



INDONESIA

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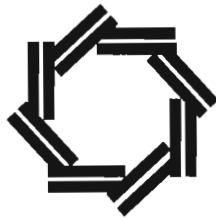
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P.T. PUTRA SURYA PERKASA

Rp 310,500,000,000
(US\$ 145,365,000)

90,000,000 common shares
Par Value Rp 1,000 per share

Managing Underwriter

P.T. SIGMA BATARA

March 1994

Jakarta , Indonesia



Mushrooming skyscrapers in downtown Jakarta are one of the most obvious signs of the country's strong economic growth.

INDONESIA

COMING OUT OF A CYCLICAL TROUGH

Investors have reason to feel upbeat about Indonesia. The country has emerged from the awkward adjustment period resulting from the tight credit regime of 1990-91, when a strict stabilization program was introduced to cool the overheated economy. That period is clearly over and the economy is poised to achieve stronger growth with stability. GDP growth is projected to pick up to 6.9 percent for 1994. The trade surplus is growing and the

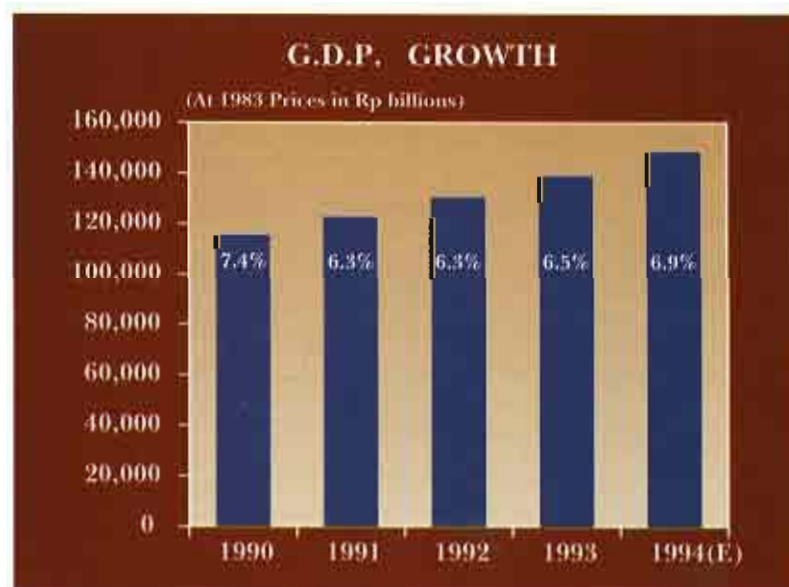
current account deficit is expected to fall to less than 2 percent of GDP for 1993.

Inflation is now about 7 percent, compared to 9.5 percent in 1991. The Central Bank is adopting a relaxed monetary policy to spur growth: money supply grew 22 percent in 1993, compared to 14 percent in 1991 and 1992. The Central Bank is targeting a 17 percent credit expansion against 16 percent and 9 percent in 1991 and 1992, respectively. Interest rate levels, currently at 11 per-

cent, are less than half of what they were two years ago and expected to edge even lower.

Lower interest rates and better economic conditions translate to improved corporate earnings, estimated to grow by 12 percent for 1993 and 19 percent this year. This compares with negative growth of 18 percent in 1991 and minus 5 percent in 1992. Consumer confidence is improving and the incidence of bad debt is declining. The renewed confidence is reflected in the stock market, where the Jakarta Composite index rose 115 percent in 1993, making it the third best performing market in the region.

Leading the recovery are the finance and property sectors. The finance sector bore the brunt of the government's tight monetary policy. In the past two years loan growth fell from 16 percent to 9 percent, and bank earnings took a direct hit from rampant bad debts. Now that monetary conditions have eased, lending is picking up: credit expansion in the first ten months of 1993 was twice that of last year. Although interest





Indonesia accounts for 65 percent of world plywood exports. The hustle and bustle of Jakarta is spreading to Bandung, Surabaya and other cities on Java.

margins will be affected by competition, this is counterbalanced by a rapid increase in loan business, higher fee income and a lower level of provisions. Bank earnings are expected to grow rapidly. In anticipation of brighter prospects, bank stocks substantially outperformed the market in 1993.

The property sector, especially the residential sector, is also a prime beneficiary of falling interest rates and accelerating credit expansion. This has unleashed pent-up consumer demand, evidenced by the spectacular success of recent residential property sales which drew predawn queues of both prospective home owners and speculators. There has also been talk that the government may relax the present property ownership rules to allow some form of direct foreign ownership. If this happens, the property sector will be given a further boost. Meanwhile, the property index rose 113 percent in 1993, making it the second best performing sector after finance.

Indonesia's pace of development has lagged that of Thailand and Malaysia, but with real GDP growth projected to pick up to 6.9 percent for 1994, the track record is impressive by any standard. It is worth

noting that, despite the tight credit regimen imposed in 1990-91, the economy still managed to grow by 6.3 percent.

Growth potential is excellent in the medium term because of three main factors:

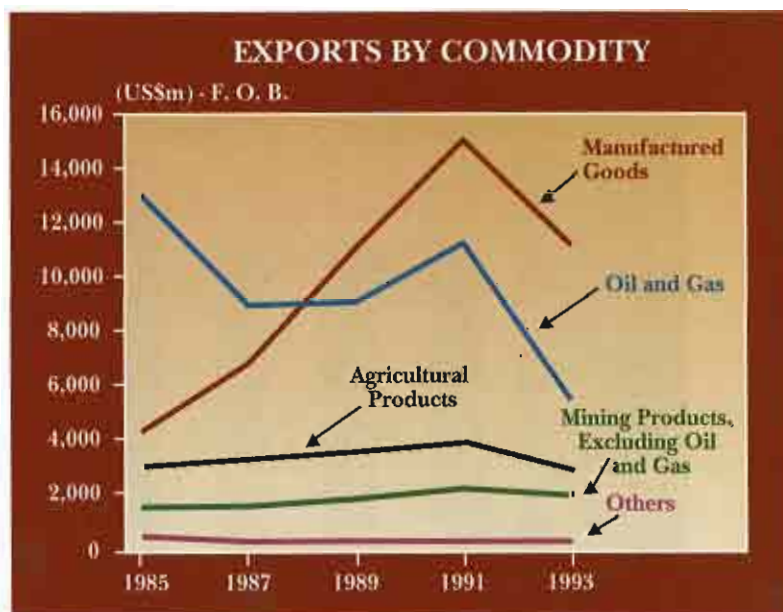
• **Success in building up a vibrant non-oil export sector.**

Since 1985, non-oil exports have grown by 22 percent a year, while oil's share of total exports has fallen from 68 to 31 percent. The government's determination to reduce its dependence on oil revenues has resulted in many pragmatic measures to stimulate growth of the non-oil export sector. For example, a stiff export levy on logs was

imposed to encourage timber companies to expand into downstream value-added activities. More recently, it banned exports of unprocessed logs. Today, Indonesia is the world's largest exporter of plywood, accounting for more than 65 percent of the globe's plywood exports.

Meanwhile, the continued deregulation of the economy is allowing companies to utilize more fully Indonesia's competitive advantages. The country is poised to become a major world player in textiles, pulp and rayon, to name just a few industries.

Indonesia is also benefiting from the relocation of labor-intensive industries from both





Agriculture dominated the economy until 1991.



A rich cultural heritage has contributed to the success of the tourism industry.

OECDs and NIEs. The underlying chain effect on the economy is only beginning. For example, multinational companies in Indonesia, assembling products such as personal computers, domestic appliances, toys and cameras, are beginning to source components locally. This in turn leads to the establishment of more component manufacturing companies and eventually to other upstream industries.

• **Internal growth.** Steady economic growth has created an emerging middle class with higher disposable income. The manufacturing sector overtook the agriculture sector in 1991 as the largest component of the economy, at 21 percent. The transformation to a manufacturing economy has meant a rapid increase in the number of people receiving a regular wage and the emergence of a consumer class. Assuming nominal GDP growth of 10 percent, the middle class will grow by 10 percent a year and the growth of this class will create demand for more consumer durables and services.

• **Constraints to growth are declining.** Since the mid-1980s, deregulatory measures adopted by the government have helped tap Indonesia's vast potential. In the process, the country's productive capacity has

improved. Investment restrictions, trade barriers and some monopolies are gradually being dismantled. It has almost become routine for the authorities to announce two or three rounds of major deregulations each year, some more significant than others. The latest round of deregulation, announced at the end of October 1993, aims to enhance Indonesia's attractiveness to foreign investors, encourage investments in more remote areas, lower trade restrictions and spur export industries.

Major provisions include:

- Simpler procedures for obtaining investment licenses, with processing time cut from 42 to 17 days. The 100 percent foreign ownership in certain direct investments (such as those in bonded or export-processing zones or in remote areas) will be extended from five to ten years after the start of commercial operations.

- Lifting the ban on used machinery to encourage relocation of plants to Indonesia.

- Exempting duty on goods in 92 categories, and lowering it in 27 others. The categories include electronic components, steel, copper, aluminum, chemicals, agriculture, pharmaceuticals, plastics, and sanitary and ceramic products. The tariff reduction is expected to

increase the efficiency of local industries using these materials.

The state budget for fiscal 1995, which goes into effect in April 1994, shows a 12 percent rise in spending to Rp69.7 trillion. After allowing for inflation, the budget is basically flat in real terms. The main reason is a 15 percent projected decline in oil revenue, which represents roughly 20 percent of total revenue. Income tax will be the main source of increased revenue — up 18 percent to Rp2.6 trillion, or 28 percent of total revenue, because of higher corporate profits and improved collection procedures.

The budgetary restraints imply a continuation of the government's relaxed monetary policy, deregulation of the economy, and pro-business tactics. The reduced dependence on oil revenue also means that the development of non-oil exports will remain a priority. The successful conclusion of Gatt is vital in helping to keep markets open for Indonesia.

Indonesia has coped well with the stabilization program of 1990-91. The underlying economic fundamentals are excellent and deregulation has helped unleash the country's huge potential.

—Tan Yong Seng, research director, Lippo Securities



The textile industry, a leader in replacing oil and gas as a source of foreign exchange, is projecting exports of \$12 billion for the next five years.

TOP PRIORITIES

COMMENTS BY COORDINATING MINISTER
FOR INDUSTRY AND TRADE HARTARTO

Q. You are in charge of organizing the November meeting in Indonesia of the Asia-Pacific Economic Cooperation (APEC) forum. What will be Indonesia's agenda for this meeting?

APEC is a model for north-south cooperation. It covers programs for human resource development, infrastructure, and development of medium- and small-scale economies.

Basically APEC is an economic forum. But by having more contacts between the leaders of the APEC nations in a friendly atmosphere, by trying to understand each other's cultures, disputes can be solved for the mutual benefit of everyone.

Q. Why is APEC important to Indonesia?

We sell 65 percent of our non-oil exports to APEC member countries and we have seen an average increase of about 22 to 25 percent a year in the value of these exports.



Q. Of the 19 industries the government has targeted in the latest development plan, which three or four will be most likely to replace oil and gas?

Our plan is broadly based. Textiles rank number one. For the next five years we are projecting \$12 billion in exports. After that come wood-based products. For example, we are going to be one of the biggest furniture producers in the world.

However, we are restraining the fast growth of this sector because we are concerned about the environment. We are taking precautions to safeguard the tropical forest through replantation and the development of new forests. Today our exports are mainly plywood. Although the export figures for this commodity have grown, this is not due to output, but to increases in worldwide prices.

The leather sector ranks third, fourth is rubber-based products, and fifth, exports of steel and machinery. Our machinery exports are increasing rapidly and, while this is not widely known, we are exporting complete plants that are manufactured and assembled on a turnkey basis, like textile plants to the U.K., Tunisia, and Malaysia and chemical plants to China.

We also have a very fast growing electronics industry. The difference between Indonesia and Singapore and Malaysia is that in the other



Machinery and electronics are fast growing industries. Indonesia is now the world's leading exporter of plywood.

two countries, the exports of electronics is operated by multinationals. Indonesian exports are mostly finished products by mastering design and engineering, and then developing electronic products based on multi-sourcing and these are manufactured by the medium-sized entrepreneurial firms. Our exports of electronics increase by almost 200 percent a year.

In short, our exports cover a broad base of products from the industrial sector.

Q. Some local economists say the government's plan to raise the minimum wage from the current level of \$1.80 a day to \$2.30 will hurt Indonesia's competitive advantage in the manufacturing sector, especially in textiles. What is your view?

We have to increase wages. I don't think it is good for a country to exploit cheap wages. If manufacturers cannot pay even \$2.00, it's better that we don't even set up such factories. I know the cost structure of every manufacturing facility. The most important thing is to increase productivity, and the only way the government can help this is by lowering tariffs. Now our average tariff is about 13 percent and I believe that as we

lower tariffs, we will be more and more competitive.

Q. Is investment in manufacturing being dampened by double-digit interest rates?

I don't think so. When we had interest rates of 16 percent over the past three years, we saw 2,000 new factories come on-stream every year.

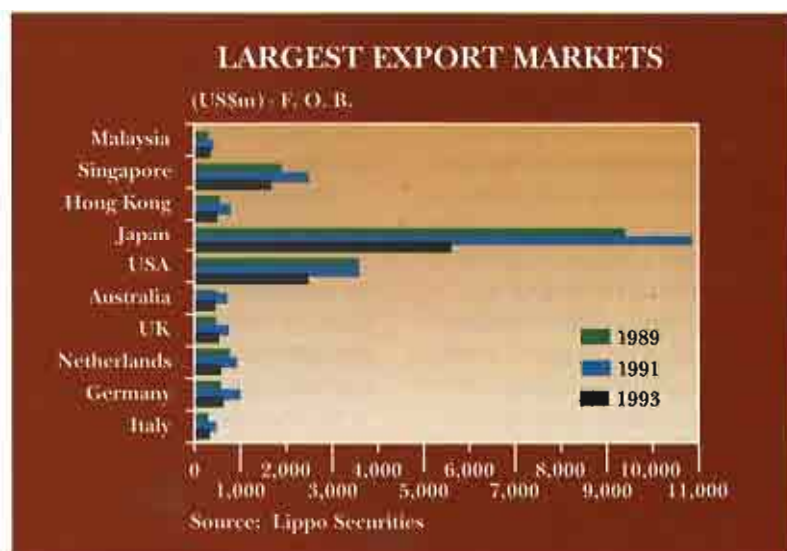
Q. Why should a foreign investor come to Indonesia, when other countries in the region have more liberal investment regulations?

Indonesia is very attractive because we have had political stability for the past 25 years. We have prudent economic management and no foreign exchange controls,

so for many foreign firms, whether they are allowed 100 foreign ownership is not a real problem.

Q. Will Indonesia become fully market-oriented?

We have to, because there is no other way. We are going to reduce our tariffs faster than our commitments in Gatt. For instance, we unilaterally cut our average tariffs to 13 percent, and within ASEAN we have commitments to be on the fast track to cut tariffs over the next nine years. It might be even faster — we are studying that. It is for our own benefit that the Indonesian economy should be adjusted directly to the requirements of global markets.



