



Press Release

**ANTAM 'S NET PROFIT
INCREASES 85% TO
RP1,559 BILLION
(US\$173 MILLION)**

For Immediate Release

Jakarta, February 28, 2007 –

PT Antam Tbk (ASX - ATM; JSX - ANTM) is pleased to announce unaudited consolidated net profit of Rp1,559 billion (US\$173 million) and earnings per share (EPS) of Rp817 for the full year ending December 31, 2006, an 85% increase from the net profit of Rp842 billion, or US\$87 million, and EPS of Rp441 for the

Antam's other products and higher sales volumes of high grade nickel ore.

As in past years, the nickel and gold divisions were the biggest contributors to Antam's revenues. Overall, the revenue of nickel products – 100% of which were exported - contributed 84% of revenue in 2006 compared to 76% in 2005. Meanwhile the contribution from gold decreased to 11% from 16% in 2005.

	2004 (Audited)	2005 (Audited)	2006 (Unaudited)	Comparison (%)	
				05/04	06/05
Sales	2,858	3,287	5,566	15	69
COGS	1,498	1,827	2,820	22	54
Operating Expenses	264	324	298	23	-8
Operating profit	1,097	1,136	2,448	4	115
Net Income	810	842	1,559	4	85
Net Operating Cash Flow	764	791	1,446	4	83
Capital Expenditure	1,364	1,311	127	-4	(90)
(Free Cash Flow)	(600)	(520)	1,320	N/A	N/A

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full year of 2005.

Antam's consolidated net sales rose to Rp5,566 billion, or US\$617 million, a 69 % increase over the Rp3,287 billion, or the US\$364 million of 2005. The increase was mainly attributed to higher sales volumes and higher prices of ferronickel. To a lesser extent the increase is attributed to higher prices of

Revenues from ferronickel increased 177% to Rp2,731 billion as ferronickel sales volume increased 92% to 13,389 tonnes while the average price increased by 57% to US\$10.14 per pound. As a result, ferronickel contributed the largest share of revenues as its share increased to 49% from 30% in 2005. This is in line with the company's strategy to add value by moving away from

selling raw materials and increasing the manufacture and sale of processed products.

Increased ferronickel sales volume was mostly due to the new smelter FeNi III, which began producing export-quality nickel in April 2006, on a trial basis, after two and a half years of construction.

Revenue from nickel ore increased by 28% to Rp1,941 billion in 2006 from Rp1,522 billion in 2005. The contribution

decreased by 12% to 933,668 wmt, revenues increased 27% to Rp250 billion due to a 54% increase in average prices to US\$29.38 per wmt.

Despite lower sales volumes of gold, which decreased 8% to 3,340 kg (117,815 oz) from 3,639 kg, gold revenues increased 18.5% to Rp601 billion due to higher prices. The price of gold increased 37% to US\$611.59 per troy ounce in 2006.

1.3%, 0.2% and 0.3% for silver, iron sands and precious metals refinery services respectively.

Costs of Sales

Antam's 2006 cost of sales rose 55% to Rp3,040 billion from Rp1,832 billion. This increase, however, did not surpass the pace of sales growth which resulted in an increase of Antam's gross margin to 48% from 44%. The top five components accounted for 76% of Antam's cost of sales. In de-

Product/Service	2004 Sales (Rp Billion)	2005 Sales (Rp Billion)	2006 Sales (Rp Billion)	2006 Growth (%)	Share of Revenues(%)	
					2005	2006
Nickel Ore	1,195	1,522	1,941	27.5	46	35
Ferronickel	971	986	2,731	176.9	30	49
Gold	457	507	601	18.5	15.5	10.8
Bauxite	135	187	192	2.7	6	3.4
Silver	50	68	73	7.4	2	1.3
Iron Sands/ Other	31	2	11	450	0.1	0.2
Others (including precious metals refinery)	20	15	17	13.3	0.4	0.3
ANTAM	2,859	3,287	5,566		100	100

of nickel ore, 87% of which was from high grade, dropped to second place with a revenue share of 35% compared to 46% in 2005. High grade nickel ore sales volume increased 12% to 3,375,466 wmt. Coupled with an increase in average price of 23% to US\$54.74 per wet metric ton (wmt), revenues increased 28% to Rp1,691 billion. A new nickel mine, Mornopo, located in North Maluku, which started operation in 2005, contributed significantly to the increase of high grade nickel ore volumes in 2006. Although low grade nickel ore sales volume

The bauxite division experienced a 5% decrease in sales volume to 1,536,542 wmt despite an increase in production. However, in view of 3% increase in selling price to US\$13.60 per wmt, revenues from bauxite increased 3% to Rp192 billion.

