious metal marketing efforts.

Initiated in September 1998, Logam Mulia was audited to determine that the laboratory's management standards, organization, security levels and protection of confidential information complied with the international standards of the ISO GUIDE 25. Logam Mulia Laboratory obtained the ISO GUIDE 25 accreditation on June 23, 1999. The Laboratory is now able to issue Certificates of Assay in conformity

with the ISO GUIDE 25 standard using gold/silver tests such as the fire assay, atomic absorption spectrometer (AAS) and test needle methods.

The management at Antam's Pongkor gold mine was prepared at the end of 1999 to receive the final audit towards attaining the ISO 9002 accreditation for high quality management. Receipt of the certification would add to Antam's previous ISO 9002 certificate received by Pomalaa in 1996.

Other Commodities

Following a review of the feasibility studies for the Tayan Alumina Project in April 1998 and November 1999, the Government approved the proposal of the Project's Environmental Impact Analysis including the Environmental Monitoring Plan and the Environmental Management Plan. The next phase of feasibility studies will propose a Community Development Program by analyzing the social aspects of the project.

The Tayan Alumina Project was constrained by the unapproved request to augment the status of the relevant Indonesian Mining Licenses, or KPs, from exploration to exploitation. As well, the uncertain completion schedule for the Seventh Generation Contracts of Work (COW) contributed another constraint to the Project, which is slated to be a foreign investment company. The Company anticipates that the next phase of feasibility studies will result in a mine development agreement and will assist Antam's efforts in seeking project financing.

Exploration Activities

By the end of December 1999, Antam possessed 68 Indonesian Mining Licenses covering an area of 938,707.04 Ha. Antam manages these concessions independently or through joint ventures. Antam holds 35 KPs for exploration, covering an area of 558,447.40 Ha, while Antam's strategic partner, International Antam Resources Ltd. (IAL), manages 11 KPs covering an area of 347,307.40 Ha. Antam had 20 exploitation KPs of core and non-core commodities over an area of 32,922.24 Ha. Two of these KPs are operated by joint ventures covering an area of 2,901.40 Ha.

Antam also had 14 COWs covering an area of 2,270,553.00 Ha, bringing the total area managed by Antam and its partners to 3,209,260.04 Ha.

Buli (Halmahera)

Antam's Buli prospect at Halmahera Island has three regions, namely Buli (Pakai Island, Buli Island and Tanjung Buli), Watileo and Busbus. The prospect covers a total area of 97,520 Ha and is the prime focus of Antam's nickel exploration program. Antam spending 90% of the total 1999 nickel exploration budget on activities at Buli reflects this. Exploration with detailed drilling of 25m spacing for Pakai Island and Tanjung Buli was conducted in 1999. High-grade nickel reserves are estimated at 30.1 million wmt with a nickel content of 2.43%. Reserves of low-grade nickel are calculated at 54.6 million wmt with a nickel content of 1.58%. Nickel resources are estimated to amount to 280 million wmt with a grade of 1.80%.

Central and Southeast Sulawesi

In the fourth quarter of 1999, Antam conducted nickel exploration in Central and Southeast Sulawesi, near the Pomalaa nickel facility. The exploration was licensed by 11 KPs and included the prospect areas of Boenaga, Bahubulu and Mandiodo. The exploration activities included geological mapping, test pit and ore sampling. The sampling analysis based on this exploration is expected by the end of the first quarter of 2000.

Mt. Liman (East Java)

Exploration at the 13,250 Ha Mt. Liman prospect area in East Java, which is approximately 600 km from Jakarta, began in the fourth quarter of 1999. Antam's geological service conducted trench making and semi-detail geological mapping covering an area of 10,500 Ha. The work included the collection of over 142 sampling ores from three areas for fluid inclusion analysis. Analysis of surface ore sampling and floats has indicated gold mineralisation in a quartz vein zone in the range of 1.83 gr./t and 12 gr./t. The width of the quartz vein ranged between 2.5 and 6m with a length of 2 km. Further geological mapping, trenching, geophysics sounding and test drilling will be conducted in this prospect during 2000.