PT ASTRA INTERNATIONAL

Having steered its way through a difficult 1992, automotive and trading giant PT Astra International is back on track and gearing up for growth. A dedicated management team, improved earnings and plans for financial restructuring have not only brought the group through one of the most turbulent years in its history, but have reaffirmed Astra's place among corporate Indonesia's bluest chips.

The traumas experienced in 1992 could have been disastrous for a less stable company. Dogged by high lending rates, a sluggish automobile market and generally touch-and-go trading conditions, Astra International's earnings dropped 61 percent over the course of the year. Yet concerns for Astra's health were short-lived: by the close of 1993, net income had rebounded 62.4 percent.

Confidence in Astra's recovery has been further demonstrated on the local stock market. From a low of Rp8,500 in November 1992, share prices had bounced back to Rp15,000 as of March 1, with most brokers expecting the strong rebound in earnings to continue over the next two years.

While sales remained at familiar levels, much of Astra's recovery can be attributed to a comprehensive cost-reduction program launched early last year. Streamlined inventories



*Rini Soewandi
Director of Finance*

and improved management of working capital have allowed the group to increase its operating margin (non-financial services) from 8.5 percent of sales in 1992 to a current 9.1 percent.

"Our recovery in 1993 has reestablished Astra's leading role as a solid public company," says Rini Soewandi, director of finance. "We can now continue to concentrate on improving our competitiveness at home and abroad."

Founded by the Soeryadjaya family in 1957 as a general trading company, Astra International has grown to become Indonesia's largest automotive manufacturer and the holding company for the Astra Group, one of the largest conglomerates. Astra has diversified substantially over the years, currently comprising approximately 200 subsidiaries

and employing some 75,000 people. Its operations are organized into seven divisions: automotive, heavy industry, wood-based products, electronics, financial services, agribusiness and other industries. The automotive division remains the backbone of the group, accounting for over 80 percent of total revenue. Astra is Indonesia's sole distributor and assembler for Toyota, Daihatsu, Isuzu, BMW, Peugeot, Nissan trucks and Honda motorcycles.

Despite significant changes to its ownership and board commissioners over the last year and a half, Astra's fundamental strategy has remained intact. Future growth will continue to center around improving its core interest in automobiles while leveraging fast growing areas such as financial services, consumer goods and wood-based products.

"We will continue to concentrate on maintaining our domestic leadership in automobiles and enhancing our international competitiveness, particularly in the components business," says Rini. "And though Astra hopes to balance the role of its core business with non-auto operations, this will not change the group's overall composition."

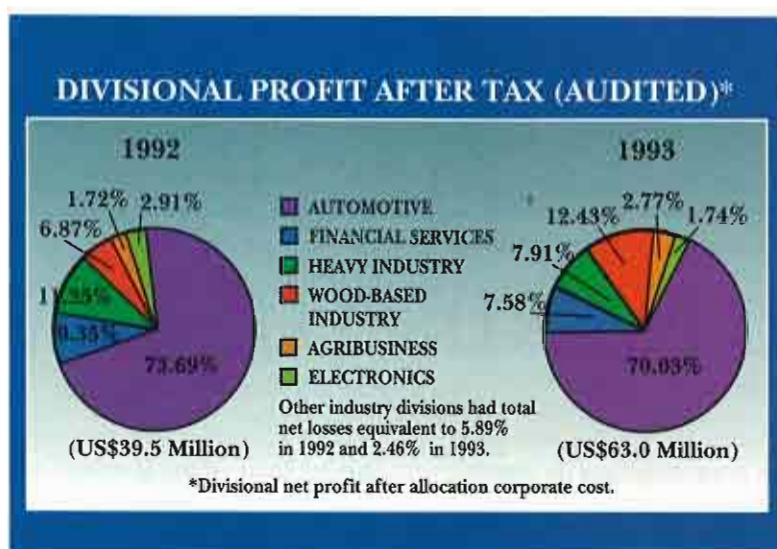
With Indonesia's automotive market set to recover in the medium term, Astra's prospects are looking better

than ever. Lending rates have fallen substantially since 1992 as the government has relaxed its tight monetary policy, giving way to a strong recovery in commercial and consumer spending. Deregulation of the automotive industry, postponed throughout 1992 and finally instituted last June, has also released a lot of pent-up demand. Total car sales last year rose to 214,298 units, up 25 percent from 1992, and the trend is expected to continue.

By waiving import duties on components destined for commercial vehicles manufactured with more than 40 percent local content, deregulation has also boosted Astra's competitive position. Astra's commercial cars have already surpassed the 40 percent threshold, thus allowing the group to tap lower production costs. With a market share above 50 percent for the last three years, Astra appears set to remain at the forefront of Indonesia's automotive industry.

Astra is likewise well positioned to gain significantly in other areas. Its wood-related operations, with an annual capacity for 250,000 cubic meters of plywood, have received a strong boost from increasing plywood prices. Financial services, including banking, consumer financing, leasing services and insurance, are also expected to grow.

The group's financial plan-



ners have meanwhile been busy laying the foundation for future growth. In December 1993 Astra International raised approximately Rp670.9 billion (\$319.2 million) from a one-for-five rights issue, strengthening its capital base and allowing it to retire a significant portion of its short-term debt. Further efforts to restructure the maturity profile of debt involved the successful floating of a Rp250 billion bond issue in March. In early April, the company plans to issue a \$125 million Eurobond to be followed by a \$250 million bond issue in other international capital markets, a move that should allow it to further restructure much of its remaining debt into cheaper, long-term financing.

With a shareholders register that now includes many of the biggest names in Indone-

sia's public and private sectors, Astra remains in a unique position to tap opportunities in a broad range of business sectors. The group first went public on the Jakarta Stock Exchange in April 1990 and has since listed 100 percent of its shares on the local market. Brokers put its current market value at Rp4.07 trillion.

Stronger for having weathered the latest, roughest chapter in its development, Astra is ready to forge ahead at the vanguard of Indonesia's fast growing economy.

For further information, please contact:

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TOWARDS THE YEAR 2000

Repelita VI, the five-year plan that goes into effect on April 1st, aims to attain an average economic growth rate of 6.2 percent for Indonesia in 1994-1998. With growth averaging a healthy 6.8 percent for the past 25 years, economic forecasters in Jakarta believe the economy should comfortably achieve this target. Repelita VI will be characterized by heavy government investment in infrastructure and human resource development and the steady evolution of the private sector as the engine of future growth.

Non-oil/gas manufacturing is forecast to grow 10.3 percent, agriculture 3.4 percent, and services 6.0 percent. Public and private sector capital investment is planned to jump by 78 percent compared with the previous five-year plan to nearly \$330 billion. The private sector is expected to contribute 73 percent of this total with the public sector supplying the remainder.

Over the next five years

non-oil exports will remain the driving force of the Indonesian economy. Since 1983 this sector has grown from 25 to 67 percent of total exports, but as competition from other international markets intensifies, particularly given the successful conclusion of the Uruguay Round of Gatt, Indonesia needs to lift both productivity and efficiency in its tradeable goods sector. The Coordinating Minister for Industry and Trade, Mr. Hartarto, predicts that industrial output can grow as much as 17.5 percent annually over Repelita VI.

In his 1994-95 budget speech earlier this year, President Suharto outlined the government's principal targets for Repelita VI. Of particular interest is the greatly increased reliance on taxation as the key domestic source of revenues in the future. Indonesia, a nation of 190 million people, still has only about four million corporate and individual income tax payers. As the President said,

"Taxes are the key to successful development in the future as we can no longer rely on revenues from oil and gas."

Income tax receipts are expected to rise by 27 percent in 1994-95. By the end of Repelita VI, total tax revenue (including oil excises) should comprise 78 percent of domestic revenues. The government's development budget focuses heavily on transport infrastructure, electricity generation and telecommunications, with spending forecast to reach \$220 billion.

Repelita VI marks the start of Indonesia's second 25-year long-term development plan. The government's aim is to quadruple per capita income in real terms and achieve a long-run average economic growth rate of 7 percent year. Higher economic growth rates would depend on lower birth rates being achieved and further structural changes in the economy, particularly the development of a more dynamic, productive industrial sector.



The phenomenal growth of Indonesia's \$4 billion wood product industry is largely due to foreign investment.

INDUSTRY

REFORMS BRING A SURGE IN INVESTMENT

Last month, when Indonesia's electricity authority put the final flourish on a \$2.1 billion contract with General Electric, Mitsui of Japan, Mission Energy of the Netherlands, and a local partner, to build the country's first big private sector power station, Paiton, it opened up a host of opportunities. Billions of dollars worth of infrastructure projects will now be available for foreign and domestic firms, on terms that fairly share the risk.

From telephones to coal mines, satellites to highways, the spending will be enormous, with electricity capacity alone slated to double over the next five years. No wonder U.S. and other foreign companies are lining up to bid on contracts in the world's fourth largest nation. In fact, the U.S. has chosen Indonesia as one of a number of emerging markets in which American companies will get extra help to win business.

The opening up of utility contracts to private foreign investors since 1990 has quickly brought a major improve-

ment in Indonesia's basic infrastructure. Following the award of major telecom contracts to AT&T, Siemens and Japan's NEC, the number of telephone lines has doubled in the last four years and is expected to double again by the year 2000.

The boost to communications, roads and power supplies has supported the rapid growth of Indonesian industry, as has a series of government deregulatory measures. The deregulation strategy followed a virtual standstill in growth after the fall in oil prices in the mid-1980s. A leading member of OPEC and the world's largest natural gas supplier, Indonesia slipped into recession in 1985, hostage to the international market.

A major change in priorities was ordered and the government, backed by the World Bank and the International Monetary Fund, targeted export-oriented industry powered by foreign investment as the key to arresting decline. A series of reforms to tariffs, customs and port procedures,

investment incentives, and infrastructure were put in place, enabling Indonesia to attract foreign investment commitments of more than \$25 billion in the past four years.

Twice that amount came from the domestic private sector, backed up by liberalization of the banking and stock markets which led to a major increase in bank lending and fund raising through IPOs.

The government aimed to attract industries from other parts of Asia such as the "tiger" economies of Korea, Hong Kong, Taiwan and Singapore, where wages were rising on the back of economic prosperity and electronics, textiles, footwear and toy production were becoming uncompetitive. It also wanted to develop industries from its natural resources such as pulp and paper, agribusiness and tourism, and to improve technology and workers' skills in existing industries such as autos, aircraft, steel and chemicals.

The results have been star-



Frozen food and textile companies, part of the expanding private sector, contributed to last year's Jakarta Composite index rise of 115 percent.

ting. Export earnings rocketed from \$19 billion in 1984, of which 70 percent came from oil and gas, to \$38 billion in 1993, of which 76 percent was manufactured goods.

Oil and gas are still the biggest single category of exports, earning just over \$9 billion last year, but other sectors are fast catching up, with textile and garment exports above \$5 billion a year and wood products over \$4 billion. Last year electronic exports — computers, fax machines, cameras, TV and audio products — topped \$1 billion for the first time.

Japan has been the leading foreign investor for many years, with \$6.9 billion in realized projects at the end of 1992. It was followed by Hong Kong with \$2.6 billion, mostly in manufacturing, and the U.S., mostly in mining and oil, with \$1.7 billion. Total European investment has reached \$3.5 billion and total Asian investment, including Japan, is \$11.6 billion.

Indonesia is well aware that the competition for foreign investment is heating up but is confident that it can compete successfully. "We have a well managed economy, no foreign exchange controls, and low labor costs," says investment minister Sastrowardoyo. "We plan to continue deregulating

to get rid of red tape and hidden costs."

For those who shy away from direct investment in industry, the Jakarta Stock Exchange offers another way to participate in the growth of some of the country's largest industrial blue chips. Last year the Jakarta Composite index recorded a 115 percent rise, while market capitalization has risen to more than \$40 billion and 50 companies are waiting to list shares.

Listed companies include some of the largest in the private sector, covering major industries such as timber, autos, cement, agribusiness,

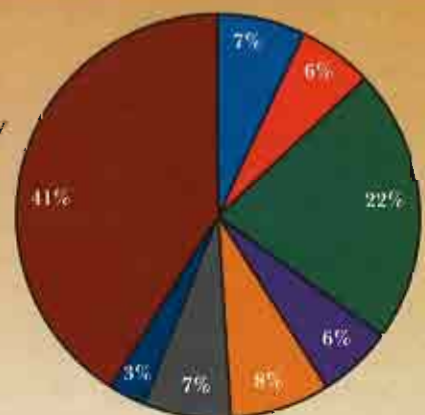
pulp and paper, property and retail, textiles, and industrial products such as cable, tire cord and steel pipes. Among the top companies are Astra International, an auto maker with ties to Toyota (1992 sales \$2 billion), Indocement, a big cement producer which also controls Indonesia's major food company (1992 sales \$1 billion), cigarette producer Gudang Garam (1992 sales \$1.5 billion), and Barito Pacific Timber, a major exporter of plywood (1992 sales \$360 million).

The stock market reads like a list of Indonesia's top private sector conglomerates. Among

INDUSTRIAL SECTOR LISTED MARKET CAPITAL BY ACTIVITIES

(Rp30.8 trillion)

- Textile
- Agri-based and animal husbandry
- Automotive
- Cables
- Cement
- Miscellaneous
- Packaging
- Pulp and Paper



Source: Lippo Securities, January 1994.

The Rays of Life

Life itself springs forth from the sun. Sinar Mas, as one of the leading business groups in Indonesia, appreciates the gifts of nature and is committed to the responsible development and preservation of the environment in order to improve the

quality of life for the benefit of mankind.

FOOD

The Group's agro-business activities help provide the most fundamental of all human needs - the need for food.

The Sinar Mas Group has roots in the vegetable oil business, having begun operations in this area more than 40 years ago. Today, the Sinar Mas Group has modern refineries producing edible oils and fats required by domestic consumers and food industries. The Group also owns and develops over 160,000 hectares of plantations devoted to oil palm, tea, coconut, cocoa and bananas.

Through its vertically integrated structure, the Group has achieved significant market share in agro-industry while adhering strictly to the national standards of health, safety and environmental protection.

SHELTER

From urban housing estates to luxury hotels, the Sinar Mas Group contributes to the essential human needs for housing and shelter.

As one of the leading developers in Indonesia, Sinar Mas ensures its diverse real estate projects are developed in harmony with the surrounding environment. The Group's interests include commercial real estate and office buildings, residential subdivisions and condominiums, shopping centers, industrial estates and golf course developments.

EDUCATION

As one of the leading exporters of pulp and quality paper to over 40 countries, and with its dominant share of the printing and writing paper market in Indonesia, Sinar Mas helps make learning possible.

Its subsidiaries, Tjiwi Kimia and Indah Kiat provide a model for Indonesia and the world in waste management, including their exemplary waste water treatment facilities. The Group also makes extensive use of recyclable paper products in its pulping operations.

The Group's activities in the pulp and paper industry adhere to strict environmental policies, including extensive reforestation projects, and maximum use of forest plantations.

