Consolidated Financial Statements
Three Months Ended March 31, 2005 and 2004

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2005 AND 2004

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PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	361,549,478,050	414,509,193,205
Short-term investments	2d	9,815,112,650	5,556,047,050
Trade receivables	2e,4,11		
Related party	2f,21	23,604,552,326	10,127,152,985
Third parties - net of allowance for doubtful accounts of Rp13,942,091,743 in 2005 and Rp13,332,091,743 in 2004	22e	391,742,264,168	282,782,482,699
Other receivables from third parties - net of allowance for doubtful accounts of Rp7,373,045,808 in 2005 and Rp1,389,089,659 in 2004	2e,2q, 5,22m	27,188,812,855	20,751,194,830
Inventories - net	2g,6,11	738,513,718,956	695,437,124,779
Advances and deposits	6	62,255,568,038	55,980,659,719
Prepaid taxes	10	46,948,809,486	50,134,591,740
Prepaid expenses	2h	29,043,948,712	44,395,004,528
TOTAL CURRENT ASSETS		1,690,662,265,241	1,579,673,451,535
NON-CURRENT ASSETS			
Due from related parties	2f,21	64,022,266,092	65,535,994,418
Deferred tax assets - net	2r,10	3,958,532,827	3,534,953,508
Long-term investments and advances to associated companies - net of allowance for doubtful accounts of Rp13,720,944,026 in 2005 and Rp13,431,144,026 in 2004	2b,2f,7	45,171,836,469	26,604,668,925
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp3,496,000,714,273 in 2005 and Rp3,018,343,082,828 in 2004	2i,2j,2k,2l, 8,11	7,690,263,762,086	8,083,607,731,697
Restricted cash and time deposits	11,12	289,963,629,909	311,621,263,555
Other non-current assets	2h,2m,8	74,663,213,491	32,498,972,006
TOTAL NON-CURRENT ASSETS		8,168,043,240,874	8,523,403,584,109
TOTAL ASSETS		**9,858,705,506,115**	**10,103,077,035,644**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
March 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	9		
Third parties	22i	108,326,993,776	75,599,242,699
Related party	2f,21	-	2,012,689,756
Other payables to third parties	8,22d,22m	112,259,484,915	48,181,058,000
Accrued expenses	2f,11,18,21	111,665,799,896	109,257,989,000
Taxes payable	2r,10	47,984,407,756	42,786,475,922
Current maturities of long-term liabilities			
Loans from banks and financial institutions	2f,11,21	379,200,000,000	558,155,000,000
Obligations under capital lease	2k,8,12	1,912,022,428	2,193,967,666
Others	2o,20,22l	9,084,518,190	6,062,667,633
Other current liabilities		15,474,946,676	6,707,925,300
TOTAL CURRENT LIABILITIES		785,908,173,637	850,957,015,976
NON-CURRENT LIABILITIES			
Due to related parties	2f,21	3,576,050,432	4,714,173,292
Deferred tax liabilities - net	2r,10	131,683,591,548	230,688,838
Long-term liabilities - net of current maturities			
Loans from banks and financial institutions	2f,11,21	4,076,420,085,501	4,686,454,967,788
Obligations under capital lease	2k,8,12	1,553,766,818	3,063,099,614
Others	2o,20,22l	41,040,243,741	17,272,253,276
Deferred gain on sale-and-leaseback transactions - net	2k	9,173,524,296	10,316,791,951
TOTAL NON-CURRENT LIABILITIES		4,263,447,262,336	4,722,051,974,759
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	13	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,14	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	15	338,250,000,000	338,250,000,000
Differences arising from changes in the equity of Subsidiaries	2b	9,612,382,709	(1,293,791,078)
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	(3,045,917,820)	(3,007,183,420)
Retained earnings			
Appropriated	16	100,000,000,000	75,000,000,000
Unappropriated		1,660,480,552,213	1,417,065,966,367
NET SHAREHOLDERS' EQUITY		4,809,350,070,142	4,530,068,044,909
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,858,705,506,115**	**10,103,077,035,644**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Three Months ended March 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
NET REVENUES	2f,2n,17, 21,22e,22g	1,202,336,548,699	954,155,422,891
COST OF REVENUES	2f,2n,18, 20, 21,22h,22i,22j	762,982,326,784	648,726,247,131
GROSS PROFIT		**439,354,221,915**	**305,429,175,760**
OPERATING EXPENSES	2f,2n,19,20, 21,22d,22f		
Delivery and selling		124,206,563,260	99,982,913,514
General and administrative		43,617,449,486	38,606,805,062
Total Operating Expenses		**167,824,012,746**	**138,589,718,576**
INCOME FROM OPERATIONS		**271,530,209,169**	**166,839,457,184**
OTHER INCOME (EXPENSES)			
Interest income	3	4,525,970,387	3,225,715,447
Foreign exchange loss - net	2p,2q,22m	(37,988,042,388)	(121,001,231,506)
Interest expense	11	(44,756,159,112)	(46,984,456,403)
Others - net	2m	25,533,334,073	1,853,184,881
Other Expenses - Net		**(52,684,897,040)**	**(162,906,787,581)**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**2,256,329,343**	**1,739,788,369**
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**221,101,641,472**	**5,672,457,972**
CORPORATE INCOME TAX EXPENSE	2r,10		
Current		1,285,702,600	4,988,401,750
Deferred		70,424,125,714	3,683,402,352
Total Corporate Income Tax Expense		**71,709,828,314**	**8,671,804,102**
NET INCOME (LOSS)		**149,391,813,158**	**(2,999,346,130)**
BASIC EARNINGS (LOSSES) PER SHARE	2u	**40.58**	**(0.81)**