Revenues from other products, namely silver, iron sands and precious metals refinery services recorded quite significant increases at 7.4%, 450% and 13% respectively. However, their contribution to overall revenues remained small at

scending order, they were: materials, fuels, mining services, depreciation and labour.

Antam's materials costs increased by almost 100% to Rp585 billion in line with higher ferronickel production, which increased the consumption of nickel ore and other production inputs. Included also in this category was the nickel ore Antam began to buy from PT Inco to feed the ferronickel plants. Materials costs contributed 19% of overall cost of sales, up from 12% in 2005.

Accounting for 17% of overall cost of sales, fuel was the second largest item in 2006, up from the fourth in 2005 when it accounted 10% of total cost of sales. Fuel costs recorded an increase of 187% to Rp51 billion due to higher ferronickel production, which increased 97% to 14,474 tonnes, as well as due to higher fuel prices, which for MFO rose 42% to Rp3,126 per litre and for IDO rose 123% to Rp4,823 per litre. Fuel is the largest cost component of the energy-intensive ferronickel production process

20% of the total cost of sales. In 2006, mining services dropped to third position, or 16% of the total cost of sales. The cost of mining services however increased 31% to Rp486 billion due to higher excavation costs of Antam's contractors inline with the increased production volume of nickel ore. Two of Antam's contractors are owned by Antam's pension fund. However, the prices of their services are on par with those of other contractors.

up in ferronickel production.

Operating Expenses and Profit

Antam's operating expenses decreased 8% to Rp298 billion, and accounted for 5% of Antam's revenues compared to 10% in 2005. The decrease was mainly due to lower general and administration expenses, which Antam decreased by 16% to Rp255 billion. The largest contributor of this decrease was the absence of expenses related to the Early Retirement Program, which cost Rp103 billion in 2005. Meanwhile, in line with efforts to boost productivity and efficiency, Antam increased training expenditures by almost 80% to Rp12 billion. The largest component of General and Administrative expenses remained salaries, wages and bonuses, which increased by less than 0.2% to Rp130.67 billion, although its contribution to general and administration expenses increased to 51% from only 43% in 2005.

Product/Service	Sales Volume 2005	Sales Volume 2006	2006 Growth (%)
High grade nickel ore (wmt)	3,025,841	3,375,466	11.55
Low grade nickel ore (wmt)	1,060,240	933,668	-11.93
Ferronickel (TNi)	6,988	13,389	91.60
Gold (kg)	3,639	3,340	-8.22
Silver (kg)	29,823	21,063	-29.37
Bauxite (wmt)	1,617,566	1,536,542	-5.00

as it requires extraordinary electrical power from Antam's diesel power plant. Antam switched from using mostly Industrial Diesel Oil (IDO) to using mostly the cheaper Marine Fuel Oil (MFO) in 2005, to reduce the impact of higher prices. Antam's new 102 megawatt (MW) power plant was built, and is operated and maintained by, Wartsila of Finland. The plant can operate normally using MFO, however, the viscosity and other properties of MFO create the need for more frequent power plant maintenance.

In 2005, mining services was the top cost, accounting for

Once the production of FeNi III began at the end of March 2006, depreciation of the smelter began. Depreciation therefore increased 148% to Rp414.75 billion and remained Antam's fourth largest cost of sales. Furthermore, interest on the associated debt was no longer capitalized.

Labour, last year's second largest cost, dropped to the fifth largest cost in 2006, despite increasing 37.5% to Rp380.86 billion on the back of higher bonuses granted to employees in relation to the higher revenues and profits of the company. Labour is to a large extent a fixed cost and so did not increase in synch with the ramp

Antam's exploration expenses increased by 289% to Rp31.59 billion in 2006 from Rp8.13 billion in 2005 in line with the strategy to increase reserves.