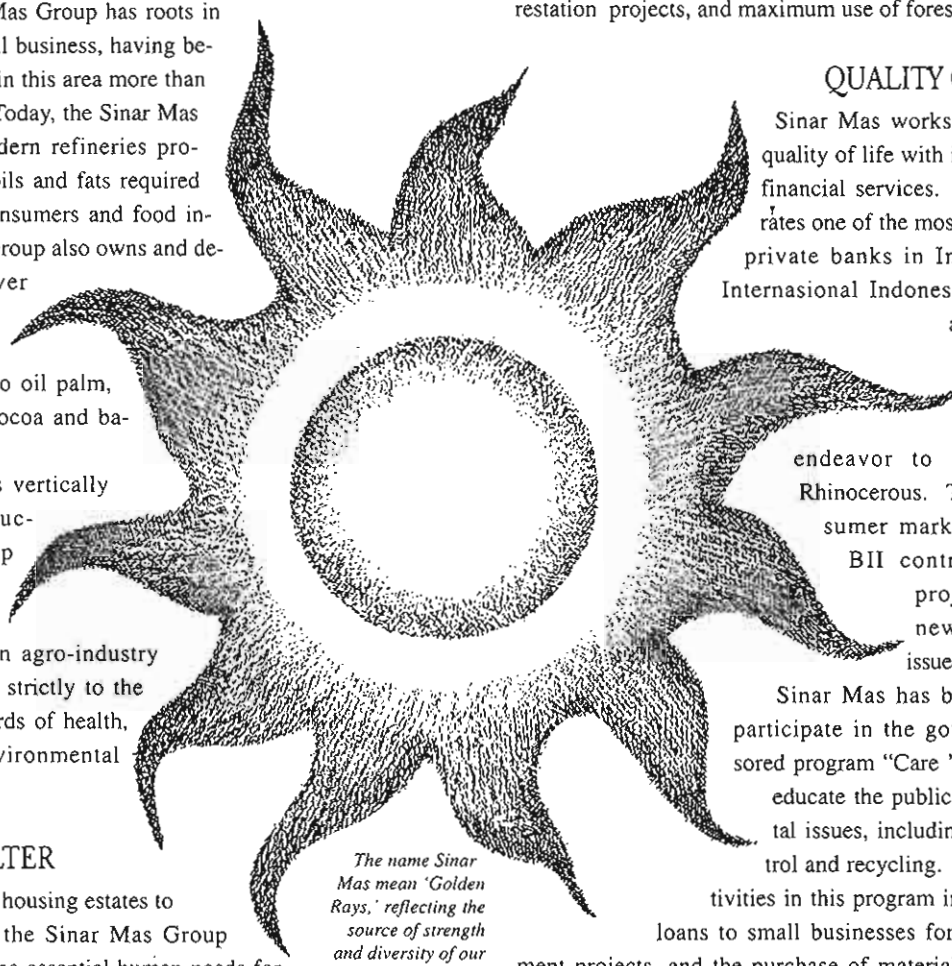
QUALITY OF LIFE

Sinar Mas works to enhance the quality of life with its wide range of financial services. Sinar Mas operates one of the most profitable local private banks in Indonesia, Bank Internasional Indonesia (BII), which actively supports programs such as the World Wildlife Fund's endeavor to save Javanese Rhinoceros. Through its consumer marketing program, BII contributes to this project for every new credit card issued.

Sinar Mas has been selected to participate in the government sponsored program "Care '92", designed to educate the public on environmental issues, including pollution control and recycling. The Group's activities in this program include providing loans to small businesses for waste management projects, and the purchase of materials for recycling purposes.

With the source of its business and inspiration found in nature, the Sinar Mas Group is committed to responsible development through its environmentally sound policies and activities.

Just as the rays of the sun give life to nature, so Sinar Mas shares the benefits of its success.



The name Sinar Mas mean 'Golden Rays,' reflecting the source of strength and diversity of our business activities



Sinar Mas Group

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Dockside markets remain a colorful part of the Jakarta economic scene.



New agribusinesses employ the latest equipment to increase production.

the top players are Liem Sioe Liong's Salim Group, part owners of Indocement and Bank Central Asia, the country's largest private bank. The Salim Group has been a major investor in China and in the Batam growth triangle. It also has investments in chemicals and other industrial products. The Lippo group, controlled by Mochtar Riady and active in property, banking and finance, is also a major investor in Chinese projects.

The Sinar Mas group, owned by the Widjaya family, has listed companies Tjiwi Kimia and Indah Kiat, both producers of paper and pulp, and is also active in sectors

such as cooking oil and plantations, property, and banking.

Beyond traditional, resource-based activities, a younger generation of indigenous Indonesians is branching out into new, high growth areas. Among them is Hashim Djodjohadikusumo, whose cement company Semen Cibinong has long been a favorite with foreign investors. Djodjohadikusumo is the local partner in the consortium which won the Paton power station contract and is also active in coal mining and port construction.

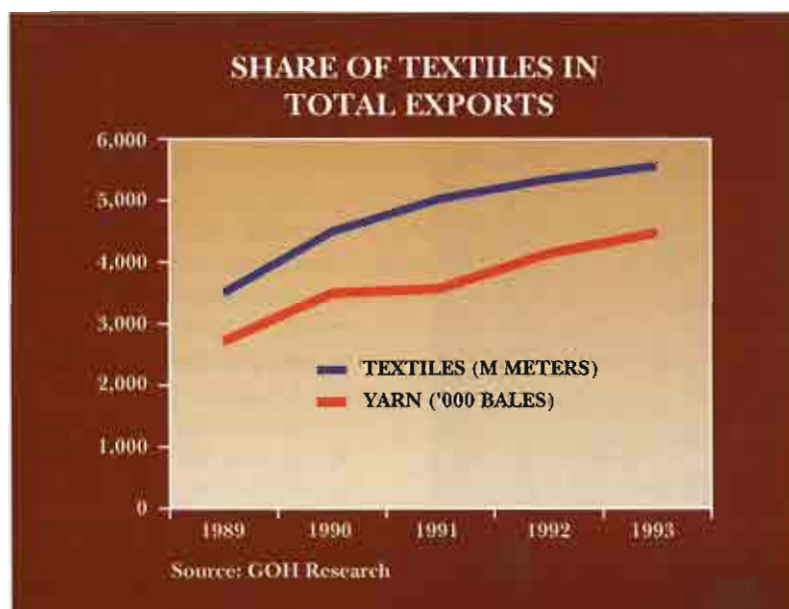
Bambang Trihatmodjo, whose father is President Suharto, has also been success-

ful in building up his Bimantara group over the past decade. It now has revenues of \$575 million a year and is active in media and communications, property, auto distribution and transport.

Bimantara has interests in two listed companies — Japfa Comfeed, an agribusiness giant and Plaza Indonesia, a hotel and shopping mall complex. It plans to list its commercial television station this year.

Yet despite the rapid growth of the private sector, it still has a way to go before it overtakes Indonesia's large state-owned sector, which contains some of the more profitable companies in the country. The jewel in the crown is Indosat, which has a monopoly on international telephone calls and is a shareholder in a number of companies involved in satellite launching. Indosat is expected to seek a listing in either London or New York later this year. Indosat had sales of \$373 million last year and a pretax profit of \$184 million. Formerly a joint venture with ITT, it was acquired by the government in 1980.

A number of state-owned companies are currently candidates for privatization. They include Telkom, the domestic phone supplier; PLN, the elec-



WE BUILD INDONESIA

Indonesia's progress towards the status of a newly industrialized country is filled with new power projects, roads, harbours and airports, new towns and cities.

At the foundation of these infrastructure developments are cement and concrete.

Cement Cibinong, Indonesia's second largest cement producer and fourth largest in South East Asia is responding to the challenge through a program of acquisition and a major expansion project in central Java.

The Cement Cibinong group has four million tons of cement capacity, a rapidly expanding ready mix concrete operation and an efficient distribution network that utilizes road, rail and sea links to serve Java.

And Java is home to over 100 million people consuming two thirds of national cement production.

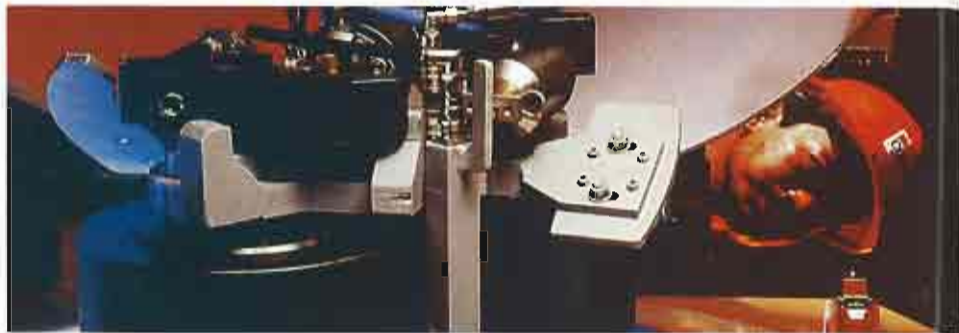
Cement Cibinong is maximizing the opportunity to support infrastructure growth. Opportunity that makes us more than a cement company.

It makes us a solid investment.



PT SEMEN CIBINONG

For further information contact the Finance Director, PT Semen Cibinong, BRI II Building
Jl. Jenderal Sudirman No. 44-46 Jakarta 10210
Phone. (62)-21-5704132 Fax. (62)-21-5704134



High technology has aided the rapid growth of Indonesia's food industry as well as creating a demand for trained workers.

tricity authority; makers of cement, fertilizer and textiles; several hotel chains and a domestic airline. The national airline Garuda will be partially privatized in 1995.

The state oil company, Pertamina, with 1993 sales of \$13.2 billion and net profit of \$349 million, is easily the largest company in Southeast Asia. But few of its subsidiaries are likely to be chosen for privatization as the company must still play a large development role, limiting its ability to be fully profit-oriented.

Also unlikely to be included in the privatization program are the so-called strategic industries, among which are IPTN, which manufactures aircraft and is producing an all-Indonesian commuter plane, the shipyard company PAL, Krakatau Steel, a major steel producer, and Pindad, a weapons manufacturer. These companies reflect Indonesia's wish to create a two-pronged industrial policy. On the one hand, Jakarta wants to win export orders and create jobs, on the other it is looking to the longer term to develop high-tech industry and train skilled engineers and technicians.

"We are a country of 185 million people, a large potential captive market," says

Ing. B. J. Habibie, a German-trained aerospace engineer who is Indonesia's minister for research and development. "In the future we want to be a player in high technology as well as in the labor-intensive industries we have at the moment."

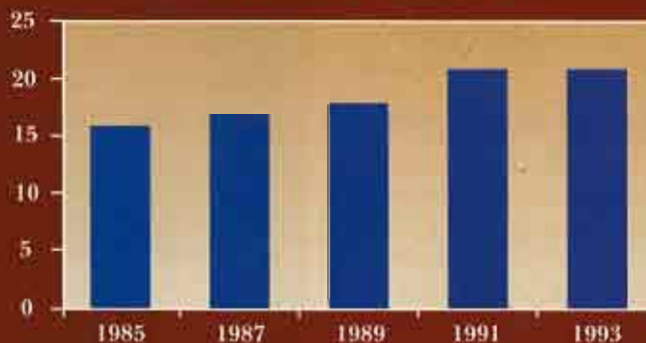
Meanwhile, Indonesia's growing wealth is creating numerous opportunities for foreign and domestic companies. Indonesia's middle and upper classes now number around 35 million people. As the middle class expands its buying power, and improved distribution systems bring modern consumer products to the villages, Indonesians formerly hungry for status symbols like stereos, TV sets and

refrigerators, are now eyeing cars, new houses and apartments, and vacation travel. Supermarkets and shopping malls have mushroomed, introducing products, including frozen foods, previously unavailable at local markets.

Indonesia's ministers talk about the country's coming "take-off," due to take place now after 25 years of basic development planning. Problems certainly remain, such as the gap between developed areas and remote islands.

But the combination of political stability, good macroeconomic management and an outward-looking approach has served Indonesia well. Few expect the flight to stall on the runway.

MANUFACTURING AS A PERCENT OF GDP



Source: Lippo Securities

These Securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the Securities Act of 1933, including Rule 144A thereunder. These securities have been previously sold. This announcement appears as a matter of record only.

International Offering / December 1993

U.S. \$209,000,000



BDNI
BANK DAGANG NASIONAL INDONESIA
(Incorporated with limited liability in the Republic of Indonesia)

Common Shares
(Rp. 1,000 par value)

issued in connection with a Rights Issue
of Common Shares on a 1 for 1 basis

The Development Bank of Singapore Ltd Salomon Brothers International Limited

Credit Lyonnais Asia Limited

Jardine Fleming

OCBC Securities Pte Ltd

PT JAPFA COMFEED INDONESIA

AND PT MULTIBREEDER ADIRAMA INDONESIA

One of Indonesia's largest and most fully integrated agribusinesses, PT Japfa Comfeed is in the enviable position of supplying chicken and animal feed to a huge country that is likely to increase its consumption of poultry. Established in 1971 primarily to produce copra extraction pellets (CEP), for the European animal feed market, Japfa Comfeed has become one of Indonesia's most spectacular success stories. Its cumulative growth skyrocketed 1,821 percent from 1989 through 1992. In 1993 turnover was US\$250 million and gross margin was up by over 25 percent.

Part of the reason for the company's strong performance to date and its bright future prospects can be attributed to the changing role of chicken in the diets of more than 180 million Indonesians. Japfa Comfeed's poultry division accounted for 71 percent of the company's sales last year. It currently controls about 35 percent of Indonesia's annual poultry feed market. Since the Indonesian population is predominantly Muslim, pork consumption is very small compared to neighboring countries. Although chicken is cheaper than beef in Indonesia, per capita chicken consumption is still at a very early stage

of development.

According to the 1993 WATT Poultry Year Book, residents of the nearby city-state of Singapore consume an average of 35 kilograms of chicken per capita each year, while the comparable figure in Indonesia is only 2.6 kilograms. This is partially a reflection of Singapore's wealthier population. As incomes rise, Indonesian chicken consumption is expected to follow suit. In addition, the increasing popularity in Indonesia of fast food, led by chicken outlets, and the growing awareness of chicken as a relatively healthy protein source, point to a high-flying future for the poultry industry.

To meet the growing demand for chicken, Japfa Comfeed operates ten breeding farms, which produced more than 50 million day-old chicks last year. The company plans to boost capacity to approximately 85 million day-old chicks in 1994-95. Japfa Comfeed's flagship chicken processing plant in West Java is one of the first commercial slaughterhouses in Indonesia to meet international quality standards. It has a production capacity of ten million birds a year. Under the brand name Suri Chicken, Japfa Comfeed's broilers are distributed to hotels, hospitals, catering companies, supermarkets and restaurants throughout Indo-

nesia, including McDonald's and other popular fast food franchises.

The company's historic scope expanded in 1982 to encompass domestic investment after being acquired by PT Ometraco. PT Bimantara Citra and PT Danaswara Utama also became shareholders after Japfa's stock was reapportioned in 1985. The company was listed on the Jakarta Stock Exchange in October 1989.

In 1990 Japfa Comfeed expanded its operations with the acquisition of four animal feed companies, all of which had previously been owned by the Ometraco Group. Three of these companies, PT Comfeed Indonesia, with factories in East Java and West Java; PT Indopell Raya in southern Sumatra; and PT Ometraco Satwafeed in West Java, are chicken feed producers. The fourth, PT Suri Tani Pemuka in East Java, is a shrimp feed producer. To further its vertical integration strategy, Japfa Comfeed also acquired a woven plastic bag factory in West Java in 1990. As of last year, about 62 percent of the factory's output was used for Japfa Comfeed's animal feed packaging.