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
Three Months ended March 31, 2005 and 2004
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 14 and 15)	Differences Arising from Changes in the Equity of Subsidiaries	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	
Balance as of December 31, 2003		**1,840,615,849,500**	**1,532,486,402,048**	**(841,391,078)**	**(330,799,198,508)**	**(3,069,178,320)**	**75,000,000,000**	**1,420,065,312,497**	**4,533,457,796,139**
Net loss		-	-	-	-	-	-	(2,999,346,130)	(2,999,346,130)
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-	-	61,994,900	-	-	61,994,900
Change in Subsidiary's equity arising from the decline in market values of its investments in available-for-sale securities	2b, 2d	-	-	(452,400,000)	-	-	-	-	(452,400,000)
Balance as of March 31, 2004		**1,840,615,849,500**	**1,532,486,402,048**	**(1,293,791,078)**	**(330,799,198,508)**	**(3,007,183,420)**	**75,000,000,000**	**1,417,065,966,367**	**4,530,068,044,909**
Balance as of December 31, 2004		**1,840,615,849,500**	**1,532,486,402,048**	**5,447,335,825**	**(330,799,198,508)**	**(3,045,917,820)**	**100,000,000,000**	**1,511,088,739,055**	**4,655,793,210,100**
Net income		-	-	-	-	-	-	149,391,813,158	149,391,813,158
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	319,646,884	-	-	-	-	319,646,884
Changes in the equity of a Subsidiary arising from the recovery from decline in market values of its investments in available-for-sale securities	2b,2d	-	-	3,845,400,000	-	-	-	-	3,845,400,000
Balance as of March 31, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**9,612,382,709**	**(330,799,198,508)**	**(3,045,917,820)**	**100,000,000,000**	**1,660,480,552,213**	**4,809,350,070,142**

* Including Other Paid–in Capital

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months ended March 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		1,329,297,528,436	1,062,032,896,848
Payments to suppliers and contractors, and for salaries and other employees' benefits		(944,234,296,235)	(723,135,554,982)
Cash provided by operations		385,063,232,201	338,897,341,866
Receipts of interest income		2,652,445,282	2,658,053,038
Payments of taxes		(77,417,867,952)	(74,794,289,317)
Net receipts from other operating activities		15,930,408,864	17,736,492,371
Net Cash Provided by Operating Activities		**326,228,218,395**	**284,497,597,958**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	8	16,397,068	9,200,000
Purchases of fixed assets		(38,061,171,694)	(15,624,351,268)
Net Cash Used in Investing Activities		**(38,044,774,626)**	**(15,615,151,268)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from derivative transactions		2,592,204,500	-
Payment of obligations under capital lease	12	(572,399,918)	-
Net Cash Provided by Financing Activities		**2,019,804,582**	**-**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		530,752,926	2,830,930,953
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(236,617,041,630)	(157,288,938,891)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**54,116,959,647**	**114,424,438,752**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3	307,432,518,403	300,084,754,453
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	**361,549,478,050**	**414,509,193,205**
Activities not affecting cash and cash equivalents:			
Payment of bank loans from restricted cash accounts	11	153,164,422,824	179,502,324,406
Payment of interest using restricted cash accounts	11	37,851,862,502	41,680,659,805
Interest earned on restricted cash accounts	11	843,031,532	428,477,220
Payments to facility and security agents using restricted cash accounts	11	1,254,150,000	-

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 amendment of which was covered by notarial deed No. 15 dated February 23, 2005 of Amrul Partomuan Pohan, S.H., LLM. concerning, among others, the change in the members of the Company's boards of commissioners. Such amendments were registered with the Ministry of Justice and Human Rights.

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, construction and trading. Currently, the Company and Subsidiaries are involved in several businesses consisting of the manufacture and sale of cement (as core business) and ready mix concrete.

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 the Company's two subsidiaries.

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 Rp14,450 per share, with a fixed rate of exchange upon conversion of US$1 to Rp1,946.

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 Rp8,555,640,000 to capital stock and Rp67,320,100,000 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.

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

In the EGMS held on June 15, 1994, the shareholders approved the increase in the Company's authorized capital stock from Rp750 billion to Rp2,000 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.

In the EGMS held on June 26, 1996, the shareholders resolved to split the par value of the Company's shares from Rp1,000 per share to Rp500 per share. Accordingly, the number of issued and paid-in capital stock was 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 Rp1,200 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.

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.

As of March 31, 2005 and 2004, the members of the Company's boards of commissioners and directors are as follows:

	2005	2004
Board of Commissioners		
President	Daniel Hugues Jules Gauthier	Paul Marie Vanfrachem
Vice President	Sudwikatmono	Sudwikatmono
Vice President	I Nyoman Tjager	I Nyoman Tjager
Commissioner	DR. Bernd Scheifele	Hans Erwin Bauer
Commissioner	Parikesit Suprapto	Parikesit Suprapto
Commissioner	Emir Adiguzel	Hans Hakan Fernvik
Commissioner	Lorenz Naeger	Horst Robert Wolf
Commissioner	-	Ibrahim Risjad
Commissioner	-	Jean-Claude Thierry A. Dosogne

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

	2005	2004
Board of Directors		
President	Daniel Eugene Antoine Lavalle	Daniel Eugene Antoine Lavalle
Vice President	Tedy Djuhar	Tedy Djuhar
Director	Thomas Willi Kern	Thomas Willi Kern
Director	Hans Oivind Hoidalen	Hans Oivind Hoidalen
Director	Iwa Kartiwa	Iwa Kartiwa
Director	Nelson G. D. Borch	Nelson G. D. Borch
Director	Benny Setiawan Santoso	Benny Setiawan Santoso
Director	Christian Kartawijaya	Bradley Reginald Taylor
Director	Philippe Albert Kaplan	-

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp7 billion and Rp6.8 billion for the three months ended March 31, 2005 and 2004, respectively. As of March 31, 2005 and 2004, the Company and Subsidiaries have a total of 6,815 and 7,045 permanent employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the 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 Presentation 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), derivative instruments and 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 fixed assets which are stated at revalued amounts.

