PT Indocement Tunggal Prakarsa Tbk.

annual report 2003

Focus on Core Business and Strengthening Financial Condition

INDOCEMENT
HEIDELBERGCEMENTGroup

Focus on Core Business and Strengthening Financial Condition

The theme for Indocement 2003 Annual Report underlines our continuing commitment to focus solely on the Company's core business to strengthen our financial condition and thereby increase financial growth and sustainability over the long term.

The cover of this annual report depicts our core business with four accompanying pictures that represent employees, economic growth and development for the nation, social welfare and education for community members, and care for the environment.

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indocement in brief

Our Vision

We are in the business of providing quality shelter, construction materials and related services at competitive prices, in a way that promotes sustainable development, wholesome communities and a friendly environment.

Our Slogan

Better Shelter for a Better Life

Indocement is the second largest cement producer in Indonesia.
The Company has integrated cement operations with a total annual production capacity of 15.4 million tons of clinker. The Company was established in 1985 and currently operates 12 plants, nine of which are located in Citeureup, Bogor, West Java; two in Palimanan, Cirebon, West Java; and one in Tarjun, Kotabaru, South Kalimantan.

The Company's main product is Ordinary Portland Cement (OPC). It also produces other types of cement such as Portland Cement Type II and Type V, Oil Well Cement, and Portland Pozzolan Cement. Indocement is the only White Cement producer in Indonesia.

In 2001, HeidelbergCement Group, one of the world's leading cement producers which is based in Germany and operates in 50 countries, assumed a controlling majority shareholding of the Company. Since then, the Company has focused on regaining financial sustainability which it lost during the Asian financial crisis. With the support of the HeidelbergCement Group, which has international expertise in technical, financial and marketing areas with a global network, Indocement has refocused its activities on the core business of producing cement, with the ultimate goal of regaining its financial strength. In 2003, the Company achieved total sales of more than Rp4 trillion.

Indocement's shares are listed on the Jakarta Stock Exchange and Surabaya Stock Exchange.

It employed more than 7,100 personnel as at year end 2003.

financial highlights

Billion Rupiahs (unless stated otherwise)

	2003	2002	2001	2000	1999
Net Revenues	**4,158**	3,948	3,453	2,448	1,759
Gross Profit	**1,396**	1,300	1,083	1,009	635
Income from Operations	**814**	930	672	705	371
EBITDA (1)	**1,278**	1,391	1,082	961	524
Foreign Exchange Gain (Loss)	**38**	849	(320)	(1,445)	527
Net Income (Loss)	**670**	1,041	(63)	(874)	521
Net Cash Provided by Operating Activities	**1,387**	1,257	618	958	875
Total Assets	**10,145**	11,438*	11,930	11,649	9,860
Total Liabilities	**5,612**	7,629*	9,167	10,527	8,392
Shareholders' Equity	**4,533**	3,808	2,763	1,122	1,468
Net Working Capital	**1,179**	1,465*	1,157	924	501
Net Borrowings (2)	**4,616**	6,237	8,069	9,342	5,915
Capital Employed	**9,857**	11,125*	11,559	11,281	8,466
Capital Expenditures (3)	**129**	206	143	114	121
Market Capitalization as of 31 December	**7,823**	2,485	2,577	3,975	7,485
Issued Ordinary Shares (Million)	**3,681**	3,681	3,681	2,484	2,414
Per Share Data (Rp)					
• **Primary Earnings (Loss) per Share**	**182**	283	(19)	(362)	216
• **Dividend per Share**	**–**	–	–	–	–
• **Book Value per Share**	**1,232**	1,035	751	452	608
Financial Ratio [%]					
Current Ratio	**187**	290*	210	343	23
Net Gearing (4)	**102**	164	292	832	404
EBITDA to Net Interest Cover (Times)	**6.0**	4.3	2.2	1.9	2.9
Net Borrowing to Assets	**45**	55*	68	80	60
Return on Assets (ROA)	**7**	9*	(1)	(8)	5
Return on Capital Employed	**7**	9*	(1)	(8)	6
Return on Shareholders' Equity (ROE)	**15**	27	(2)	(78)	36
Number of Employees	**7,107**	7,414	7,326	7,401	7,096

* As reclassified in 2003

1. Earnings before interest, taxes, depreciation and amortization
2. Net borrowings is defined as long term and short term borrowings less cash and cash equivalents, less short term investments and less restricted cash
3. Cash basis and include construction in progress
4. Net borrowings as percentage of shareholders' equity

corporate structure

A. CEMENT BUSINESS

PT Indocement Tunggal Prakarsa Tbk.

Citeureup Factory, West Java - 9 Plants
Cirebon Factory, West Java - 2 Plants
Tarjun Factory, South Kalimantan - 1 Plant

B. SUBSIDIARIES

PT Indomix Perkasa	99.9%
PT Pionirbeton Industri*	99.9%
Ready-Mix Concrete	
PT Dian Abadi Perkasa	99.9%
Cement Trading	
PT Cibinong Center Industrial Estate	50.0%
Industrial Estate	
PT Pama Indo Mining	40.0%
Mining	
Stillwater Shipping Corporation	50.0%
Shipping	
Indocement (Cayman Island) Limited	100.0%
Investing	

* Owned indirectly through a subsidiary

milestones

1985

- Incorporated PT Indocement Tunggal Prakarsa following the merger of six companies owning the first eight cement plants

1989

- Public listing of Indocement shares with the Jakarta Stock Exchange

1991

- Acquired Plant 9 in Palimanan, Cirebon, West Java
- Completed Surabaya Cement Terminal
- Started Ready-Mix Concrete in Indonesia

1996

- Completed Plant 10 in Cirebon with an annual designed capacity of 1.2 million tons of clinker

1999

- Completed Plant 11 in Citeureup with an annual designed capacity of 2.4 million tons of clinker

2000

- Fully acquired PT Indo Kodeco Cement (Plant 12) via merger
- Effectivity of US$1.1 billion Loan Restructuring with all creditors

2001

- Entry of HeidelbergCement Group, as majority shareholder, through its subsidiary Kimmeridge Enterprise Pte. Ltd.

2002

- Completed Electrostatic Precipitator projects in Citeureup and Cirebon factories
- Acquired effective control of PT Pionirbeton Industri

significant events in 2003

January

- Sold its shares in PT Wisma Nusantara International

February

- Sold its shares in PT Indominco Mandiri

March

- Sold its shares in PT Indotek Engico

April

- Awarded 2003 World Water Day as “Water Protector for the Business Sector”

July

- Achieved “Gold Flag for Safety System Management” and International Certificate for implementing an Occupational Health and Safety Management System

October

- Kimmeridge Enterprise Pte. Ltd. sold its shares in PT Indocement Tunggal Prakarsa Tbk. to HC Indocement GmbH
- Government of Indonesia divested its shares in PT Indocement Tunggal Prakarsa Tbk.

November

- Achieved ISO 14001 Certification from SGS in Tarjun Factory
- Sold Wisma Indocement building

message from the chairman

The cement market in Indonesia continues to be very competitive despite a marked improvement in the nation's economy. Indonesia posted GDP growth of 4.1% in 2003 compared to 3.7% the previous year. Significant improvements were also achieved in other key economic indicators. The Rupiah strengthened by 5% versus the US Dollar and remained stable throughout the rest of the year. Inflation rate was approximately 5% and interest rates fell to their lowest levels since 1997.

The Indonesian government has exercised financial and fiscal disciplines to achieve relative stability in the economy. The balance of payments has improved markedly. External debt to GDP has declined significantly and as a further indication of the improving economy, Indonesia exited smoothly from the IMF financial assistance program in December 2003. Furthermore, the country's rating has been upgraded by Standard & Poor's from CCC^+ to B.

Despite the positive developments, however, the cement market remained weak mainly due to the low demand in most markets with the exception of Jakarta.

Indocement in 2003, further focused on its core business, and concentrated on making improvements in areas that fell within the Company's control. These included improved productivity, cost savings in the areas of alternative fuels and raw materials, cost control measures, better distribution systems, the promotions of creativity, better management of financial cash flows, and a strict control on capital expenditures. These cost reductions could compensate part of the significantly increased energy and salary costs.

On the balance sheet side, Indocement further reduced its debt significantly by Rp2,007 billion, using cash generated from operations and proceeds from the divestment of non-core assets. As at year-end 2003, all the Company's major non-core assets had been disposed of in line with our strategy to focus on core business, as announced in my message last year.

“Indocement was able to sustain its profitability despite the tough competitive environment”

All of the above measures enabled Indocement to sustain its profitability despite the tough competitive environment. The difficult market environment in which we operate demands total focus and a commitment to excellence on our side in every aspect of our business.

I am also pleased to note the progress made by Indocement in the area of Good Corporate Governance (GCG) which is practiced as a matter of sound and prudent policy. We are bound by moral and legal obligations to adhere to all regulatory requirements.

Another critical application of GCG is risk management. Indocement has broadened its risk management coverage. On the whole, despite the many challenges we find that our risks are largely manageable. We are on track to achieving the goal of financial sustainability that we set out for Indocement three years ago.

The Board of Commissioners has properly monitored the activities of the Company, as reported by the Board of Directors. It has also created a Compensation Committee separately from the existing Audit Committee, giving an additional management control tool to the Company.

Indonesia enters an election year in 2004. It will be the first time that Indonesians will vote directly for their president and vice president. Let us hope that the results of this democratic process will bring in a new era of growth and prosperity for Indonesia and its people.

We would like to take this opportunity to express our appreciation for the services of Mr. Mark C.S. Tse who retired from the Board of Commissioners in 2003. Our gratitude goes also to Messrs. Rama Prihandana, Irnanda Laksanawan and Roger Bye for their valuable contributions as members of the Board of Directors which they left at the end of 2003.

Finally, we would also like to thank the Government of Indonesia, which was also a shareholder until October 2003, the regional governments, and particularly the communities with whom we interact on a daily basis for their support and friendship. We also convey our special thanks to our management staff and employees for their contributions to the pursuit of excellence in the Company. Together, we shall realize great prospects for Indonesia and Indocement in the years to come.

Jakarta, 25 March 2004

Paul Vanfrachem
President Commissioner

board of commissioners


Paul Vanfrachem


Sudwikatmono


I Nyoman Tjager


Hans Bauer


Horst R. Wolf


Hakan Fernvik


Parikesit Suprapto


Ibrahim Risjad


Thierry Dosogne

The Board of Commissioners is responsible for the supervision and guidance of the Board of Directors to ensure that management by the Directors is consistent with the Company's Articles of Association and the policy guidelines mandated by the Board of Commissioners.

Paul Vanfrachem

[President Commissioner]
Belgian citizen, age 60.
President Commissioner of Indocement since 26 April 2001. Concurrently, Chairman and Chief Executive Officer of S.A. Cimenteries CBR and member of the Managing Board of HeidelbergCement Group. He graduated from the Universite Libre de Bruxelles, Belgium with a degree in Civil Engineering Chemistry.

Hans Bauer

[Commissioner]
German citizen, age 59.
Commissioner of Indocement since 26 April 2001. He is the current Chairman of the Managing Board of HeidelbergCement Group. He graduated from the Friedrich Alexander University in Erlangen-Nuremberg, Germany with a degree in Business Administration.

Parikesit Suprapto

[Commissioner]
Indonesian citizen, age 52.
Commissioner of Indocement since 26 April 2001. Currently, he is one of the Assistant Deputies of the Minister of State Owned Enterprises. He holds a Doctorate degree in Economic Development from the University of Notre Dame, Indiana, USA.

Sudwikatmono

[Vice President Commissioner]
Indonesian citizen, age 69.
Vice President Commissioner of Indocement since 26 April 2001. Concurrently, Advisor to the board of First Pacific Company Ltd., Hong Kong. He graduated from the State Administration Academy.

Horst R. Wolf

[Commissioner]
German citizen, age 60.
Commissioner of Indocement since 26 April 2001. He is Chief Financial Officer as well as member of the Managing Board of HeidelbergCement Group. He took up Mathematics Studies at the University of Konstanz and graduated from the University of Mannheim, Germany with a degree in Business Administration.

Ibrahim Risjad

[Commissioner]
Indonesian citizen, age 69.
Commissioner of Indocement since 26 April 2001. Concurrently, he is Commissioner of PT Indofood Sukses Makmur Tbk.

I Nyoman Tjager

[Vice President Commissioner]
Indonesian citizen, age 53.
Vice President Commissioner of Indocement since 26 April 2001. Currently, he is an Advisor to the Minister of State Owned Enterprises. He holds a Master of Economics degree from Fordham University, New York.

Hakan Fernvik

[Commissioner]
Swedish citizen, age 60.
Commissioner of Indocement since 26 April 2001. He is concurrently a member of the Managing Board of HeidelbergCement Group and Chief Executive Officer of Scancem AB. He holds a Mining Engineering degree from the Royal Institute of Technology in Stockholm, Sweden.

Thierry Dosogne

[Commissioner]
Belgian citizen, age 48.
Commissioner of Indocement since 26 June 2003. He is currently President and COO of HeidelbergCement Asia, Senior General Manager of HeidelbergCement Group and Member of the Management Committee of CBR SA. He holds a degree in Business Engineering from SOLVAY Business School, Universite Libre de Bruxelles, Belgium.

report to the shareholders

Dear Shareholders,

2003 overall was a successful year for Indocement. We had significantly reduced our indebtedness and sustained our operational profitability despite a very competitive environment. A key success factor for Indocement was cost management and the implementation of creative and innovative ways of conducting our business.

Domestic cement consumption grew by only 1% to 27.5 million tons in 2003, not in line with GDP growth of 4.1%. In a very competitive environment, Indocement has pursued a margin-oriented strategy to maintain a high profitability level in spite of a reduction of its market share.

Sales prices have been maintained at the same level reached at the end of year 2002, although the average selling prices in 2003 were higher by 11.9%.

As freight is a major cost component of cement as it makes its way to the market, a major initiative in 2003 was to manage directly and administer greater control on the transport of cement to our customers. We were also able to reduce distribution costs significantly by adjusting our terminal and warehouse setup as well as by better transportation planning and coordination.

Consolidated net revenues increased by 5% to Rp4,158 billion in 2003 mostly due to the change in invoicing method. In 2003, Indocement invoiced at delivered prices as compared to ex-plant or ex-terminal before. Income from operations decreased slightly as inflationary factors pushed-up most cost elements, notably energy, transport, employee and third party service costs. Net income went down from Rp1,041 billion in 2002 to Rp670 billion in 2003. This decline was mainly due to foreign exchange translation gain that was lower by Rp811 billion compared to 2002.

“A stronger balance sheet has improved Indocement’s sustainability and long-term prospects”

In another significant development, Indocement reduced its net gearing to just 102%. This was achieved due to our success in disposing almost all of our non-core assets in 2003 for an aggregate amount of US$57.1 million, in addition to the significant amount of cash generated from operations. These proceeds were used to retire Company’s debt in the amount of US$225 million. This brought Indocement’s remaining debt down to US$625 million, which triggered the release of certain restrictions imposed by the creditors and gave the Company more control over its cash flow. A stronger balance sheet has improved Indocement’s sustainability and long-term prospects.

The capital market honored Indocement’s performance in 2003 as reflected by the phenomenal rise of our stock price. Jakarta Composite Index rose 69%, while the price of our share increased by 240% from Rp625 to Rp2,125 per share.

Net shareholders’ equity rose by 19% to Rp4,533 billion in 2003.

Sustainability

Throughout these challenging years, Indocement proved to be a sustainable entity and that our hard-earned success, by applying international best practices in financial management, production planning and managerial control, are producing results. In human resources, for instance, our Quantum Challenge drive has progressed considerably to the point that our plant and regional managers are now better equipped to make decisions and meet production as well as cost objectives.

In the area of productivity, we have maintained overall cost efficiency through the use of alternative materials, lower specific energy consumption, better logistics and effective transportation management.

On the issue of safety at work and environmental protection, we have improved our safety records and also earned ISO 14001 environmental management certifications for all of our cement plants. In addition we have been awarded with one of the nation’s highest acknowledgments for good environmental practice.

Outlook

Although the cement market in Indonesia is not likely to improve significantly in 2004, we are confident that the systems and mechanisms that we have put in place in Indocement over the past few years will prove to be increasingly valuable for the Company. We are well positioned to take our share in the expected accelerated increase in the Indonesian cement consumption after 2004, as we gradually increase capacity utilization.

Indocement will continue to adopt the same policies, which have proven to be effective in the past. Indocement will remain focused on the strengthening of its balance sheet and on its core business with a particular emphasis on the recovery of its market share.
We are committed to continue to further reduce our debt; to be prudent and purposeful in our capital expenditures; to maximize operating margins; to apply modern working methods and technology to enhance efficiency, safety, and environmental standards; to provide training and challenging career opportunities for our employees; to further develop and maintain our strong product brand; to protect and promote long-term shareholder value through good corporate governance; to carry out the responsibilities of a good corporate citizen; to grow and share Company success with stakeholders.

With the support of our personnel, who represent our most valuable asset, Indocement is set to achieve sustainable long-term growth in the years to come.

Thank you.

Jakarta, 25 March 2004

Daniel Lavalle
President Director

Board of **Commissioners**

Paul Vanfrachem

Sudwikatmono

I Nyoman Tjager

Hans Bauer

Horst R. Wolf

Hakan Fernvik

Parikesit Suprapto

Ibrahim Risjad

Thierry Dosogne

Board of **Directors**

Daniel Lavalle

Tedy Djuhar

Thomas Kern

Oivind Hoidalen

Nelson Borch

Iwa Kartiwa

Benny S. Santoso

Brad Taylor

Remuneration: Total remuneration of the Board of Commissioners and the Board of Directors amounted to Rp24 billion in 2003.

board of directors


Daniel Lavalle


Tedy Djuhar


Thomas Kern


Oivind Hoidalen


Iwa Kartiwa


Nelson Borch


Benny S. Santoso


Brad Taylor

The Board of Directors is primarily responsible for the management and operations of the Company. The shareholders elect members of the board for a fixed term ending on the 3rd Annual General Meeting of Shareholders from their appointment.

Daniel Lavalle

[President Director]

Belgian citizen, age 53.
President Director of Indocement since 26 April 2001. Previously, he was General Manager of CBR Cement, Belgium. He has a Master's degree in Mining from Polytechnical Faculty of Mons, Belgium.

Oivind Hoidalen

[Director]

Norwegian citizen, age 56. Director of Indocement since 26 April 2001. Previously, he was Director for Research and Development of Norcem and Senior Vice President of Scancem International. He is a Technical Science graduate, major in Metallurgy, from the Technical University of Clausthal, Germany.

Benny S. Santoso

[Director]

Indonesian citizen, age 45. Director of Indocement since 1994.
He graduated from the Department of Business Studies, Ngee Ann College, Singapore.

Tedy Djuhar

[Vice President Director]

Indonesian citizen, age 52.
Vice President Director of Indocement since 26 April 2001. Concurrently, Non-Executive Director of First Pacific Company Ltd., Hong Kong. He graduated from the University of New England, Australia with a degree in Economics.

Iwa Kartiwa

[Director]

Indonesian citizen, age 62. Director of Indocement since 1985. He was formerly a Director of PT Semen Baturaja. He graduated from Institut Teknologi Bandung with a degree in Mechanical Engineering.

Brad Taylor

[Director]

Canadian citizen, age 41.
Director of the Company since 3 December 2003, he is also Chief Financial Officer-Asia of HeidelbergCement Group based in Singapore. He holds a Master of Science (Taxation) from Golden Gate University, San Francisco, California, United States of America.

Thomas Kern

[Director]

German citizen, age 41.
Director of Indocement since 26 April 2001. Previously, he was Head of Group Industrial Controlling, HeidelbergCement Group. He is a Business Administration graduate from the University of Mannheim, Germany.