Latupa (South Sulawesi)

Antam's exploration areas in Latupa, South Sulawesi are situated about 1,500 km northeast of Jakarta and approximately 50 km southeast of the Palu-Koro fault, covering an area of 14,750 Ha. Latupa has three prospect areas, Tara, Babak-Balantungan and Mangkaluku. The Mangkaluku prospect is one of Antam's most promising as intensive exploration resulted in the discovery in 1999 of quartz vein zone stockworks within an area of 200m by 500m and an average gold grade from trench sampling of 8.71 gr./t. Drilling conducted at six pits with a total depth of 1,388.1m resulted in sampled ores with a grade ranging from 0.24 to 11.88 gr./t gold.

At the Tara prospect, a quartz vein zone was discovered with dimensions of 3.1m in length and 1,558m wide. Resultant grades ranged from 0.15 to 4.28 gr./t gold, 3 to 72.85 gr./t silver, 0.01-0.05% copper, 0.07-0.17% lead and 0.01-0.09% zinc. Stockwork mineralisation of 0.5 to 5.0m wide and 650 long with grades ranging from 0.5 to 2.0 gr./t gold, 23 to 67 gr./t silver, 0.002-7.1% lead, and 0.006-5.3% zinc was discovered in Antam's Babak - Balantungan prospect at Latupa. Cumulative test drilling at the three prospect areas in Latupa totaled 2,000m in depth.

Mt Meriah, Sondi (North Sumatra)

Antam conducted gold exploration in 1999 at Sondi, Mt Meriah in North Sumatra. The mining license status for the prospect was upgraded during the year from 'general observation' to exploration, with a correspondent reduction in the licensed area from 10,790 Ha to 9,260 Ha. Scarn-type mineralisation discovered at a 200m by 200m site in the Lau Krah prospect, the disclosure width of which is 70m, uncovered a grade of 0.56 gr./t gold and 0.965% copper. Discoveries were made at Sondi's other prospect areas of Lau Munthe, Lau Buaya and Lau Serdang-Bintayo with a gold grade ranging from 0.1 to 13.2 gr./t. Eight test drillings with a total depth of 2,000m will be conducted in 2000.

Cibaliung (West Java)

On September 8, 1999, an alliance agreement was signed between Antam's subsidiary International Antam Resources Ltd (IAL) and Austindo Resources Corporation N.L (Austindo), a public company listed on the Australian Stock Exchange (ASX). The agreement shall continue the exploration and development of the Cibaliung Gold Project in West Java. Austindo will finance 63% of the project's working capital, while the remainder shall be supplied by IAL. Austindo is responsible for financing the initial exploration phases of the project, at a cost of US\$ 1.42 million.

Exploration Expenditure

Committed to increasing its reserves, Antam not only conducts independent and joint venture exploration for its core products, nickel and gold, but also for other base metals and industrial minerals. In 1999, exploration costs totaled Rp 18.95 billion. Rp 11.75 billion was used for nickel, while gold exploration in 1999 cost Rp 5.25 billion. Rp 1.42 billion was spent on bauxite exploration, Rp 0.06 billion on iron sand, and Rp 0.47 billion on exploration for other minerals. Total exploration costs in 1999 increased by 68.1% over the Rp 11.27 billion spent in 1998.

Strategic Alliances

One of Antam's top priorities is to further develop its core commodities, nickel and gold. The development programs are undertaken either by Antam itself or through the establishment of strategic alliances with foreign companies. With most agreements the joint venture initially acquires an exploration KP. As part of its development strategy, Antam makes continuous efforts to upgrade the KP status and to develop the JV to hold a more comprehensive and long-term Contract of Work (COW). The COW system is a highly regarded system of mining regulation that encompasses all aspects of mineral exploration, development and exploitation for the anticipated life of the mine deposit.

Several of Antam's joint ventures formed to hold COW's have demonstrated some promising and encouraging results, including: PT Nusa Halmahera Minerals, PT Galuh Cempaka, PT Gag Nickel, PT Weda Bay, and PT Dairi Prima Mineral. Two of the most successful are PT Nusa Halmahera Minerals, which has commenced commercial gold operations and PT Galuh Cempaka, which has begun trial mining for gem quality diamonds.