The consolidated statements of cash flows present receipts and payments of cash and cash equivalents classified into operating, investing and financing activities. The cash flows from operating activities are presented 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 March 31, 2005	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	348,558,474,030	99.99

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

	Principal Activity	Country of Domicile	Year of Incorporation/ Start of Commercial Operations	Total Assets as of March 31, 2005	Effective Percentage of Ownership (%)
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	70,143,966,183	99.99
Indocement (Cayman Islands) Limited	Investing	Cayman Islands	1991/1991	34,207,730,700	100.00
Indirect					
PT Pionirbeton Industri (PBI) (formerly PT Pioneer Beton Industri)	Ready mix concrete manufacturing	Indonesia	1996/1996	103,607,622,096	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,688,907,109	99.99

DAP was established in 1998 for the purpose of acting as the Company's main domestic distributor of certain cement products.

On July 9, 2004, DAP and Indomix, subsidiaries, acquired 1,000 shares of MBG at book value, representing 100% ownership from PT Total Galaxy and Mr. Freddysun, third parties. MBG is a company which has obtained the right to use ("hak pengelolaan") the Lembar port (Lombok), where the Company built its terminal, for 20 years from PT (PERSERO) Pelabuhan Indonesia III since January 1, 2001.

As of March 31, 2005, MBG has not yet started its commercial operations.

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 Rp20,000,000. 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 March 31, 2005
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

Investments in associated companies wherein 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 the 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 is 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).

A subsidiary's investment in an associated company which uses the U.S. dollar as its functional and reporting currency is translated into rupiah using the exchange rate prevailing at balance sheet date, while the equity in the net earnings (losses) of the associated company is translated using the average rate during the year. Exchange differences arising from the translation of the investment are recorded by the Company as "Differences Arising from Changes in the Equity of Subsidiaries" account which is presented under the Stockholders' Equity section of the consolidated balance sheets.

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 the Equity of Subsidiaries" 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 21.

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 losses is provided to reduce the carrying value of inventories to their net realizable values.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

h. Prepaid Expenses

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

i. Fixed Assets

Fixed assets 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 fixed assets 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 (see item *l* below). Cost is reduced by the amount of revenue generated from the sale of finished products during the trial production run less the related cost of production. The accumulated cost will be reclassified to the appropriate fixed assets account when the construction is substantially completed and the asset constructed is ready for its intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed Assets (continued)

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, "Fixed Assets", 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

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as a loss in the current year's statement of income.

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 "Fixed Assets" 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 the methods and estimated useful lives used for similar fixed assets acquired under direct ownership.

Gain on sale-and-leaseback transaction is deferred and amortized using the same basis and methods as mentioned 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 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. In 2005 and 2004, no borrowing costs were capitalized.

m. Deferred Charges

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.

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 the services are rendered. Cost and expenses are generally recognized and charged to operations when they are incurred.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Provision for Employee Benefits

The Company has a defined contribution retirement plan (Pension Plan) covering all of its qualified permanent employees and an unfunded employee benefit liability in accordance with the existing Company's Collective Labor Agreement (CLA). The provision for the CLA has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plan with the benefit as stipulated in the CLA after deducting the accumulated employee contribution and the related investment results. If the employer-funded portion of the Pension Plan benefit is less than the benefit as required by the CLA, the Company provides for such shortage. Prior to January 1, 2004, the Company determined its employee benefit liability under the CLA based on an actuarial valuation and amortized unrecognized past service costs over the estimated average remaining years of service of qualified employees.

On the other hand, the Subsidiaries do not maintain any pension plan for the benefit of their employees. However, retirement benefit expenses for those Subsidiaries are accrued based on Labor Law No. 13/2003 dated March 25, 2003 ("the Law").

Effective January 1, 2004, the Company decided to early adopt PSAK No. 24 (Revised 2004) - Employee Benefits, on a retrospective basis and changed its previous accounting method for employee benefits to the method required under this revised PSAK.

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under the CLA/Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeds the higher of 10% of the present value of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are amortized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

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 quoted at the closing of the last banking day of the year. The resulting gains or losses are credited or charged to current operations, except for those capitalized under PSAK No. 26.

As of March 31, 2005 and 2004, the rates of exchange used are as follows:

	2005	2004
Euro (EUR1)	12,249.12	10,486.89
U.S. dollar (US$1)	9,480.00	8,587.00
Japanese yen (JP¥100)	8,848.25	8,212.13

Transactions in other foreign currencies are considered insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the balance sheets 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 statements 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 and option 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 can not be designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly in earnings.

r. Corporate Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized 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.

Amendment to a tax obligation is recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

s. Segment Reporting

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.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Net Earnings (Losses) per Share

Basic earnings (losses) per share is computed by dividing net earnings (losses) by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2005 and 3,681,231,049 shares in 2004.

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 higher than the market price of the Company’s shares listed on the stock exchange.