Strengthening the business, in 1991 JCI went further upstream and downstream by acquiring chicken breeding farms, chicken processing



Poultry accounted for more than 70 percent of Japfa Comfeed's sales in 1993.

plants, shrimp farms, and cold storage.

Japfa Comfeed's original business, copra processing, remains a part of the company under its trading and supporting operations. The edible oil processing plant sells both Copra extraction pellets (CEP) and crude coconut oil (CNO) to local and overseas markets. Capacity of the company's pelletizing facilities in Java is 84,000 tons of copra per year.

The trading and supporting operations division also ensures a steady supply of raw materials to the company's feedmill operations while guarding against excessive price fluctuations on the commodities market. Last year the company expanded operations downstream by building three corn-drying facilities near its main factory in Lampung to ensure a stable supply of raw materials.

Japfa Comfeed's shrimp division contributed 8 percent of 1993 sales. The recession in Japan and elsewhere has cut exports while competition has increased from major shrimp producers like China and Thailand. Compounding these problems was an outbreak of disease last year that cut the shrimp harvest throughout Southeast Asia. Japfa Comfeed's shrimp division managed to weather the storm better than most of its competi-

tors because of its highly integrated shrimp farming operations. "We chose the right location for our shrimp farms," explains company director Osa Masong. "Banyuwangi, East Java has ideal sea water for shrimp farming."

Company officials confidently predict an upturn for the shrimp industry as a whole and Japfa Comfeed's market share in particular. "In the future we hope to begin shrimp farming outside Java, in Kalimantan and Sulawesi," says Masong. "If the price is okay, we are in a good position to produce more."

To provide further support for the company's core businesses, Japfa Comfeed recently established its own shipping subsidiary, PT Java Citra Indonusa. Ocean transport is particularly critical in a country consisting of more than 13,000 islands. With four cargo vessels currently in operation, Japfa Comfeed has announced plans to enhance this division's ability to secure raw materials, improve cost-effectiveness and increase control over distribution. Meanwhile, Japfa Comfeed has established affiliate offices in the United States, Germany and Singapore to assist the company's trading activities.

Despite worldwide recession, last year Japfa Comfeed earned unaudited gross profit of \$42 million, up from \$33

million in 1992. In that year the company entered into a major investment agreement with Prudential Asset Management Asia in which one of Japfa Comfeed's subsidiaries, PT Multibreeder Adirama Indonesia, issued \$12.4 million in zero coupon convertible bonds. PT Multibreeder had listed 20 percent of its shares on the Jakarta and Surabaya Stock Exchanges by the end of February. The new capital is being used to increase Japfa Comfeed's annual day-old chick production capacity to 80 million. In July 1993, the company's strong performance and growth potential prompted the Hong Kong-based financial magazine *Asia Inc.* to award Japfa Comfeed its number one ranking among "Asia's rising stars."

"In the next five years we will be expanding all three of our main divisions, poultry, shrimp, and trading and support operations," says Masong. "We are a solid company rooted in the food industry. That is why we believe our company is recession-proof."

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Indonesia offers foreign investors a stable government, natural resources and a large supply of workers.

WHY INDONESIA?

INTERVIEW WITH SANYOTO SASTROWARDOYO MINISTER FOR INVESTMENT FUNDS

Q. Why should one invest in Indonesia rather than elsewhere in the region?

Because we offer foreign investors some comparative advantages. Investment is a long-term decision, and the first thing to be considered is a country's political stability. We have had a stable government for the last 25 years and believe it will remain stable.

The management of our monetary system has been praised by the World Bank and the International Monetary Fund. Even though we have big loans, we can repay interest and principal every year in due time. And we can control inflation, which has been less than 10 percent for the last four or five years.

We are adopting the free movement of foreign currency, which means an investor can bring in and take out as much as he wants without any restrictions whatsoever.

Our nation has 189 million people, which means a huge potential market and a con-



stant supply of workers. Wages here are half of what they are in Malaysia, a third of what they are in Thailand, one-fifteenth of Taiwan's and one-twentieth of Japan's.

Our country is blessed with an abundance of natural resources so there is a good supply of raw materials.

Q. Foreign investment fell by 36 percent last year. Why?

The value fell, but the number of projects rose by 7.2 percent. In 1992 we approved 305 new foreign investment projects with a total value of \$10.3 billion and in 1993 we approved

330 new investment projects with a value of \$8.1 billion.

The drop in value occurred because we intentionally invited the low-value supply industry from Japan and South Korea. We need them to back up the big boys like Sanyo, Sony, Panasonic and Hitachi who are doing final assembly here and need components for sub-assembly. The fact that we succeeded in attracting more projects but with a lower value does not mean interest in Indonesia is declining. If anything, interest is higher than ever.

Q. Which countries are the biggest investors in Indonesia?

Since the enactment of our foreign investment law in 1967, Japan has been the largest foreign investor, with about \$16 billion out of a total of \$67.7 billion. The second largest investor is Hong Kong and the third, Taiwan. The U.S. is fourth with about \$3.9 billion, excluding oil and gas. With oil and gas, the U.S. investment exceeds \$10 billion.



All technology industries are welcome in Indonesia.



The government hopes to create 2.4 million new jobs each year.

Q. One drawback to investing in Indonesia is the 49 percent limit on foreign ownership. How do you respond to that criticism?

We also give you 100 percent equity for the first ten years if you are a commercial operation. But in the 11th year we expect you to give up a small part of the equity and by the end of 20 years, the Indonesian side should have 51 percent. Even after the 20th year, the foreigner can still control the company's management because the 51 percent share owned by Indonesia can be divided into, say, 31 percent for one partner and 20 percent sold to the public on the stock exchange. That means the 49

percent held by the foreign investor is still the majority.

Q. If foreigners can have management control, why shouldn't they be allowed equity control?

If we let foreigners have 100 percent of the equity, we will never learn how to manage a business, how to produce a good product, how to operate in a global marketplace. We would just be spectators of the development of our country and we do not want that. We would like to share the cake.

Q. Will raising the minimum wage to \$2.30 a day hurt the chances of attracting investment to Indonesia?

I don't think so, since investors are now thinking twice before pouring more money into China because political stability there is still uncertain.

Q. How will the new Gatt accord affect Indonesia?

I think it will stimulate trade between nations and this will be good for Indonesia because investment follows trade.

Q. Do you want to encourage certain types of investment?

We welcome every level of technology. The problem we are facing is that we have to create 2.4 million jobs every year. For this reason we would like to see more labor-intensive projects, but if an investor is

interested in setting up a high-tech plant we welcome them. For example, we approved a factory to make nylon tires, even though the project costs \$96 million but only employs 150 people. We approved it because more than 50 percent of its product will be exported.

Advanced technology allows us to lower our prices, and this enables us to penetrate the global market and to produce in line with international standards.

APPROVED FOREIGN INVESTMENTS

By Field Of Activity (US\$M)

Field of Activity	1990	1991	1992	June 1993
Agriculture, forestry and fishery	191.6	26.0	213.4	130.6
Mining	115.5	0.0	2,313.0	0.0
Industry	5,646.9	3,970.5	5,639.3	1,590.4
Construction	76.8	26.4	41.2	61.2
Hotels	874.4	4,018.9	919.2	121.2
Transportation	803.0	166.8	14.2	22.3
Housing and offices	901.7	402.7	716.8	143.0
Other services	140.2	166.9	416.9	2,227.3
TOTAL:	8,750.1	8,778.2	10,274.0	4,296.0

Source: Capital Investment Coordinating Board

LIPPOBANK

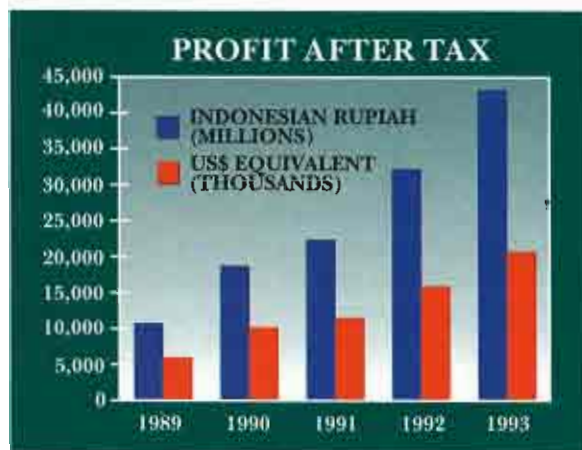
NETWORKING ALL OF INDONESIA

From small beginnings in 1948, Lippobank has made a name for itself as "bankers to trade" by assisting generations of local companies to earn foreign exchange from exports and providing working capital loans for their retail commercial trading activities.

In a country as spacious as Indonesia, market penetration is most effectively achieved by a bank with a network large enough to mobilize the necessary funds. "Networking all of Indonesia is precisely what we are accomplishing," says deputy president Eddy Handoko. "Significantly, Lippobank's extensive branch network is electronically linked and on-line. This is the key to success in the market niche we have created."

With 226 branches in 72 cities in 18 of the country's 27 provinces, Lippobank has the largest network of any publicly listed private sector bank in Indonesia. It offers a full range of retail, commercial, consumer, international and investment banking facilities, servicing more than 1.2 million accounts in Indonesia.

As part of the Lippo Group of companies, Lippobank has financial services affiliates in Hong Kong, Singapore, Thailand, China, Australia and the U.S. Either directly or via the



Lippo Group, it also has joint venture alliances in Indonesia with multinational financial institutions such as BNP, Tokai Bank, Daiwa Bank, and Bankers Trust. It has a wholly-owned merchant banking subsidiary in Australia and representative offices in Sydney, Bangkok, Kuala Lumpur, Hanoi, and Ho Chi Minh City.

Lippobank has a history of steady, sustainable earnings growth — reaching \$20.6 million in net profits in 1993 — largely due to its ability to mobilize funds aggressively through its extensive branch network and to lend these funds prudently at competitive spreads. The bank is known for its conservative lending practices, its portfolio of good credits and its ability to raise capital.

"Low-cost funding and an excellent loan portfolio contribute to Lippobank's strong financial and capital adequacy positions," says Handoko.

"Our results show that this disciplined strategy provides optimal stability for our shareholders." In 1993 alone, shareholders' equity grew by 83 percent to \$181 million. The bank's capital adequacy ratio, calculated according to BIS standards, is a healthy 12 percent.

No fewer than a dozen former vice presidents of Citibank, Bank of America, Chase and other world-class banks now hold top management positions at Lippobank. They lead a team which operates one of the country's most technologically sophisticated banking systems.

In 1992, Indonesia enacted a law allowing foreign investors to own up to 49 percent of listed bank shares. Lippobank's majority shareholders and management view this as an ideal opportunity both to broaden ownership and attract additional capital. It likewise is an opportunity for international participation in one of Indonesia's most dynamic business sectors.

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As a result of the Banking Deregulation Act of October 1988, the number of private banks in Indonesia has more than doubled.

BANKING

EXPLOSION IN PRIVATE BANKING

The late 1980s marked a turning point for Indonesia's banking industry as it was the first sector to be deregulated under the government's economic liberalization program. The reforms began in June 1983 with the abolition of credit ceilings and government-imposed deposit rates. Then, in October 1988, a package of banking reforms known as "Pakto" lowered reserve requirements, eased restrictions on opening new banks and branches, and permitted state institutions to keep deposits with private banks. This led to an explosion in the number of Indonesia's private banks, from 66 in 1988 to 158 as of September 30, 1993.

Overall, the number of banks in the country rose from 111 in 1988 to 231 during this same period. These institutions include both domestic private banks and 29 joint-venture banks; foreign banks, of which there are ten in Indonesia, are not included in these statistics. In joint venture banks, foreign equity ownership may be as much as

85 percent, while the deregulation package stipulates that local partners must hold at least 15 percent of the shares.

While state banks continue to play a leading role in lending, their domination has declined steadily over the past five years. State banks' market share in credit dropped from 67 percent in 1988 to 50 percent at present, while their share of deposits fell from 60 to 46 percent. Notes Jos Parengkuan, Lippo Securities' banking analyst: "This trend is likely to continue over the next few years, given the current problems confronting the state banks (bad debts, legal lending limit (LLL) violations and mismanagement), and to provide opportunities for private banks to expand their operations."

The growth of private bank lending, which last year rose by 42 percent to Rp60.42 trillion (\$28.77 billion), is expected to continue in 1994. This compares to an increase of 5.16 percent, to Rp71.76 trillion (\$34.17 billion) in loans by state banks. Nevertheless,

"the rate of growth will be less than last year," predicts Marjanto Danoesapoetro, a former director of the Central Bank. According to Central Bank statistics for 1993, about 33 percent of loans from private banks go to service industries, 30 percent to the trading sector, 23 percent to manufacturing and 3 percent to agriculture. The balance goes to mining and other sectors.

Although Indonesia's private banks have never surpassed state banks in total lending, their pretax profits have been better. In 1992, for example, profits at domestic private banks were Rp862.09 billion (\$410.52 million), while state banks earned Rp601.90 billion (\$286.62 million).

"The bigger profits made by private domestic banks in 1992 was not due wholly to superior performance. State banks had to allocate part of their profits to write off bad debts," points out Prisamoro Prawiroardjo, former president of the State Development Bank of Indonesia (Bapindo), and now vice president of



In 1993, 23 percent of private bank loans went to manufacturing, compared to 33 percent for service industries and 30 percent for the trade sector.

BNP Lippobank — a joint-venture between Banque Nationale de Paris and Jakarta-based Lippobank. Finance Minister Mari'e Muhammad has acknowledged that bad debts in state-owned banks totalled \$7.5 billion as of October 1993, representing 21 percent of all loans.

Although state banks have been undergoing privatization since early 1992 (before the 1992 Banking Law was enacted), they are generally inefficient. The U.S. consulting firm Booz, Allen & Hamilton, which has worked with the state banks since mid-1980s,

has recommended that they streamline their staffs. On the funding side, private banks sometimes surpass their state bank rivals in mobilizing public monies. In 1991, for example, domestic private banks attracted Rp43.14 trillion (\$20.54 billion) in public funds while state banks mobilized Rp41.81 trillion (\$19.61 billion). During 1993, national private banks also attracted public funds of Rp67.40 trillion (\$32.10 billion), compared to Rp61.68 trillion (\$29.37 billion) at state banks.

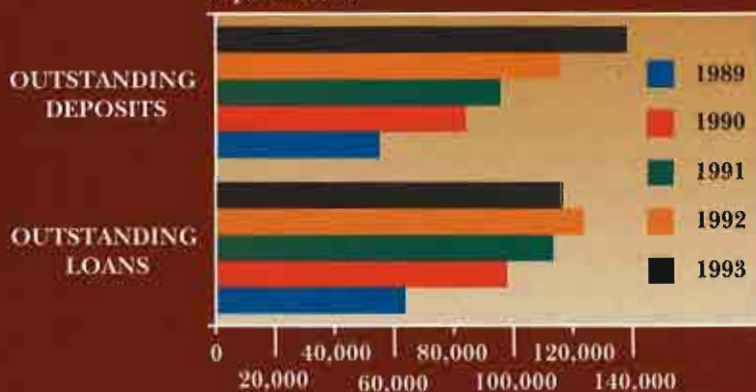
According to Trenggono Purwosuprodjo, chairman of

the country's National Association of Private Banks (Perbanas), mobilizing public funds is a priority for private banks before they release loans. "Their first objective — especially for the new banks established after October 1988 — is to meet the paid-up capital requirement established by the Central Bank," he says. "Second, the private banks set out to mobilize as much as possible in public funds. Third, after those two objectives had been met, they would release loans."