PT Nusa Halmahera Minerals

PT Nusa Halmahera Minerals, which operates the Gosowong gold mine on the island of Halmahera, is a joint venture company between Newcrest Singapore Holdings Pty Ltd. (82.5%) and Antam (17.5%). The first feed for the processing plant began in July 1999 and as at December 31, 1999 Gosowong had produced 123,696 oz of gold. The mine life of Gosowong is anticipated at approximately five years, with an average yearly production of 154,000 oz.

PT Galuh Cempaka

PT Galuh Cempaka is a joint venture between Ashton MMC Pty Ltd. (80%) and Antam (20%), which is currently conducting the Alluvial Diamond Project in the Banjar Regency, South Kalimantan. The project is located at a tenement with an estimated total dredgeable material of 260 million cubic metres. The project is at the development stage with commissioning activities commencing at a throughput capacity of about 2.5 million cubic metres per year. Further commissioning is to continue this year and an assessment will be made regarding the plan to increase the annual capacity to five million cubic metres. During 1999, construction of a conventional bucketline dredge for bulk sampling and a processing facility was completed. Trial mining during 1999 showed promise with the recovery by the processing plant of a small quantity of gem quality diamonds.

PT Gag Nickel

Antam holds a 15% free-carried and 10% loan-carried interest of PT Gag Nickel. Additionally, Antam has a 20% option following 13 years of commercial operation. BHP Asia Pacific Nickel Pty Ltd holds the remaining 75% majority interest. PT Gag Nickel was formed with the signing of a COW in February 1998 to operate a nickel project on Gag Island off the shore of Sorong Regency, Irian Jaya. During 1999, the project undertook necessary mine development feasibility studies.

The project's nickel and cobalt resources make this an encouraging prospect. Estimated resources from drilling at a total depth of 10,800 metres and detailed geological mapping revealed 216 million tonnes of nickel and cobalt grading 1.4% and 0.08% respectively. The project's metallurgical process is designed to process either high-grade or low-grade ores in a single flow sheet and the processing plant is to have an annual production capacity of 61,000 tonnes of nickel. The total project expenditure is expected to be US\$ 1.16 billion.

PT Weda Bay Nickel

PT Weda Bay Nickel was formed to hold a Seventh Generation COW over 120,500 Ha in the central region of Halmahera Island. Created along with other Seventh Generation undertakings such as PT Gag Nickel, Antam holds a 10% interest in the project, while Strand Minerals (Indonesia) Pty Ltd. holds the majority interest.

Exploration activities conducted at the tenement have outlined extensive occurrences of nickel/cobalt deposits, some of which have been systematically drill-tested to outline estimated indicated and inferred resources of 117 million dry metric tonnes grading 1.36% nickel and 0.12% cobalt. Recent exploration activity on the concession and in particular at the 930 Ha Santa Monica deposit has indicated promising additional resource potential.

PT Dairi Prima Mineral

PT Dairi Prima Mineral is a joint venture with Herald Resources Pty Ltd. that was formed to hold a Seventh Generation COW over 22,030 Ha in Kabupaten, North Sumatra. The recent addition of the adjacent Parongil KP increased the project's exploration area by 13,640 Ha. The beneficial rights of the joint venture are held by International Annax Ventures, Inc with a majority interest of 70-80% and Antam with 20-30%.

Exploration activities in 1999 included a program of 75km UTEM ground geophysical survey over the Sopokomil/Bonkaras zinc-lead-silver prospect and 1,179 line km of heliborne EM and magnetic surveys over the western part of the area. A program of 8 diamond drill holes totaling 1,353m was completed at the Sopokomil prospect with several good intersections of shale hosted sedex massive sulphides and carbonate hosted Mississippi Valley Type mineralisation. The best result was 17.3m @ 18.5% Zn, 12.3% Pb and 19 g/t Ag in a sedex zone in hole SOP18D. More extensive diamond drilling shall be carried out in 2000.