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2005	2004
Cash on hand	757,002,397	662,385,517
Cash in banks		
ABN-AMRO Bank N.V.		
U.S. dollar		
(US$5,460,683 in 2005 and US$23,711,360 in 2004)	51,767,275,030	203,609,447,805
Euro		
(EUR796,241 in 2005)	9,753,250,701	-
Rupiah	1,412,617,324	1,963,274,857
PT Bank Mandiri (Persero) Tbk.		
Rupiah	19,910,589,701	6,351,839,242
Euro		
(EUR624,380 in 2005 and EUR942,429 in 2004)	7,648,110,200	9,883,144,956
U.S. dollar		
(US$344,546 in 2005 and US$231,874 in 2004)	3,266,299,208	1,991,103,583
PT Bank Central Asia Tbk.		
Rupiah	11,242,389,133	7,885,609,029
Euro		
(EUR830,847 in 2005 and EUR5,714 in 2004)	10,177,149,749	59,922,299
U.S. dollar		
(US$656,004 in 2005 and US$344,907 in 2004)	6,218,917,825	2,961,712,631
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	6,632,706,318	2,694,313,806
PT Bank Lippo Tbk.		
Rupiah	2,032,314,551	428,731,216

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

	2005	**2004**
Others		
Rupiah	2,130,208,756	1,189,552,173
U.S. dollar (US$53,347 in 2005 and US$73,975 in 2004)	505,724,629	635,216,355
Other foreign currencies	87,160,925	154,381,721
Rupiah time deposits		
ABN-AMRO Bank N.V.	163,627,761,603	40,000,000,000
PT Bank Mandiri (Persero) Tbk.	4,500,000,000	131,000,000,000
PT Bank Central Asia Tbk.	3,000,000,000	3,038,558,015
U.S. dollar time deposits (US$6,000,000)		
ABN-AMRO Bank N.V.	56,880,000,000	-
Total	**361,549,478,050**	**414,509,193,205**

Interest rates per annum ranged from 5.00% to 6.90% in 2005 and from 5.75% to 7.93% in 2004 for the rupiah time deposits and ranged from 1.75% to 2.20% in 2005 for the U.S. dollar time deposits.

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2005	**2004**
Related Party (see Note 21)		
Cement business		
HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), Singapore (US$2,489,932 in 2005 and US$1,179,359 in 2004)	**23,604,552,326**	**10,127,152,985**
Third Parties		
Cement and ready mix concrete business	405,684,355,911	296,114,574,442
Other businesses	-	-
Total	405,684,355,911	296,114,574,442
Allowance for doubtful accounts	(13,942,091,743)	(13,332,091,743)
Net	**391,742,264,168**	**282,782,482,699**

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	2005	2004
Balance at beginning of period	13,822,091,743	13,332,091,743
Provision during the period	120,000,000	-
Balance at end of period	**13,942,091,743**	**13,332,091,743**

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 for the long-term loans from banks and financial institutions (see Note 11).

The aging of trade receivables based on their currency denominations as of March 31, 2005 and 2004 is as follows:

	2005		
	Currency		
	Rupiah	U.S. Dollar (In Equivalent Rupiah)	Total
Current	329,585,032,384	23,054,712,326	352,639,744,710
Overdue:			
1 - 30 days	32,993,437,079	-	32,993,437,079
31 - 60 days	10,315,211,631	-	10,315,211,631
61 - 90 days	6,781,410,743	-	6,781,410,743
Over 90 days	20,925,364,830	5,633,739,244	26,559,104,074
Total	**400,600,456,667**	**28,688,451,570**	**429,288,908,237**

	2004		
	Currency		
	Rupiah	U.S. Dollar (In Equivalent Rupiah)	Total
Current	244,218,520,603	10,341,507,089	254,560,027,692
Overdue:			
1 - 30 days	11,502,708,443	-	11,502,708,443
31 - 60 days	5,874,201,977	-	5,874,201,977
61 - 90 days	3,311,107,465	-	3,311,107,465
Over 90 days	25,909,782,606	5,083,899,244	30,993,681,850
Total	**290,816,321,094**	**15,425,406,333**	**306,241,727,427**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2005	2004
PERTAMINA	18,991,408,836	-
Claim to the Tax Office	5,502,658,681	5,502,658,681
Market value of option and forward exchange contracts (see Note 22m)	5,685,936,911	4,449,104,077
Others	4,381,854,235	12,188,521,731
Total	34,561,858,663	22,140,284,489
Allowance for doubtful accounts	(7,373,045,808)	(1,389,089,659)
Net	**27,188,812,855**	**20,751,194,830**

The movements of allowance for doubtful accounts are as follows:

	2005	2004
Balance at beginning of period	8,503,980,725	1,389,089,659
Receivables written off during the period	(1,130,934,917)	-
Balance at end of period	**7,373,045,808**	**1,389,089,659**

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.

6. INVENTORIES

Inventories consist of:

	2005	2004
Finished goods	42,050,258,083	57,108,536,748
Work in process	75,727,565,730	78,037,166,287
Raw materials	36,212,831,228	25,933,334,259
Fuel and lubricants	101,959,677,443	56,827,910,926
Spare parts	526,504,239,594	517,458,910,623
Materials in transit and others	134,338,359	134,338,359
Total	782,588,910,437	735,500,197,202
Allowance for inventory losses	(44,075,191,481)	(40,063,072,423)
Net	**738,513,718,956**	**695,437,124,779**

With the exception of inventories owned by Indomix and PBI amounting to Rp7.35 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (see Note 8).

(Expressed in rupiah, unless otherwise stated)

6. INVENTORIES (continued)

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

The movements of allowance for inventory losses are as follows:

	2005	2004
Balance at beginning of period	44,075,191,481	40,063,072,423
Provisions during the period	-	-
Obsolete inventory sold during the period	-	-
Inventories written off during the period	-	-
Balance at end of period	**44,075,191,481**	**40,063,072,423**

Management believes that the above allowance for inventory losses 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 March 31, 2005 and 2004 amounting to Rp34,382,932,432 and Rp33,156,449,139, respectively, are presented as part of "Advances and Deposits" in the consolidated balance sheets.