Nelson Borch

[Director]

Canadian citizen, age 41. Director of Indocement since 12 September 2001. Previously, he worked with the CBR Group in various capacities. Also, he was formerly Chief Executive Officer/Managing Partner of Terra Geotechnics SDN BHD, Malaysia. He has a degree in Civil Engineering from the University of British Columbia, Canada.

MARKETING

Sales

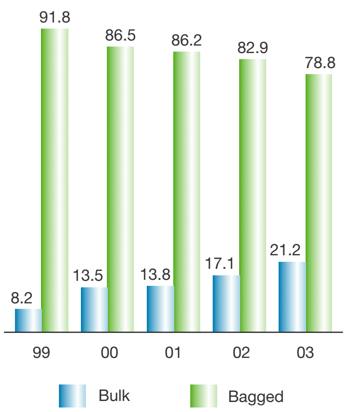
Combined sales of cement and clinker totaled 11.0 million tons in 2003 as compared to 11.5 million tons in 2002. Total sales revenues increased to Rp4,158 billion in 2003 from Rp3,948 billion in 2002.

Domestic Sales

Domestic sales volume of cement totaled 8.4 million tons in 2003 compared to 9.0 million tons in 2002. This drop is attributable to a reduction in Indocement's domestic market share to about 30% in 2003. Pressure from some competitors has significantly increased as they pursued a policy of domestic volume growth to substitute exports, while the cement consumption in Indonesia grew by only 1% compared to 6% in 2002.

Despite this competition, the Company continued its margin-oriented strategy in 2003 aiming at price and market stability. Indocement will continue to strike a balance between volume and price development with focus on its market share position, and the awareness that in the long run, cost increases due to inflation have to be passed on to the market through cement sales price increases.

Trend of Bulk vs Bagged Cement Sales
(in percent)

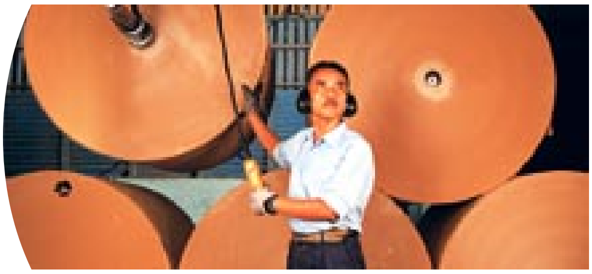


Export Sales

Export sales reached a record high of 2.6 million tons in 2003 from 2.4 million tons in 2002. These increased sales were supported by the marketing network of HeidelbergCement through its trading company, HC Trading International Inc. Margins from export sales are considerably lower than those from domestic sales due to the high freight component in exporting cement. They nevertheless contribute to the improvement of the operating results, in view of the still existing overcapacity of the Company.

Product Range

Indocement's product lines are marketed under the brand name, "Tiga Roda", which remains one of the leading cement brands in Indonesia. Ordinary Portland Cement and Portland Pozzolan Cement are the Company's two main product lines, accounting for over 98% of total cement sales. Other types of cement in the product range are White Cement, Oil Well Cement, Portland Cement type II, used primarily for the construction of underwater or marshland structures, and Portland Cement type V, used primarily for sulphate resistant structures. Through wholly-owned subsidiaries, PT Indomix Perkasa and PT Pionirbeton Industri, Indocement also markets Ready-Mix Concrete, in Greater Jakarta, West Java and Central Java.



Logistic Activities

Over the past year the numerous transportation and logistics activities for cement delivery have been consolidated into one division. In the domestic market the Company delivers millions of tons of cement to thousands of destinations across the country. The distribution system consists of terminals, warehouses, ships, and thousands of trucks. This past year the Company took direct responsibility for the land transportation element of distribution, an activity previously managed by its distributors. This has enabled Indocement to optimize deliveries from its three factory locations on a company-wide basis.

Total revenues increased as the transport component is now included in the selling price. On the other hand there is an associated increase in delivery and selling expenses as the Company now pays for the transport component directly. The net effect is an improvement in the ex-factory price.

The dredging of Indocement's port terminal at the Tarjun Factory was completed in 2003, increasing the available draft at the port. A very large percentage of the Tarjun production is shipped through its port facilities. The deeper draft gives the operation greater flexibility in the size of ships able to berth at the port.

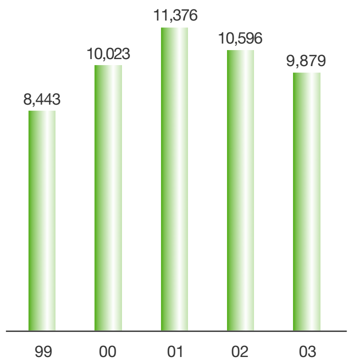
Outlook

The domestic cement market continues to be characterized by an oversupply as total national production capacity exceeded domestic demands by as much as 20 million tons. Growth of domestic cement consumption is expected to remain relatively flat in 2004, with a positive upswing in the later part of the year and into 2005.

We expect strong pressure on exports of cement from Indonesia in 2004 as world bulk shipping rates have continued to increase and will reach unprecedented levels in 2004. As cement is a heavy commodity, the freight component of delivered prices to export destinations is very high. The viability of cement export trades, especially those to far away destinations, will most likely decrease in 2004.

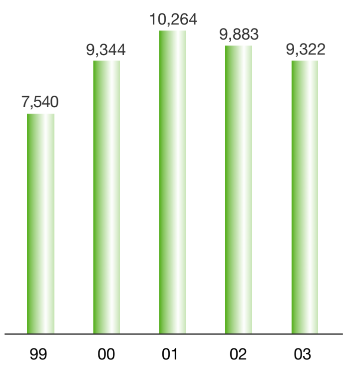
Clinker Production Volumes

(in thousand tons)



Cement Production Volumes

(in thousand tons)



The combined effects of all the above will increase domestic market pressure. Therefore, we foresee that the needed price increase will be difficult to achieve. The Company will keep its focus on its market share and margins in this competitive environment.

Energy is the single largest cost element in producing cement. The Company and the cement industry in general, will experience significant increases in fuel prices, specifically with coal prices reaching historical highs. These significant costs increases will have to be passed on to the market.

The Company will continue its efficiency drive in logistics by taking over the outside Java domestic shipping activities and by continuing to improve land transport delivery costs and reliability.

We believe that both domestic and export markets will improve beyond 2004. Post election year growth is anticipated to be robust with associated improvement of industry capacity utilization easing the price competition. The combined effects should improve the profitability of Indocement.

PRODUCTION

Following the sales volume trend, production volumes in 2003 were 9.9 million tons of clinker and 9.3 million tons of cement, a decline of 6.8% and 5.7%, respectively. With this decline, and the decision to optimize cost on the basis of operating the most efficient kilns, Indocement chose to run its Cirebon and Tarjun factories close to full capacity throughout 2003.
The balance of production to meet market demand was assigned to the Citeureup plant where some of the less efficient kilns were inactivated during certain periods of the year. As the dredging of the Tarjun port had already been completed, more export production was directed to Tarjun in 2003 than in the previous year.

Improving energy efficiencies in all three plant locations remained a key focus of Indocement as we strove to maintain sound operating margins in a competitive market environment. This was achieved in all three locations, where energy consumption was further reduced in 2003 compared to 2002.

Overall, Indocement succeeded in curtailing production costs in 2003 to match those of the previous year, despite considerable cost increases in fuel oil, electricity, paper bags and others. Capital expenditure, too, was tightly managed to a level well below that in 2002.

Indocement increased its efforts to assess the feasibility of using various types of alternative materials as well as alternative fuels in cement production. Certain alternative materials have successfully been introduced as raw materials to produce clinker.

The use of alternative fuels as heat fuel for clinker production continues to gain currency in industrialized nations. However, the condition in Indonesia is quite specific, so that the development has not yet been positive. What is important is that we continue to assess the process and constraints.

At the present time, Indocement is also concerned with efforts leading to increased protection and preservation of the environment which in 2003 included the upgrading of electrostatic precipitators at our Citeureup and Cirebon factories. A project proposal within the Clean Development Mechanism of the Kyoto Protocol is currently being pursued by Indocement in collaboration with the World Bank.

Citeureup Factory, West Java

The Citeureup factory is a fully integrated cement manufacturing facility comprising nine plants with a combined annual production capacity of 10.6 million tons of clinker. The self-contained facility includes a power generating plant of 300 MW capacity and a paper bag factory with a production capacity of approximately 170 million bags per year. Cement production in 2003 reached approximately 5.9 million tons, down by 6.6% from 6.3 million tons in 2002, due to planned downtime as a result of low market demand. Meanwhile, the production of Oil Well Cement was shifted to Plant 2 to enable the use of cheaper coal fuel instead of gas. The Citeureup factory continued to reduce fuel and power consumption, achieving a 3.6% and 1.1% improvement in 2003.

A comprehensive measurement of emission in Plant 7 was carried out in October 2003, reaffirming Indocement's compliance to international emission standards stipulated in the ISO 14001 environmental management certification issued to all nine plants of the Citeureup factory.

A detailed study on future operation of the limestone quarry was undertaken in 2003 with the conclusion that the entire operation - about 35% to 40% of which is presently outsourced to a mining contractor - will be taken over by the Citeureup Mining Division by the end of 2004.

Cirebon Factory, West Java

The Cirebon factory is a fully integrated cement manufacturing facility with two plants and a total annual production capacity of 2.4 million tons of clinker. Cement production in 2003 was approximately 2.2 million tons, 13.0% higher than that of the previous year. This increase was due to higher domestic sales achieved in the second half of 2003. A major initiative was the refurbishing of heavy equipment used in the quarry to increase operational availability. The Cirebon factory was able to maintain both fuel and power consumption in 2003 at the same low levels as that in 2002.

Tarjun Factory, South Kalimantan

The Tarjun factory is a fully integrated cement manufacturing facility with a single plant and an annual production capacity of 2.4 million tons of clinker. It has its own coal-fired power plant, water treatment plant and jetty. In 2003 Tarjun factory produced 1.9 million tons of clinker and 1.2 million tons of cement. Indocement placed into operation a new pre-homogenizing system to allow for greater flexibility in the sourcing of coal. In meeting international environmental management system standards, Tarjun factory was certified ISO 14001.

Outlook

It is projected that in 2004 the outlook of the cement industry - supply and demand - will not change drastically from the current picture. Consequently, the industry will continue to be characterized by overcapacity. This underpins the importance of cost efficiency in the production of cement as well as in the operation of kilns. The largest cost component of any cement plant is energy cost in terms of heat generation and power consumption. Indocement is constantly finding new ways to reduce the cost of these two components. We have used alternative raw materials which are more cost-effective. We have begun to use alternative sources of energy in increasingly significant quantities to generate heat. Also, we continue to use more cost-effective fuels in our self-contained power stations in Citeureup and Tarjun factories. Cost effectiveness and efficiency shall remain the key focus of our production over the next several years. At the same time, Indocement will continue to be a leading producer of prime quality cement.

Production Capacity

Year	Plant	Product	'000 MT of Clinker Per Year
1975	Plant 1	OPC	640
1976	Plant 2	OPC	534
1979	Plant 3	OPC	1,024
1980	Plant 4	OPC	1,024
	Plant 5	OWC/WC	214
1983	Plant 6	OPC	1,472
1984	Plant 7	OPC	1,760
	Plant 8	OPC	1,520
1991	Plant 9	OPC/PPC	1,216
1996	Plant 10	OPC/PPC	1,216
1999	Plant 11	OPC	2,400
2000	Plant 12	OPC	2,400
TOTAL			15,420

OPC : Ordinary Portland Cement
OWC : Oil Well Cement
WC : White Cement
PPC : Portland Pozzolan Cement

Consolidated financial statements are accounts of the Company and subsidiaries where the Company owns, directly or indirectly, more than 50% equity share. This includes PT Dian Abadi Perkasa and PT Indomix Perkasa; whereas minority interest holdings and investments in affiliates are accounted for using the equity method.

RESULT OF OPERATIONS

Consolidated net revenues rose 5.3% to Rp4,158 billion in 2003, mainly as a result of the change in billing method as well as slight increase in domestic selling price, despite lower sales volumes. Gross profit rose 7.4% from Rp1,300 billion in 2002 to Rp1,396 billion in 2003, whereas gross profit margin increased from 32.9% to 33.6% over the same period.

Indocement continued to strive for production-cost efficiency through optimum use of energy and fuel, as well as tight management of manufacturing costs. This, in addition to obtaining premium prices for its prime quality cement, resulted in the higher gross profit margin.

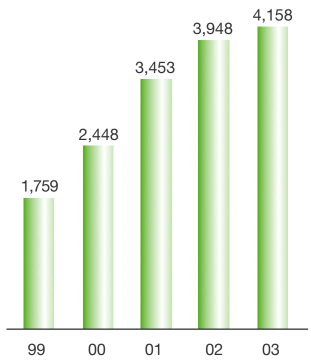
However, the Company incurred a steep rise in delivery and selling expenses which doubled during the year to Rp423 billion. The increase was primarily due to a rise in delivery, loading and transportation expenses to Rp345 billion in 2003 following the change in the billing method and delivery arrangements in certain areas. Nonetheless, the Company succeeded in keeping general and administrative expenses under control, which grew marginally by 0.2% during the year to Rp159 billion.

Mainly as a result of the rise in delivery and selling expenses, total operating expenses increased by 57.2% to Rp582 billion, thereby reducing the Company's income from operations by 12.4% from Rp930 billion in 2002 to Rp814 billion in 2003.

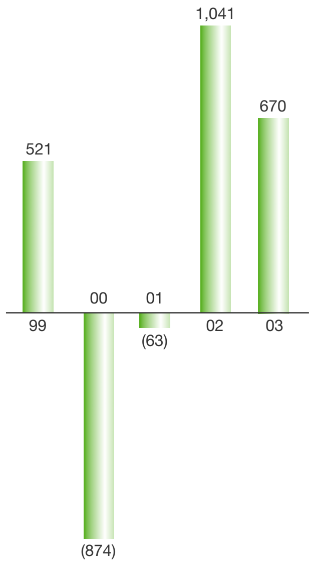
In 2003, the Company achieved a net other income of approximately Rp4 billion, in marked contrast to Rp518 billion in 2002. The substantial difference resulted mainly from the substantial decline in net foreign exchange translation gains, which fell from Rp849 billion in 2002 to Rp38 billion in 2003; and despite the significant gains in the disposal of non-core assets; as well as a considerable reduction of interest expenses by almost Rp125 billion. The overall net decrease in other income charges was Rp514 billion.

Net income after tax for the year under review declined 35.6% to Rp670 billion, despite an

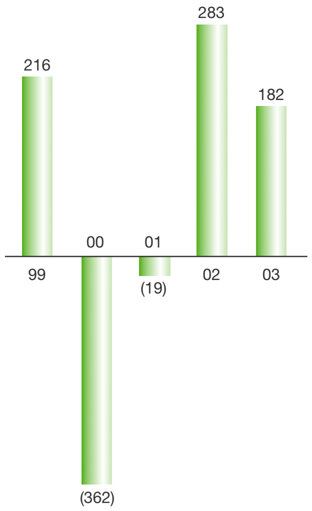
Net Revenues
(in billion rupiahs)



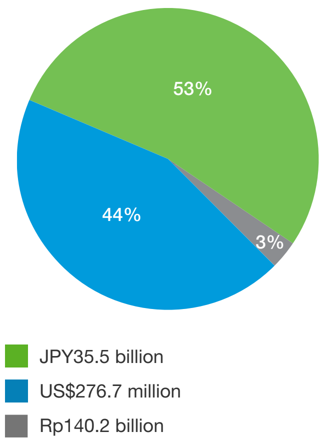
Net Income (Loss)
(in billion rupiahs)



Earnings (Loss) per Share
(in rupiah)



Loan Balance in Original Currencies in 2003
(%)



extraordinary item gain of Rp115 billion from debt buy-back. This resulted in an earnings per share of Rp182 in 2003 compared to Rp283 in 2002.

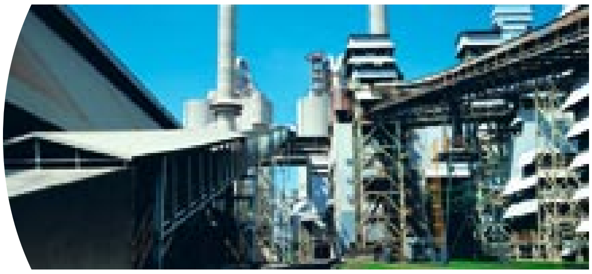
FINANCIAL CONDITION

Consolidated assets declined by 11.3% from Rp11,438 billion in 2002 to Rp10,145 billion in 2003; as did the Company's current assets, which fell 17.5% to Rp1,467 billion as at year end 2003, primarily due to a decrease in short term investments, reduction of net inventories as well as advances and deposits. Current liabilities, on the other hand, increased by 28.3% to Rp785 billion primarily as a result of long-term liabilities to banks and financial institutions which became current in 2003. Consequently, the Company's current ratio declined from 2.9 times to 1.9 year on year.

The net book value of property, plant and equipment after depreciation as at year end 2003 amounted to Rp8,141 billion, a decline of 4.7% from last year. The decline was consistent with the Company's tightly curtailed capital expenditures during the year.

Consolidated liabilities amounted to Rp5,612 billion in 2003, a 26.4% decrease from Rp7,629 billion in 2002. Borrowings from various financial institutions still accounted for a majority portion or 94.3% of total liabilities. The Company reduced its outstanding debts to banks and financial institutions from Rp7,297 billion in 2002 to Rp5,290 billion as at year-end 2003.

During the year, the Company disposed virtually all of its non-core assets and holdings, realizing a net proceeds of US$57.1 million, all of which were credited to the Company's restricted cash accounts for the sole purpose of debt retirement. From the proceeds of these disposals, as well as from operational cash flows, the Company retired Rp2,007 billion of its debts in 2003. This covered the US$33.5 million as mandatory repayment in 2003 under the Post HZ Entry Master Facility Agreement (HZMFA) which the Company had entered into with all of its creditors in 2000. Also, the Company made an early repayment of US$25.5 million and bought back a portion of its debts amounting to US$166 million from creditors at an average discount rate of 11.4% during the year. As a result of these debt reductions, the Company further reduced its net gearing ratio from 1.6 times to 1.0, considerably strengthening the sustainability of its balance sheet.

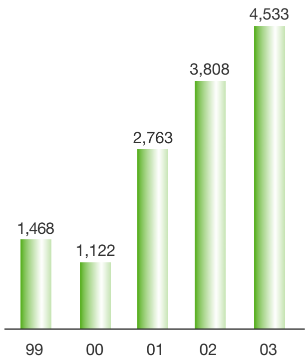


As most of the loan balances are denominated in US Dollar and Japanese Yen, exchange rate fluctuations influence their equivalent value in terms of Indonesian Rupiah. While the Rupiah improved in value against the US Dollar from Rp8,940 to Rp8,465, it weakened versus the Japanese Yen from Rp75.40 to Rp79.17. The overall net effect for Indocement was still positive.

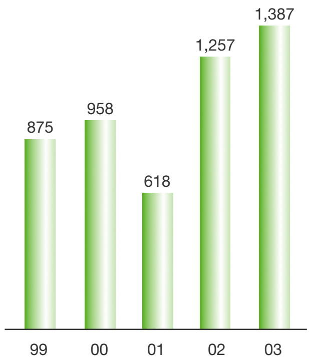
Net shareholders' equity increased by 19% from Rp3,808 billion in 2002 to Rp4,533 billion in 2003, mainly as a reflection of the increase in the Company's retained earnings. The majority shareholding of the Company, to the extent of 65.1%, remained under the controlling ownership of the HeidelbergCement Group through HC Indocement GmbH, a company incorporated in Germany. The Company's total number of shares issued and fully paid for as at year end 2003 has increased slightly from last year to 3,681,231,699 shares, all of which are listed on both Jakarta and Surabaya stock exchanges.