Two of Antam's COW joint venture companies, PT Solok Mas Minerals and PT Obi Mineral were terminated during 1999 due to unfavourable exploration results with their prospects. With the closure of these two companies, the total number of Antam's joint venture partnerships decreased from 16 in 1998 to 14 in 1999.

Exploration Services

Facing increased international competitive pressures, Antam's Geology Unit is committed to continuously enhancing the quality, knowledge and competencies employed for its mineral exploration activities. Accordingly, in 1999 the Company improved the efficacy of the present Geological Laboratory, currently using the atomic absorption spectrometer (AAS) method, by equipping it with an x-ray method to analyze nickel components. Improvements such as this coincide with establishing alliances with strategic partners to further improve exploration effectiveness. Antam's Geology Unit has a proven exploration track record. Its expertise is sought after not only for the services of its laboratory, but also for the exploration services of its experienced geologists, which include topography sounding, geophysics, drilling and electronic data analysis.

FINANCIAL REPORT

Financial Performance

Sales

Exports in 1999 contributed revenue denominated in US Dollars amounting to US\$ 119.78 million, representing an increase of US\$ 26.43 million compared to the US\$ 93.35 million of 1998. The increase resulted largely from the improved sales volumes of ferronickel, gold and silver and from the rise of the nickel price during 1999. Domestic sales meanwhile saw a decrease from Rp 106.99 billion in 1998 to Rp 63.90 in 1999 caused by a sales volume decline of gold and silver. Poor local demand caused by the slowly rebounding national economy and the imposition of a domestic value-added tax, were factors contributing to lower sales.

The strengthening Rupiah against the US Dollar was the main basis of the decrease in total sales revenue, which fell from Rp 1,021.91 billion in 1998 to Rp 966.15 billion in 1999.

Cost of Goods Sold

The increased production of most commodities in 1999 resulted in a heightened usage of materials and services, thus causing the cost of goods sold to increase by 96.98 billion from Rp 450.75 billion in 1998 to Rp 547.73 billion in 1999, and increase of 21.5%. Increased employees' benefits and the depreciation cost of the replacement and modernization of FeNi I also contributed to the higher cost of goods sold in 1999.

Other Income and Charges

In 1999 the Company recorded total other charges amounting to Rp 21.80 billion, representing a decrease of Rp 72.43 billion, or 76.9%, compared to Rp 94.23 billion in 1998. The improved Rupiah/US Dollar exchange rate resulted in less foreign exchange loss, from Rp 141.09 billion in 1998 to Rp 13.69 billion in 1999. A decreased interest rate meanwhile had the effect that interest income and expenses were lower than in previous years. The interest income reached Rp 33.65 billion in 1999, much lower than the Rp 120.98 billion in 1998. Interest expenses were recorded at Rp 29.04 billion in 1999, lower than the Rp 54.56 billion of 1998.

Also in 1999, the Company benefited from the Rp 10.17 billion liquidation of its equity in PT Dua Satu Tigapuluh.

Profitability

Antam's net profit in 1999 was Rp 225.19 billion, representing a decrease of Rp 74.17 billion or 24.78% in comparison to the profit of Rp 299.36 billion in 1998.

Financial Standing

The financial status of the Company in 1999 remained strong, as indicated by the Company's Balance Sheet as at December 31, 1999, which is explained below:

Assets

As at December 31, 1999, the Company's total assets measured Rp 2,082.47 billion growing by Rp 105.63 billion over the Rp 1,976.84 billion of 1998. The increase was due to the completion of the replacement and modernization of the FeNi I nickel smelter and the development of the Pongkor gold mine.

Liabilities

Total liabilities at the end of 1999 amounted to Rp 511.49 billion, representing a decrease of Rp 20.20 billion compared to the Rp 531.69 billion as at December 31, 1998. During 1999, Antam repaid bank loans equivalent to US\$ 11.35 million and Rp 4.48 billion and acquired working capital from Bank Mandiri of US\$13.36 million. As well, the decrease in liabilities at the end of 1999 was in part due to the strengthening Rupiah/US Dollar exchange rate which, on December 31, 1999, was recorded at Rp 7,100 per Dollar while on the same date of the previous year the exchange rate was Rp 8,025 per Dollar.