When Antam's cost of sales and operating expenses are combined, the rate of cost increase compared to last year was 45%, which was less than the 69% increase of net sales. Thus, Antam's operating profit rose 115.5% to Rp2,448 billion (US\$271million) resulting in an operating margin which widened to 44% from 35%.

Other Income and Net Income

In 2005, Antam posted Other Income of Rp67 billion, whereas in 2006 Antam recorded Other Expenses of Rp221 billion. Antam's interest expense jumped 572% to Rp172 billion as the interest on the loan associated with the construction of FeNi III was expensed from the end of March, when the assembly and operation of the unit was complete. A foreign exchange gain of Rp20 billion in 2005 turned into

cost of gold was 12% higher at US\$283.93 per troy ounce inline with higher materials and labor costs. Higher materials costs were inline with work done at the Pongkor gold mine to improve the extraction rate as well as the safety rate of the mine. As such, Antam is achieving over 50% cash cost margin for all of its products.

In 2006, the cost of electricity produced by Antam's diesel

fuel.

Converting to a less expensive fuel will bring the most significant cost reductions. Other efforts include reducing the workforce from 2,754 to 2,500 by 2009, using lower cost equipment and materials and upgrading equipment to benefit from better efficiency and higher productivity.

Balance Sheet

Product/Service	Sales price 2004	Sales price 2005	Sales price 2006	2006 Growth (%)
High grade nickel ore (US\$/wmt)	42.35	44.64	54.74	23
Low grade nickel ore (US\$/wmt)	16.47	19.06	29.38	54
Ferronickel (US\$/TNi)	6.23	6.45	10.14	57
Gold (US\$/t.oz)	411.97	446.14	611.59	37
Silver (US\$/t.oz)	6.64	7.27	11.83	63
Bauxite (US\$/wmt)	11.36	11.91	13.60	2.5

Antam's balance sheet strengthened as total assets grew by 12% to Rp7,174 billion (US\$795million), while total interest-bearing debt decreased 32% to Rp1,335 billion (US\$148 million), or 19% of total assets, down from Rp1,973 billion or 31% of total assets. Antam's current ratio remained comfortable at 337% although slightly decreased from 360% in 2005. Antam's working capital, however, increased to Rp2,048 billion from Rp1,308 billion. The ratio of Antam's total liabilities to equity was 67% or 40:60. As an important pillar of Antam's strategic growth plans, efforts will continue to strengthen Antam's financial structure.

a foreign exchange loss of Rp57billion. As the Rupiah strengthened Antam's large dollar assets become less valuable in Rupiah terms. Antam achieved net income of Rp1,559 billion (US\$173 million), a 85% increase compared to net income of Rp842 billion in 2005.

Cash Costs

Antam's ferronickel cash cost of production rose 12% to US\$4.40 per pound in 2006 from US\$3.92 per pound in 2005, mostly, as explained above, due to higher fuel prices and mining services costs. The cash cost of saprolite and limonite was US\$19.83 per wet metric ton (wmt) and US\$8.67 per wmt respectively. The cash

power plant reached US\$12/kwh. Anticipating the high ferronickel costs, Antam plans to convert the use of diesel in its power plant to other alternative energy in 2009. The energy alternatives being studied are either natural gas, hydropower, or coal. Recently a Canadian engineering firm confirmed the feasibility of the hydropower plan, which has the most momentum as the plans for natural gas have begun to look less likely due to the high cost of transporting the gas relative to the size of Antam's power plant. A new technology called Smart Predictive Line Control, which eliminates fluctuation in the power load, is creating the possibility for Antam to use coal, which previously had been omitted as a potential

Of Antam's Rp4,288 billion in total equity, which rose 41.5% from 2005, Rp3,311 billion was retained earnings a 61% increase over last year.