The Indocement stock performed strongly in 2003 with a closing price that was 240% higher than at the beginning of the year and a market capitalization which rose from Rp2,301 billion to Rp7,823 billion. It also outperformed the Jakarta Composite Index which grew by 69% in 2003.

Shareholders' Equity
(in billion rupiahs)



Cash Generated from Operations
(in billion rupiahs)



human resources

Indocement is proud of the excellent relationship that exists between its management and employees and workers. Conducive labor relations have existed between the Company and union members from the first day that the labor union of Indocement was formed in 1975.

Revised CLA

With the enactment of Labor Law No. 13 of 2003, the Collective Labor Agreement (CLA) that was signed in 2002 between the Company and representatives of Indocement labor unions was revised to reflect the new law. Agreements for the revisions were reached quickly and amicably, just as negotiations leading to the original CLA signing in 2002 had gone smoothly. Several improvements were made to the employees' welfare package, which is expected to increase work morale and dedication of employees.

Performance Quotient (PQ)

Indocement continues to regard its relationships with employees as vital to the long-term interests of the Company. The cordial relationship between the Company and its employees is a reflection of a core belief in the Company's work ethics, namely: An excellent workforce working under the guidance and direction of excellent leadership and management will consistently yield "Indocement Excellence".

In 2003, the Indocement Excellence was driven further by the implementation of the Quantum Challenge process (see following box). The Quantum Challenge constantly reinforces the values of striving for excellence in everything we do as part of being accountable to shareholders, customers, fellow employees, our families and the communities in which we live and work. This program entered its final phase of implementation in 2003 with the completion of the Management Control System which provides management with a real-time window, the PQ e-Reporting System, to monitor performance quotients on seven key performance indicators, namely financial strength, customer satisfaction, productivity and efficiency, innovation, teamwork, enterprise PQ, and public responsibility.

The challenging and rewarding working environment that Indocement continues to provide to its employees over the years was underscored further with the implementation of the Quantum Challenge and the PQ index.

Safety and Health

The Company remains fully committed to providing a safe and healthy working environment. Indocement continues to conduct safety training courses to enhance employee awareness on occupational health and safety issues. In 2003, the Company had no fatalities related to work accidents, for which it received the Gold Flag award for Work Health and Safety System Management and International Certificate for the Occupational Health and Safety Management System.

Quantum Challenge

Quantum Challenge, a performance-driven organizational initiative, was started in 2000.

- Quantum Challenge energizes the effort to grasp and exploit the dynamics of change taking place in the business ecosystem. The initiative aims to bring the enterprise to achieve Indocement Excellence, defined as the organizational capability to constantly assess and respond to perceived changes in the business ecosystem in a manner that improves competitiveness and sustains profitability
- The Quantum Challenge process first seeks to identify business prospects and formulate a plan of action to exploit them. When the plan is in place, the process brings everyone in the Company on board, by means of the Dual Frame network of planning, process, project and function teams, in a common understanding of the changes needed to make Indocement the leading domestic cement producer by the year 2007
- The goal of the process is to have a Company-wide perception of the problems, the challenges and the constraints, that confront the business, and build appreciation and commitment to what its leaders have decided to do about them

All necessary preparations for implementing the total system approach embodied in Organizing for Business Excellence were completed in 2002.

- The initiative has moved beyond awareness to an advanced level of comprehension and competence among all of the Company's key players
- A set of core values, now embodied in the Indocement Management Philosophy, defines what is expected from individuals and teams in order for the Company to excel in the pursuit of its goals

Planning and control, standard and goal setting are in place to influence the collective mind set and guide behavior in a manner that motivates everyone to heighten their Performance Quotient, a measure of the value that they contribute in bringing the Company closer to Indocement Excellence.

environment and community

Indocement has always been concerned with community and environmental issues which constitute part of Good Corporate Governance. In 2003, Indocement continued to work towards sustainable development, which is defined as balancing economic, social, and environmental issues to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Social Commitment

While Indocement provides value for the whole of Indonesia, our immediate communities are those who have common interest in protecting and improving shared quality of life and environment. Indocement is committed to maintaining good relationship with these communities. In 2003, we continued to provide opportunities for educational, working and economic development. We also continued to provide healthcare services, including doctor visits to villages and a 24-hour emergency health clinic.

Perhaps more importantly, we also took the initiative to reevaluate our longstanding community programs to make sure that Indocement was accommodating the many changes that have occurred in our communities. To be noted, our weekly community meetings were increasingly used to foster a greater level of participation by the community and Indocement in all of our community development initiatives.

Environmental Commitment

Environmental commitment for Indocement goes well beyond mere compliance to environmental laws and regulations. It is a basic business principle that is shared among all members of the HeidelbergCement Group worldwide. Our commitment to environment and sustainable development is reflected among other things in our continuous efforts to reduce energy consumption in our cement production, thereby conserving fuel energy. As much as possible, we intend to substitute non-renewable fossil fuels with alternative fuels. Moreover, increased usage of additive materials in cement production has become a key business initiative in the past business year.

In 2003, to ascertain the environmental safety in the use of alternative fuels, Indocement signed a working agreement with Bandung Institute of Technology (ITB) to monitor stack emission. Simultaneously, we also engaged European Cement Research Academy (ECRA), an internationally accredited emission monitoring body, to assist and advise on emission limits in line with international standards.

Transparency in business operations is essential to effective dialogue with stakeholders and a cornerstone to building trust within our communities.

In keeping with the internationally recognized trend of the so-called 'triple bottom line' accounting which includes social and environmental considerations in addition to financial results, Indocement appreciates the value of communicating our financial, social and environmental responsibilities to our stakeholders.

To that end, we have integrated all of our community and environmental programs into a comprehensive management plan. This will enable Indocement to inform the public of our social and environmental programs to allow our stakeholders to make well-informed choices with respect to Indocement.

corporate governance

Good Corporate Governance remains a key stewardship responsibility for Indocement. In this respect, we continue to commit ourselves to transparent reporting and management accountability.

In addition to transparency and accountability, corporate governance at Indocement is a way to fostering clear lines of authority and responsibility as well as an open environment in which integrity is expected to flourish and prevail at all levels.

The key points of our corporate governance policies and implementation remain as follows:

- Clear and segregated roles and responsibilities of Commissioners and Directors
- Focus on strategic direction and business plan
- Proper business conduct
- Transparent and fair dealings with stakeholders
- Protection of minority shareholders' rights
- Emphasis on risk management and risk aversion
- Enhanced operational oversight and control through the Audit Committee and the Internal Audit Unit
- Effective management information system for informed decisions
- Timely and accurate information disclosure and dissemination through the Corporate Secretary, and
- Responsibility to social, environmental and developmental issues

These guidelines have enabled Indocement to ensure sound management and control of the Company's assets and shareholders' equity. Thus, we continue to rely on sound corporate governance tenets in order to ensure sustainable development and to build and enhance long term stakeholder value.

In compliance with one of Jakarta Stock Exchange's (JSX) rulings on Good Corporate Governance, the Board of Commissioners confirmed the appointment of the following individuals as Independent Commissioners:

- Sudwikatmono
- I Nyoman Tjager
- Parikesit Suprapto
- Ibrahim Risjad

In addition, the Board of Commissioners has formed an Audit Committee consisting of independent professionals.

Report of the Audit Committee

The Audit Committee Report has been prepared in accordance with the applicable regulations of Capital Market Supervisory Agency - Bapepam (No.: Kep-41/PM/2003) and the Jakarta Stock Exchange (No.: KEP-339/BEJ/07-2001).

For the financial period ended 31 December 2003, the Audit Committee met six times to fulfill their roles and responsibilities in the following areas:

- Financial reporting and audit
- Corporate governance
- Risk management
- Internal audit
- Business planning

In relation to financial reporting and audit, the Audit Committee was involved in the selection and appointment of the public accounting firm to act as the external auditors, giving due consideration to the scope of the audit, as well as the independence and objectivity of the auditors. During the year, the Audit Committee was involved in audit planning and audit finalization – with various discussions to ensure that all major risks faced by the Company were addressed by the audit and in compliance with Indonesian Generally Accepted Accounting Principles (GAAP). Overall, the Audit Committee was comfortable with the quality of the audit works and auditors.

In relation to corporate governance, the Audit Committee ensured that the Company assessed its corporate governance practices, based upon the self-assessment checklist developed by the Forum for Corporate Governance in Indonesia (FCGI). Although the results of this assessment were good and satisfactory, some minor recommendations were noted for improving certain corporate governance practices.

In relation to risk management, the Audit Committee ensured that the Company adopted an enterprise risk management approach, based upon the HeidelbergCement Group risk management framework. The Audit Committee further noted that management gave proper attention to the major risks faced by the Company.

In relation to internal audit, the Audit Committee also ensured that the Company adopted a risk-based internal audit approach, and that this approach was integrated with the enterprise risk management approach.

The Audit Committee noted that the scope and priorities of internal audit were consistent with the major risks faced by the Company.

Finally, in relation to business planning, the Audit Committee ensured that the Company adequately considered the critical issues and challenges faced in meeting its goals and objectives, including both internal and external factors.

I Nyoman Tjager

[Chairman of Audit Committee]

See page 9.

F. Antonius Alijoyo

[Member of Audit Committee]

Indonesian citizen, age 40. Member of Audit Committee of Indocement since 6 December 2001. Currently, he is a senior partner of AAJ Associates, a member firm of RSM International. He holds a Bachelor of Economics degree from Parahyangan Catholic University, and a Master of Business Administration from IPPM, Jakarta.

Phil Leifermann

[Member of Audit Committee]

Australian citizen, age 41. Member of Audit Committee of Indocement since 5 March 2002. Currently, he is the President Director of Insight Consulting. He holds a Master of Business Administration degree from the University of Western Australia, Perth.

stock market information

INTP vs JCI in 2003

- The total number of Indocement shares (INTP) listed on the stock exchanges was 3,681,231,699 shares as at year-end 2003
- The volume of Indocement shares traded at the stock exchanges in 2003 totaled 711,065,500 shares
- These shares were traded at Rp625 per share on 2 January 2003, and Rp2,125 per share on 31 December 2003, an increase of 240%
- In 2003, the Jakarta Composite Index (JCI) opened at 409.13 and closed at 691.90, an increase of 69%
- The number of registered shareholders of Indocement as of 31 December 2003 was 1,458

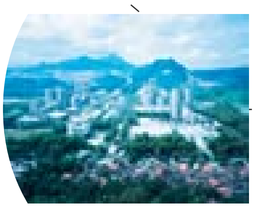
SHARE PRICES in Rupiah

	2003		2002	
	Highest	Lowest	Highest	Lowest
First Quarter	875	600	900	700
Second Quarter	1,250	825	1,250	775
Third Quarter	1,825	1,250	1,200	850
Fourth Quarter	2,150	1,700	875	575

plant locations

Tarjun Factory
South Kalimantan
Plant 12

Citeureup Factory
West Java
Plant 1-8 & 11



Cirebon Factory
West Java
Plant 9 & 10

subsidiaries and other investments

REVENUES — Billion Rupiahs

	2003	2002
Subsidiaries		
PT Indomix Perkasa	**86.4**	63.6
PT Pionirbeton Industri	**126.1**	51.2*
PT Dian Abadi Perkasa	**3,009.2**	3,365.4
Other Investments		
PT Wisma Nusantara International**	**-**	106.9
PT Indominco Mandiri**	**-**	1,139.8
PT Cibinong Center Industrial Estate	**7.7**	10.2
PT Pama Indo Mining	**32.1**	36.1
Stillwater Shipping Corporation	**24.2**	43.4
PT Indotek Engico**	**-**	23.6

* Consolidated beginning July 1, 2002
** Sold in 2003

PT Indomix Perkasa
Produces and sells ready-mix concrete

PT Pionirbeton Industri
Produces and sells ready-mix concrete

PT Dian Abadi Perkasa
Domestic distributor of cement

PT Indo Clean Set Cement
Under liquidation

Indocement (Cayman Island) Limited
Invests in shipping business

PT Cibinong Center Industrial Estate
Owns an industrial park situated in the vicinity of Citeureup cement production complex

PT Pama Indo Mining
Engages in clay and limestone mining services

Stillwater Shipping Corporation
Owns and operates “MV Tiga Roda” (10,000 DWT) and floating terminal “Quantum I” (450,000 tons per annum)

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report

Report No. RPC-1592

The Shareholders, and the Boards of Commissioners and Directors
PT Indocement Tunggal Prakarsa Tbk.

We have audited the consolidated balance sheets of PT Indocement Tunggal Prakarsa Tbk. (the "Company") and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of all associated companies, the investments in which are accounted for in the consolidated financial statements using the equity method. The carrying values of these investments represent approximately 0.24% and 1.98% of the total consolidated assets as of December 31, 2003 and 2002, respectively, while the related equity in net earnings (losses) of these associated companies amounted to Rp 1,256,450,475 in 2003 and (Rp 6,964,775,864) in 2002.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations, and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Note 22 to the consolidated financial statements summarizes the effects of the economic conditions in Indonesia on the Company and Subsidiaries, as well as the measures the Company and Subsidiaries have implemented in response to the economic conditions. The accompanying consolidated financial statements include the effects of the economic conditions to the extent that they can be determined and estimated.

PRASETIO, SARWOKO & SANDJAJA

Drs. Soemarso S. Rahardjo, ME
Public Accountant License No. 98.1.0064

January 20, 2004

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices applied to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

ASSETS	Notes	2003	2002
CURRENT ASSETS			
Cash and cash equivalents	2c, 3	300,084,754,453	273,609,131,586
Short-term investments	2d, 7f	5,946,452,150	193,157,721,723
Trade receivables	2e, 4, 11		
Third parties - net of allowance for doubtful accounts of Rp 13,332,091,743 in 2003 and Rp 16,392,497,190 in 2002	21i	294,566,141,368	249,064,859,792
Related parties	2f, 5a	22,748,551,497	36,928,717,886
Other receivables from third parties - net of allowance for doubtful accounts of Rp 1,389,089,659	2e, 10	15,218,462,652	26,598,797,607
Inventories - net	2g, 6, 11	709,065,286,248	875,871,806,398
Advances and deposits	6, 24	57,943,015,022	72,586,114,137
Prepaid taxes	10	48,965,252,314	37,482,183,606
Prepaid expenses	2h	12,560,871,406	12,119,171,886
Total Current Assets		1,467,098,787,110	1,777,418,504,621
NON-CURRENT ASSETS			
Due from related parties	2f, 5d, 24	68,129,247,479	45,748,856,034
Deferred tax assets - net	2r, 10	7,278,466,766	316,079,036,182
Long-term investments and advances to associated companies - net of allowance for doubtful accounts of Rp 13,431,144,026 in 2003 and Rp 13,789,698,006 in 2002	2b, 2f, 7, 24	24,864,880,556	62,134,771,993
Property, plant and equipment - net of accumulated depreciation, amortization and depletion of Rp 2,910,855,783,693 in 2003 and Rp 2,520,144,702,511 in 2002	2i, 2j, 2k, 2l, 5c, 8, 11, 21g, 21h	8,140,674,858,601	8,541,455,141,160
Restricted cash and time deposits	3, 11, 12	368,504,768,694	593,895,812,471
Other non-current assets	2h, 2m, 8, 21c, 24	68,514,825,152	100,791,348,303
Total Non-Current Assets		8,677,967,047,248	9,660,104,966,143
TOTAL ASSETS		**10,145,065,834,358**	**11,437,523,470,764**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2003	2002
CURRENT LIABILITIES			
Trade payables	9		
Third parties	21d, 21e, 24	106,900,353,070	101,712,666,265
Related parties	2f, 5e	796,852,775	1,617,742,080
Other payables to third parties	2q, 8, 21k	43,169,864,325	39,551,424,566
Accrued expenses	2f, 5e, 11, 18, 20	76,994,864,638	125,548,668,827
Taxes payable	10	46,388,550,615	28,342,949,278
Current maturities of long-term liabilities			
Loans from banks and financial institutions	2f, 5d, 11	497,318,750,000	299,490,000,000
Obligation under capital lease	2k, 8, 12	1,752,355,760	-
Others	2o, 20, 21j	6,062,667,633	-
Other current liabilities		5,568,622,589	15,692,762,057
Total Current Liabilities		784,952,881,405	611,956,213,073
NON-CURRENT LIABILITIES			
Due to related party	2f, 5b, 5d	1,819,921,011	7,500,993,255
Deferred tax liabilities - net	2r, 10	290,799,555	-
Long-term liabilities - net of current maturities			
Loans from banks and financial institutions	2f, 5d, 11	4,792,846,759,308	6,997,925,764,030
Obligation under capital lease	2k, 8, 12	3,504,711,520	-
Others	2o, 20, 21j	17,495,856,555	-
Deferred gain on sale and leaseback transactions - net	2k	10,697,108,865	11,745,876,520
Total Non-Current Liabilities		4,826,655,156,814	7,017,172,633,805
SHAREHOLDERS' EQUITY			
Capital stock - Rp 500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares in 2003 and 3,681,223,519 shares in 2002	13	1,840,615,849,500	1,840,611,759,500
Additional paid-in capital	2t, 14	1,194,236,402,048	1,194,229,040,048
Other paid-in capital	15	338,250,000,000	338,250,000,000
Differences arising from changes in Subsidiary's equity	2b	(841,391,078)	(55,633,848,147)
Differences arising from restructuring transactions among entities under common control	2b	(330,799,198,508)	(330,799,198,508)
Unrealized losses on available-for-sale securities - net	2d	(3,069,178,320)	(3,038,715,970)
Retained earnings			
Appropriated	16	75,000,000,000	50,000,000,000
Unappropriated		1,420,065,312,497	774,775,586,963
Net Shareholders' Equity		4,533,457,796,139	3,808,394,623,886
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,145,065,834,358**	**11,437,523,470,764**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	Notes	2003	2002
NET REVENUES	2f, 2n, 5, 17, 21b, 21i	4,157,683,466,642	3,948,282,505,933
COST OF REVENUES	2f, 2n, 5, 18, 20, 21c, 21d, 21e, 21f	2,761,761,751,105	2,648,367,364,706
GROSS PROFIT		**1,395,921,715,537**	**1,299,915,141,227**
OPERATING EXPENSES	2n, 5, 19, 20		
Delivery and selling		422,933,060,351	211,684,875,781
General and administrative		158,612,350,562	158,286,568,569
Total Operating Expenses		**581,545,410,913**	**369,971,444,350**
INCOME FROM OPERATIONS		**814,376,304,624**	**929,943,696,877**
OTHER INCOME (CHARGES)			
Gain on disposal of property and equipment - net	2i, 8	123,100,441,406	446,644,768
Gain (loss) on disposal of long-term investment - net	7	101,972,978,186	(8,036,067,640)
Foreign exchange gain - net	2p, 2q	38,208,746,252	848,775,562,121
Interest income	3	22,343,305,301	37,451,739,021
Interest expense	11	(233,967,826,486)	(358,723,716,786)
Others - net	2b, 2d, 2k, 2m	(48,015,621,862)	(1,867,222,331)
Other Income - Net		**3,642,022,797**	**518,046,939,153**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (continued)

Years ended December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	Notes	2003	2002
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATED COMPANIES - NET	2b, 7	**1,256,450,475**	**(6,964,775,864)**
INCOME BEFORE TAX EXPENSE AND EXTRAORDINARY ITEM		**819,274,777,896**	**1,441,025,860,166**
TAX EXPENSE	2r, 10		
Current		4,105,138,210	416,706,500
Deferred		259,884,204,782	416,259,830,060
Total Tax Expense		**263,989,342,992**	**416,676,536,560**
INCOME BEFORE EXTRAORDINARY ITEM		**555,285,434,904**	**1,024,349,323,606**
EXTRAORDINARY ITEM - Net of deferred tax effect of Rp 49,287,553,127 in 2003 and Rp 7,156,316,410 in 2002	10, 11	115,004,290,630	16,698,071,624
NET INCOME		**670,289,725,534**	**1,041,047,395,230**
BASIC EARNINGS PER SHARE	2u	**182.08**	**282.80**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	Notes	Capital Stock	Additional Paid-in Capital *	Differences Arising from Changes in Subsidiary's Equity
Balance, January 1, 2002		**1,840,611,759,500**	**1,532,479,040,048**	**(59,762,848,146)**
Net income		-	-	-
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-
Change in Subsidiary's equity arising from realized loss on sale of its investment in available-for-sale securities	2b, 2d	-	-	3,419,212,500
Change in Subsidiary's equity arising from the recovery from decline in market values of its investments in available-for-sale securities	2b, 2d	-	-	709,787,499
Balance, December 31, 2002		**1,840,611,759,500**	**1,532,479,040,048**	**(55,633,848,147)**
Net income		-	-	-
Issuance of common stock arising from the exercise of warrants by shareholders	13	4,090,000	7,362,000	-
Appropriation of retained earnings for general reserve	16	-	-	-
Decline in market values of investments in available-for-sale securities	2d	-	-	-
Change in Subsidiary's equity arising from the revaluation of its property, plant and equipment	8	-	-	18,550,195,620
Change in Subsidiary's equity arising from realized loss on sale of its investment in available-for-sale securities	2b, 2d	-	-	10,842,722,096
Change in Subsidiary's equity arising from the recovery from decline in market values of its investments in available-for-sale securities	2b, 2d	-	-	25,399,539,353
Balance, December 31, 2003		**1,840,615,849,500**	**1,532,486,402,048**	**(841,391,078)**

* Including Other Paid-in Capital.