Equity

Antam's equity as at the end of 1999 was relatively large, increasing Rp 94.29 billion from Rp 1,376.35 billion in 1998 to Rp 1,470.64 billion, or the equivalent of US\$ 207.13 million. The growth results from the 1999 net profit of Rp 225.19 billion less the 1998 dividend payment of Rp 127.84 billion and the difference in foreign currency translation amounting to Rp 3.08 billion.

With equity of Rp 1,470.64 billion, the Company is positioned to augment its authorized capital from Rp 1.6 trillion to approximately Rp 6.0 trillion. Following such an increase and with a debt-to-equity ratio of 70:30, Antam would be ready to increase its loans from Rp 511.49 billion to Rp 3,431.49 billion. Such a rise would result in a corresponding increase in assets from Rp 2,082.47 billion to Rp 4,902.13 billion. These conditions provide opportunity for Antam to acquire further external funding.

Cash Flow and Liquidity

Cash Flow from Operating Activities

Cash flow from operating activities decreased by Rp 313.39 billion in 1999 compared to 1998. The decrease resulted primarily from the improved Rupiah/Dollar exchange rate. Although 1999's profit in US Dollar terms was equivalent to that of 1998, Antam's cash inflow as represented in Rupiah was reduced.

Cash Flow from Investing Activities

Cash flow from investing activities came to Rp 176.37 billion in 1999. The largest investments were for the completion of the Pongkor gold mine development and for the replacement and modernization of the FeNi I smelter, the cost of which amounted to Rp 73.01 billion.

Cash Flow from Financing Activities

In 1999 the Company recorded cash inflow from short-term loans amounting to Rp 79.55 billion. Cash outflow meanwhile was recorded at Rp 212.82 billion and was used for loan repayments and the payment of 1998's dividend.

Liquidity

On December 31, 1999 the Company's net working capital was decreased by Rp 19.62 billion compared to 1998, from Rp 472.13 billion to Rp 452.51 billion in 1999. The decrease was mainly due to the increase in short-term liabilities amounting to Rp 72.27 billion.

Precious Metals Price Hedging

In 1999 the hedging transactions brought cash inflow amounting to Rp 22.41 billion, representing an increase of Rp 14.01 billion compared to Rp 8.4 billion in 1998.

Foreign Exchange Rate

The Rupiah/Dollar exchange rate fluctuated in 1999 between Rp 6,623 and Rp 9,450 per US Dollar. The average rate, recorded at Rp 7,100, is an increase of 12% over the Rp 8,025 of 1998. As more than 97% of Company's income is US Dollar denominated, the improved exchange rate had an impact on cash flow and the value of sales revenue in terms of Rupiah.

However, the stronger Rupiah did not have any distinctive effect on the Company's liabilities, which are mostly covered in US Dollar denominated assets. On December 31, 1999, Antam's liabilities amounted to US\$ 28.08 million and 100,975 t.oz of gold. The Company's assets in receivables, cash and cash equivalents amounted to US\$ 53.31 million and 28,876 t.oz of gold.

Extraordinary Item

On December 3, 1998 an unruly mob of people, the majority of which were illegal miners, set fire to the Pongkor gold mine, causing losses and damages. The net book value of the damage was Rp 2.38 billion and was recorded as a loss in 1998. In 1999, the insurer PT Allianz carried out their evaluation and calculations on Antam's claim. The estimated insurance claim was Rp 14.24 billion and is recorded as an extraordinary item in the 1999 Consolidated Statements of Income.

GENERAL AFFAIRS AND HUMAN RESOURCES REPORT

Employees' Welfare

In accordance with the Antam's strategy to enhance the quality of its human resources, the Company's prime asset, improving the employees' welfare was a major focus for management during 1999. Through improving the welfare of the employees, a corresponding boost in productivity and motivation will result. Accordingly, beginning in June 1999, all of Antam's employees' wages were increased by an average of 30% of their net salaries. Additionally, the Company demonstrated its appreciation of its workforce by providing six Haj (the Muslim pilgrimage to Mecca, Saudi Arabia) grants to selected employees from different production units.