Assets

The Rp772 billion increase in total assets was largely due to the 54% increase of total current assets to Rp3,201 billion, which itself was largely due to the Rp452 billion, or 63%, increase in cash and cash equivalents to Rp1,173 billion,

the Rp366 billion or 78% increase in trade receivables to Rp834 billion and the Rp395 billion, or 75%, increase in inventories to Rp923 billion. The increase in cash was due to higher sales of nickel contained in ferronickel and higher prices of nickel. The cash and its equivalent, which was 96% in US dollars, was held in several banks with about 35% in the form of cash and 65% in form of time deposits. Antam receives interest rates of between 3.75%-5.30% per annum for its US Dollar time deposits and 8.00%-12.75% for its Rupiah time deposits. The increases in trade receivables and inventories are largely due to higher prices for Antam's finished goods and, for inventories, spare parts and supplies. About 60% of Antam's receivables were current, 26% were overdue within 30 days and 14% were overdue for more than 30 days. Antam's allowance for doubtful accounts is sufficient to cover losses from the non-collection of the accounts.

Antam's non-current assets decreased by 8% to Rp3,964 billion from Rp4,315 billion mainly due to depreciations of fixed assets. Fixed assets, which represented 85% of non-current assets, decreased by 12% to Rp3,354 billion from Rp3,825 billion. Reflecting Antam's continued focus on exploration, deferred exploration and development expenditures increased 40% to Rp376 billion.

Liabilities

Antam's total liabilities decreased 14% to Rp2,887 billion, mainly due to a 34% decrease in non-current liabilities to Rp1,724 billion from Rp2,594

billion in view of Antam's continuing debt repayment activities. Due to the abolishment at the end of 2004 of the Avoidance of Double Taxation Treaty between Indonesia and Mauritius, Antam exercised its rights under the terms of the notes issued by its subsidiary, Antam Finance Limited, in Mauritius, to call the AFL notes at par. Antam had taken every reasonable means available to avoid invoking the early redemption clause of the AFL, but there was finally no other choice but to repay the notes early. On 29 December 2006, Antam had fully repaid the US\$171 billion of outstanding AFL notes, and refinanced them with a US\$71 million drawdown of a US\$121 million credit facility provided by BCA and a US\$50 million borrowing from a US\$60 million Bank Mandiri. Antam also used US\$50 million from internal cash. Another significant component of non-current liabilities, pension and post-retirement obligation, increased slightly to Rp582 billion from Rp577 billion.

Antam's current liabilities increased 49% to Rp1,162 billion mostly due to the 76% increase of taxes payable to Rp396 billion, and the 783% increase of current maturity of investment credit facilities to Rp265 billion. Antam's trade payables to third parties increased by 7% to Rp121 billion, while another significant portion of current liabilities, Accrued Expenses, decreased by 9% to Rp349 billion.

Cash Flow

Antam's cash flows reflect the increase in ferronickel production and sales from FeNi III and higher nickel prices, together

with higher costs, and reduced investment expenditures as Antam's payments for FeNi III construction began to decrease. Related to FeNi III, Antam's operating cash was furthered bolstered by relatively large tax restitution payments amounting to Rp201 billion.

Antam's cash flows from operations increased 83% to Rp1,447 billion as receipts from customers rose 71% to Rp5,245 billion. The largest component of operating cash out flows were payments to suppliers which increased 90% to Rp2,511 billion. Payments to commissioners, directors and employees increased 1.6% to Rp563 billion, and tax payments increased 22% to Rp507 billion.

Antam's cash flows used for investing activities decreased by 87% to Rp217 billion as the construction of FeNi III smelter came to an end. This decrease was mainly due to a 95% decrease in payments for fixed assets to Rp71 billion. The largest component of cash flows from investing activities were Antam's expenditures for exploration and development which stood at Rp145 billion, a decrease of 24% from 2005 figure.

Antam's capital expenditure in 2006 was Rp127 billion, 90% decrease from 2005 figure. Antam's lower capital expenditure coupled with higher larger operating cash flow resulted in Antam generating free cash flow of Rp1,320 billion, compared to negative free cash flow of Rp520 billion in 2005.

Despite a receipt of Rp1,102 billion of long term borrowings, Antam's net cash used for financing activities increased 65% to Rp778 billion, as Antam