	Differences Arising from Restructuring Transactions Among Entities Under Common Control	Unrealized Losses on Available-for-Sale Securities - Net	Retained Earnings		Net Shareholders' Equity
			Appropriated	Unappropriated	
	(330,799,198,508)	**(3,169,412,670)**	**50,000,000,000**	**(266,271,808,267)**	**2,763,087,531,957**
	-	-	-	1,041,047,395,230	1,041,047,395,230
	-	130,696,700	-	-	130,696,700
	-	-	-	-	3,419,212,500
	-	-	-	-	709,787,499
	(330,799,198,508)	**(3,038,715,970)**	**50,000,000,000**	**774,775,586,963**	**3,808,394,623,886**
	-	-	-	670,289,725,534	670,289,725,534
	-	-	-	-	11,452,000
	-	-	25,000,000,000	(25,000,000,000)	-
	-	(30,462,350)	-	-	(30,462,350)
	-	-	-	-	18,550,195,620
	-	-	-	-	10,842,722,096
	-	-	-	-	25,399,539,353
	(330,799,198,508)	**(3,069,178,320)**	**75,000,000,000**	**1,420,065,312,497**	**4,533,457,796,139**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	Notes	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		4,472,855,641,795	4,286,388,049,856
Payments to suppliers and contractors, and for salaries and other employees' benefits		(2,825,942,446,699)	(2,766,490,476,107)
Cash provided by operations		1,646,913,195,096	1,519,897,573,749
Receipts of interest income		17,427,738,508	30,320,659,563
Proceeds from claims for tax refund	10	13,270,822,761	236,284,666
Payments of taxes		(335,211,814,611)	(317,902,874,119)
Net receipts from other operating activities		45,019,911,782	24,914,356,171
Net Cash Provided by Operating Activities		**1,387,419,853,536**	**1,257,466,000,030**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	8	219,457,254,400	543,455,000
Proceeds from sale of marketable securities		42,179,214,093	4,478,084,157
Cash dividends received	7b, 7f	17,951,109,674	4,669,598,153
Proceeds from sale and lease-back transaction		5,173,904,800	-
Proceeds from reduction of investment in associated company	7a	3,500,000,000	-
Purchases of property, plant and equipment		(113,641,572,724)	(205,924,649,877)
Acquisition of subsidiaries		-	(4,297,500,000)
Net proceeds from other investing activities		2,287,159,904	7,505,676,788
Net Cash Provided by (Used in) Investing Activities		**176,907,070,147**	**(193,025,335,779)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock arising from the exercise of warrants by shareholders	13	11,452,000	-
Net proceeds from (payment of) forward exchange contract transactions	21k	(9,368,600,000)	1,265,000,000
Payment of obligation under capital lease	12	(1,756,355,760)	-
Payments of bank loan		-	(4,119,720,000)
Net Cash Used in Financing Activities		**(11,113,503,760)**	**(2,854,720,000)**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(5,256,476,958)	(8,036,040,550)
RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(1,521,481,320,098)	(1,038,634,870,607)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**26,475,622,867**	**14,915,033,094**
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARY AT ACQUISITION DATE		-	2,821,848,770
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	273,609,131,586	255,872,249,722
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**300,084,754,453**	**273,609,131,586**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	Notes	2003	2002
Activities not affecting cash:			
Payment of bank loans from restricted cash accounts (including debt buy-back of Rp 1,267,460,477,784 in 2003 and Rp 58,740,651,888 in 2002)	11	1,793,865,599,734	558,729,769,040
Proceeds from sale of long-term investments deposited to restricted cash accounts	7	287,145,153,434	57,987,032,360
Payment of interest using restricted cash accounts	11	220,606,458,920	321,604,987,796
Recognition of revaluation increment in property, plant and equipment	8	18,550,195,620	-
Acquisitions of assets under capital lease through the incurrence of obligation under capital lease	8, 12	7,013,423,040	-
Proceeds from interest earned on restricted cash accounts	11	4,462,847,868	6,621,603,315
Payments to facility agent and security agent using restricted cash accounts	11	2,359,395,000	468,000,000

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 27 of Ridwan Suselo, S.H. Its deed of incorporation was approved by the Ministry of Justice in its decision letter No. C2-2876HT.01.01.Th.85 dated May 17, 1985 and was published in Supplement No. 57 of State Gazette No. 946 dated July 16, 1985. The Company's articles of association has been amended from time to time, the latest of which was covered by notarial deed No. 39 dated July 25, 2003 of Amrul Partomuan Pohan, S.H., LLM. concerning, among others, the increase in the Company's issued and paid-up capital stock. Such amendments were registered with the Ministry of Justice and Human Rights on August 12, 2003.

The Company started its commercial operations in 1985.

As stated in Article 3 of the Company's articles of association, the scope of its activities comprises, among others, the manufacture of cement, building materials, food and beverages, and textile products, construction and trading. Currently, the Company and Subsidiaries are involved in several businesses consisting of the manufacture and sale of cement (the Company and Subsidiaries' core business), ready mix concrete and other businesses.

The Company's head office is located at Wisma Indocement 8th Floor, Jl. Jend. Sudirman Kav 70-71, Jakarta. Its factories are located in Citeureup - West Java, Cirebon - West Java, and Tarjun -South Kalimantan.

The cement business includes the operations of the Company's twelve (12) plants located in three different sites: nine at the Citeureup - Bogor site, two at the Palimanan - Cirebon site and one at the Tarjun - South Kalimantan site, with a total combined annual production capacity of approximately 15.4 million tons of clinker. The ready mix concrete manufacturing business comprises the operation of its two subsidiaries, while other businesses include, among others, the lease of the Company-owned property, Wisma Indocement, a 23-storey office tower (with over 19,000 square meters of rentable space and two basement car parks) which was sold in November 2003 (see Note 8). Prior to 2003, the Company also owned PT Wisma Nusantara International (see Note 7f), which owns and operates a 30-storey office building (located at Jakarta's central commercial district) with 26,108 square meters of rentable space, the President Hotel (a four-star hotel with 315 rooms), and Hotel Novotel Benoa Bali (a four-star hotel with 190 rooms, located in Nusa Dua, Bali).

Based on the minutes of the extraordinary general meeting of the Company's shareholders (EGMS) held on October 2, 1989, which were covered by notarial deed No. 4 of Amrul Partomuan Pohan, S.H., LLM., the shareholders approved, among others, the offering of 598,881,000 shares to the public. Also, based on the minutes of the EGMS held on March 18, 1991, which were covered by notarial deed No. 53 of the same notary, the shareholders approved the issuance of convertible bonds with a total nominal value of US$ 75 million.

On June 20, 1991, in accordance with the above-mentioned shareholders' approval, the Company issued and listed US$ 75 million worth of 6.75% Euro Convertible Bonds (the "Euro Bonds") on the Luxembourg Stock Exchange at 100% issue price, with an original maturity in 2001 if these were not converted into shares. The Euro Bonds were convertible into common shares starting August 1, 1991 up to May 20, 2001 at the option of the bondholders at the initial conversion price of Rp 14,450 per share, with a fixed rate of exchange upon conversion of US$ 1 to Rp 1,946.

In 1994, the Company issued 8,555,640 shares upon the partial conversion of the Euro Bonds worth US$ 35,140,000. Accordingly, the Company transferred and reclassified the corresponding portion of the related bonds payable amounting to Rp 8,555,640,000 to capital stock and Rp 67,320,100,000 to additional paid-in-capital. The remaining balance of the Euro Bonds with total nominal value of US$ 39,860,000 was fully redeemed and settled in 1994.

In the EGMS held on June 15, 1994, the shareholders approved the increase in the Company's authorized capital stock from Rp 750 billion to Rp 2,000 billion, and the issuance of one bonus share for every share held by the shareholders as of August 23, 1994, or a total of 599,790,020 bonus shares.

(Expressed in rupiah, unless otherwise stated)

In the EGMS held on June 26, 1996, the shareholders resolved to split the par value of the Company's shares from Rp 1,000 per share to Rp 500 per share. Accordingly, the issued and paid-in capital stock were also increased from 1,207,226,660 shares to 2,414,453,320 shares. This shareholders' resolution was approved by the Ministry of Justice in its decision letter No. C2-HT.01.04.A.4465 dated July 29, 1996.

On December 29, 2000, the Company issued 69,863,127 shares to Marubeni Corporation as a result of the conversion into equity of the latter's receivable from the Company (debt-to-equity swap).

In the EGMS held on March 29, 2001, the shareholders approved the rights issue offering with pre-emptive rights to purchase new shares at Rp 1,200 per share. The total number of shares allocated for the rights issue was 1,895,752,069 shares with an option to receive Warrant C if the shareholders did not exercise their rights under certain terms and conditions stated in Note 13.

As of May 1, 2001 (the last exercise date), the total shares issued for rights exercised were as follows:
- 1,196,874,999 shares to Kimmeridge Enterprise Pte., Ltd. ("Kimmeridge"), a subsidiary of HeidelbergCement (formerly Heidelberger Zement AG (HZ)) (HC), on April 26, 2001, through the conversion of US$ 149,886,295 debt.
- 32,073 shares to public shareholders.

The number of shares issued for the exercise of Warrant C totaled 8,180 shares.

As of December 31, 2003, the members of the Company's boards of commissioners and directors are as follows:

Board of Commissioners :			Board of Directors :		
President Commissioner	:	Paul Vanfrachem	President Director	:	Daniel Lavalle
Vice President Commissioner	:	Sudwikatmono	Vice President Director	:	Tedy Djuhar
Vice President Commissioner	:	I Nyoman Tjager	Director	:	Thomas Kern
Commissioner	:	Hans Bauer	Director	:	Oivind Hoidalen
Commissioner	:	Horst R. Wolf	Director	:	Iwa Kartiwa
Commissioner	:	Hakan Fernvik	Director	:	Nelson Borch
Commissioner	:	Parikesit Suprapto	Director	:	Benny S. Santoso
Commissioner	:	Ibrahim Risjad	Director	:	Brad Taylor
Commissioner	:	Thierry Dosogne			

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp 24 billion and Rp 22 billion for the years ended December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, the Company and Subsidiaries have a total of 7,107 and 7,414 permanent employees, respectively (unaudited).

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles and practices in Indonesia, which are based on Statements of Financial Accounting Standards (PSAK), the Capital Market Supervisory Agency's (Bapepam) regulations and Guidelines for Financial Statements Presentations and Disclosures for publicly listed companies issued by the Bapepam for manufacturing and investment companies. The consolidated financial statements have been prepared on the accrual basis using the historical cost concept of accounting, except for inventories which are valued at the lower of cost or net realizable value (market), certain short-term investments which are stated at market values, certain investments in shares of stock which are accounted for under the equity method, and certain property, plant and equipment which are stated at revalued amounts.

The consolidated statements of cash flows present cash receipts and payments of cash and cash equivalents classified into operating, investing and financing activities, using the direct method.

The reporting currency used in the preparation of the consolidated financial statements is the Indonesian rupiah.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and those of its direct and indirect subsidiaries (collectively referred to as the "Subsidiaries") as follows:

	Principal Activity	Country of Domicile	Year of Incorporation/ Start of Commercial Operations	Total Assets as of December 31, 2003	Effective Percentage of Ownership %
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	274,852,426,779	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	71,135,491,419	99.99
Indocement (Cayman Island) Limited	Investing	Cayman Islands	1991/1991	22,020,475,891	100.00
Indirect					
PT Pionirbeton Industri (PBI) (formerly PT Pioneer Beton Industri)	Ready mix concrete manufacturing	Indonesia	1996/1996	77,999,979,039	99.99

(Expressed in rupiah, unless otherwise stated)

DAP was established in 1998 and primarily acts as the Company's main domestic distributor of certain cement products.

On December 18, 2002, Indomix and DAP effectively acquired the remaining 50% equity shares from Pioneer International Holding Pty. Limited (PIH), wherein 3,320,904 shares were acquired by Indomix and 2 shares were acquired by DAP for a total cash consideration of US$ 500,000 (equivalent to Rp 4,297,500,000). After this acquisition, PBI became 99.99% indirectly owned by the Company. However, the Company's management decided to consolidate PBI's accounts starting July 1, 2002 since on such date, PBI had effectively been controlled and managed by the Company. Negative goodwill arising from this transaction amounting to Rp 1,133,085,235 was charged to current operations since it was considered immaterial.

The Company also has five (5) other subsidiaries, all with effective percentages of ownership of 99.99%. The total cost of investments in these entities amounted to Rp 20,000,000. Since these entities have no activities and the total cost of the investments in these subsidiaries is immaterial, their accounts were no longer consolidated into the consolidated financial statements. Instead, the investments in these subsidiaries are presented as part of "Long-term Investments and Advances to Associated Companies" in the consolidated balance sheets. The details of these subsidiaries are as follows:

	Year of Incorporation	Country of Domicile	Total Assets as of December 31, 2003
PT Bhakti Sari Perkasa Abadi	1998	Indonesia	5,000,000
PT Lentera Abadi Sejahtera	1998	Indonesia	5,000,000
PT Mandiri Sejahtera Sentra	1998	Indonesia	5,000,000
PT Sari Bhakti Sejati	1998	Indonesia	5,000,000
PT Makmur Abadi Perkasa Mandiri	1998	Indonesia	-

All significant intercompany accounts and transactions have been eliminated.

Investments in associated companies in which the Company or its Subsidiaries have ownership interests of at least 20% but not exceeding 50% are accounted for under the equity method, whereby the costs of such investments are increased or decreased by the Company's or Subsidiaries' share in the net earnings (losses) of the investees since date of acquisition and are reduced by cash dividends received by the Company or Subsidiaries from the investees. The share in net earnings (losses) of the investees are adjusted for the straight-line amortization, over a twenty-year period (in view of the good future business prospects of the investees), of the difference between the costs of such investments and the Company's or Subsidiaries' proportionate share in the book value of the underlying net assets of investees at date of acquisition (goodwill).

All other investments are carried at cost.

In compliance with PSAK No. 38, "Accounting for Restructuring Transactions Among Entities under Common Control", the differences between the cost/proceeds of net assets acquired/disposed in connection with restructuring transactions among entities under common control compared to their net book values are recorded and presented as "Differences Arising from Restructuring Transactions Among Entities under Common Control" under the Shareholders' Equity section of the consolidated balance sheets.

In compliance with PSAK No. 40, "Accounting for Changes in the Value of Equity of a Subsidiary/ Associated Company", the difference between the carrying amount of the Company's investment in, and the value of the underlying net assets of the subsidiary/investee arising from changes in the latter's equity, which are not resulting from transactions between the Company and the concerned subsidiary/investee, is recorded and presented as "Differences Arising from Changes in Subsidiary's Equity" under the Shareholders' Equity section of the consolidated balance sheets. Accordingly, the resulting difference arising from the changes in equity of PT Indomix Perkasa in connection with its application of the provisions of PSAK No. 50, "Accounting for Investments in Certain Securities", is recorded and presented under this account (see item d below).

c. Cash Equivalents

Time deposits and other short-term investments with maturities of three months or less at the time of placement or purchase and not pledged as collateral for loans and other borrowings are considered as "Cash Equivalents".

d. Short-term Investments

Investments in equity securities listed on the stock exchanges are classified as "Short-term Investments".

Equity securities classified as available-for-sale are stated at market values. Any unrealized gains or losses on appreciation/depreciation in market values of the equity securities are recorded and presented as "Unrealized Losses on Available-for-Sale Securities - Net" under the Shareholders' Equity section of the consolidated balance sheets. These are credited or charged to operations upon realization.

e. Allowance for Doubtful Accounts

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

f. Transactions with Related Parties

The Company and Subsidiaries have transactions with certain parties which have related party relationships as defined under PSAK No. 7, "Related Party Disclosures".

All significant transactions and balances with related parties, whether or not conducted using terms and conditions similar to those granted to third parties, are disclosed in Note 5.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving average method. Allowance for inventory obsolescence is provided to reduce the carrying value of inventories to their net realizable values.

h. Prepaid Expenses

Prepaid expenses are amortized over the periods benefited using the straight-line method. The non-current portion of prepaid expenses are shown as part of "Other Non-Current Assets" in the consolidated balance sheets.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for certain assets revalued in accordance with government regulations, less accumulated depreciation, amortization and depletion. Certain machinery and equipment related to the production of cement are depreciated using the unit-of-production method, while all other property, plant and equipment are depreciated using the straight-line method based on their estimated useful lives as follows:

	Years
Land improvements, quarry, and buildings and structures	8 - 30
Machinery and equipment	5 - 10
Leasehold improvements, furniture, fixtures and office equipment, and tools and other equipment	5
Transportation equipment	5

Land is stated at cost and is not depreciated.

Construction in-progress is stated at cost. Costs are reduced by the amount of revenue generated from the sale of finished products during the trial production runs less the related cost of production. The accumulated costs will be reclassified to the appropriate property, plant and equipment accounts when the construction is substantially completed and the asset is ready for its intended use.

The costs of maintenance and repairs are charged to operations as incurred; significant renewals and betterments, which meet the capitalization criteria under PSAK No. 16, “Property, Plant and Equipment”, are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation, amortization or depletion are removed from the accounts, and any resulting gains or losses are credited or charged to current operations.

j. Impairment of Assets

A review of asset values is conducted at the end of the year to determine whether an impairment has occurred in accordance with PSAK No. 48, “Impairment in Asset Value”. PSAK No. 48 requires companies to estimate the recoverable amount of all their long-lived assets and recognize the impairment in asset value as a loss in the statements of income whenever the recoverable amount of the asset is lower than its carrying value.

k. Leases

Lease transactions are accounted for under the capital lease method when the required capitalization criteria under PSAK No. 30, “Accounting for Leases” are met. Otherwise, lease transactions are accounted for under the operating lease method. Assets under capital lease (presented as part of “Property, Plant and Equipment” in the consolidated balance sheets) are recorded based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period. Depreciation of leased assets is computed based on methods and estimated useful lives used for similar property, plant and equipment acquired under direct ownership.

Gain on sale and leaseback transaction is deferred and amortized using the same basis and methods as referred to above.