David Chang, head of research at Sigma Batara, points out that the recent discovery of a loan scandal involving \$430 million issued by Bapindo has attracted renewed international attention to the vulnerability of Indonesian banks, reminiscent of the failure — and subsequent government-ordered liquidation — of Bank Summa in December 1992. The family-owned Summa became mired in non-performing loans to property companies in the which the bank's owners also held interests. After the property market collapsed in 1990-91, Bank Summa had over \$760

LOAN AND DEPOSIT GROWTH AS OF OCTOBER 1993

(Rp Billions)



Source: Bank of Indonesia, courtesy of Lippo Securities

CITIBANK

INDONESIA'S LEADING FOREIGN BANK

Indonesia has made tremendous progress over the past decade in liberalizing its economy, and providing incentives for the private sector to become the driving force behind economic expansion. Together with a quarter century of political and social stability, this environment has created significant opportunities for Citibank in Indonesia.

Established in 1968, Citibank Indonesia is now the leading foreign bank in the country, employing over 900 professionals in three offices, with almost \$1 billion in assets and 1993 net income that places it among the top ten in the banking sector.

Citibank has an extremely broad range of businesses. On the corporate banking side, it is strongly entrenched in core lending, corporate finance, structured finance, foreign exchange, international trade services, cash management and securities services; the retail end of its services includes international private banking, mortgages, certificates of deposits, ATMs, credit cards, insurance and investment products.

In most of these businesses, Citibank enjoys a position of prominence. Its financing of Garuda Airline's acquisition of Boeing jets, and its innovative creation of medium-term fixed



Citibank Chairman John Reed meeting President Suharto on the occasion of the bank's 25th anniversary in Indonesia.

income instruments to finance P.T. General Motors Buana Indonesia were listed by *Asia-money* among the top deals in Asia in 1993.

Since new securities regulations and deregulation of the market went into effect in 1989, the Jakarta Stock Exchange has grown to 172 listed companies with a market capitalization of \$40 billion. Citibank has participated actively in this growth through its Worldwide Securities Services business.

Over the last three years, Citibank has used its global leadership and ability to leverage off regional systems and expertise, to emerge as Indonesia's premier securities custodian for more than 100 international institutional investors, with over \$3 billion in assets under custody.

Citibank provides a full

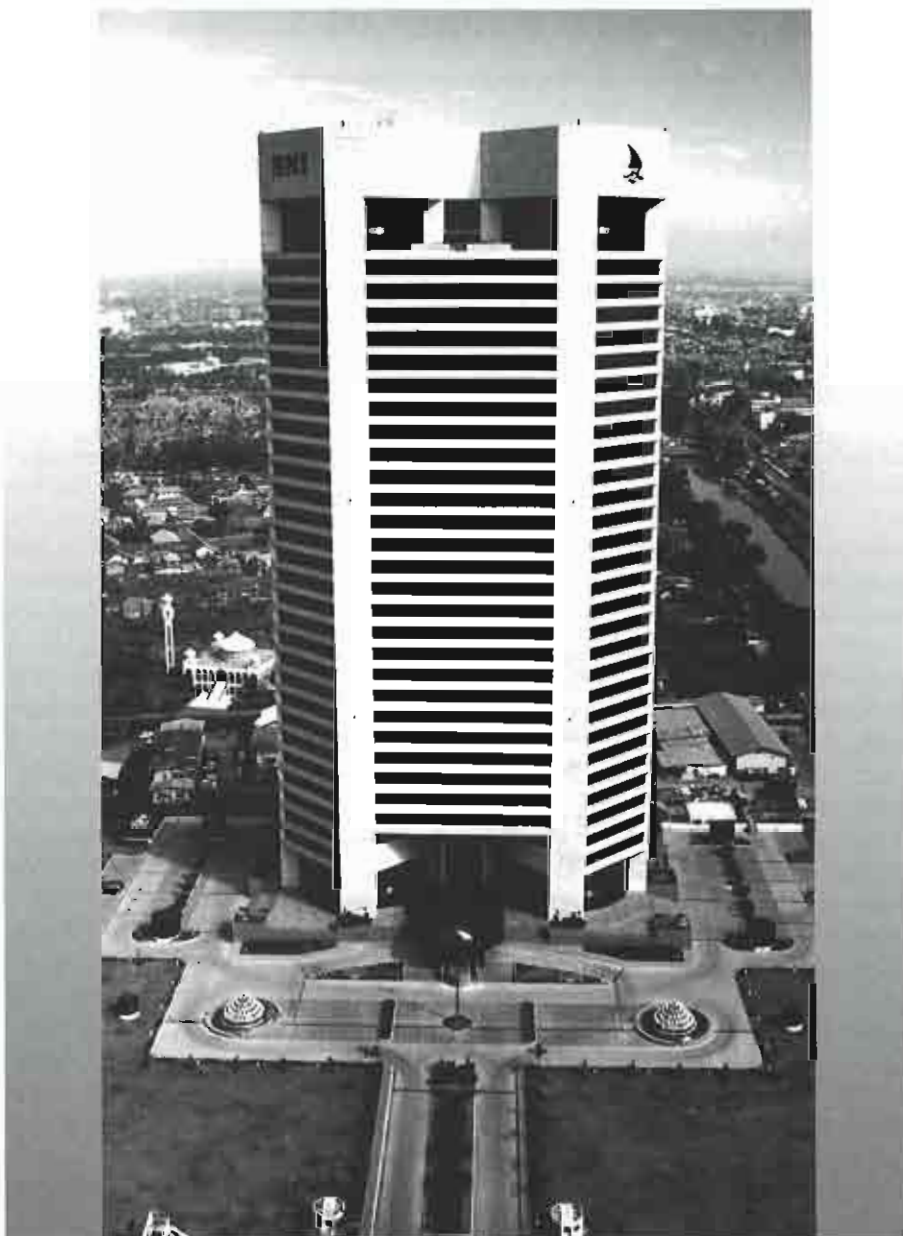
range of banking services for broker-dealers investment banks, and global custodian clients. It serves as the main bank for at least 90 percent of the major international broker-dealers and fund managers investing in Indonesia and is also used by major custodian banks in the U.S. and Europe as their sub-custodian in Jakarta.

Citibank received "commended" ratings from *Asset International's Global Custodian* magazine in 1990, 1991, 1992, and 1993. Additionally, in a 1993 poll of worldwide emerging markets, it was ranked second among all of the world's custodian banks.

Last year Citibank celebrated its 25th year in Indonesia. We continue to stress our commitment to participating in the development of the economy and our continued support for government policies, especially in developing the capital market and corporate finance areas.

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National in roots International in outlook

BNI as the country's largest bank has 303 offices and branches in cities and throughout Indonesia with clients in all business sectors.

BNI - synonymous with Indonesia's most modern, innovative, and forward-looking bank. Trusted, experienced, efficient and courteous service to link overseas with domestic clients. Supported by 6 overseas branches: Singapore, Hongkong, Tokyo, New York, London and Grand Cayman Island. Servicing all your banking need in Indonesia and abroad.

PT. BANK NEGARA INDONESIA (PERSERO)
Reliable, Solid and Friendly

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 2511946 (45 Lines). Fax : 2511103 (International Division).
 Fax : 2511075 (Treasury Division)



Tourism and property development will remain a focus of lending.



Increased trade between Asia Pacific nations has helped transform Jakarta.

million in outstanding obligations and very little in collateral. In Bapindo's case, there are allegations that the bad debt is the fruit of collusion between top government officials, executives in the Golden Key Group, and the bank.

Over the past three years, non-performing loans at private domestic banks have been lower than at state banks. In 1991 8.2 percent of all private bank loans were non-performing, compared with 9.4 percent for state banks. In 1992 the percentages were 12.4 percent and 13.4 percent respectively and as of October 1993 the spread had widened to 15.8 percent for private banks and 21.2 percent for state banks.

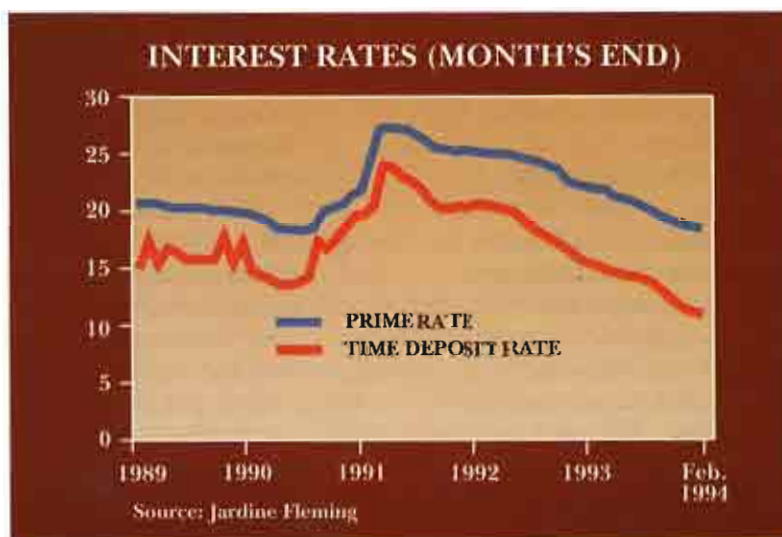
The main problem facing private banks in lending is their tendency to make loans only within their own group of businesses, since most domestic private banks — especially those established after the 1988 banking deregulation — are part of a conglomerate. To counter this tendency, the Indonesian government has issued new rules designed to set a legal lending limit on the amount of money a bank may lend to any subsidiary in its group of companies. The 1992 Banking Law states that a bank may not lend more than

the equivalent of 30 percent of its paid-up capital; in May 1993 this was lowered to 20 percent. The Banking Law also prohibits banks from lending more than 10 percent of paid-up capital to shareholders, commissioners, directors and their family members, or bank officials.

Competition among Indonesia's private banks has been beneficial to both banking customers and to the banks themselves. Services are generally better at the private banks since they are less bureaucratic than their state counterparts. Also, private banks tend to screen loan applications more carefully, focusing on whether project proposals seem actually feasible. This is

one reason why their non-performing loans are lower than state banks.

Sjahrir, a Harvard-educated economist, reminded the banking community at the annual Bankers' Dinner in March 1994, that competition within the industry should not be based on the relative attractiveness of interest rates but on delivering the best all-around service to customers. "In making loans, the banking industry should catch up with the pattern of changes in the economic structure," he said. "In the past, bankers did not pay much attention to this factor, so there was a mismatch between the changes going on in the economic structure and the allocation of credits."





Infrastructure development is a main focus of the Indonesian government's budget.

MONETARY POLICY

INTERVIEW WITH CENTRAL BANK MANAGING DIRECTOR BOEDIONO

Q. Who sets monetary policy in Indonesia?

Over the past 25 years monetary, fiscal and balance of payments policies have been well integrated in the policy-making process. You do not find here anything like in the United States or other countries where the Central Bank speaks differently from the Finance Minister or the Planning Minister. In Indonesia, those people are on the same wave length. The institution which accommodates this integration of policies is the Monetary Board, which reports directly to President Suharto. The Board consists of the governor of the Central Bank, the Finance Minister, and the Coordinating Minister for Economy and Finance.

Once the broad outline is determined by the Monetary Board, the actual implementation is done by the Central Bank. We guide the development of the monetary aggregates in general, such as interest and exchange rates.



Q. Indonesia's annual inflation rate is almost three times higher than your Asian neighbors'.

What is the government's anti-inflation policy?

In 1994 we will try to bring inflation to a lower level. I will not mention a specific number, but certainly the range between 5 and 7 percent is what we are thinking of.

Last year some specific and unusual factors occurred in our economy and accounted for the high inflation rate. Of the 9.7 percent, 6.4 percent

occurred in the first three months of the year. Special measures, such as the adjustment of domestic oil prices upwards by 25 percent, were taken to balance the budget and to bring domestic and foreign oil prices in line.

Q. Doesn't the managed macroeconomic policy outlined in Repelita VI clash with the free-market system your deregulation policies are trying to establish?

I don't think so. While the government is trying to control the economy, it is also trying to push the private sector. The division of activity is becoming clearer and clearer now if only because reality dictates it. Because of the financial constraints faced by the government sector, the budget is now directed mainly towards infrastructure and human resources development and some social expenditure. In general, I would say that the government is trying to get out of the business of being in business.



While luxury hotels like those on Bali continue in high demand, the occupancy rate at five-star hotels in Jakarta hovers near 60-70 percent.

REAL ESTATE

BUILDING BOOM CONTINUES

When one of Indonesia's largest conglomerates announced it would offer 4,000 apartments in central Jakarta for a mere \$70,000, buyers camped out overnight to sign up.

The sight of the lines, a new phenomenon in a country where apartment living is virtually unknown, encouraged the growth of a herd mentality among developers. Now, just six months later, a condo glut is predicted by virtually every player in the property market.

Such are the ups and downs in a country that is undergoing rapid change from a predominantly rural, mainly poor population to a modern nation with a rich elite and a middle class with expanding buying power. Shopping malls, suburban homes, and city dwellings have changed the face of the real estate market in the space of only a few years.

The change is most evident in Jakarta and other Javanese cities like Surabaya and Bandung. Main streets are now lined with new office buildings,

modern shopping plazas and smart hotels. On the outskirts, new towns that mix industrial parks, housing and facilities such as golf courses, schools, and hospitals, are linked to the cities by modern highways.

The policy of locating new industry and housing outside the cities has avoided much of the shantytown blight affecting other Asian cities. The government has also insisted that developers provide infrastructure such as water, electricity, telephones and sewers. Still, developers jump at the chance to build housing for the emerging young middle class, currently taking advantage of low interest rates to move out of their parents' homes. Suburban developers posted strong profits over the past year, and demand for residential property is expected to remain firm.

Analysts are not as sanguine about the apartment market, which may only be saved from a major price slump by opening it to foreign investors, who are currently banned from owning

property in Indonesia.

Numerous condominium blocks are now being planned, ranging from deluxe blocks in the center of the capital, where apartments sell for up to \$500,000, to the cheaper blocks which attracted the lines of local buyers. The apartments are offered on a strata title basis, a new concept for Indonesia, and are normally on leasehold arrangements lasting no more than 50 years. In many cases, the more expensive apartments will be leased to expatriates posted by their companies to Indonesia.

This is a lucrative market for owners since rents are often paid two or three years in advance. Such expensive terms are not likely to last as the oversupply becomes evident, whether or not foreigners are permitted to buy.

Meanwhile, both the office and hotel sector are suffering from oversupply. Since 1991 rents for prime Jakarta office space have fallen from \$17 to \$10-\$14 per square meter,

The right time and the right place. Investing in the Indonesian property market with LIPPOLAND

Now is the right time to invest in real estate in Indonesia. Two years of restrained monetary conditions and associated high interest rates have cooled an overheated economy and established the pre-conditions for rapid growth. LIPPOLAND, a publicly listed company and the real estate development arm of the LIPPO GROUP, one of the largest conglomerates in Indonesia, is in a unique position to benefit from the exciting outlook.