Antam has dedicated human resources and this is reflected in a consistently low turnover rate, which in 1999 was 0.02%.

Human Resources Development

The following table outlines the formal education qualifications of Antam's human resources as of December 31, 1999:

On-going training and development programs are conducted to improve the capabilities of the Company's human resources in facing future challenges and in realizing and obtaining the Company's mission and vision.

In 1999, 2,662 of Antam's employees bettered their skills by taking part in management and technical training and post-graduate programs. Additionally, the Company worked with the management institute Lembaga PPM to undertake development programs especially designed for enhancing the competencies of middle and top executives. The total expenditure spent on training and human resources development reached Rp 2.3 billion in 1999.

Human Resources Management

In October 1999, Antam and Hay Management Consultants conducted a consolidated program to continue the human resources management program started in 1998. The project included the application of performance management systems, reward strategies, training and development and management development. A corporate-level workshop on the "Balanced Score Card", as a means of measuring performance, was given to Antam's business unit heads, division leaders and other staff. Human resources restructuring is to be finalized during 2000.

Social Responsibilities

Antam is committed to improving the welfare of the communities living near the Company's mine sites. In addition, enhancing local communities corresponds with the Company's strategy to further develop its corporate image. This important responsibility is carried out through community development projects,

the funding of which is supplied by Antam or by the Small Business Entrepreneurs and Cooperatives Development Fund, which is capitalized by the Government's portion of Antam's dividend.

Under an agreement between Antam and the Social Laboratory of the Bogor Agricultural Institute, research was held to assess the most effective community development initiatives to alleviate the problem of illegal mining and security uncertainties affecting the gold mining operation at Pongkor. The development initiatives suggested by the research and then implemented included the construction of offices, schools, mosques and Moslem dormitories, water facilities, a bridge and road repairs. As well, the community development initiatives provided sport facilities, distributed food supplies, hired elementary school teachers, and issued soft capital loans to a Moslem Dormitory Cooperative and 12 small business entrepreneurs.

For communities surrounding the mine facility at Pomalaa, the community development program distributed 2000 packs of food supplies to poor families and religious ushers and gave entrepreneurial training to cooperative managers and small business owners.

Provision of Antam's excess electricity for the villages of Yam and Mamin and the construction of a bridge to connect Sanafi and Mamin villages were among Antam's community development projects carried out in the vicinity of the Gebe nickel mine.

The community near the Kijang bauxite mine had four cooperatives and 16 small business entrepreneurs receive soft capital loans and management-training grants were provided for cooperative managers and small business entrepreneurs.

In 1999, soft capital loans were also given to nine small business entrepreneurs in the vicinity of the Cikotok mill facility, 17 small business entrepreneurs near the Cilacap iron sand mine, and seven small business entrepreneurs near Antam's Jakarta Head Office.

The total 1999 community development expenditure used from the Company's Budget reached Rp 2.35 billion, while Rp 1.72 billion in soft loans and Rp 0.42 billion of grants were supplied by the Small Business Entrepreneurs and Cooperatives Development Fund.

Company Restructuring and the 1999 Extraordinary General Meeting of Shareholders

In synch with the Company's strategy to improve operational efficiencies and in anticipation of the Government's plan to privatize several State-owned Enterprises, Antam is set for restructuring into a holding company with separate strategic business units (SBUs). Antam's existing production units, which are cost centers, will effectively be transformed into Antam's subsidiaries. SBUs will be autonomous legal entities that function as profit centers.

Antam appointed PT Price Waterhouse Coopers (PWC) to consult the Company on the restructuring process. PWC's feasibility study confirmed the compatibility of the restructuring program and concluded that transferring Antam's operational activities, assets and liabilities to newly formed subsidiaries would not result in distinctive changes in Antam's consolidated financial position and is not the kind of transaction with prevailing conflicting interests. The suggested transfer of assets at their book value is a

viable and acceptable transaction. Additionally, establishing new subsidiaries is economically feasible as shown in the projected financial position of Antam and its subsidiaries.

The Extraordinary General Meeting of Shareholders held on May 23, 1999 approved the proposed Business Units Restructuring Plan subject to completion of a further study, and delegated the approval of the results to Antam's majority shareholders.