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANY

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

	2005			
	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	(15,850,424,190)	20,773,575,810
Stillwater Shipping Corporation	50.00	105,500,000	15,924,682,300	16,030,182,300
PT Pama Indo Mining	40.00	1,200,000,000	7,148,078,359	8,348,078,359
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	6,757,548,969	45,171,836,469
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**45,171,836,469**

(Expressed in rupiah, unless otherwise stated)

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANIES (continued)

	2004			
	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	(22,476,199,445)	14,147,800,555
Stillwater Shipping Corporation	50.00	105,500,000	4,597,901,150	4,703,401,150
PT Pama Indo Mining	40.00	1,200,000,000	6,243,667,220	7,443,667,220
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	(12,099,418,575)	26,314,868,925
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,431,144,026)
Net advances				289,800,000
Total				**26,604,668,925**

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

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the three months ended March 31, 2005 and 2004 are as follows:

	2005	2004
Stillwater Shipping Corporation	1,301,708,256	860,473,659
PT Pama Indo Mining	695,975,648	627,509,415
PT Cibinong Center Industrial Estate	258,645,439	251,805,295
Total	**2,256,329,343**	**1,739,788,369**

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 PT Indo Clean Set Cement (ICSC). As of March 31, 2005, the liquidation process of ICSC is still ongoing. The additional equity in net losses of ICSC after 2002 has not been recognized in the consolidated financial statements since ICSC has ceased operations and the effects of the additional equity are immaterial to the consolidated financial statements.

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS

Fixed assets consist of:

	Balance as of December 31, 2004	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of March 31, 2005
2005 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	209,454,489,891	-	-	209,454,489,891
Leasehold improvements	3,104,184,761	-	-	3,104,184,761
Quarry	74,484,452,696	-	-	74,484,452,696
Buildings and structures	2,873,657,286,812	288,678,343	-	2,873,945,965,155
Machinery and equipment	7,283,050,582,835	8,542,039,669	-	7,291,592,622,504
Transportation equipment	344,875,147,012	17,319,300,295	1,329,156,332	360,865,290,975
Furniture, fixtures and office equipment	196,785,021,094	2,933,540,789	48,008,186	199,670,553,697
Tools and other equipment	58,162,093,421	1,161,645,851	5,030,659	59,318,708,613
Sub-total	11,043,573,258,522	30,245,204,947	1,382,195,177	11,072,436,268,292
Assets under capital lease				
Machinery and equipment	366,518,240	-	-	366,518,240
Transportation equipment	7,126,904,800	-	-	7,126,904,800
Sub-total	7,493,423,040	-	-	7,493,423,040
Construction in-progress	101,060,707,894	22,696,546,291	17,422,469,158	106,334,785,027
Total Carrying Value	11,152,127,389,456	52,941,751,238	18,804,664,335	11,186,264,476,359
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	21,755,393,927	452,870,081	-	22,208,264,008
Leasehold improvements	2,266,770,388	81,903,745	-	2,348,674,133
Quarry	15,420,599,275	483,496,223	-	15,904,095,498
Buildings and structures	626,831,349,630	23,728,579,361	-	650,559,928,991
Machinery and equipment	2,258,219,519,132	68,655,228,038	-	2,326,874,747,170
Transportation equipment	281,938,826,263	6,013,120,658	1,314,287,565	286,637,659,356
Furniture, fixtures and office equipment	142,480,757,740	5,218,677,418	43,155,253	147,656,279,905
Tools and other equipment	41,068,377,149	1,505,169,065	4,830,034	42,568,716,180
Sub-total	3,389,981,593,504	106,139,044,589	1,362,272,852	3,494,758,365,241
Assets under capital lease				
Machinery and equipment	45,814,780	11,453,695	-	57,268,475
Transportation equipment	845,863,100	339,217,457	-	1,185,080,557
Sub-total	891,677,880	350,671,152	-	1,242,349,032
Total Accumulated Depreciation, Amortization and Depletion	3,390,873,271,384	106,489,715,741	1,362,272,852	3,496,000,714,273
Net Book Value	**7,761,254,118,072**			**7,690,263,762,086**

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2003	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of March 31, 2004
2004 movements				
Carrying Value				
Direct Ownership				
Landrights and land improvements	199,336,944,132	30,366,519,353	-	229,703,463,485
Leasehold improvements	2,778,978,661	18,247,000	-	2,797,225,661
Quarry	71,572,756,395	2,601,431,801	-	74,174,188,196
Buildings and structures	2,869,715,188,338	677,172,914	-	2,870,392,361,252
Machinery and equipment	7,229,921,005,652	6,645,460,512	-	7,236,566,466,164
Transportation equipment	339,364,488,980	3,468,403,319	222,950,406	342,609,941,893
Furniture, fixtures and office equipment	182,527,745,485	3,881,548,199	345,690,283	186,063,603,401
Tools and other equipment	50,459,505,482	1,238,036,475	8,810,470	51,688,731,487
Sub-total	10,945,676,613,125	48,896,819,573	577,451,159	10,993,995,981,539
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	98,840,606,129	7,229,208,642	5,128,404,825	100,941,409,946
Total Carrying Value	11,051,530,642,294	56,126,028,215	5,705,855,984	11,101,950,814,525
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	19,943,913,602	452,870,081	-	20,396,783,683
Leasehold improvements	1,978,944,982	65,733,940	-	2,044,678,922
Quarry	13,498,356,128	476,749,477	-	13,975,105,605
Buildings and structures	531,991,259,186	23,830,693,756	-	555,821,952,942
Machinery and equipment	1,921,180,277,928	71,255,732,765	-	1,992,436,010,693
Transportation equipment	265,776,028,288	5,205,255,631	222,315,739	270,758,968,180
Furniture, fixtures and office equipment	120,497,102,926	5,260,137,533	338,059,246	125,419,181,213
Tools and other equipment	35,989,900,653	1,281,625,149	293,682	37,271,232,120
Sub-total	2,910,855,783,693	107,828,798,332	560,668,667	3,018,123,913,358
Assets under capital lease				
Machinery and equipment	-	11,453,695	-	11,453,695
Transportation equipment	-	207,715,775	-	207,715,775
Sub-total	-	219,169,470	-	219,169,470
Total Accumulated Depreciation, Amortization and Depletion	2,910,855,783,693	108,047,967,802	560,668,667	3,018,343,082,828
Net Book Value	**8,140,674,858,601**			**8,083,607,731,697**