Poised for growth

Indonesia, home to 180 million people is the fourth most populous country in the world, with 2.3 million job seekers joining the labor force every year.

The pattern of real estate demand in Indonesia is changing at an unprecedented rate. In 1980 only 20 percent of Indonesians were living in urban areas; by the year 2010, the Government estimates this figure will have reached 50 percent. The demand for housing, offices, factories, retail and leisure facilities over the next twenty years will be unsurpassed.

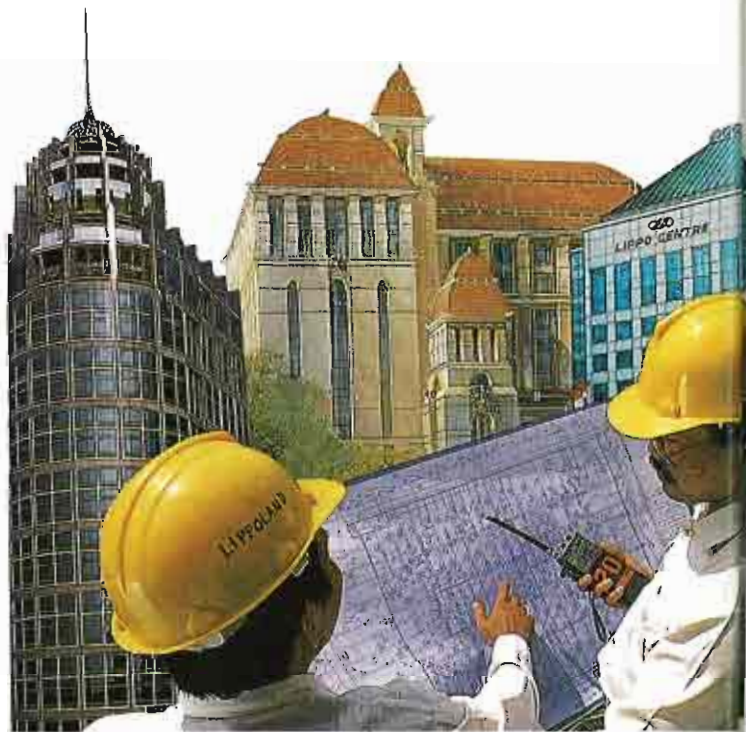
LIPPOLAND is actively involved in meeting this demand. Among its extensive portfolio of projects, the company is participating in two major developments strategically positioned on the outskirts of Jakarta. Plans for the expansion of Indonesia's capital city are constrained to the north by the sea and to the south by mountains. The future for the 12.5 million people living in greater Jakarta lies along the east-west axis on the coastal plain. It is precisely here that LIPPOLAND has created two master-planned cities. The company has invested in the largest Government-approved industrial park and a satellite city to the east of the capital. Known as LIPPO CITY and occupying 2000 hectares, it contains road and power systems, factory, retail, housing, office and hotel developments. Due to its close proximity to Indonesia's main port and major highway systems, ultimately LIPPO CITY will offer homes and jobs for 400,000 people.

Another city is emerging 30 minutes to the west of Jakarta, known as LIPPO VILLAGE. This 500 hectare "new town" development offers quality residential areas for 40,000 people and a town center and business park which accommodates a working population of 50,000. LIPPO VILLAGE offers every amenity including a hospital, schools, an international hotel,

extensive sports and country club facilities and Indonesia's first regional shopping mall and entertainment center.

Encouraging socio-economic changes

The standard of living for urban Indonesians is on the rise. Consistent levels of economic growth at around 6 percent annually since 1985, the rapid development of the non-oil manufacturing sector and the impact of nearly a decade of economic deregulation have resulted in a general increase in prosperity. Indonesia's expanding middle class with its increased spending power is fueling demand for bigger and better homes.



There are five cities in metropolitan Indonesia with populations in excess of 3 million. Pressure on available land space that initially led to the development of high rise offices has more recently contributed to a wider acceptance of and a demand for multi-story apartments and condominiums.

The apartment market is attractive from two standpoints. First, developers like LIPPOLAND are incorporating value-added recreational facilities into apartment and condominium

complexes, making these new projects far more attractive to potential homeowners than standard housing. Second, wealthy Indonesians, like many of their counterparts across Asia, are avid investors in property both in its own right and as a means for securing rental income from expatriate businessmen.

Conducive credit conditions

The Government's tight money policy which was in place until early 1993 has served to set the scene for a strong real estate sector. High interest rates during the credit squeeze gave consumers the opportunity and the incentive to save enough for the down payment to secure a house loan. This, coupled with consistently declining interest rates during the course of 1993, was the catalyst to release pent-up demand. For these reasons, over 50 percent of LIPPOLAND's development portfolio is in the residential and commercial sector.

Increasing demands for leisure facilities

The availability of more disposable income is generating, among other things, a boom in sports, recreation and leisure and LIPPOLAND is well positioned to cater to the needs of the



Building customer and shareholder value through marketing success

LIPPOLAND has built a reputation for market leadership in innovative selling whether by demonstrating added value in existing buildings that have been acquired or by accurately researching and assessing the precise needs of the market now and in the future.

The evolution of a skilled management team at LIPPOLAND has been fundamental to this success. Blending experience from overseas real estate markets with local understanding has proven time and again to be the right combination. This team has pioneered office sales through strata title ownership in the prestigious and elegant Sudirman Tower. LIPPOLAND has also excelled at pre-selling. Before commencement of any building activity at LIPPO VILLAGE, over 1000 condominiums and houses were sold. Indeed the concept of "new towns" — not widely used in Indonesia — has been so effectively packaged in LIPPO CITY and LIPPO VILLAGE that demand for properties has invariably exceeded supply. LIPPOLAND has sold more than US\$250 million worth of houses, residential condominiums and offices in the last 12 months.

Successful selling can bring benefits across the board. At LIPPOLAND the accumulation of down payments from customers who have committed to buy is directly used to lower construction costs. Lower costs in turn benefit customers through competitive pricing and shareholders also benefit through better returns.

Exciting opportunities exist in the Indonesian property sector. These opportunities, coupled with sound strategies developed at LIPPOLAND, have proven to be a winning combination.

*For more information and a copy of the latest annual report, please contact:
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growing ranks of leisure and pleasure seekers. The company has identified key niche markets and current projects include PUNCAK RESORT (please see illustration at top right), a development with 850 resort homes, a hotel, an international standard country club, equestrian and sports facilities in superb mountain scenery. Nearer the city is SEA WORLD, Indonesia's first walk-through aquarium situated in an established theme park. A large beach resort project, Carita Bay, is also in progress.



Suburban development remains strong.



Luxury boutiques and shopping malls are a new sight in many Indonesian cities.

according to the investment firm Niaga Securities. Occupancy rates are also down, to 86 percent. The market absorbed 187,000 sq. meters of new office space last year but, warns Niaga, "With confirmed supply for 1994 at around 270,000 sq. meters, occupancy rates may fall by about 2 percent, although we believe current rental rates represent a bottom."

Over the next 15 years, Central Jakarta is expected to see the development of more than 500 hectares of "super-blocks" containing offices, condominiums, hotels, and shops. One of the most prominent is the Sudirman Central Business District project planned by Jakarta International Hotels and Development. The project — covering 44 hectares and containing 26 individual sites — will include state-of-the-art communications and infrastructure and has been designed to reorganize existing traffic patterns to reduce congestion. The first building will be the twin-tower Jakarta Stock Exchange, due for completion later this year.

JIHD also owns the Borobodur Intercontinental Hotel, one of the largest hotels in a sector that is rapidly over-expanding. Three hotels are opening this year: a huge

Shangri-la, a Holiday Inn, and a Regent. With the addition of a large new extension at the Hilton, this will create a 30 percent increase in room supply.

Occupancy rates for existing five-star hotels hover between 60 and 70 percent. Some of the better managed and more popular hotels have managed to hold room rates in the \$120-\$140 range, or even raise them, but this will be hard to maintain. At three-star hotels — still in comparatively short supply — room rates and occupancy levels are holding up.

The retail property sector, which saw a boom in 1990-92 in the capital with the opening of three large shopping complex-

es, is now flat due to the slow-down in the economy. Rents range from \$8 to \$50/sqm.

But the shopping mall boom is now spreading to provincial cities, with the first superblock under construction in Surabaya. And in satellite cities outside the capital, retail complexes are going up next to golf courses in new housing developments.

The change in Jakarta's skyline has been so extensive over the past decade that many who knew the city then find it almost unrecognizable. With large swatches still undeveloped even in center-city, more building is inevitable. Only the pace of change, dependent on the economy, is in question.

WHAT THE MAIN COMPANIES OWN NAV Breakdown by Value (in Percentages)

	<i>Residential</i>	<i>Retail</i>	<i>Industrial</i>	<i>Office</i>
JIHD	19	10	0	61
Duta Anggada	26	20	0	54
Dharmala	58	14	10	18
Intiland				
Modernland	100	0	0	0
Lippoland	38	0	15	47

Source: Lippo Securities

JAKARTA INTERNATIONAL HOTELS AND DEVELOPMENT

AT THE HEART OF INDONESIA'S DEVELOPMENT

While the pace of urban development in Jakarta continues to gain dizzying momentum, one company has set out to define the shape of things to come. Jakarta International Hotels and Development, one of the largest property listings on the Jakarta Stock Exchange, is in the midst of creating nothing less than the city's first integrated financial and business centre — the Sudirman Central Business District (SCBD). When complete, the 45-hectare site will be home not only to Jakarta's bourse and leading securities houses, but as well to an unprecedented range of multinational offices and luxury hotels.

A well established name in the local hotel sector, JIHD made its bold move into commercial property development just over two years ago with the acquisition of PT Danayasa Arthatama. That deal brought with it the mammoth SCBD project and a near doubling of the company's assets to Rp 1.65 trillion, despite which JIHD's gearing has remained minimal. The SCBD will consist of a mixture of office,



*The shape of things to come: model of the future
Sudirman Central Business District*

residential, hotel and retail space valued at over US\$3.2 billion upon the completion of its final stage in 12 years, of which an average 30% equity stake will be held by JIHD.

"Development of the Sudirman Central Business district will create an entirely new environment within

downtown Jakarta," says H. Jusuf Indradewa, JIHD's president director. "The Master Plan we have adopted is like nothing that has been done here before. Apart from world-class structures, the project will boast integrated pedestrian walkways, interlinking



Location is key: the SCBD (in red) will be the new city center

plazas, carparks, theaters, restaurants, and every amenity you can think of. This is truly a development that will lead Jakarta into the 21st century."

JHID is in fact the first developer to have successfully negotiated with the Indonesian government to set its own standards in its masterplan. The government has also given its blessing to the project symbolically

through the presence of several Cabinet ministers and the governor of Jakarta at the SCBD ground-breaking ceremony in 1992.

WORLD-CLASS INFRASTRUCTURE

Danayasa Arthatama, which continues to manage the project, is installing utilities of the highest quality — a crucial requirement given Jakarta's overworked public infrastructure. In terms of telecommunications, 30,000 lines will be made available locally whilst sophisticated fiber optic networks will allow long-distance and international calls to go straight to the Palapa C satellite after its launch in 1995. This will ensure a clarity and reliability hitherto impossible to obtain in Indonesia. Three power substations will meanwhile ensure a constant electricity supply of 150 kVa, and 254 liters of water will be pumped into the development every second.

These high standards of infrastructure have also enabled Danayasa Arthatama to negotiate unprecedented floor space ratios. The SCBD will be home to Indonesia's tallest building — a 60-story structure that forms the apex of the development — and the

most comprehensive subterranean facilities yet seen in the country. Five separate layers of development beneath the road level will speed up access and movement for motorists and pedestrians alike while allowing services to proceed unhampered and unseen.

"The overall aim is to produce an environment that is integrated, uniting business, residential and retail needs and providing a 24-hour operating capability," says Jusuf. "It will also be an environment that is sensitive to the quality of life of its users: 30% of the development will be open space for a variety of social, cultural and recreational uses. Even traditional street eating habits are to be catered for with space provided for food vendors."

With the SCBD project poised to become Asia's largest and most attractive superblock development, it is also appearing the most viable. Demand for office space in Jakarta has already reached critical mass, and is expected to grow 9% a year over the next five years. With business in Indonesia's burgeoning capital booming, there will definitely be no shortage of prospective tenants.



Location will also prove a crucial ingredient in the SCBD's success. The Soekarno-Hatta International Airport is only 25 minutes away, the high class residential area of Blok M is close at hand, as are prime shopping areas and Jakarta's Golden Triangle, bounded by Jl. Sudirman, Jl. Gatot Subroto and Jl. H.R. Rasuna Said. In a city that can take hours to cross during peak traffic, strategic location offers a major advantage.

STRONG FOUNDATIONS

The twin tower 32-story Jakarta Stock Exchange Building (which will also house the new headquarters of the country's largest fund manager, Danareksa) will act as the anchor for the entire development. State banks, international financial institutions and major multinationals are all expected to be drawn into the SCBD by the presence of the stock exchange and Danareksa. The building, slated for completion later this year, has already achieved leasing commitments for over 60% of available space.

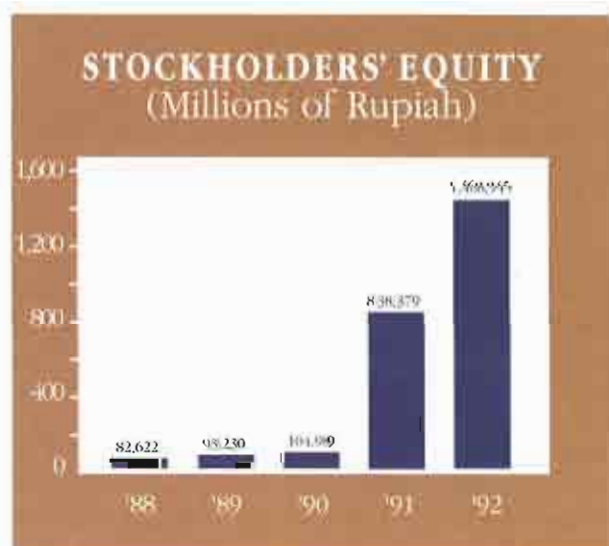
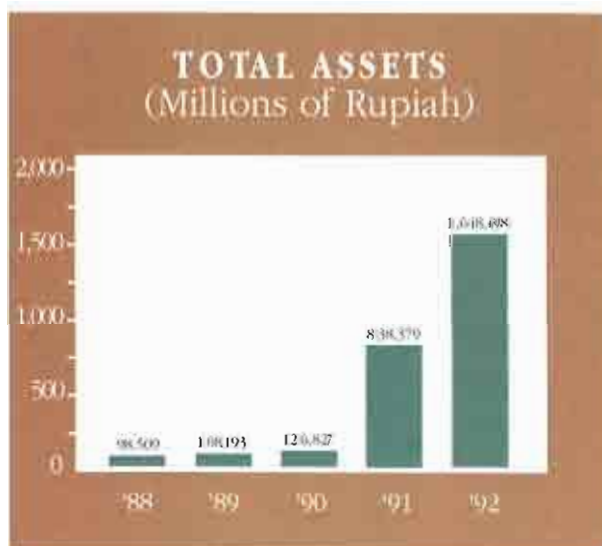
Not only is the project ahead of schedule, but the pace of development is outstripping its original plans. The first phase of develop-



The twin-tower Jakarta Stock Exchange Building will act as an anchor for the entire SCBD development

ment, scheduled to be completed by the end of 1994, has already seen seven of the SCBD's 24 lots secure firm undertakings of development, with agreement on

another two close to completion. One potential stumbling block, land clearance, was achieved in a little more than two years, ahead of Danayasa Arthatama's acquisition





Despite JIHD's success with the SCBD project, Hotel Borobudur remains an integral part of the company

by JIHD. And apart from the Jakarta Stock Exchange Building, the design of a further four buildings is in progress — the Taspen headquarters, the Conrad Hotel and retail complex, and the first two condominium blocks. Negotiations for a second five-star international hotel and a three/four-star hotel are also underway.