Due to tax-related issues concerning the asset transfer, the Business Units Restructuring Plan remains unrealized. Currently a value-added tax and a withholding tax related to income derived from the transfer of Antam's assets, such as land and buildings, will be charged to Antam. Antam is negotiating to have these tax burdens minimized. However, in anticipation of the eventual restructuring, the Company established the foundation of SBUs at the management level to best prepare for the fundamental changes that will occur when the cost centers become profit centers. Accordingly, human resource development programs and the implementation of a high technology Management Information System were initiated.

As well as approving the Business Unit Restructuring Plan, the EGM adopted a resolution to sanction the official short-form of the Company's name as PT Antam Tbk. The shortened version is simpler and more familiar and is expected to be more easily memorized, especially by foreign investors. Another adopted resolution increased the term length of the Board of Commissioners from three years to five years.

Implementation of SIM ANTAM 2000

In 1999, Antam appointed PT Mincom Indoservices to implement the MIMS (Mincom's Information Management System) Open Enterprise Release 4.3.1. The project, called SIM ANTAM 2000, drew on the dedicated efforts of a large team of both Antam and Mincom staff.

The project has three phases, to be conducted over a two-year time frame. Preparations for implementation of the first phase, which installs MIMS at Antam's Head Office and the Pomalaa nickel facility, were largely complete by the end of 1999. A "go live" ceremony inaugurating the first phase of SIM ANTAM 2000 is to be held in February 2000. The second phase will see the Pongkor gold mine, Logam Mulia precious metals refinery, Geology Unit and the Gebe nickel mine brought on-line. The final phase will implement MIMS at the Kijang bauxite mine, Cilacap iron sand mine and the Cikotok gold mine and will further develop and integrate the system. The whole project is expected to be complete by the end of 2001.

SIM ANTAM 2000 is intended to assist Antam with developing efficient business processes, enhancing best practices for mining, providing access to information technology and with establishing the necessary information infrastructure for *E-business* management. As well, the project is expected to provide the foundation for changes with the corporate culture, behavior and management systems and is an integral part of Antam's comprehensive Change Management program.

Change Management

The Company recognizes the need for flexibility and change in order to thrive in today's more competitive mining industry and realize the Company's mission and vision for 2010. Antam's Change Management plans will transform the organization's structure and human resources management. Targeted functions for enhancement include job performance, financial management and the implementation of an accounting system using Activity-Based Costing. The implementation of SIM ANTAM 2000 will enable Change Management to consolidate the Company's internal-external communications and improve job accountability. A key goal of the corporate changes is to support Antam's operations and enable the efficient use of funding.

According to the principles of Change Management, operational performance will be measured using key performance indicators as outlined in the "Balanced Score Card". Antam's Board of Directors has affirmed its commitment to manage and maintain the current Change Management programs that are underway such that they are strategically relevant, well organized and focused.

On April 23, 1999, the Company formed a program steering committee called the Change Management Committee as well as the Change Management Implementation Team. During 1999, the team established the suitable methodology for Change Management, developed integrated Change Management strategies and action plans and conducted the first phase of the socialization program for Antam's production unit managers. Assisted by the Implementation Team, these managers will then conduct similar programs for Antam's other employees. The actual Change Management implementation is expected to commence in 2000.

Privatization

In 1999, the Indonesian Government developed a revised plan to privatize certain State-owned Enterprises, which included Antam. Antam views the plan as a continuation of the partial privatization that occurred through the Company's IPO on November 27, 1997. The IPO transformed Antam into a public company, with 35% of the Company's shares sold to investors and the remaining 65% held by the Government.

The Government's latest privatization program is to sell a portion of its current Antam holdings via the stock market or to privatize certain Antam subsidiaries through a sale to a strategic investor, following the completion of the business unit restructuring. Unfavorable economic and socio-political factors have thus far delayed completing the restructuring process.

SHAREHOLDERS INFORMATION

Number of Shares

The Company's authorized capital is Rp 1.6 trillion, consisting of one preferred stock and 3,199,999,999 shares of common stock, all with a par value of Rp 500 per share. The subscribed and paid-up capital stock amounted to Rp 615.38 billion, consisting of one preferred stock and 1,230,768,999 shares of common stock.