Construction in progress consists of:

	2005	2004
Machineries under installation	77,530,726,757	81,855,896,369
Buildings and structures under construction	13,069,486,508	10,126,675,365
Others	15,734,571,762	8,958,838,212
Total	**106,334,785,027**	**100,941,409,946**

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

Below are the percentage of completion and estimated completion period of the construction in progress as of March 31, 2005:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	5 - 90%	6 to 24 months
Buildings and structures under construction	5 - 98	1 to 24 months
Others	20 - 95	1 to 12 months

Fixed assets 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 Rp106,489,715,741 and Rp108,047,967,802 for the three months ended March 31, 2005 and 2004, respectively.

The Company and Subsidiaries insured their fixed assets and inventories against losses from fire and other insurable risks under several combined policies, with a total insurance coverage of Rp195,818,794,650 and US$2,339,142,516 as of March 31, 2005. 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 period, management believes that there is no potential impairment in the values of the assets included in the consolidated financial statements.

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 3,193.9 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 rights ownerships can be extended upon their expiration.

As of March 31, 2005, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 1,186,932 square meters. In addition, the Company is also in the process of acquiring land rights covering a total area of approximately 32,125 square meters. The total expenditures incurred in relation to the above land rights acquisition process amounting to Rp18,418,707,063 as of March 31, 2005, 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 spare parts from several suppliers. The outstanding balances of the purchase advances as of March 31, 2005 and 2004 amounting to Rp10,965,808,862 and Rp2,467,677,182, respectively, 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 fixed assets amounting to Rp3,579,052,597 and Rp7,533,772,360 as of March 31, 2005 and 2004, respectively, are recorded as part of "Other Payables to Third Parties" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES

This account consists of the following:

	2005	2004
Third Parties		
Cement and ready mix concrete business		
Rupiah	92,424,771,395	66,759,544,203
U.S. dollar (US$394,987 in 2005 and US$96,423 in 2004)	3,744,481,387	827,985,272
Other foreign currencies	12,157,740,994	8,011,713,224
Sub-total	108,326,993,776	75,599,242,699
Other businesses	-	-
Total - Third Parties	108,326,993,776	75,599,242,699
Related Party - Cement business (see Note 21)	-	2,012,689,756
Total Trade Payables	**108,326,993,776**	**77,611,932,455**

The aging analysis of trade payables based on their currency denomination as of March 31, 2005 and 2004 is as follows:

	2005		
	Rupiah	Foreign Currencies (In Rupiah Equivalent)	Total
Current	73,252,952,980	-	73,252,952,980
Overdue:			
1 - 30 days	10,038,473,194	4,287,974,552	14,326,447,746
31 - 60 days	4,053,390,714	1,077,876,380	5,131,267,094
61 - 90 days	782,112,052	-	782,112,052
Over 90 days	4,297,842,456	10,536,371,448	14,834,213,904
Total	**92,424,771,396**	**15,902,222,380**	**108,326,993,776**

	2004		
	Rupiah	Foreign Currencies (In Rupiah Equivalent)	Total
Current	35,745,398,259	1,006,344,878	36,751,743,137
Overdue:			
1 - 30 days	14,471,772,453	10,570,753,878	25,042,526,331
31 - 60 days	2,735,313,102	7,078,651	2,742,391,753
61 - 90 days	4,902,400,288	1,542,285,938	6,444,686,226
Over 90 days	2,268,894,957	4,361,690,051	6,630,585,008
Total	**60,123,779,059**	**17,488,153,396**	**77,611,932,455**

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES (continued)

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 Associates Pte., Ltd.	Gypsum
PT Bahari Cakrawala Sebuku	Coal
PT Adaro Indonesia	Coal
RHI A.G.	Fire bricks
Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA)	Fuel
Billerud AB.	Kraft paper
Frantschach Pulp & Paper Sweden	Kraft paper

10. TAXATION

a. *Taxes Payable*

	2005	2004
Income taxes		
Article 21	3,348,610,499	2,406,760,297
Article 22	905,982,013	719,660,489
Article 23	1,650,732,596	1,054,727,286
Article 26	2,300,098,958	2,838,482,516
Article 29/Corporate income tax	795,581,251	3,457,479,414
Value added tax	38,983,402,439	32,309,365,920
Total	**47,984,407,756**	**42,786,475,922**

b. The reconciliation between income before corporate income tax expense, as shown in the consolidated statements of income, and estimated taxable income of the Company for the three months ended March 31, 2005 and 2004 is as follows:

	2005	2004
Income before corporate income tax expense per consolidated statements of income	221,101,641,472	5,672,457,972
Less:		
Income of Subsidiaries before corporate income tax expense - net	(9,160,807,122)	(16,452,276,624)
Income (loss) before tax expense attributable to the Company	211,940,834,350	(10,779,818,652)
Add (deduct):		
Temporary differences		
Provision for employee benefits	6,870,062,247	-
Reversal of trade discount	(13,543,264,140)	-