INTERNATIONAL ADVICE

The high standards achieved by the SCBD have been made possible with the involvement of top caliber international consultants in every stage of the project's conception and inception. Draft plans for the SCBD went through several planning stages, before being finalized by Philip Cox, Richardson, Taylor & Partners of Australia.

Nippon Koei of Japan in association with CMPS of Australia has produced the infrastructure plan and in technical matters the consultants are backed up by the Bandung Institute of Technology's input.

HOTEL BOROBUDUR

Despite JIHD's total commitment to the SCBD project, Hotel Borobudur remains a crucial part of the group. A five-star international hotel in Central Jakarta, the Borobudur has since the take over of management by Inter-Continental Hotels Corporation (IHC) of the US in 1974 retained a solid reputation as one of the city's leading luxury accommodations. A major refurbishment project is currently underway to ensure the Borobudur's

market share remains in the forefront of Jakarta's increasingly competitive hotel business.

High rise residential towers are also being designed adjacent to the hotel. They will contain around 400 fully serviced apartments, targeting at an emerging residential market in which the Borobudur's 176-unit Garden Apartments has already proven very successful.

INTO THE 21st CENTURY

Now a fully fledged property developer and investment company, JIHD is uniquely situated to tap the opportunities created by Indonesia's fast-growing economy. Its intention to maintain an average 30% equity stake in the completed SCBD and its strong income potential as Estate Manager of the development will give the company a profound lead in an already booming market and earn it the continued confidence of investors. Balancing revolutionary designs with sound financial management, JIHD is set to lead Jakarta's urban development into the next century and beyond.



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THE BATAM INDUSTRIAL ZONE

With nearly 2.5 million people entering its work force every year, Indonesia has embarked on a job creation program that could change the country's industrial landscape.

The showpiece of the plan is a 500-hectare free port industrial zone on the island of Batam, 20 km south of Singapore. The \$6 billion project, due for completion in 2006, is part of the Southern Growth Triangle, an economic partnership between Indonesia, Singapore and neighboring Johor, Malaysia.

The free trade zones operate with minimal intervention by government. Government-backed organizations handle the marketing and administration and only intervene when problems arise. One Asian banker likens the level of commitment between the cooperating countries as the "difference between marriage and a live-in girlfriend. There are no ties except those of self-interest."

Although Indonesia's plans to develop Batam as an indus-

trial zone date back to the 1960s, the project really got off the ground in August 1990 when President Suharto and Singapore's then prime minister Lee Kuan Yew signed an agreement under which Johor and Batam would supply land, labor and utilities while Singapore would provide the marketing and administrative expertise to attract foreign investors. So far, more than 45 companies have signed on as tenants in the Batam Industrial Zone. They range from Japan's Sanyo and Sumitomo Electric, to AT&T and Seagate Technology from the U.S. to France's Thomson Consumer Electronics.

Incentives in Batam far exceed those offered to foreigners in other parts of Indonesia. They include 100 percent ownership for the first five years and 95 percent thereafter, 30-year leases and status as a duty-free zone. Batam has become Indonesia's third busiest port of entry, with exports from the island estimated at \$1 billion in

1993. Most of Batam's business is run through Singapore, which guarantees all investments through its own advanced Western-style legal system.

Besides Batam, Jakarta is also discussing the formation of a development zone in northern Sumatra, northern Malaysia and the Muslim areas of southern Thailand. This "Northern Triangle" will attempt to transplant Malaysia's advanced agricultural technology and manufacturing know-how, especially in electronics. In addition, Indonesia is talking about setting up a Muslim-oriented Eastern Triangle to include the Philippine island of Mindanao, the Indonesian island of Sulawesi, two Malaysian states on the north coast of Borneo and the oil-rich Sultanate of Brunei.

If the region meets its full potential, Batam and its sister growth triangles could mean billions of dollars in foreign investment in Indonesia, and thousands of the jobs it so desperately needs to create.



To handle increased trading volume, the Jakarta Stock Exchange will become fully automated this year.

STOCK MARKET

IPOS ADD DEPTH AND BREADTH

After rising just under 115 percent in 1993, accompanied by an increase of 125 percent in trading volume, stocks traded on the Jakarta Stock Exchange have been on a downward slide. Among the reasons for the decline are, firstly, investor confidence in the market took a severe beating after the recent revelations of the extent of bad debts at state-owned banks. Secondly, while the government has announced its intention to postpone a proposed capital gains tax, this uncertainty has intensified investors' fear of potential tax liabilities in the future. Thirdly, the number of initial public offerings expected in 1994 — most of which will be offered at a steep discount to their market price due to the limit of 15 times P/E mandated by the Capital Market Supervisory Agency (Bapepam) — has driven many investors to reduce their holdings in the secondary market. (Bapepam has said the 15x limit is just a temporary measure to ensure the healthy growth of the market and broaden the investor base.

It should be lifted when the market becomes more mature.)

The rapid growth of the stock market is a reflection of the country's fast diversifying economy as it moves away from dependency on oil revenues. From 80 percent of total exports in 1980, oil accounted for only 26 percent in 1992, the latest year for which complete figures are available. Manufacturing accounted for 21 percent of GDP in 1992, exceeding the contribution from agriculture.

In general, the IPOs issued in 1993 have performed very well, with average appreciation of 50 percent within three months of listing. Barito Pacific Timber, for example, saw its share price rise 53 percent on the first day of listing in October 1993. In all, issuers raised about \$570 million through IPOs last year, and we expect IPOs to tap about \$2.3 billion for the current year.

Including rights issues, we expect issuers to seek about \$2.9 billion from the market in 1994. Market capitalization could double to about Rp120 trillion by year-end with the listing of at

least 30 new companies.

To handle the increased trading volume, the JSX will be fully automated this year after it moves to new headquarters in the Sudirman Central Business District. The computerization will cost \$3.4 million, of which the JSX will pay 40 percent, PT Kliring dan Deposit Efek Indonesia (KDEI), 47 percent; the Surabaya Stock Exchange, which will be linked to the JSX, will pay the balance.

Settlements of trades in the five most active stocks on the JSX began going through KDEI in February. "This should give us a testing ground for getting our systems coordinated," says Hasan Zein Mahmud, President Director of the JSX. "By early spring all share settlements... should be in KDEI's hands, allowing us to handle a much greater volume of transactions."

INCREASING FOREIGN PARTICIPATION

The market deregulation in October 1988, which allowed foreigners to buy up to 49 percent of a listed company's stock

JAKARTA STOCK EXCHANGE

LEAN, EFFICIENT AND MODERN

Now entering its third year of private operation, the Jakarta Stock Exchange (JSX) is poised to become one of the largest bourses in Asia. Last year, the official market index rose 114.6 percent, from 273.582 to 588.765, a rate unmatched in the region except by Manila and Hong Kong.

This was Jakarta's second bull run since trading began in earnest in the late 1980s. And even though prices are decidedly cooler in early 1994, few expect a repeat of the dramatic boom and bust of 1990 — when the index rose to a record high of 682 points and then plummeted to 1988 levels in the next 12 months.

"The market has entered a period of consolidation," confirms Adnan Tan, an institutional advisor at Morgan Grenfell Asia's office in Jakarta. "You can come up with any number of reasons to explain why prices have come down in 1994: rising interest rates in the U.S. are redirecting American funds; the sudden drop in oil prices has dampened the equities market ... whatever. But the basic fact is that the market was overbought and would have used any excuse to come down. That's good, because it means the market is maturing and reacting to natural forces." Tan expects the market to stabilize at its current 540-550 range.



Prices on the JSX rose 114.6 percent last year.

The JSX has changed a lot since the precarious days of 1990. Privatization has turned it into a lean and efficient organization. New listing and disclosure requirements have strengthened investor confidence at home and abroad. And an aggressive new team at Bapepam, the Capital Market Supervisory Board, has managed to put into place measures to protect the market from collapsing again.

Even more significant, last year's gains were fuelled by real growth rather than speculation. On the back of better than expected corporate results, market capitalization grew almost threefold during 1993, from Rp24.8 trillion to Rp69.3 trillion. The JSX also saw a flurry of new issues, including 20 IPOs and the listing of Rp612 billion

worth of shares by Barito Pacific Timber, today Indonesia's largest public company.

"The major problem now is that there are not enough opportunities for medium-term money," says Tan. "But this is changing fast. There are 172 companies in the market today, and many more on the way; 1994 will be the year of liquidity." Average daily turnover on the JSX has already topped Rp77 billion, more than twice that of a year ago.

Despite some local jitters, foreign interest in the JSX has shown little sign of cooling. Indonesia remains a core target of fund managers because of its stable government, steady GDP growth and commitment to deregulation.

While 1994 will probably not be nearly as dramatic as last year, local brokers are estimating earnings growth of about 20 percent in all sectors and a near doubling of market capitalization. And with the JSX planning to fully computerize its trading and settlement systems by the end of this year, the market appears well on its way to healthy maturity.

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Mulia Tower developer Mulialand goes public in April.



Prices on the Jakarta Stock Exchange rose 114.6 percent last year.

(with the exception of banks), opened up the Indonesian stock market, formerly ignored by foreign investors. Shortly thereafter, foreign brokers and underwriters started setting up operations in Indonesia, resulting in a sudden increase in new listings in late 1989.

Toward the end of 1993 rumors circulated to the effect that the 49 percent ceiling might be raised. It was also widely believed that Bapepam has agreed in principle to the proposal. As of mid-March, however, no indication had been given about the timing of the potential increase or the magnitude of change. We expect to see renewed attempts to raise the limit in the next few years.

EXPANSION PLANS

In late February, Bapepam led a 100-member delegation on a roadshow to Singapore and Hong Kong to promote the Indonesian equity market and to reassure foreign investors of its commitment to steady growth for the next few years. An audience of 200 fund managers was told that Bapepam is expecting to increase annual trading volume tenfold from the current \$10 billion within the next few years. To help ensure this expansion, Bapepam is working to provide a foundation for the growth of a fair and



orderly secondary market.

Among the steps Bapepam has taken in this direction are regulations to protect minority shareholders, such as the measures introduced recently concerning preemptive rights and conflict of interests. They protect minority shareholders against share dilution and unfair transactions by majority shareholders. A new capital market law is expected to be enacted later this year to give more teeth to Bapepam's enforcement and investigative powers.

Bapepam has also issued guidelines concerning share allocation of IPOs. If an issue is oversubscribed, foreign investors will be allocated shares on a pro rata basis. Allocation to

local subscribers will be on a pooling basis, which should ensure that each subscriber receives at least 500 shares; remaining shares will be allocated on a pro rata basis. If an IPO is oversubscribed, so that subscribers do not receive at least 500 shares apiece, allocation will be done by lottery. Likewise in the event of oversubscription, underwriters and brokers will be prohibited from buying shares for their own accounts.

Bapepam intends to improve accounting standards, financial disclosure requirements, surveillance of market manipulation and insider trading. Last month, Bapepam introduced the use of the U.S. accounting

(Continues on p. 46)



The mixed-use Taman Anggrek Mall & Condominium will be the jewel in Mulialand's crown

MULIALAND

WHERE QUALITY PROPERTIES ARE

Keeping pace with Jakarta's booming property market over the last decade has been a challenge to the city's developers, and none has been more successful than Mulialand.

Adherence to a rigorous philosophy of professionalism and product excellence has allowed Mulialand to become in seven short years the largest commercial property company in Indonesia and to lay the foundations for its growth well into the future.

Since its operations began in 1987, Mulialand has remained committed to the long-term prospects of its properties. This has meant maintaining close control over every aspect of development, from land acquisition and clearance, through design supervision, construction management and materials procurement, to marketing, long-term property management and maintenance of completed buildings. Supported by a highly professional

team of local and expatriate senior managers, each an expert in his particular field, Mulialand has established for itself an unchallenged reputation for excellence.

"There is a consistency to our buildings," says Joko S. Tjandra, president director and co-owner. "We only create quality products, designed and built to perfection, located in the best sites and using only the best materials. And our buildings are managed and serviced professionally, to the satisfaction of our tenants. This has proven a very successful strategy, as evidenced by an average occupancy rate of over 92% — well above the market average in Jakarta."

HALLMARKS OF EXCELLENCE

Mulialand is the property division of the Mulia Group, a diverse business conglomerate founded almost 30 years ago by Joko's father. While industry, particularly glass manufacturing, has remained an important part of the



The 9-story Lippo Life building on Jl. H.R. Rasuna Said was completed in 1983 for a total lettable area of 18,600 square meters.

Group's business activities, property has now become its core business and highest earner. Today Mulialand, through five wholly-owned subsidiaries, owns and operates six prime office buildings, namely Lippo Life Building, Kuningan Plaza, Plaza 89, Mulia Tower, Gedung BRI II and Mulia Center. The total lettable area of these properties combined is 273,600 square meters, roughly

equivalent to 15% of the entire prime office space supply in Jakarta. All are located within Jakarta's Golden Triangle, an area that forms the core of the city's rapidly developing central business district, and boast an enviable tenant roster that includes such well respected names as British Petroleum, Coca Cola and Credit Lyonnais.

Years of experience have produced a land acquisition team at Mulialand that monitors Indonesia's development patterns, selects land in prime locations and negotiates them for the company's landbank or for new projects.

When a project is undertaken, the company handles the purchasing of all materials, including the importing of marble and granite which are among its hallmarks. This allows Mulialand to benefit from economies of scale and obtain the most competitive prices available, as it purchases in bulk quantities.

Mulialand prides itself on a tradition of challenging world-renown architects and design firms. An in-house team of design professionals ensures that its stringent hallmark requirements are incor-



*Mr. Joko S. Tjandra,
President Director*

porated into every plan. At the same time, the company places great emphasis on modern, safe and cost-efficient construction. While its buildings are designed and built by some of the best local and foreign consultants, the company's own staff directly manage every construction project and are responsible for seeing that all work is completed on schedule.

Another area in which Mulialand is justly proud is marketing. Office space in its property portfolio is marketed by a sister company, not outside agents. A team of well-trained Indonesian and expatriate professionals begin preletting a Mulialand building early in the con-



Kuningan Plaza on Jl. H.R. Rasuna Said houses the Indonesian headquarters of British Petroleum and a number of Mulia Group companies. Its two 11-story towers were completed in 1985 and contain a total lettable space of 42,500 square meters.

struction stage. This strategy has allowed the company to secure most of its tenants by the time a given property is ready for occupancy.