Share Composition

Thirty-five percent of the Company's equity (430,769,000 shares) is traded on the Jakarta, Surabaya and Australian Stock Exchanges. As at December 31, 1999 the Company had 8,936 shareholders, representing an 11% increase over the 8,073 shareholders of 1998. Of the total, 8,699 were domestic shareholders holding approximately 75% of the Company's publicly listed shares, with foreign shareholders holding the remainder. In the previous year, domestic shareholders held 69% of Antam's equity.

Share Price Movement

In 1999, Antam's share price on the Jakarta Stock Exchange decreased by 12.5% from Rp 1,600 at the beginning of 1999 to Rp 1,400 by year-end. The share price reached a high of Rp 2,000 in 1999 with a low of Rp 1,250 and a share price average of Rp 1,508.

The Company's share price was thus more stable than in 1998, which fluctuated within a high of Rp 2,925 and a low of Rp 1,050. The average share price during 1998 was Rp 1,620. By the end of 1998, Antam's share price had increased by 22.6% from Rp 1,325 to Rp 1,625 at year-end.

In 1999, Antam underperformed the composite index of the Jakarta Stock Exchange, which increased a significant 71.8% from 394.008 to 676.919. The highest level the index reached was 716.460 on June 21, 1999, while a low of 372.318 was recorded on March 15, 1999. The average index level throughout 1999 was recorded at 487.310.

Share Price and Trade Volume

Share price and trade volume peaked during the second quarter of 1999 when the trading volume totaled 574,128,000 and the highest price was Rp 2,000. In 1998, the highest volume and share price occurred during the third quarter when trading volume reached 1,257,267,500 and the share price high was Rp 2,925.

Dividend Policy

Antam'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 a year. Starting with fiscal 1997, the minimum amount of dividends payable is 30% of net income after tax, or as decided at a shareholders' meeting. At the

Annual General Meeting of Shareholders on May 23, 1999, cash dividends were declared that amounted to Rp 127.84 billion, or Rp 103.87 per share, representing 40% of 1998's net income after tax.

Dual Listing on the Australian Stock Exchange (ASX)

On August 9, 1999 Antam listed its shares on the ASX and became the first Indonesian company to do so. As a mining company, Antam is subject to the ASX's stringent disclosure requirements and was required to submit an independent auditor's assessment of the Company's total reserves possessed within the previous six months. On May 30, 1999 Antam appointed independent consultant, IMC MacKay Schnelmann to undertake the auditing.

Antam is listed on ASX as an Exempt Foreign Entity and is obliged to continue to follow all the regulations of its home exchanges, the Jakarta and Surabaya Stock Exchanges and certain specific rules for mining companies as stipulated by the ASX. These specific obligations include regular reporting on mining and exploration activities that complies with the Australasian Institute of Mining and Metallurgy's JORC Code. In addition, Antam must adhere to the principles of continuous disclosure and transparency as required to keep the market fully informed.

Antam's dual listing on ASX occurs through a share trading mechanism called CUFS (CHESS Unit of Foreign Securities). Each CUFS is equivalent to five of Antam's common shares and are held by the ASX's CHESS Depository Nominees. Antam's shares may be converted into CUFS for trading on the ASX.

Antam's shares were listed on the ASX at a price of A\$ 0.40, equivalent to Rp 1,850. Unfortunately, due to unfavorable national political conditions, regarding the East Timor situation in particular, the share performance was less active than anticipated.

Usage of IPO Funds

As at December 31, 1999, the total funds used from the 1997 IPO amounted to Rp 181.26 billion, or 33% of the Rp 556.37 billion total. At the end of 1998, only Rp 138.79 billion or 25% of the total funds had been used. The low usage was due to delays with certain scheduled projects. The use of Antam's IPO funds is detailed in the preceding table.

Because of the weakening Rupiah in comparison with the Dollar, the use of IPO funds for the replacement and modernization of Antam's first ferronickel smelter, FeNi I, was 288% over expected costs.