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2005	2004
Receivables written off during the period	(1,130,934,917)	-
Realization of recultivation expenses (see Note 22l)	(65,062,771)	-
Depreciation of fixed assets	(46,926,914,864)	(59,837,312,673)
	(54,796,114,445)	(59,837,312,673)
Permanent differences		
Non-deductible expenses		
Employees' benefits	8,181,277,708	8,935,488,811
Donations	2,244,715,009	2,451,912,894
Public relations	1,435,416,927	1,902,753,844
Others	224,832,796	165,057,517
Income already subjected to final tax	(2,121,671,031)	(1,882,788,449)
Equity in net earnings of associated companies - net	(954,621,087)	(879,314,710)
	9,009,950,322	10,693,109,907
Estimated taxable income (fiscal loss) of the Company	166,154,670,227	(59,924,021,418)
Estimated tax loss carryforward at beginning of period	(1,627,684,818,624)	(1,692,713,302,871)
Corrections by the Tax Office	13,012,856,409	13,418,912,977
Estimated tax loss carryforward at end of period	**(1,448,517,291,988)**	**(1,739,218,411,312)**

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

c. The details of corporate income tax expense are as follows:

	2005	2004
Current income tax expense		
Company	-	-
Subsidiaries	1,285,702,600	4,988,401,750
Total current income tax expense	1,285,702,600	4,988,401,750
Deferred income tax expense (benefit)		
Company	70,189,092,324	3,999,661,270
Subsidiaries	235,033,390	(316,258,918)
Net income tax expense	70,424,125,714	3,683,402,352
Total	**71,709,828,314**	**8,671,804,102**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

d. The calculation of estimated claims for tax refund and estimated corporate income tax payable are as follows:

	2005	**2004**
Current income tax expense		
Company	-	-
Subsidiaries	1,285,702,600	4,988,401,750
Total	1,285,702,600	4,988,401,750
Prepayments of income tax		
Company	32,785,810,537	34,524,129,267
Subsidiaries	14,653,120,298	17,009,938,030
Total	47,438,930,835	51,534,067,297
Estimated claims for tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	32,785,810,537	34,524,129,267
Subsidiaries	14,162,998,949	15,479,015,694
Total	**46,948,809,486**	**50,003,144,961**
Estimated Corporate Income Tax Payable Subsidiary	**795,581,251**	**3,457,479,414**

In March 2005, the Company received a decision letter from the Tax Office wherein the Tax Office approved the Company’s 2003 claim for tax refund amounting to Rp22,648,223,940 (net of additional taxes and penalties) and increased the taxable income to Rp758,843,760,148. The difference between the amount of taxable income approved by the Tax Office and the amount reported of Rp13,012,856,409 was recognized as an adjustment to the Company’s tax loss carryforward in 2005.

In March 2004, the Company received a decision letter from the Tax Office wherein the Tax Office approved the Company’s 2002 claim for tax refund amounting to Rp9,677,584,970 (net of additional taxes and penalties) and increased the taxable income to Rp1,080,012,260,671. The difference between the amount of taxable income approved by the Tax Office and the amount reported of Rp13,418,912,977 was recognized as an adjustment to the Company’s tax loss carryforward in 2004.

In March 2005, DAP received a decision letter from the Tax Office wherein the Tax Office disapproved DAP’s 2003 claim for tax refund amounting to Rp 3,830,534,868, and made additional tax assessment of Rp 37,447,192. DAP are in process of contested the result of the tax assessment and the unapproved amount has remained a part of “Prepaid Taxes” in the consolidated balance sheets.

In February 2004, DAP received a decision letter from the Tax Office wherein the Tax Office approved DAP’s 2002 claim for tax refund amounting to Rp6,195,133,712, out of total claim of Rp11,605,908,212. DAP has contested the result of the tax assessment and the unapproved amount has remained a part of “Prepaid Taxes” in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

e. The reconciliation between income before corporate income tax expense multiplied by the applicable tax rate and corporate income tax expense as shown in the consolidated statements of income for the three months ended March 31, 2005 and 2004 is as follows:

	2005	2004
Income before corporate income tax expense	**221,101,641,472**	**5,672,457,972**
Tax expense at the applicable rate	65,361,384,600	1,411,746,760
Tax effects on permanent differences (mainly consisting of employees' benefits, donations and public relations expenses)	3,746,638,931	4,360,034,888
Tax corrections	3,903,856,923	4,025,673,893
Income already subjected to final tax	(1,015,665,814)	(814,960,063)
Equity in net earnings of associated companies - net	(286,386,326)	(263,794,413)
Others	-	(46,896,963)
Tax expense per consolidated statements of income	**71,709,828,314**	**8,671,804,102**

f. Deferred tax assets (liabilities) consist of:

	December 31, 2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	March 31, 2005
Deferred Tax Assets:			
Company			
Tax loss carryforward	488,305,445,587	(53,750,257,991)	434,555,187,596
Allowance for doubtful accounts and inventory losses	13,295,618,437	(339,280,475)	12,956,337,962
Estimated liability for employee benefits	9,338,768,646	2,061,018,674	11,399,787,320
Reserve for recultivation	2,902,904,019	(19,518,831)	2,883,385,188
Accrual for trade discount	4,062,979,242	(4,062,979,242)	-
Others	833,851,800	-	833,851,800
Sub-total	518,739,567,731	(56,111,017,865)	462,628,549,866
Subsidiaries	5,063,109,760	(91,631,708)	4,971,478,052
Total	**523,802,677,491**	**(56,202,649,573)**	**467,600,027,918**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(580,234,066,955)	(14,078,074,459)	(594,312,141,414)
Subsidiaries	(869,543,543)	(143,401,682)	(1,012,945,225)

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	December 31, 2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	March 31, 2005
Total	**(581,103,610,498)**	**(14,221,476,141)**	**(595,325,086,639)**
Net Deferred Tax Assets:			
Company	-	-	-
Subsidiaries	4,193,566,217	(235,033,390)	3,958,532,827
Net	**4,193,566,217**	**(235,033,390)**	**3,958,532,827**
Net Deferred Tax Liabilities:			
Company	(61,494,499,224)	(70,189,092,324)	(131,683,591,548)
Subsidiaries	-	-	-
Net	**(61,494,499,224)**	**(70,189,092,324)**	**(131,683,591,548)**