Obligations under capital lease are presented at the present value of the remaining lease payments to be made.

l. Capitalization of Borrowing Costs

In accordance with the revised PSAK No. 26, “Borrowing Costs”, interest charges and foreign exchange differences incurred on borrowings and other related costs to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is completed and the related asset is ready for its intended use.

m. Deferred Charges

Expenditures whose benefits extend over one year are deferred and amortized over the periods benefited using the straight-line method (presented as part of “Other Non-Current Assets”).

In accordance with PSAK No. 47, “Accounting for Land”, costs incurred in connection with the acquisitions/renewal of landrights, such as legal fees, land remeasurement fees, notarial fees, taxes and other expenses, are deferred and amortized using the straight-line method over the legal terms of the related landrights.

(Expressed in rupiah, unless otherwise stated)

n. Revenue and Expense Recognition

Revenues are recognized when the products are delivered and the risks and benefits of ownership are transferred to the customers and/or when services are rendered. Cost and expenses are generally recognized and charged to operations when they are incurred.

o. Retirement Benefits

The Company has a defined contribution retirement plan covering all of its qualified permanent employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings. On the other hand, the Subsidiaries do not operate any pension plan for the benefit of their employees. Retirement benefit expenses for those Subsidiaries are accrued based on the government regulations.

Non-vested past service costs were deferred and amortized over the estimated average remaining years of service of qualified employees, while current service costs are charged directly to operations of the current year.

Prior to January 1, 2003, the Company and Subsidiaries recognized employee service entitlement liabilities in accordance with the Ministry of Manpower Decree No. Kep-150/Men/2000 (Kep-150) regarding the settlement of work dismissal and determination of separation, gratuity and compensation payments by companies. On March 25, 2003, Labor Law No. 13 (Law No. 13/2003) was signed by the President of the Republic of Indonesia and its effects have been reflected in the 2003 consolidated financial statements.

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah at the middle rates of exchange prevailing at transaction date. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at the last banking transaction date of the year, as published by Bank Indonesia. The resulting gains or losses are credited or charged to current operations, except for those capitalized under PSAK No. 26.

As of December 31, 2003 and 2002, the rates of exchange used are as follows:

	2003	2002
Euro (EUR 1)	10,643.06	9,369.58
U.S. dollar (US$ 1)	8,465.00	8,940.00
Japanese yen (JP¥ 100)	7,916.77	7,539.54

Transactions in other foreign currencies are considered insignificant.

q. Derivative Instruments

PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", establishes the accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. PSAK No. 55 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedges allow a derivative's gain or loss to offset related results on the hedged item in the statement of income. PSAK No. 55 also requires that an entity formally document, designate, and assess the effectiveness of transactions that are accounted for under the hedge accounting treatment.

The accounting for changes in the fair value of a derivative depends on the documented use of the derivative and the resulting designation. The Company has entered into forward currency contracts to hedge market risks arising from fluctuations in exchange rates relating to its foreign currency denominated loans. However, based on the specific requirements for hedge accounting under PSAK No. 55, the said instruments do not qualify and are not designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly in earnings.

r. Income Tax

The Company and Subsidiaries apply the liability method to determine its income tax expense in accordance with PSAK No. 46, “Accounting for Income Tax”. Under this method, deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at balance sheet date. This method also requires the recognition of future tax benefits, such as the carry-forward of unused tax losses, to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

s. Segment Reporting

For management purposes, the Company and Subsidiaries’ businesses are grouped into three major operating businesses: cement, ready mix concrete and other businesses. Financial information on business segments is presented in Note 17.

A business segment is a distinguishable component based on the industry or group of products or services and is subject to risks and returns that are different from those of other segments.

t. Stock Issuance Cost

Based on the decision letter No. KEP-06/PM/2000 dated March 13, 2000 of the Chairman of Bapepam, all expenses related to the issuance of equity securities should be offset against additional paid-in capital.

u. Net Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the year, which is 3,681,229,010 shares in 2003 and 3,681,223,519 shares in 2002.

In accordance with PSAK No. 56, “Earnings per Share”, the Company did not consider the dilutive effects of its outstanding warrants issued in computing earnings per share since the exercise price of the outstanding warrants is significantly higher than the market price of the Company’s shares listed on the stock exchange.

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2003	2002
Cash on hand	666,075,457	673,617,841
Cash in banks		
ABN-AMRO Bank N.V.		
Rupiah	881,323,157	-
U.S. dollar (US$ 6,635,805)	56,172,090,341	-
PT Bank Mandiri (Persero) Tbk.		
Rupiah	5,790,124,744	61,907,905,732
U.S. dollar (US$ 1,304,204 in 2003 and US$ 4,038,572 in 2002)	11,040,084,829	36,104,832,518
Euro (EUR 1,422 in 2003 and EUR 4,393 in 2002)	15,133,899	41,160,378
PT Bank Central Asia Tbk.		
Rupiah	15,329,849,669	10,446,774,594
U.S. dollar (US$ 142,612 in 2003 and US$ 1,337,797 in 2002)	1,207,207,617	11,959,902,677
Euro (EUR 6,385 in 2003 and EUR 74,470 in 2002)	67,958,280	697,749,531
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	4,200,913,392	5,036,625,895
PT Bank Lippo Tbk.		
Rupiah	2,475,341,084	861,344,482
PT Bank Multicor		
Rupiah	-	7,071,352,311
U.S. dollar (US$ 28,173 in 2003 and US$ 5,768,370 in 2002)	238,486,731	51,569,230,035
Others		
Rupiah	404,217,051	420,609,547
U.S. dollar (US$ 52,932 in 2003 and US$ 14,807 in 2002)	447,119,814	132,372,613
Other foreign currencies	148,828,388	508,329,318
Rupiah time deposits		
PT Bank Mandiri (Persero) Tbk.	163,000,000,000	83,133,505,532
ABN-AMRO Bank N.V.	35,000,000,000	-
PT Bank Central Asia Tbk.	3,000,000,000	-
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch	-	3,043,818,582
Total	**300,084,754,453**	**273,609,131,586**

(Expressed in rupiah, unless otherwise stated)

Interest rates per annum ranged from 6.00% to 13.00% in 2003 and from 9.00% to 17.88% in 2002 for the rupiah time deposits.

As of December 31, 2002, the Company also had time deposits amounting to Rp 10,000,000,000 in PT Bank Mandiri (Persero) Tbk. (Mandiri). These time deposits were used as collateral for the letters of credit issued by Mandiri to foreign suppliers (presented as part of "Restricted Cash and Time Deposits" under Non-Current Assets in the 2002 consolidated balance sheet). The restrictions on these time deposits were released in 2003.

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2003	2002
Related Party (see Note 5a)		
Cement business		
HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), Singapore (US$ 2,687,366 in 2003 and US$ 4,130,729 in 2002)	**22,748,551,497**	**36,928,717,886**
Third Parties		
Cement and ready mix concrete business (see Note 21*i*)	306,664,591,682	262,419,758,345
Other businesses	1,233,641,429	3,037,598,637
Total	307,898,233,111	265,457,356,982
Allowance for doubtful accounts	(13,332,091,743)	(16,392,497,190)
Net	**294,566,141,368**	**249,064,859,792**

The changes in the allowance for doubtful accounts are as follows:

	2003	2002
Balance at beginning of year	16,392,497,190	80,189,114,757
Allowance for doubtful accounts of acquired Subsidiary	-	6,554,247,680
Provisions during the year	561,569,728	1,679,716,540
Receivables written off during the year	(3,621,975,175)	(70,422,632,360)
Collection of accounts written off during the year	-	(477,014,510)
Reclassification to allowance for doubtful accounts of other receivables	-	(1,130,934,917)
Balance at end of year	**13,332,091,743**	**16,392,497,190**

Based on the review of the status of the individual receivable accounts at the end of the year, management believes that the above allowance for doubtful accounts is sufficient to cover any possible losses that may arise from uncollectible accounts.

Trade receivables are used as collateral to secure the long-term loans from banks and financial institutions (see Note 11).

(Expressed in rupiah, unless otherwise stated)

The aging of trade receivables based on their currency denominations as of December 31, 2003 are as follows:

	Currency		
	Rupiah	U.S. Dollar (In Equivalent Rupiah)	Total
Current	243,202,243,193	22,748,551,497	265,950,794,690
Overdue:			
1 - 30 days	23,894,526,202	-	23,894,526,202
31 - 60 days	13,881,188,250	-	13,881,188,250
61 - 90 days	8,656,702,955	-	8,656,702,955
Over 90 days	13,179,673,267	5,083,899,244	18,263,572,511
Total	**302,814,333,867**	**27,832,450,741**	**330,646,784,608**

5. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

In the normal course of their business, the Company and Subsidiaries entered into transactions with related parties. Related parties are those entities which are under common control/ownership as the Company and Subsidiaries. The significant transactions and related account balances with related parties are as follows:

a. The Company has an exclusive export distribution agreement with HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, for the export of the Company's cement products (see Note 21). In 2002, DAP also sold cement product to PT Pionirbeton Industri (formerly PT Pioneer Beton Industri) for use in the latter's ready mix concrete manufacturing. Net revenues derived from sales to related parties accounted for 10.19% in 2003 and 10.48% in 2002 of the consolidated net revenues. The details of sales to related parties are as follows:

	2003	**2002**
HCT Services Asia Pte., Ltd. (HCT), Singapore	423,584,651,307	401,455,722,986
PT Pionirbeton Industri (formerly PT Pioneer Beton Industri)	-	12,407,049,000*
Total	**423,584,651,307**	**413,862,771,986**

* Represents six months' sales from January until June 2002

Total sales discounts granted to HCT amounted to approximately US$ 2.0 million in 2003 and US$ 1.8 million in 2002.

The related trade receivables arising from the above-mentioned sales transactions are shown as "Trade Receivables - Related Parties" in the consolidated balance sheets (see Note 4).

b. The Company has a mining agreement with PT Pama Indo Mining (PIM), whereby PIM agreed to develop and operate a limestone, clay and laterite mine, and to supply the limestone, clay and laterite requirements of the Company for the operations of its plants. The Company agreed to pay PIM service fees as compensation based on the Company's tonnage consumption of limestone, clay and laterite. Service fees amounted to US$ 3,364,338 and Rp 3,235,125,524 in 2003 and US$ 3,252,467 and Rp 2,675,557,908 in 2002. The outstanding service fees payable (part of "Due to Related Party") amounted to US$ 214,994 as of December 31, 2003, and US$ 780,312 and Rp 525,002,903 as of December 31, 2002.

(Expressed in rupiah, unless otherwise stated)

c. In 2000, the Company entered into two agreements with PT Indotek Engico (Indotek), an associated company, whereby the latter agreed to provide services for a block plan on community development and employees' housing, and to monitor/supervise the clearing and development of approximately 100 hectares of land located at Tarjun, South Kalimantan, for a total contract amount of Rp 8,200,000,000. As of December 31, 2003 and 2002, the total advances paid by the Company to Indotek in connection with said agreements amounted to Rp 8,200,000,000 and Rp 7,827,225,000, respectively.

In 2002, the Company entered into several additional contracts with Indotek, whereby the latter agreed to construct a club house and a swimming pool and to acquire land with an area of approximately 47 hectares located at Tarjun, for a total contract amount of Rp 11 billion. In 2003, the construction of the club house and swimming pool have been completed and have been reclassified to the appropriate property, plant and equipment account. On the other hand, total advances paid by the Company to Indotek in connection with land acquisition amounted to Rp 5,566,618,083 as of December 31, 2003.

Indotek was no longer considered as a related party starting March 26, 2003 (see Note 7*d*).

d. The balances of accounts with related parties arising from non-trade transactions are as follows:

	2003	2002
Due from Related Parties (Non-Current)		
Officers and employees	67,140,391,307	45,202,868,409
PT Cibinong Center Industrial Estate	988,856,172	545,987,625
Total	**68,129,247,479**	**45,748,856,034**
Due to Related Party (Non-Current)		
PT Pama Indo Mining	**1,819,921,011**	**7,500,993,255**
Long-term Loans		
Westdeutsche Landesbank Girozentrale	92,549,164,778	106,165,968,720
WestLB Asia Pacific Ltd., Singapore	16,549,499,689	18,984,188,340
Total	**109,098,664,467**	**125,150,157,060**

The amounts due from officers and employees are being collected through monthly salary deduction.

e. Other transactions with related parties involving amounts over Rp 1 billion are as follows:

	2003	2002
Transportation services		
Stillwater Shipping Corporation	39,291,595,990	45,771,903,289
Purchase of materials		
HCT Services Asia Pte., Ltd.	5,419,933,620	-
PT Indominco Mandiri (Indominco)*	-	15,250,194,887

* Indominco was no longer considered as related party starting February 23, 2003 (see Note 7e)

(Expressed in rupiah, unless otherwise stated)

The other outstanding payables/liabilities to related parties as of December 31, 2003 and 2002 are as follows:

	2003	2002
Stillwater Shipping Corporation (recorded as part of "Accrued Expenses")	1,732,650,907	2,881,473,722
HCT Services Asia Pte., Ltd.	796,852,775*	-
PT Indominco Mandiri	-	1,617,742,080*

* presented as "Trade Payables - Related Parties"

6. INVENTORIES

Inventories consist of:

	2003	2002
Finished goods	55,054,132,871	79,369,841,822
Work in-process	87,803,081,247	143,146,246,942
Raw materials	27,069,939,368	35,359,461,100
Fuel and lubricants	65,041,549,522	114,560,418,847
Spare parts	514,025,317,304	516,174,050,565
Materials in-transit and others	134,338,359	1,433,388,983
Total	749,128,358,671	890,043,408,259
Allowance for obsolescence	(40,063,072,423)	(14,171,601,861)
Net	**709,065,286,248**	**875,871,806,398**

With the exception of inventories owned by DAP, Indomix and PBI amounting to Rp 6.03 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (see Note 8).

The inventories are used as collateral for the long-term loans from banks and financial institutions (see Note 11).

The changes in the allowance for obsolescence are as follows:

	2003	2002
Balance at beginning of year	14,171,601,861	9,427,169,839
Provisions during the year	29,402,108,626	4,744,432,022
Inventories written off during the year	(3,510,638,064)	-
Balance at end of year	**40,063,072,423**	**14,171,601,861**

Management believes that the above allowance for obsolescence is sufficient to reduce the carrying amounts of inventories to their net realizable values.

The Company made advance payments to several foreign suppliers for the purchase of certain inventories. The outstanding balances of the purchase advances as of December 31, 2003 and 2002 amounted to Rp 42,622,773,986 and Rp 44,660,405,544, respectively, and are presented as part of "Advances and Deposits" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANIES

This account consists of long-term investments and advances to certain associated companies. The details of this account are as follows:

	2003			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. *Equity Method*				
PT Cibinong Center Industrial Estate	50.00	36,624,000,000	(22,728,004,740)	13,895,995,260
Stillwater Shipping Corporation	50.00	105,500,000	3,737,427,491	3,842,927,491
PT Pama Indo Mining	40.00	1,200,000,000	5,616,157,805	6,816,157,805
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. *Cost Method*				
Various investees	various	20,000,000	-	20,000,000
Sub-total		38,414,287,500	(13,839,206,944)	24,575,080,556
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,431,144,026)
Net advances				289,800,000
Total				**24,864,880,556**

	2002			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. *Equity Method*				
PT Cibinong Center Industrial Estate	50.00	40,124,000,000	(19,691,300,683)	20,432,699,317
Stillwater Shipping Corporation	50.00	105,500,000	18,248,176,492	18,353,676,492
PT Indotek Engico	50.00	500,000,000	11,578,751,171	12,078,751,171
PT Pama Indo Mining	40.00	1,200,000,000	4,952,305,000	6,152,305,000
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
PT Indominco Mandiri	35.00	38,493,328,526	(38,493,328,526)	-
b. *Cost Method*				
Various investees	various	2,799,506,000	-	2,799,506,000
Sub-total		83,687,122,026	(23,870,184,046)	59,816,937,980
Advances				
PT Indo Clean Set Cement				13,789,698,006
Stillwater Shipping Corporation				2,235,000,000
PT Indotek Engico				82,834,013
Sub-total				16,107,532,019
Allowance for doubtful accounts				(13,789,698,006)
Net advances				2,317,834,013
Total				**62,134,771,993**

(Expressed in rupiah, unless otherwise stated)

The principal activities of the above investees are as follows:

Investee	Country of Domicile	Principal Business Activity
PT Cibinong Center Industrial Estate	Indonesia	Development of industrial estates
Stillwater Shipping Corporation	Liberia	Shipping
PT Pama Indo Mining	Indonesia	Mining
PT Indo Clean Set Cement	Indonesia	Production of clean set cement
PT Indotek Engico	Indonesia	Construction, engineering, consultancy and project management
PT Indominco Mandiri	Indonesia	Coal mining

The details of the equity in net earnings (losses) of associated companies, net of goodwill amortization, for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Stillwater Shipping Corporation	2,559,250,999	8,425,458,689
PT Pama Indo Mining	1,544,962,479	308,770,593
PT Indotek Engico	188,941,054	495,232,405
PT Cibinong Center Industrial Estate	(3,036,704,057)	(7,959,787,887)
PT Wisma Nusantara International	-	(6,573,468,516)
PT Pionirbeton Industri (formerly PT Pioneer Beton Industri) (six months in 2002-see Note 2*b*)	-	(1,660,981,148)
Total	**1,256,450,475**	**(6,964,775,864)**

a. Based on the minutes of the shareholders' extraordinary meeting of PT Cibinong Center Industrial Estate (CCIE) held on June 3, 2003, which was covered by notarial deed No. 7 of Notary Popie Savitri Martosuhardjo Pharmanto, S.H. of the same date, the shareholders of CCIE agreed to reduce the issued and paid-up capital from Rp 80,248,000,000 to Rp 73,248,000,000. As a result, the Company's investment in CCIE was reduced by Rp 3,500,000,000.

b. The Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp 881,109,674 in 2003 and Rp 799,598,153 in 2002, and from Stillwater Shipping Corporation amounting to US$ 2,000,000 (equivalent to Rp 17,070,000,000) in 2003.

c. Based on circular resolutions dated June 1, 1998 and May 10, 1998 of the extraordinary general meetings of shareholders of PT Indo Clean Set Cement (ICSC), which were covered by notarial deed No. 9 dated October 24, 2002 of notary Deni Thanur, S.E., S.H., M.Kn., the shareholders approved the sale of 125 ICSC shares owned by Ina International Corporation and 300 ICSC shares owned by Kawasho Corporation to the Company, which increased the Company ownership interest in ICSC to 90%. The acquisition became effective on October 23, 2002 after obtaining the approval of the Company's creditors.

   Based on the minutes of the shareholders' extraordinary meeting held on December 30, 2002, which were covered by notarial deed No. 2 dated January 7, 2003 of Notary Deni Thanur, S.E., S.H., M.Kn, the shareholders approved to liquidate ICSC. As of December 31, 2003, the liquidation process of ICSC is still ongoing. The accounts of ICSC were not included in the consolidated financial statements since ICSC has ceased operations and the effects of ICSC's accounts are immaterial to the consolidated financial statements.

(Expressed in rupiah, unless otherwise stated)

d. Based on the sale and purchase of shares agreement which was covered by Notarial deed No. 4 dated March 26, 2003 of Notary Gissela Ratnawati, S.H., the Company agreed to sell its 50% ownership in PT Indotek Engico to a third party, at a selling price of US$ 950,000 (equivalent to Rp 8,456,900,000).

e. On October 3, 2002, Indomix, a Subsidiary, entered into a conditional shares sale and purchase agreement (CSSPA), which was amended on December 4, 2002, with PT Indo Tambangraya Megah and PT Centralink Wisesa Internasional for the sale of Indomix's 35% ownership (equivalent to 4,375 shares) in PT Indominco Mandiri (Indominco), at the aggregate price of US$ 10,500,000 (equivalent to Rp 93,282,000,000).