Mulialand then takes direct control over the management of its properties, providing everything from maintenance and repair to communications, cleaning and security services.

"This total commitment to our properties has won not only the loyalty of our customers, but as well that of consultants, contractors, suppliers, government officials, community leaders, financiers, share-holders and employees," says Joko. "This is crucial for the company's continued growth in an economy that is bound to expand given the size of the country and its population."

With Indonesia's GDP expected to continue growing at over 6% a year and the government committed to further market deregulation, the future is looking bright indeed. Office take-up reached a record 200,000 square meters in 1993, signaling the market's emergence from a cyclical trough and the resuscitation of rental rates.

PROFITABILITY

As corporate assets have tripled in value over the last three years, Mulialand has been quick to adopt a "strict but creative" financial regimen. The company's profitability has been kept on solid ground by a two-pronged policy of maintaining a healthy foreign exchange exposure (managing Dollar revenues against Rupiah and Dollar obligations) and restructuring debt into long-term financing.

In line with Mulialand's goal to lower its gearing whilst tapping fresh funds for operational expansion, the company plans to raise around US\$250 million this month through a local IPO. Not surprisingly, the issue, representing 30% of the company's equity, is expected to be well received among local and foreign investors. With a market capitalization of nearly US\$1 billion, Mulialand will account for 3% of the local stock market and be among the ten largest companies listed in Jakarta. And with its net book value expected to soar to Rp 1 trillion this year, excellent earnings prospects are forecast.



Plaza 89, Mulialand's first property, is home to the company's operational head office. (Below) The 29-story Gedung BRI II overlooking Jakarta's busiest interchange was opened in 1991 with a total lettable area of 70,000 square meters. It is now a major landmark.





(Top left) One of Jakarta's most striking structures, the 26-story, 69,500-square meter Mulia Tower on Jl. Jendral Gatot Subroto has been the company's flagship since its completion in mid-1991. (Top right) Opened in mid-1992, Mulia Center is Mulialand's fourth property on Jl. H.R. Rasuna Said. At 17 stories, the building has 42,000 square meters of lettable area.

FUTURE PROSPECTS

"While Mulialand has focused its activities on the development of prime commercial properties, the company has no intention of limiting itself to this market," says Joko. "As the economy expands, Mulialand plans to continue to broaden its development activities into other property sectors."

Indeed, while completing blueprints for yet another first-class office tower, Mulialand is poised to apply its experience and strength to a mixed-use retail and residential development. Earlier this year the company broke ground on its most ambitious project yet — the Taman Anggrek Mall & Condominium, just outside downtown Jakarta. A testament to Mulialand's visionary market leadership, the 92,000 square meter mall complex will be the largest in South-east Asia and house the country's only ice-skating rink. And the eight 36-story condominium towers will be the tallest in Indonesia upon completion in 1996, holding some 2,800 apartments and 32 penthouses.

With 85% of the Taman

Anggrek apartments already pre-sold on a strata-title basis, the project looks set to take its place among Mulialand's numerous other success stories. Initial revenue from these sales, coupled with a significant reduction in the company's short-term interest burden, are expected to raise Mulialand's net income five-fold this year to Rp 122 billion. This means a strong march into the future for Mulialand and its shareholders, and an even greater contribution to the ongoing development of Indonesia.



FINANCIAL HIGHLIGHTS

(Billion Rupiah)	1992	1993	1994 (f)
Net Revenue	50.39	125.39	367.40
Operating Income	33.15	68.77	178.37
Net Income	4.12	25.76	122.09
Current Assets	11.76	41.14	543.10
Fixed Assets	681.98	903.08	838.90
Net Worth	6.41	384.67	1,044.68

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PT Sigma Batara ("Sigma") is an independent securities company active in underwriting and trading fixed income and equity securities in Indonesia. Sigma is also active in the fields of corporate finance, structured finance and capital markets.

Sigma's staff of over 80 employees includes 50 professionals such as corporate finance specialists and security analysts, many with advanced degrees from international universities — making it the largest securities company in Indonesia. The company specializes in the Indonesian market and holds seats on the Jakarta and Surabaya stock exchanges.

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The Board of Directors

company is a leading managing underwriter of bonds issued by both private and state-related corporations and a major dealer in the secondary bond market. The company has expanded its distribution base for rupiah-denominated bonds and other privately placed debt and equity instruments to more than 100 major domestic and foreign institutional and strategic investors.

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active in the secondary market, supported by a team of highly qualified dealers and an experienced settlement department who ensure smooth execution for our clients. Sigma is consistently among the top ten securities companies in Jakarta in terms of daily turnover on the Jakarta Stock Exchange (JSX).

ATTRACTIVE PROSPECTS FOR 1994

Based on business for which it already has commitments, as well as business currently under negotiation, Sigma expects to raise more than Rp2 trillion (\$1 billion) for its clients in 1994 in the Indonesian financial markets through IPOs, bonds and private placements.

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During 1993, \$570 million was raised through IPOs.

The JSX will be moving its headquarters to the Sudirman Central Business District this year.

(Continued from p. 40)

rule FASB 66 for revenue recognition at property companies. Currently, about 87 percent of the companies listed on the JSX are audited by "Big Six" U.S. accounting firms — Price Waterhouse, KPMG, Deloitte Haskins, Coopers & Lybrand, Ernst & Young, and Arthur Andersen — operating with local partners.

To broaden the securities market further, Bapepam will encourage the development of a bond market and introduce open-ended mutual funds and scripless trading by 1995.

OUTLOOK FOR 1994

We expect the market to remain weak in the first quarter of this year, but to pick up gradually in the second quarter as we do not expect any nasty surprises when companies announce their annual results. Unlike last year, however, investors will have to be increasingly selective when subscribing to IPOs.

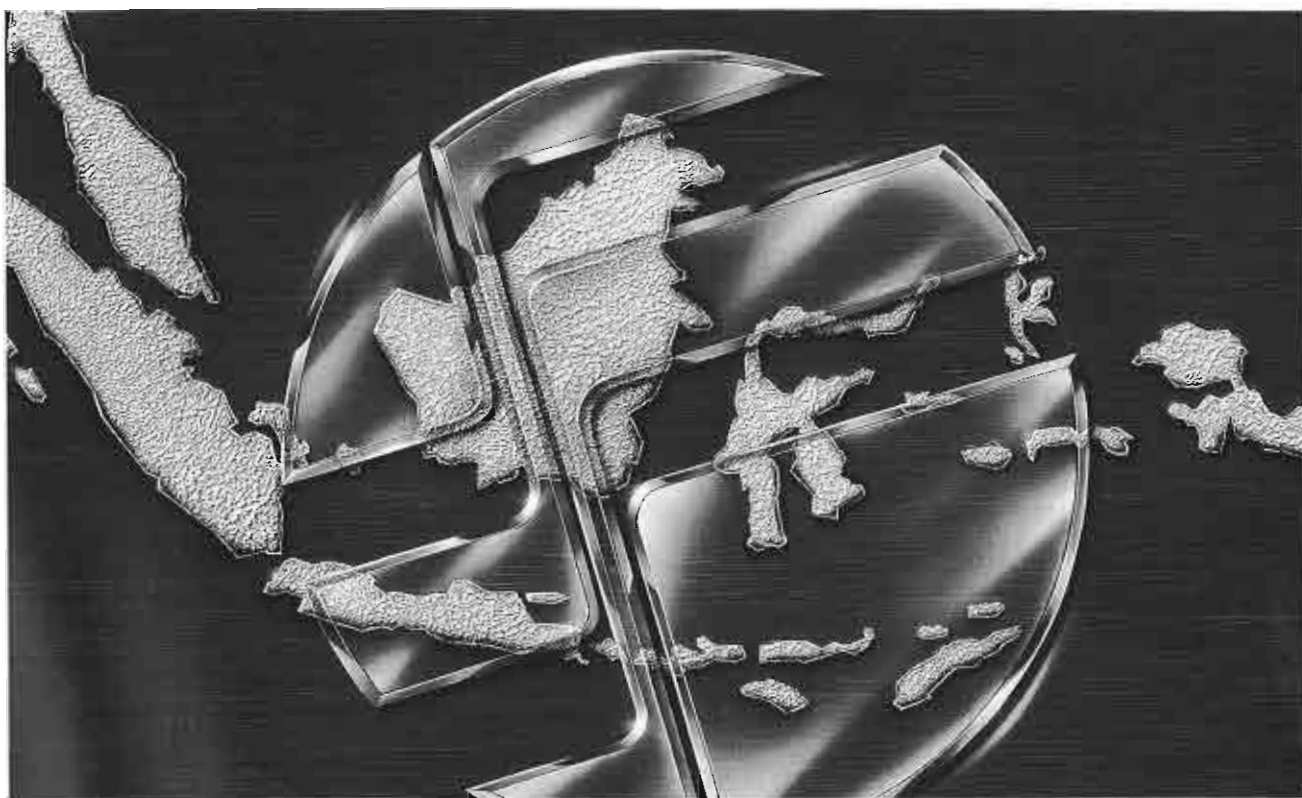
With a fundamentally sound economy and a stable political environment, Indonesia's equity market is undergoing a transition from a volatile and illiquid market to one in which foreign investors are beginning to feel much more at home.

— David Chang,
head of research,
Sigma Batara

IPOS IN 1993 AND 1994

Company	Sector	Shares Offered (Millions)	Amount Raised (RpM)
1993			
Sekar Bumi	Shrimp	7.50	41,250
Sarasa Nugraha	Garment/Textiles	5.00	17,500
Modernland Realty	Property	22.80	106,020
Texmaco Perkasa	Multi-Industry	1.00	4,800
Surabaya Agung Industri	Pulp and Paper	20.00	70,000
Fast Food Indonesia	Consumer	4.46	25,422
Ganda Wangsa Utama	Shoes	10.00	23,500
Intraco Penta	Heavy Machinery	6.00	20,250
Tira Austenite	Machinery	2.00	6,200
Lion Metal	Safe Deposit Boxes	3.00	6,450
Sekar Laut	Consumer	6.00	25,800
Tancho Indonesia	Cosmetics Goods	4.40	32,450
Barito Pacific Timber	Timber	85.00	612,000
Andayani Megah	Tire Cords	20.00	85,000
Concord Benefit E.	Clothing	6.30	15,435
Kedaung Indah	Consumer	10.00	26,000
Indosepamas Anggun	Shoes	6.00	22,800
Bank Tiara	Banking	25.00	60,000
Anwar Sierad	Poultry Breeder	18.00	77,400
Super Mitory Utama	Shoes	6.80	16,320
1994			
Bank Papan Sejahtera	Banking	20.00	60,000
Mas Murni Indonesia	Property	15.00	40,500
Mulia Industrindo	Multi-Industry	25.00	95,000
Putra Surya Perkasa	Property	90.00	310,500
Sumalindo Lestari Jaya	Timber	25.00	225,000
Texmaco Jaya	Textiles	20.00	82,500
Multibreeder Adirama Ind.	Poultry Breeder	10.00	36,000
Panca Wiratama Sakti	Property	10.50	58,800
Super Indah Makmur	Plastic Packaging	5.00	12,500
Lippo Securities	Securities	13.50	114,750
Bank Mashill	Banking	18.00	63,000

Source: Sigma Batara Research, February 1994



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- A leading financial adviser to Indonesian companies



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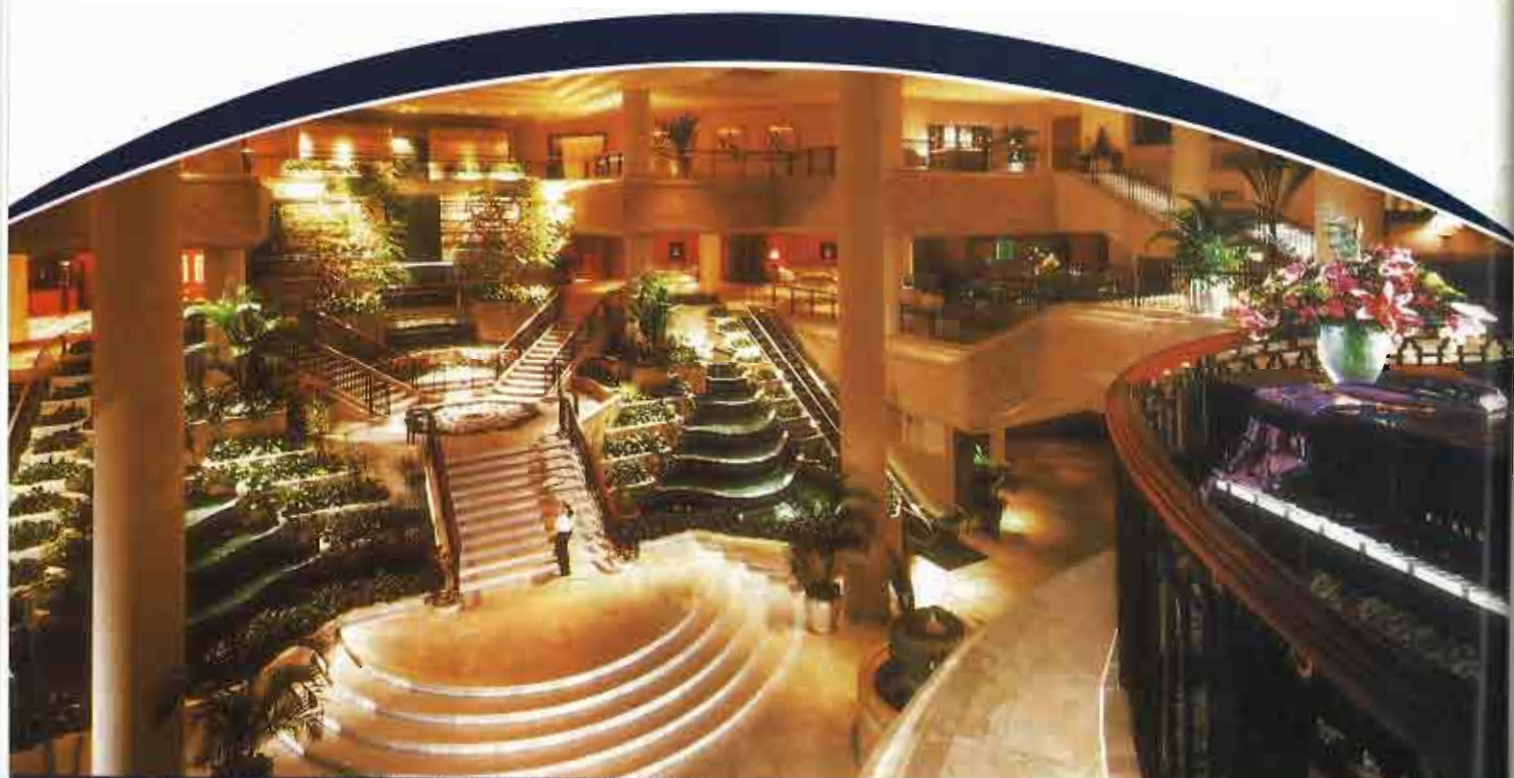
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