   On February 23, 2003, all of the above parties signed the Deed of Sale and Purchase of Shares as the consummation of the CSSPA.

f. On December 13, 2002, the Company entered into shares sale and purchase agreement with Guthrie Logistics Private Limited (Guthrie), Singapore, whereby the Company agreed to sell and transfer its 33.98% ownership in PT Wisma Nusantara International (WNI) to Guthrie at an aggregate sales price of US$ 20,751,000 (equivalent to Rp 185,513,940,000). The agreement was completed on January 2, 2003. As a result, the Company's ownership in WNI with carrying value of Rp 170,210,782,223 was reclassified to "Short-term Investments" in the 2002 consolidated balance sheet.

   The Company received cash dividends of Rp 3,870,000,000 in 2002.

g. On September 16, 2002, the Company sold its 8.80% ownership in PT Citra Marga Nusaphala Persada Tbk. (CMNP) to Parallax Venture Partners VIII Ltd., for Rp 57,987,032,360.

h. Net gains (losses) arising from the above sale transactions amounted to Rp 104.78 billion in 2003 and (Rp 8 billion) in 2002.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	2003				
	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Appraisal Increase	Ending Balance
Carrying Value					
Direct Ownership					
Land and land improvements	218,778,353,598	40,000,000	19,481,409,466	-	199,336,944,132
Leasehold improvements	2,375,602,386	403,376,275	-	-	2,778,978,661
Quarry	70,426,599,801	1,146,156,594	-	-	71,572,756,395
Buildings and structures	2,870,794,512,673	84,152,666,841	85,231,991,176	-	2,869,715,188,338
Machinery and equipment	7,190,000,788,532	56,715,671,711	23,819,278,369	7,023,823,778	7,229,921,005,652
Transportation equipment	303,386,212,236	34,602,738,475	10,150,833,573	11,526,371,842	339,364,488,980
Furniture, fixtures and office equipment	155,154,625,667	32,012,803,567	4,639,683,749	-	182,527,745,485
Tools and other equipment	44,396,470,489	6,439,463,829	376,428,836	-	50,459,505,482
Sub-total	10,855,313,165,382	215,512,877,292	143,699,625,169	18,550,195,620	10,945,676,613,125

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

	2003				
	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Appraisal Increase	Ending Balance
Assets under capital lease					
Machinery and equipment	-	366,518,240	-	-	366,518,240
Transportation equipment	-	6,646,904,800	-	-	6,646,904,800
Sub-total	-	7,013,423,040	-	-	7,013,423,040
Construction in-progress	206,286,678,289	74,117,478,808	181,563,550,968	-	98,840,606,129
Total	11,061,599,843,671	296,643,779,140	325,263,176,137	18,550,195,620	11,051,530,642,294
Accumulated Depreciation, Amortization and Depletion					
Direct Ownership					
Land improvements	18,933,262,087	1,953,329,875	942,678,360	-	19,943,913,602
Leasehold improvements	1,752,134,471	226,810,511	-	-	1,978,944,982
Quarry	11,591,235,022	1,907,121,106	-	-	13,498,356,128
Buildings and structures	481,648,219,682	96,519,474,859	46,176,435,355	-	531,991,259,186
Machinery and equipment	1,628,431,263,360	308,305,590,830	15,556,576,262	-	1,921,180,277,928
Transportation equipment	240,180,937,272	31,901,360,290	6,306,269,274	-	265,776,028,288
Furniture, fixtures and office equipment	105,829,303,100	18,489,904,781	3,822,104,955	-	120,497,102,926
Tools and other equipment	31,778,347,517	4,586,022,188	374,469,052	-	35,989,900,653
Total	2,520,144,702,511	463,889,614,440	73,178,533,258	-	2,910,855,783,693
Net Book Value	**8,541,455,141,160**				**8,140,674,858,601**

	2002			
	Beginning Balance	Additions/ Reclassifications*	Disposals/ Reclassifications	Ending Balance
Carrying Value				
Direct Ownership				
Land and land improvements	218,476,787,892	301,565,706	-	218,778,353,598
Leasehold improvements	2,175,946,050	199,656,336	-	2,375,602,386
Quarry	69,700,375,069	726,224,732	-	70,426,599,801
Buildings and structures	2,837,999,300,949	32,795,211,724	-	2,870,794,512,673
Machinery and equipment	6,971,957,619,234	221,299,169,319	3,256,000,021	7,190,000,788,532
Transportation equipment	277,359,182,459	28,766,316,088	2,739,286,311	303,386,212,236
Furniture, fixtures and office equipment	133,498,187,830	22,033,043,794	376,605,957	155,154,625,667
Tools and other equipment	39,987,843,526	4,476,691,315	68,064,352	44,396,470,489
Sub-total	10,551,155,243,009	310,597,879,014	6,439,956,641	10,855,313,165,382
Construction in-progress	231,499,902,084	189,863,123,220	215,076,347,015	206,286,678,289
Total	10,782,655,145,093	500,461,002,234	221,516,303,656	11,061,599,843,671
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	16,957,254,368	1,976,007,719	-	18,933,262,087
Leasehold improvements	1,579,291,299	172,843,172	-	1,752,134,471
Quarry	9,691,559,026	1,899,675,996	-	11,591,235,022
Buildings and structures	386,364,468,540	95,283,751,142	-	481,648,219,682
Machinery and equipment	1,304,971,071,051	326,728,408,562	3,268,216,253	1,628,431,263,360
Transportation equipment	215,496,425,669	27,121,005,649	2,436,494,046	240,180,937,272

(Expressed in rupiah, unless otherwise stated)

	2002			
	Beginning Balance	Additions/ Reclassifications*	Disposals/ Reclassifications	Ending Balance
Furniture, fixtures and office equipment	87,662,045,540	18,535,787,211	368,529,651	105,829,303,100
Tools and other equipment	27,753,106,136	4,083,779,233	58,537,852	31,778,347,517
Total	2,050,475,221,629	475,801,258,684	6,131,777,802	2,520,144,702,511
Net Book Value	**8,732,179,923,464**			**8,541,455,141,160**

* Includes the balances of PBI's property, plant and equipment as of July 1, 2002 with carrying value of Rp 24,158,206,847 and accumulated depreciation of Rp 14,793,952,849.

Construction in-progress consists of:

	2003	2002
Machineries under installation	80,295,187,163	138,697,211,238
Buildings and structures under construction	10,015,875,575	55,657,332,620
Others	8,529,543,391	11,932,134,431
Total	**98,840,606,129**	**206,286,678,289**

Below is the percentage of completion and estimated completion period of the construction in-progress as of December 31, 2003:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	5 - 95%	1 to 48 months
Buildings and structures under construction	5 - 98	1 to 8 months
Others	5 - 50	3 to 36 months

Property, plant and equipment are used as collateral to secure the long-term loans from banks and financial institutions (see Note 11).

Depreciation, amortization and depletion charges amounted to Rp 463,889,614,440 in 2003 and Rp 461,007,305,835 in 2002.

The Company and Subsidiaries insured their property, plant and equipment and inventories against losses from fire and other insurable risks under several combined policies, with a total insurance coverage of Rp 195,849,368,150 and US$ 2,795,147,535 as of December 31, 2003. In management's opinion, the above insurance coverage is adequate to cover any possible losses that may arise from such risks.

Based on the review of asset values at the end of the year, management believes that there is no potential impairment in the values of the assets included in the consolidated financial statements.

In 2003, the Company sold two of its properties (Wisma Indocement and employee housing in Pondok Indah) for a net selling price of Rp 202,237,101,000 (see Note 17). The gain arising from the sales amounted to Rp 135.3 billion.

(Expressed in rupiah, unless otherwise stated)

In March 2003, PT Pionirbeton Industri (formerly PT Pioneer Beton Industri), a Subsidiary, received a decision letter from the Tax Office which approved the revaluation of its machinery and transportation equipment. The difference between the revalued amount and the net book value of Rp 18,550,195,620 was recognized as an addition to the carrying value of property, plant and equipment while the difference between the revalued amount and the fiscal book value of Rp 20,254,205,519 was compensated against PBI's tax loss carryforward. The remaining useful lives of the revalued machinery and transportation equipment have been extended by 3 to 5 years.

The Company and Subsidiaries own building/construction rights or "Hak Guna Bangunan" (HGB), land use rights or "Hak Pakai" (HP) and land ownership or "Hak Milik" (HM) over land covering approximately 3,128 hectares, and local mining rights or "Surat Izin Penambangan Daerah" (SIPD) covering approximately 11,022.05 hectares at several locations in Indonesia, with legal terms ranging from 5 to 30 years. Management believes that such titles of land right ownership can be extended upon their expiration.

As of December 31, 2003, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 1,254,799 square meters. In addition, the Company is also in the process of acquiring land rights covering a total area of approximately 49,267 square meters. The total expenditures incurred in relation to the above land rights acquisition process amounting to Rp 29,746,063,550 as of December 31, 2003, are recorded as part of "Other Non-Current Assets" in the consolidated balance sheets.

The Company made advance payments for the purchase of certain machinery, equipment and spareparts from several suppliers. The outstanding balances of the purchase advances as of December 31, 2003 and 2002 amounted to Rp 5,239,288,918 and Rp 19,426,222,816, respectively, and are presented as part of "Other Non-Current Assets" in the consolidated balance sheets.

On the other hand, the unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of property, plant and equipment amounted to Rp 3,513,696,747 and Rp 14,231,036,973 as of December 31, 2003 and 2002, respectively, and are recorded as part of "Other Payables to Third Parties" in the consolidated balance sheets.

9. TRADE PAYABLES

This account consists of the following:

	2003	2002
Third Parties		
Cement and ready mix concrete business		
Rupiah	70,328,693,490	90,157,364,875
U.S. dollar (US$ 3,510,766 in 2003 and US$ 437,806 in 2002)	29,716,938,459	3,913,985,909
Other foreign currencies	6,634,028,756	7,542,213,602
Sub-total	106,679,660,705	101,613,564,386
Other businesses	220,692,365	99,101,879
Total - Third Parties	106,900,353,070	101,712,666,265
Related Parties - Cement business (see Note 5e)	796,852,775	1,617,742,080
Total Trade Payables	**107,697,205,845**	**103,330,408,345**

(Expressed in rupiah, unless otherwise stated)

The aging analysis of trade payables based on their currency denomination as of December 31, 2003 is as follows:

	Rupiah	Foreign Currencies (In Rupiah Equivalent)	Total
Current	28,987,770,155	24,272,837,305	53,260,607,460
Overdue:			
1 - 30 days	33,371,183,639	6,474,538,441	39,845,722,080
31 - 60 days	4,371,392,765	963,935,228	5,335,327,993
61 - 90 days	2,355,376,409	915,786,025	3,271,162,434
Over 90 days	1,463,662,887	4,520,722,991	5,984,385,878
Total	**70,549,385,855**	**37,147,819,990**	**107,697,205,845**

The above trade payables arose mostly from purchases of raw materials and other inventories. The main suppliers of the Company are as follows:

Supplier	Materials Supplied
Topniche	Gypsum
PT Baramulti Sugih Sentosa (formerly PT Baramulti Suksessarana)	Coal
PT Bahari Cakrawala Sebuku	Coal
PT Adaro Indonesia	Coal
RHI A.G.	Firebricks
Refratechnik GmbH	Firebricks
Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA)	Fuel
PT Sumberkencana Ekspressindo	Iron sand and silica sand
Magotteaux Co., Ltd.	Steel ball
Billerud AB.	Kraft paper
Frantschach Pulp & Paper Sweden	Kraft paper

10. TAXATION

a. Taxes Payable

	2003	2002
Income taxes		
Article 21	11,109,140,629	9,774,366,443
Article 22	707,621,929	385,262,103
Article 23	2,395,358,741	822,066,064
Article 25	-	415,949,445
Article 26	3,286,127,125	5,459,734,813
Value added tax	28,890,302,191	11,485,570,410
Total	**46,388,550,615**	**28,342,949,278**

(Expressed in rupiah, unless otherwise stated)

b. A reconciliation between income before tax expense and extraordinary item, as shown in the consolidated statements of income, and estimated taxable income of the Company for the years ended December 31, 2003 and 2002 is as follows:

	2003	2002
Income before tax expense and extraordinary item per consolidated statements of income	819,274,777,896	1,441,025,860,166
Add (deduct):		
Extraordinary item	164,291,843,757	23,854,388,034
Income of Subsidiaries before tax expense - net	(103,017,877,593)	(28,219,321,416)
Net income of other businesses already subjected to final tax	(7,764,114,040)	(11,509,548,192)
Income before tax expense attributable to the Company	872,784,630,020	1,425,151,378,592
Add (deduct):		
Temporary differences		
Depreciation of property, plant and equipment	(294,821,953,242)	(333,573,883,607)
Provision for doubtful accounts and inventory obsolescence	25,891,440,562	4,569,378,644
Accrual of retirement benefits	16,364,684,995	-
Quarry restoration cost	5,817,891,007	-
Others	2,779,506,000	3,268,168,067
	(243,968,430,678)	(325,736,336,896)
Permanent differences		
Non-deductible expenses		
Employees' benefits	27,975,655,658	29,757,283,432
Donations	10,441,164,003	8,779,784,631
Public relations	4,559,415,744	5,789,889,381
Receivables written off during the year	-	(70,852,795,466)
Others	653,175,208	1,553,652,024
Gain on sale of investments in shares of stock	88,228,474,448	8,036,067,640
Equity in net earnings of associated companies-net	1,302,800,524	12,173,877,701
Income already subjected to final tax	(16,145,981,191)	(28,059,453,331)
	117,014,704,394	(32,821,693,988)
Estimated taxable income of the Company	745,830,903,736	1,066,593,347,708
Estimated tax loss carryforward from prior years	(2,478,226,185,667)	(3,544,819,533,375)
Corrections by Tax Office	39,681,979,060	-
Estimated tax loss carryforward	**(1,692,713,302,871)**	**(2,478,226,185,667)**

Under existing tax regulations, the tax loss carryforward can be utilized within 5 (five) fiscal years from the date the tax loss is incurred.

(Expressed in rupiah, unless otherwise stated)

c. The details of tax expense are as follows:

	2003	2002
Tax expense - current		
Company	-	-
Subsidiaries	4,105,138,210	416,706,500
Total tax expense - current	4,105,138,210	416,706,500
Tax expense - deferred		
Company		
Tax loss carryforward - net of corrections by Tax Office	235,653,864,839	319,978,004,312
Depreciation of property, plant and equipment	88,446,585,972	100,072,165,082
Provisions for doubtful accounts and inventory obsolescence	(7,767,432,169)	(1,370,813,593)
Accrual of retirement benefits	(4,909,405,499)	-
Quarry restoration cost	(1,745,367,302)	-
Others	(833,851,800)	(980,450,420)
Sub-total	308,844,394,041	417,698,905,381
Subsidiaries	327,363,868	5,717,241,089
Total tax expense - deferred	309,171,757,909	423,416,146,470
Total	**313,276,896,119**	**423,832,852,970**

The tax expense is presented in the consolidated statements of income as/as part of the following accounts:

	2003	2002
Tax expense	263,989,342,992	416,676,536,560
Extraordinary item	49,287,553,127	7,156,316,410
Total	**313,276,896,119**	**423,832,852,970**

d. The calculation of estimated claims for tax refund is as follows:

	2003	2002
Tax expense - current		
Company	-	-
Subsidiaries	4,105,138,210	416,706,500
Total	4,105,138,210	416,706,500
Prepayments of income tax		
Company	22,561,403,965	10,372,367,241
Subsidiaries	8,008,493,311	13,433,958,188
Total	30,569,897,276	23,806,325,429
Estimated claims for tax refund - presented as part of "Prepaid Taxes" in the consolidated balance sheets		
Company		
2003	22,561,403,965	-
2002	10,372,367,241	10,372,367,241
2001	-	13,577,441,171
Subsidiaries	15,523,786,551	13,017,251,688
Total	**48,457,557,757**	**36,967,060,100**

(Expressed in rupiah, unless otherwise stated)

As of the independent auditors' report date, the Company has not yet submitted its 2003 income tax return, however, management represents that its 2003 income tax return will be prepared based on the computation as stated above. The Company's estimated taxable income for 2002, as stated above, conforms with the amounts reported in its 2002 income tax return.

As of the independent auditors' report date, the Tax Office is currently conducting an examination of the Company's 2002 income tax return.

In March 2003, the Company received a decision letter from the Tax Office wherein the Tax Office approved the Company's 2001 claim for tax refund amounting to Rp 13,270,822,761 (net of additional taxes and penalties) and reduced the tax loss to Rp 435,282,619,580. The difference between the amounts approved by the Tax Office and the amount reported amounting to Rp 39,681,979,060 was recognized as an adjustment to the Company's tax loss carryforward in 2003.

During 1999 up to the early part of 2000, the Company received several tax assessments letters wherein the Tax Office assessed the Company penalties totaling Rp 6,967,452,371 which were paid by the Company. The Company, however, has contested Rp 5,502,658,681 of the total amount of the assessment. As of the independent auditors' report date, the case has been forwarded to and is pending action by the Supreme Court. The amount being contested is presented as part of "Other Receivables - Third Parties" in the consolidated balance sheets.

e. The reconciliation between income before tax expense and extraordinary item multiplied by the applicable tax rate and tax expense as shown in the consolidated statements of income for the years ended December 31, 2003 and 2002 is as follows:

	2003	2002
Income before tax expense and extraordinary item per consolidated statements of income	819,274,777,896	1,441,025,860,166
Extraordinary item	164,291,843,757	23,854,388,034
Income before tax expense	983,566,621,653	1,464,880,248,200
Tax expense at the applicable rate	296,087,048,567	433,994,742,778
Tax effect on permanent differences (mainly consisting of employees' benefits, donations, public relations expenses and receivables written off in 2002)	16,065,098,637	(6,121,431,846)
Equity in net earnings of associated companies - net	390,840,157	4,125,229,708
Loss (gain) on sale of investments in shares of stock	(5,339,182,666)	2,410,820,292
Income already subjected to final tax	(6,438,785,414)	(10,576,507,962)
Tax corrections	11,904,593,718	-
Others	607,283,120	-
Total tax expense per consolidated statements of income	**313,276,896,119**	**423,832,852,970**

(Expressed in rupiah, unless otherwise stated)

f. Deferred tax assets (liabilities) consist of:

	2003	2002
Deferred tax assets:		
Company		
Tax loss carryforward	508,685,661,266	744,339,526,105
Allowance for doubtful accounts and inventory obsolescence	11,608,313,004	3,840,880,835
Accrual of retirement benefits	4,909,405,499	-
Quarry restoration cost	1,745,367,302	-
Others	833,851,800	-
Sub-total	527,782,598,871	748,180,406,940
Subsidiaries	3,659,625,735	3,308,435,496
Total	531,442,224,606	751,488,842,436
Deferred tax liabilities:		
Company		
Property, plant and equipment	(523,856,392,226)	(435,409,806,254)
Subsidiaries	(598,165,169)	-
Total	(524,454,557,395)	(435,409,806,254)
Net deferred tax assets		
Company	3,926,206,645	312,770,600,686
Subsidiaries	3,352,260,121	3,308,435,496
Total	**7,278,466,766**	**316,079,036,182**
Net deferred tax liabilities - Subsidiaries	**(290,799,555)**	**-**

Management believes that the above deferred tax assets can be fully recovered in future periods.

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2003	2002
Third Parties		
Rupiah	140,176,222,939	152,257,123,190
U.S. dollar	2,232,925,944,652	4,148,798,240,010
Japanese yen	2,807,964,677,250	2,871,210,243,770
Total - Third Parties	5,181,066,844,841	7,172,265,606,970
Related Parties		
U.S. dollar	109,098,664,467	125,150,157,060
Total	5,290,165,509,308	7,297,415,764,030
Less portions currently due	497,318,750,000	299,490,000,000
Long-term portion	**4,792,846,759,308**	**6,997,925,764,030**

(Expressed in rupiah, unless otherwise stated)

The balances of the above loans in their original currencies are as follows:

	2003*		2002*	
Rupiah				
Third parties				
PT Bank Central Asia Tbk. (BCA)		89,671,055,874		90,334,470,920
PT Bank Mandiri (Persero) Tbk.		39,555,739,395		42,964,797,878
JPMorgan Europe Ltd., London (formerly The Chase Manhattan International)		10,949,427,670		18,957,854,392
Total rupiah loans		**140,176,222,939**		**152,257,123,190**
Japanese yen				
Third parties				
Marubeni Corporation, Tokyo	JP¥	29,646,459,041	JP¥	30,596,467,260
Japan Bank for International Corporation, Tokyo (formerly The Export-Import Bank of Japan)		5,822,105,503		7,485,567,503
Total Japanese yen loans	**JP¥**	**35,468,564,544**	**JP¥**	**38,082,034,763**
U.S. dollar				
Third parties				
PT Bank Central Asia Tbk. (BCA)	US$	40,201,310	US$	-
Mizuho Global Ltd., Tokyo		29,067,302		-
Deutsche Bank AG, London		24,632,338		60,706,948
BNP Paribas, Singapore Branch		17,462,732		18,967,651
Mizuho Asset Trust & Banking Co., Ltd., Tokyo (formerly The Yasuda Trust & Banking Co., Ltd.)		16,734,123		18,176,135
Credit Industriel et Commercial, Singapore		12,821,541		14,086,377
Kawasaki Heavy Industries Limited, Tokyo		11,611,273		12,611,947
Citigroup Financial Products Inc. (formerly Salomon Brothers Holding Company Inc., USA)		10,367,936		23,531,788
JPMorgan Chase Bank, NY IBF (formerly The Chase Manhattan Bank, New York International Banking Facility)		5,716,364		157,917,189
Merrill Lynch JPNDC Inc., Tokyo		3,943,480		11,617,624
Credit Suisse First Boston Int'l, London		689,970		11,506,542
Mizuho Corporate Bank,Ltd., Singapore Branch (formerly The Fuji Bank Ltd., - Singapore Branch)		-		41,961,459
Avenue Asia Special Situations Fund II, LP, USA		-		13,853,518
Other creditors (each below US$ 10 million)		90,534,968		79,134,214
Related Parties				
Westdeutsche Landesbank Girozentrale, Tokyo Branch		10,933,156		11,875,388
WestLB Asia Pacific Ltd., Singapore		1,955,050		2,123,511
Total U.S. dollar loans	**US$**	**276,671,543**	**US$**	**478,070,291**

* based on the confirmation from JPMorgan Chase Bank, as the facility agent

(Expressed in rupiah, unless otherwise stated)

The interest rates per annum for the above indebtedness are as follows:

	2003	2002
Rupiah	9.38% - 15.00%	15.00% - 16.06%
U.S. dollar	3.16% - 4.49%	2.30% - 4.20%
Japanese yen	2.30% - 3.70%	2.30% - 4.72%

The above debts represent restructured debts under the Post HZ Entry Master Facility Agreement (HZMFA) dated December 29, 2000. The HZMFA provides for, among others, the mechanism, amounts and schedules of loan installment repayments, collateral, interest rates, restrictions on granting of guarantees or loans, issuance of warrants to the lenders, restrictions on issuance of new shares or other securities, restrictions on declarations and payments of cash dividends without prior written consent from the creditors, restrictions on capital expenditures, appointment of monitoring accountants, determination and transfer of surplus cash, and restrictions on derivative transactions.

Under the HZMFA, the Company, and all the lenders appointed BA Asia Limited (BAAL) to act as the Facility Agent, JPMorgan Chase Bank (formerly The Chase Manhattan Bank), Jakarta Branch to act as the Security and Escrow Agent, and The Bank of America N.A., JPMorgan Chase Bank, The Fuji Bank, Limited and BNP Paribas to compose the Monitoring Committee. In April 2002, the Company received a letter from BAAL regarding the resignation of BAAL and The Bank of America N.A. as part of the Monitoring Committee, and their replacement by Marubeni Corporation. Also, in December 2002, the Company was notified by JPMorgan Chase Bank that starting on December 10, 2002, the role of Facility Agent had been transferred from BAAL to JPMorgan Chase Bank.

The HZMFA also requires the Company to:

- Establish and maintain escrow accounts in JPMorgan Chase Bank. Usages or withdrawals of funds from these escrow accounts shall be subjected to strict monitoring and review by the monitoring accountants.

- Maintain an aggregate balance for all other current bank accounts (other than the current bank accounts agreed by the lenders) in an amount not exceeding the working capital buffers as defined in the HZMFA.

In compliance with the above requirements, the Company opened and maintains eleven (11) escrow accounts with JPMorgan Chase Bank. The balances of deposits maintained in such escrow accounts amounted to Rp 363,247,701,414 (consisting of Rp 9,147,189 and US$ 42,910,638) as of December 31, 2003, and Rp 583,895,812,471 (consisting of Rp 188,955,597, US$ 56,844,607 and JP¥ 1,001,600,452) as of December 31, 2002 which are presented as part of “Restricted Cash and Time Deposits” in the consolidated balance sheets.

Furthermore, as stated in the HZMFA, the loan repayment installments would be as follows:

(i) Fixed quarterly installment payments totaling US$ 10,500,000 in 2002; US$ 33,500,000 in 2003; US$ 58,750,000 in 2004; US$ 78,500,000 in 2005; US$ 84,500,000 in 2006; US$ 87,250,000 in 2007; and US$ 22,000,000 in 2008 (final).

(ii) Quarterly payments equal to the amount of cash available in the above-mentioned escrow accounts after the payments or applications required under the HZMFA.

As specified in the HZMFA, the restructured loans are secured/collateralized by the following:

- All of the above-mentioned escrow accounts maintained in JPMorgan Chase Bank, including all time deposit and demand deposit placements made from the funds in the escrow accounts.

- All receivables of the Company.

- All land, buildings, site improvements and other fixtures owned by the Company, except for:

  - Cement plants 6, 7 and 8, including their supporting facilities and land
  - Land where cement plants 1 and 2 are located
  - Quarry and the expansion of the Citeureup cement plants, including the land located within Kecamatan Citeureup, Cileungsi, Cibadak and Jonggol

- Fiduciary transfers of all proprietary rights over the inventories, and plant and equipment owned by the Company, including the related insurance coverage and/or proceeds from insurance recoveries

- Shares of Indomix and DAP.

Total principal payments made amounted to Rp 298,868,359,077 in 2003 and Rp 324,969,640,657 in 2002.

Total interest payments made by the Company through its escrow accounts amounted to Rp 220,606,458,920 (consisting of US$ 15,787,982, JP¥ 861,313,609 and Rp 20,055,059,549) in 2003 and Rp 321,604,987,796 (consisting of US$ 22,445,093, JP¥ 1,169,440,960 and Rp 33,008,176,317) in 2002, while the unpaid interest charges amounting to Rp 32,362,435,599 and Rp 53,795,883,779 as of December 31, 2003 and 2002, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheets.

As of December 31, 2003, the outstanding balance of the restructured debt amounted to Rp 5,290,165,509,308 (equivalent to US$ 624,945,719). Since the Company was able to reduce its debt below the target debt level (equivalent to US$ 700 million) before December 31, 2003 and as confirmed by the Facility Agent on December 24, 2003, the Company, among others, can use at its own discretion, 50% of any excess money in the escrow account after the prepayments of the principal loan installments and interest payments. The remaining 50% of the excess should be used in the early repayment of the debt (prepayment). In addition, the Monitoring Accountant's role has been limited to only performing monthly reviews of the Company's cash sweep mechanism to the escrow account.

Prior to the achievement of the target debt level, any excess money in the escrow accounts after the principal loan installment repayments plus interest payments should be used as the early repayment of the debt (prepayment) with the maximum annual prepayment amounting to US$ 27,000,000 in 2002; US$ 25,500,000 in 2003; US$ 28,500,000 in 2004; US$ 21,500,000 in 2005; US$ 16,500,000 in 2006; and US$ 24,000,000 in 2007. Total prepayments made amounted to US$ 25,500,000 (equivalent to Rp 227,536,762,873) in 2003 and US$ 19,254,411.57 (equivalent to Rp 175,019,476,495) in 2002.

Any excess funds available in the escrow accounts after the above maximum annual prepayment will be used for debt buy-back.

In 2003, the Company bought back portions of its restructured debt amounting to US$ 166,095,618 from the creditors at an average discount rate of 11.38% or US$ 18,904,363 (equivalent to Rp 164,291,843,757 - before tax).

In November 2002, the Company bought back a portion of its restructured debt amounting to US$ 8,945,634 from the creditors at a discount of US$ 2,583,601 (equivalent to Rp 23,854,388,034 - before tax).

The discounts were recognized as "Extraordinary Item" in the consolidated statements of income.

12. OBLIGATION UNDER CAPITAL LEASE

On December 23, 2003, PBI entered into a sale and leaseback agreement with PT Central Sari Finance (CSF) involving certain machineries and transportation equipment with lease terms of 3 years.

(Expressed in rupiah, unless otherwise stated)

The future minimum lease payments required under the lease agreements as of December 31, 2003 are as follows:

Years	Amount
2004	2,208,324,203
2005	2,033,672,750
2006	1,856,885,606
Total	6,098,882,559
Less amount applicable to interest	841,815,279
Present value of minimum lease payments	5,257,067,280
Current maturities	1,752,355,760
Long-term portion	**3,504,711,520**

The obligation under capital lease is secured by PBI's time deposits amounting to Rp 5,257,067,280 which are placed in PT Bank NISP (presented as part of "Restricted Cash and Time Deposits"), and the related leased assets. Based on the lease agreements, PBI is not permitted to sell or transfer its leased assets to other parties.

The gain arising from the sale and leaseback transaction amounting to Rp 241,528,137 was charged directly to current operations, instead of amortizing it over the term of the lease, since management considers the gain to be immaterial.

13. CAPITAL STOCK

a. Share Ownership

The details of share ownership based on records maintained by the shares registrar as of December 31, 2003 and 2002 are as follows:

	2003		
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
HC Indocement GmbH, Germany	2,397,980,863	65.14%	1,198,990,431,500
PT Mekar Perkasa	479,735,234	13.03%	239,867,617,000
Public and cooperatives	803,515,602	21.83%	401,757,801,000
Total	**3,681,231,699**	**100.00%**	**1,840,615,849,500**

	2002		
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
Kimmeridge Enterprise Pte., Ltd., Singapore	2,271,259,197	61.70%	1,135,629,598,500
Government of the Republic of Indonesia	621,128,380	16.87%	310,564,190,000
PT Mekar Perkasa	495,703,892	13.47%	247,851,946,000
Public and cooperatives	293,132,050	7.96%	146,566,025,000
Total	**3,681,223,519**	**100.00%**	**1,840,611,759,500**

On November 20, 2003, the Company received a copy of a letter from HC Indocement GmbH to the Chairman of the Badan Pengawas Pasar Modal (Bapepam) regarding the transfer of 2,254,739,197 shares of the Company from Kimmeridge Enterprise Pte., Ltd., to HC Indocement GmbH.

On December 1, 2003, the Company received a copy of a letter from HC Indocement GmbH to the Chairman of the Bapepam which states that HC Indocement GmbH has purchased 143,241,666 shares from the Government of the Republic Indonesia (GOI) through the exercise of the put option of GOI on October 30, 2003. After this acquisition, the number of shares owned by HC Indocement GmbH totaled 2,397,980,863 shares.

The Company's shares are listed on the Jakarta and Surabaya Stock Exchanges.

b. *Warrant A and Warrant C*

As of December 31, 2003, the Company has 153,382,977 Warrants A issued and outstanding.

Warrants A were issued to the creditors of the Company in connection with the debt restructuring at a fixed realization price of Rp 3,600 per share, while Warrants C were issued to the shareholders who did not exercise their pre-emptive rights during the rights issue process in 2001.

The period of realization of Warrants A shall be from two (2) to four (4) years and nine (9) months after the effective date of the debt restructuring which was on December 29, 2000, while Warrants C have a two-year exercise period starting from May 1, 2001 with an exercise price of Rp 1,200 per share for the first year and Rp 1,400 for the second year.

As of May 1, 2003 (the last exercise date for Warrants C), 8,180 shares were subscribed by the holders of Warrants C at Rp 1,400 per share. A total of 698,836,302 Warrants C was forfeited.

All of the above warrants, which are issued at no cost, are naked warrants and listed on the Jakarta and Surabaya Stock Exchanges.

14. ADDITIONAL PAID-IN CAPITAL

This account represents the excess of the amounts received and/or the carrying value of converted debentures and bonds over the par value of the shares issued after offsetting all the expenses related to the issuance of equity securities.

15. OTHER PAID-IN CAPITAL

This account represents the foreign exchange differential arising from the difference between the agreed exchange rate for the conversion of the foreign currency debentures into equity and the exchange rate at the date of the transaction.

16. RETAINED EARNINGS

In compliance with Corporation Law No. 1 of 1995 dated March 7, 1995, which requires companies to set aside, on a gradual basis, an amount equivalent to at least 20% of their subscribed capital as general reserve, the shareholders approved the partial appropriations of the Company's retained earnings as general reserve during their annual general meetings held on June 26, 2003, June 24, 1997 and June 25, 1996 in the amount of Rp 25 billion each.

(Expressed in rupiah, unless otherwise stated)

17. SEGMENT INFORMATION

BUSINESS SEGMENTS

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and other businesses. These operating businesses are used as basis for reporting of business segment information.

The main activities of each operating business are as follows:

Cement	:	Produce and sell several types of cement
Ready mix concrete	:	Produce and sell ready mix concrete
Other businesses	:	Building rental services, hotel and investing activity

The Company and Subsidiaries' business segment information is as follows:

2003	Cement	Ready Mix Concrete	Other Businesses	Elimination	Consolidation
REVENUES					
Sales to external customers	3,932,900,756,605	212,542,062,605	12,240,647,432	-	4,157,683,466,642
Inter-segment sales	66,640,436,803	-	9,669,956,627	(76,310,393,430)	-
Total Revenues	**3,999,541,193,408**	**212,542,062,605**	**21,910,604,059**	**(76,310,393,430)**	**4,157,683,466,642**
RESULTS					
Segment results	879,280,943,620	4,137,735,005	7,764,114,040	(177,916,949,430)	713,265,843,235
Equity in net earnings of associated companies - net	-	-	1,256,450,475	-	1,256,450,475
Others	-	-	104,752,484,186	-	104,752,484,186
Tax expense - net					(263,989,342,992)
Extraordinary item - net					115,004,290,630
NET INCOME					**670,289,725,534**
ASSETS AND LIABILITIES					
Segment assets	10,036,617,280,917	128,230,274,967	4,033,371,846	(104,415,998,451)	10,064,464,929,279
Long-term investments and advances to associated companies - net	-	-	24,864,880,556	-	24,864,880,556
Net deferred tax assets and prepayment for income tax	52,859,602,785	2,876,421,738	-	-	55,736,024,523
Total Assets	**10,089,476,883,702**	**131,106,696,705**	**28,898,252,402**	**(104,415,998,451)**	**10,145,065,834,358**
Segment liabilities	5,777,923,404,988	43,316,578,854	517,534,397	(221,137,388,440)	5,600,620,129,799
Net deferred tax liabilities	-	290,799,555	-	-	290,799,555
Total Liabilities (excluding deferred gain on sale and leaseback transaction - net)	**5,777,923,404,988**	**43,607,378,409**	**517,534,397**	**(221,137,388,440)**	**5,600,910,929,354**
Capital expenditure	106,270,097,841	7,737,724,612	1,072,405,719	-	115,080,228,172
Depreciation, amortization and depletion expenses	452,361,206,636	7,329,622,164	4,198,785,640	-	463,889,614,440
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provisions for doubtful accounts and inventory obsolescence	29,402,108,626	561,569,728	-	-	29,963,678,354

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002
(Expressed in rupiah, unless otherwise stated)

2002	Cement	Ready Mix Concrete	Other Businesses	Elimination	Consolidation
REVENUES					
Sales to external customers	3,822,106,837,642	114,860,205,748	11,315,462,543	-	3,948,282,505,933
Inter-segment sales	31,313,388,682	-	15,880,999,150	(47,194,387,832)	-
Total Revenues	**3,853,420,226,324**	**114,860,205,748**	**27,196,461,693**	**(47,194,387,832)**	**3, 948,282,505,933**
RESULTS					
Segment results	1,448,552,099,453	1,300,050,753	4,390,702,729	1,783,850,735	1,456,026,703,670
Equity in net losses of associated companies - net	-	(1,660,981,148)	(5,303,794,716)	-	(6,964,775,864)
Others	-	-	(8,036,067,640)	-	(8,036,067,640)
Tax expense - net					(416,676,536,560)
Extraordinary item - net					16,698,071,624
NET INCOME					**1,041,047,395,230**
ASSETS AND LIABILITIES					
Segment assets	10,825,547,778,999	107,211,576,338	256,409,670,863	(166,826,423,711)	11,022,342,602,489
Long-term investment and advances to associated companies - net	-	-	62,134,771,993	-	62,134,771,993
Net deferred tax assets and prepayment for income tax	350,183,236,614	2,862,859,668	-	-	353,046,096,282
Total Assets	**11,175,731,015,613**	**110,074,436,006**	**318,544,442,856**	**(166,826,423,711)**	**11,437,523,470,764**
Segment liabilities (excluding deferred gain on sale and leaseback transaction - net)	**7,768,943,861,833**	**174,311,490,240**	**4,012,078,622**	**(333,681,384,237)**	**7,613,586,046,458**
Capital expenditure	251,250,279,494	1,166,018,326	9,256,885,969	-	261,673,183,789
Depreciation, amortization and depletion expenses	451,541,689,839	3,338,311,119	6,127,304,877	-	461,007,305,835
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provisions for doubtful accounts and inventory obsolescence	5,031,393,152	1,679,716,540	-	-	6,711,109,692
Others	2,308,250,000	-	-	-	2,308,250,000

As discussed in Notes 7f and 8, the Company sold its investment in PT Wisma Nusantara International and its property, Wisma Indocement, to third parties in connection with its plan to dispose non-core assets and business. After these sales transactions, the Company ceased to engage in the property business. Since the financial effects of this property business are immaterial, the management decided not to segregate the presentation of the related financial position, results of operations and cash flows of this property business.

(Expressed in rupiah, unless otherwise stated)

Below are certain financial data on the property business prior to its disposal:

	2003	2002
Total assets	2,925,823,446	256,409,670,863
Total liabilities	517,534,397	2,722,627,022
Revenues	21,910,604,059	27,196,461,693
Cost of revenues	14,879,645,460	16,354,337,294
Equity in net earnings of associated companies	-	(6,573,468,516)
Net income	7,764,114,040	11,509,548,192
Cash flows from:		
Operating activities	(10,315,559,589)	(9,106,416,886)
Investing activities	(554,415,848)	(5,116,876,329)

GEOGRAPHICAL SEGMENTS

The Company and the Subsidiaries' geographical segment information is as follows:

REVENUES (based on sales area)	2003	2002
Domestic		
Java	5,800,941,946,530	5,880,611,286,839
Outside Java	976,423,327,016	1,028,108,284,757
Export	424,043,332,619	410,864,208,641
	7,201,408,606,165	7,319,583,780,237
Elimination	(3,043,725,139,523)	(3,371,301,274,304)
Net	**4,157,683,466,642**	**3,948,282,505,933**
ASSETS (based on location of assets)		
Domestic	**10,064,464,929,279**	**11,022,342,602,489**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**115,080,228,172**	**261,673,183,789**

The export sales were coursed through HCT, a related company, which is domiciled in Singapore (see Note 21b).

(Expressed in rupiah, unless otherwise stated)

Most of the Company's sales are coursed through DAP's sub-distributors. Sales of more than 10% of net revenues were made to the following sub-distributors: PT Jabotabek Niagatama Sukses, PT Jabar Multindo Perkasa and PT Jateng Kencana Abadimulia (see Note 21i).

18. COST OF REVENUES

The details of cost of revenues are as follows:

	2003	2002
Raw materials used	433,518,997,536	407,012,668,823
Direct labor	252,177,795,685	215,668,674,426
Fuel and power	990,544,854,273	1,041,432,834,544
Manufacturing overhead	769,021,138,798	728,169,910,720
Total Manufacturing Cost	2,445,262,786,292	2,392,284,088,513
Work in-process inventory		
At beginning of year	143,146,246,942	121,123,657,233
Others	-	(503,086,114)
At end of year	(87,803,081,247)	(143,146,246,942)
Cost of Goods Manufactured	2,500,605,951,987	2,369,758,412,690
Finished goods inventory		
At beginning of year	79,369,841,822	95,840,437,876
Others	(312,223,154)	(6,117,319,043)
At end of year	(55,054,132,871)	(79,369,841,822)
Cost of Goods Sold before Packing Cost	2,524,609,437,784	2,380,111,689,701
Packing Cost	222,272,667,861	251,901,337,711
Total Cost of Goods Sold	2,746,882,105,645	2,632,013,027,412
Cost of services		
Direct costs	11,211,814,195	13,598,353,682
Indirect costs	3,667,831,265	2,755,983,612
Total Cost of Services	14,879,645,460	16,354,337,294
Total Cost of Revenues	**2,761,761,751,105**	**2,648,367,364,706**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounted to Rp 36,676,849,494 and Rp 32,993,179,310 as of December 31, 2003 and 2002, respectively, and are presented as part of "Accrued Expenses" in the consolidated balance sheets.

There are no aggregate purchases from any individual supplier which exceeded 10% of the consolidated revenues.

(Expressed in rupiah, unless otherwise stated)

19. OPERATING EXPENSES

The details of operating expenses are as follows:

	2003	2002
Delivery and Selling Expenses		
Delivery, loading and transportation	344,546,884,782	168,824,043,572
Advertising and promotion	26,215,225,849	4,363,896,392
Salaries, wages and employees' benefits (see Note 20)	23,552,113,480	17,715,761,429
Depreciation	4,571,473,055	3,530,366,050
Professional fees	4,547,642,287	2,932,430,630
Research and testing	3,307,691,773	22,358,785
Repairs and maintenance	2,761,412,080	1,722,425,793
Rental	2,635,700,861	2,504,553,036
Electricity and water	2,621,081,187	2,178,793,202
Business travel	1,031,124,148	530,707,638
Miscellaneous (each below Rp 1 billion)	7,142,710,849	7,359,539,254
Total Delivery and Selling Expenses	422,933,060,351	211,684,875,781
General and Administrative Expenses		
Salaries, wages and employees' benefits (see Note 20)	89,754,972,386	75,339,670,823
Professional fees	17,359,217,092	17,439,275,132
Rental	8,888,078,685	4,724,143,865
Depreciation	6,531,900,327	6,986,870,128
Training and seminar	4,545,202,654	1,762,478,014
Insurance	3,447,045,694	21,429,007,070
Public relations	3,409,916,535	4,900,965,734
Repairs and maintenance	3,352,137,806	3,348,855,303
Donations	3,256,254,295	1,964,149,173
Communication	2,743,367,100	3,013,645,288
Travelling and transportation	2,360,530,612	3,172,510,743
Taxes and licenses	2,281,755,837	1,251,950,793
Medical	1,865,931,303	1,764,732,436
Printing and photocopying	1,385,444,208	1,235,167,177
Electricity and water	1,306,001,694	984,887,828
Publications and sponsorships	1,207,758,664	1,265,593,862
Provision for doubtful accounts	569,296,228	1,966,677,670
Miscellaneous (each below Rp 1 billion)	4,347,539,442	5,735,987,530
Total General and Administrative Expenses	158,612,350,562	158,286,568,569
Total Operating Expenses	**581,545,410,913**	**369,971,444,350**

(Expressed in rupiah, unless otherwise stated)

20. RETIREMENT BENEFITS

The Company has a defined contribution retirement plan covering 99.47% of its full-time employees. Retirement benefits charged to operations amounted to approximately Rp 27.7 billion in 2003 and Rp 15.2 billion in 2002.

The plan's assets are administered by Dana Pensiun Karyawan Indocement Tunggal Prakarsa, the establishment of which was approved by the Ministry of Finance on November 12, 1991, as amended by Decree No. Kep-332/KM.17/1994 dated December 1, 1994. As of December 31, 2003 and 2002, the Plan Assets totaled Rp 303.2 billion and Rp 239.9 billion, respectively.

In relation to the implementation of Labor Law No. 13/2003, the Company has appointed PT Watson Wyatt Purbajaga (WWP), an independent actuary, to calculate the expected obligation for post-employment, severance, gratuity and compensation benefits of its qualified permanent employees for the year ended December 31, 2003. Based on the actuarial report dated September 4, 2003, total employee benefits for the year ended December 31, 2003 amounted to Rp 17,722,018,000, while the related net liability (after considering the Company's portion for benefits in its pension plan net of the unamortized balance of the related non-vested past service costs amounting to Rp 65,847,435,000) as of December 31, 2003 amounted to Rp 16,364,684,995 (presented as part of "Long-term Liabilities - Others" in the 2003 consolidated balance sheet).

The balance of the non-vested past service costs is amortized over the average remaining years of service of active employees, starting January 1, 2003 for 14.91 years.

The actuarial valuation was determined using the "Projected Unit Credit" method which considered the following assumptions:

	December 31, 2003
Discount rate	9%
Wage and salary increase	8 %
Retirement age	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old
Table of mortality	Commissioner's Standard Ordinary 1980
Disability	10% of the mortality rate

Employee benefits of Subsidiaries are determined based on internal calculations. The total provisions made by the Subsidiaries amounted to Rp 1,375,948,186 (presented as part of "Long-term Liabilities - Others" in the 2003 consolidated balance sheet) as of December 31, 2003.

As of December 31, 2002 the total provisions made by the Company and Subsidiaries for their employees who did not join the pension plan amounted to Rp 1,655,391,997, which is recorded as part of "Accrued Expenses" account in the 2002 consolidated balance sheet. For the employees who joined the pension plan, management believes that the contributions to the retirement plan are enough to cover the payments of such employees' benefits.

21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. On October 20, 2003, the Company, Koperasi Gabindo (Developer) and PT Indotek Engico (Contractor) entered into an agreement for the construction of the Griya Indotarjun Indah Housing Project which is intended for the Company's employees at the Tarjun site. To assist in the development of the housing project, the Developer entered into three (3) agreements with the Contractor for the latter to construct 596 units of houses including the infrastructure and the facilities for a total contract value of Rp 31.6 billion (excluding value added tax). The housing construction is divided into three phases. The estimated completion date for the first phase (consisting of 250 units) is at the end of June 2004. The completion dates for the second and the third phases will be determined at a later date.

b. In the EGMS held on March 29, 2001, the independent shareholders approved the exclusive export distribution agreement between the Company and HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, under the following terms and conditions, among others (see Note 17):

   - HCT Services Asia Pte., Ltd. (HCT) will act as the Company's exclusive export distributor.

   - The Company shall invoice HCT at a net price equivalent to the U.S. dollar FOB sales price invoiced by HCT to its customers, less:
     - 5.5% on the first one million tons shipments per year.
     - 3.0% on shipments in excess of one million tons per year.

   - The term of the export distribution agreement is twenty (20) years.

c. The Company advanced funds in 2001 amounting to US$ 11,678,711 (equivalent to Rp 65,452,904,196) to finance PERTAMINA's development of its natural gas production facility in Bojongroong, Tanjung Sari, West Java in exchange for the Company's future purchases of natural gas. The Company's natural gas consumption started in May 2001 and the advance has been fully utilized as of August 31, 2003. The remaining balance of these advances as of December 31, 2002 amounting to US$ 2,225,120 (equivalent to Rp 12,470,910,521) is shown as part of "Other Non-Current Assets" in the 2002 consolidated balance sheet.

d. The Company has an outstanding agreement with PT Rabana Gasindo Usama (Rabana) whereby Rabana will build and own the distribution and receiving facilities of natural gas at Tegal Gede - Citeureup with a capacity of 18 MMSCFD. The Company will pay compensation of US$ 0.45 per MMBTU natural gas delivered as gas transportation fee and US$ 0.02 per MMBTU natural gas as technical fee. The agreement also provides for a minimum annual delivery of natural gas by the Company. If the Company is unable to utilize the minimum volume as stated in the agreement, Rabana will claim from the Company payment of gas transportation fee for the unconsumed volume. Such amount claimed should be agreed to by both parties within one month after the end of the year. This minimum purchase requirement will not be valid if the total payments made for the gas transportation fee exceed US$ 10,000,000 plus interest and Rabana's overhead. The agreement will expire in 2014 or may be terminated if the total volume of natural gas consumed reaches the contractual volume as stipulated in the agreement. Total transportation fee and technical fee paid to Rabana amounted to US$ 767,771 in 2003 and US$ 810,481 in 2002.

e. The Company also has agreements with PERTAMINA for the purchase of natural gas which provide for annual minimum purchase quantity. If the Company is unable to consume the agreed volume of natural gas, the Company should pay for the unconsumed volume to PERTAMINA. However, such payment can be treated as prepayment and can be applied for future gas consumption. Such agreements will expire in 2004 for the cement plants in Citeureup and 2014 for the power plant in Citeureup. Total purchases of natural gas from PERTAMINA amounted to Rp 44,861,430,481 in 2003 and Rp 25,076,520,781 in 2002. The related outstanding payables arising from these purchases amounting to US$ 197,563 (equivalent to Rp 1,672,371,022) and US$ 466,413 (equivalent to Rp 4,169,736,153) as of December 31, 2003 and 2002, respectively, are presented as part of “Trade Payables - Third Parties” in the consolidated balance sheets.

f. The Company has an outstanding sale and purchase of electricity agreement with PT PLN (Persero) (PLN) wherein PLN agreed to deliver electricity to the Company’s Citeureup plants with connection power of 80,000 KVA/150 kV at a certain rate with a minimum consumption of 8,000,000 kWh per month. Under the agreement, the Company was required to pay connection fee of Rp 8,000,000,000, build its own main tower and an incoming bay for PLN based on the standards and specifications of PLN. The price of the electricity will be based on the government regulation.

   Total amounts paid for the purchase of electricity under this agreement amounted to Rp 61.8 billion in 2003 and Rp 30.6 billion 2002.

g. The Company has an outstanding agreement with the Forestry Department (FD) for the exploitation of raw materials for cement, construction of infrastructure and other supporting facilities over 3,733.97 hectares of forest located in Pantai - Kampung Baru, South Kalimantan. Based on the agreement, the FD agreed to grant a license to the Company to exploit the above forest area for the above-mentioned purposes without any compensation. However, the Company is obliged to pay certain expenses in accordance with applicable regulations, to reclaim and replant the unproductive area each year, to maintain the forest area borrowed by the Company and to develop local community livelihood. Such license is not transferable and will expire in May 2019.

h. In December 2001, the Company entered into an agreement with PT Perhutani (Persero) wherein the Company obtained a right to use 712.484 hectares of forest land located at RPH Gunung Karang, Jonggol, KPH Bogor for the purpose of mining limestone. The Company transferred 1,424.968 hectares of land located at Desa Cikangkareng and Panyindanyan - Bogor to PT Perhutani (Persero) and paid Rp 7.1 billion as compensation to PT Perhutani (Persero) for the vegetation in the forest. The Company is also obliged to shoulder the reclamation and replanting cost of the forest. This agreement is valid for 5 years and can be renewed based on the evaluation of PT Perhutani (Persero).

i. DAP entered into several distributorship agreements with PT Jabotabek Niagatama Sukses, PT Jabar Multindo Perkasa, PT Jateng Kencana Abadimulia, PT Bangunsukses Niaga Nusantara, PT Royal Inti Mega Utama, and PT Saka Agung Abadi. Pursuant to these agreements, DAP, as the Company’s exclusive main domestic distributor, has appointed these companies to act as area distributors of bagged cement and bulk cement for the domestic market (see Note 17).

(Expressed in rupiah, unless otherwise stated)

The above-mentioned distributorship agreements provide for, among others, the specific distribution area or region for each sub-distributor, delivery requirements, obligations and responsibilities of the sub-distributors, responsibilities of DAP, terms and sales price, and restriction to transfer the distribution rights without prior consent from DAP. These agreements are valid until July 14, 2004, and are automatically renewable for another five (5) years, subject to the same terms and conditions, except for the requirement to submit written termination notice six (6) months prior to the expiration of the agreement by any party who wishes not to renew or extend its distribution rights.

Total gross sales to these sub-distributors in 2003 and 2002 are as follows:

	2003	2002
PT Jabotabek Niagatama Sukses	1,114,234,822,240	1,059,553,548,842
PT Jabar Multindo Perkasa	763,972,268,928	738,391,293,038
PT Jateng Kencana Abadimulia	561,787,336,992	612,714,696,120
PT Bangunsukses Niaga Nusantara	288,717,674,942	300,209,918,923
PT Royal Inti Mega Utama	253,334,247,039	255,671,481,858
PT Saka Agung Abadi	131,976,999,153	110,965,203,632
Total	**3,114,023,349,294**	**3,077,506,142,413**

The total outstanding receivables from these sub-distributors amounting to Rp 197,832,649,664 and Rp 154,845,443,711 as of December 31, 2003 and 2002, respectively, are recorded as part of “Trade Receivables - Third Parties” in the consolidated balance sheets.

j. In compliance with the mining regulations issued by the government, the Company is obliged to restore the mined area by preparing and submitting an annual restoration plan “Mining Exploitation Plan Book” for a period of 5 years to the Mining Department. The Company has made a provision for the restoration cost and presented as part of “Long-term Liabilities - Others” in 2003 consolidated balance sheet.

k. The Company is exposed to market risk, primarily changes in currency exchange rates, and uses derivative instruments to hedge the risks in such exposures in connection with its risk management activities. The Company does not hold or issue derivative instruments for trading purposes.

In 2002, the Company entered into foreign exchange contracts with Standard Chartered Bank, Jakarta Branch to hedge its foreign currency-denominated loans. Under the terms of the foreign exchange contracts, the Company shall purchase a total of JP¥ 600 million and US$ 10 million on various dates in 2003, at fixed exchange rates ranging from Rp 76.27 to Rp 80.62 for JP¥ 1 and Rp 9,085 to Rp 9,700 to US$ 1. As of December 31, 2002, the Company recognized a net unrealized loss on the forward contracts of Rp 3,088,387,820 which is presented as part of “Other Payables to Third Parties” in the 2002 consolidated balance sheet. These contracts matured in 2003 (see also Note 23).

(Expressed in rupiah, unless otherwise stated)

22. ECONOMIC CONDITIONS

Indonesia is continuing its modest recovery from the effects of the financial crisis that hit most parts of Asia in 1997. Thus far, the government has been able to maintain political stability and this has renewed foreign investors' confidence. There has also been a progressive improvement in the country's economy given the macroeconomic fundamentals and indicators such as economy growth, a declining trend in inflation and a stronger rupiah against the U.S. dollar. However, the operations of the Company may be affected for the foreseeable future by the social and political conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Thus, the Company and its subsidiaries have implemented measures to cope with the current economic environment, among others:

a. Enhancing export sales with the exclusive export distribution agreement with HCT

b. Continued cost-cutting measures that were initiated in the previous years, such as:
   - Preferential use of domestic goods and services, whenever available
   - Reduction in non-essential operating expenditures
   - Minimize foreign currency denominated expenses to the extent possible

c. Limiting capital expenditures to necessary operating requirements

d. Applying dynamic and prudent financial management

e. Disposal of non-core assets

As of December 31, 2003, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah December 31, 2003 (Balance Sheet Date)	Equivalent in Rupiah January 20, 2004 (Auditors' Report Date)
Assets				
Related Parties	US$	2,687,366	22,748,553,190	22,547,000,740
Third Parties	US$	51,084,364	432,429,141,260	428,597,813,960
	JP¥	1,879,913	148,828,388	146,864,255
	EUR	7,807	83,090,369	80,991,848
Total			455,409,613,207	451,372,670,803
Liabilities				
Related Parties	US$	12,982,341	109,895,516,565	108,921,840,990
Third Parties	US$	269,452,191	2,280,912,796,815	2,260,703,882,490
	JP¥	35,644,626,170	2,821,903,071,239	2,784,661,565,816
	EUR	620,441	6,603,390,789	6,436,616,249
Total			5,219,314,775,408	5,160,723,905,545
Net liabilities			**4,763,905,162,201**	**4,709,351,234,742**

(Expressed in rupiah, unless otherwise stated)

The rupiah currency has increased in value based on the middle rates of exchange published by Bank Indonesia as shown below:

Foreign Currency	December 31, 2003	January 20, 2004
Euro (EUR 1)	10,643.06	10,374.26
U.S. dollar (US$ 1)	8,465.00	8,390.00
Japanese yen (JP¥ 100)	7,916.77	7,812.29

Had the assets and liabilities denominated in foreign currencies as of December 31, 2003 been reflected using the above middle rates of exchange as of January 20, 2004 (the independent auditors' report date), the net foreign currency denominated liabilities, as stated above, would have decreased by approximately Rp 55 billion.

23. SUBSEQUENT EVENT

On January 16, 2004, the Company entered into forward currency exchange contracts with Standard Chartered Bank, Jakarta Branch for the purchase of a total of JP¥ 1,450,000,000 at fixed exchange rates ranging from Rp 80.79 to Rp 86.23 to JP¥ 1 in various dates in 2004 and 2005.

24. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2002 consolidated financial statements have been reclassified and an account has been offset against another related account to conform with the presentation of accounts in the 2003 consolidated financial statements.

a. The reclassified accounts are summarized as follows:

As previously reported	As reclassified	Amount
Other non-current assets	Due from related parties	36,037,852,668
Trade payables - related parties	Trade payables - third parties	1,267,974,000
Long-term investments and advances to associated companies	Due from related parties	545,987,625

b. "Advances and Deposits" amounting to Rp 27,281,335,908 has been offset against "Trade Payables - Third Parties" relating to the same suppliers.

25. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that were completed on January 20, 2004.

corporate information

Condensed List of Shareholders (%)

HC Indocement GmbH	65.14
PT Mekar Perkasa	13.03
Public	21.83

All shares are listed in the Stock Exchanges of Indonesia – Reuters INTPJK

Corporate Address

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Jakarta 12910, Indonesia
Phone : +62 21 251 21 21
Facsimile : +62 21 251 00 66
http://www.indocement.co.id

Other Shareholder Information

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will be held at Wisma Indocement, Level 21
Jl. Jenderal Sudirman Kav. 70-71 Jakarta 12910, Indonesia on June 23, 2004.

For further information, please contact:

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Investor inquiries

Investor inquiries may be directed to:

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Professionals and Bankers

Auditors

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(A member of Ernst & Young)
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Share Registrar

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Major Bankers

PT Bank Central Asia Tbk.
Japan Bank for International Cooperation
Mizuho Global, Ltd. Tokyo
Deutsche Bank, AG London
BNP Paribas, Singapore Branch
Mizuho Asset Trust and Banking Co., Ltd.
Credit Industriel Et Commercial Singapore
Westdeutsche Landesbank Girozentrale, Tokyo Branch
PT Bank Mandiri Tbk.