	December 31, 2003	Deferred Tax Benefit (Expense) Credited (Charged) to 2004 Profit and Loss	March 31, 2004
Deferred Tax Assets:			
Company			
Tax loss carryforward	507,813,990,861	13,951,532,532	521,765,523,393
Allowance for doubtful accounts and inventory losses	11,608,313,004	-	11,608,313,004
Estimated liability for employee benefits	4,909,405,499	-	4,909,405,499
Reserve for recultivation	1,745,367,302	-	1,745,367,302
Others	833,851,800	-	833,851,800
Sub-total	526,910,928,466	13,951,532,532	540,862,460,998
Subsidiaries	3,659,625,735	182,693,387	3,842,319,122
Total	**530,570,554,201**	**14,134,225,919**	**544,704,780,120**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(522,984,721,821)	(17,951,193,802)	(540,935,915,623)
Subsidiaries	(598,165,169)	133,565,342	(464,599,827)
Total	**(523,582,886,990)**	**(17,817,628,460)**	**(541,400,515,450)**
Net Deferred Tax Assets:			
Company	3,926,206,645	(3,926,206,645)	-
Subsidiaries	3,352,260,121	182,693,387	3,534,953,508
Net	**7,278,466,766**	**(3,743,513,258)**	**3,534,953,508**
Net Deferred Tax Liabilities:			
Company	-	(73,454,625)	(73,454,625)
Subsidiaries	(290,799,555)	133,565,342	(157,234,213)
Net	**(290,799,555)**	**60,110,717**	**(230,688,838)**

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

(Expressed in rupiah, unless otherwise stated)

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2005	2004
Third parties		
Japanese yen	1,683,770,111,690	2,819,704,767,782
U.S. dollar	1,214,710,957,056	2,183,152,914,431
Rupiah	72,209,745,331	135,103,403,897
Sub-total	2,970,690,814,077	5,137,961,086,110
Related parties (see Note 21)		
U.S. dollar	1,484,929,271,424	106,648,881,678
Total	4,455,620,085,501	5,244,609,967,788
Less portions currently due	379,200,000,000	558,155,000,000
Long-term portion	**4,076,420,085,501**	**4,686,454,967,788**

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

	2005	2004
Japanese yen		
Third parties		
Marubeni Corporation, Tokyo	JP¥ 14,870,770,355	JP¥ 28,513,746,070
Japan Bank for International Corporation, Tokyo	4,158,643,503	5,822,105,503
Total Japanese yen loans	**JP¥ 19,029,413,858**	**JP¥ 34,335,851,573**
U.S. dollar		
Third parties		
PT Bank Central Asia Tbk. (BCA)	US$ 31,456,378	US$ 38,740,125
Barclays Bank PLC	16,121,196	17,287,144
Mizuho Global, Ltd., Tokyo	14,971,206	28,010,913
BNP Paribas, Singapore Branch	8,994,231	16,828,078
Mizuho Trust & Banking Co., Ltd., Tokyo	8,618,903	16,125,845
Credit Industriel et Commercial, Singapore	6,603,717	12,355,461
Kawasaki Heavy Industries Limited, Tokyo	5,980,433	11,189,304
Deutsche Bank AG, London	4,767,687	21,393,695
Citigroup Financial Products Inc.	2,273,062	12,335,294
Other creditors (each below US$10 million)	28,347,254	79,973,447
Related parties		
HC Finance B.V., Netherlands	150,000,000	-
WestLB AG, Tokyo	5,631,166	10,535,830
WestLB Asia Pacific Ltd., Singapore	1,006,943	1,883,976
Total U.S. dollar loans	**US$ 284,772,176**	**US$ 266,659,112**
Rupiah		
Third parties		
PT Bank Central Asia Tbk. (BCA)	51,833,180,688	86,425,961,734
PT Bank Mandiri (Persero) Tbk.	20,376,564,643	38,124,261,903
JPMorgan Europe Ltd., London	-	10,553,180,260
Total rupiah loans	**72,209,745,331**	**135,103,403,897**

(Expressed in rupiah, unless otherwise stated)

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

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

	2005	2004
Japanese yen	2.30% - 3.70%	2.30% - 3.70%
U.S. dollar	3.37% - 5.25%	3.12% - 3.62%
Rupiah	7.87% - 8.06%	8.62% - 9.37%

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, N.A. (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, N.A., 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, N.A. that starting on December 10, 2002, the role of Facility Agent had been transferred from BAAL to JPMorgan Chase Bank, N.A.

The HZMFA also requires the Company to:

- Establish and maintain escrow accounts in JPMorgan Chase Bank, N.A. 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, N.A. The balances of deposits maintained in such escrow accounts amounted to Rp284,227,562,629 (consisting of Rp2,104,074, US$25,921,474 and JP¥435,000,000) as of March 31, 2005, and Rp306,364,196,275 (consisting of Rp3,038,448, US$28,982,910 and JP¥700,000,000) as of March 31, 2004 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.

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

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, N.A., 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.

Based on the EGMS held on February 23, 2005, the independent shareholders approved the proposed refinancing transaction by the Company through the partial purchase of US$150 million of its restructured debt under the HZMFA by HeidelbergCement Finance B.V. (HC Finance B.V.).

In order to be effective, the above proposed refinancing transaction will be subject to:

(a) Approval of all of the following by existing creditors under the HZMFA:
- Accession of HC Finance B.V. to the HZMFA (with pari passu rank to the security under the HZMFA and with different terms of payment)
- Amendment of the HZMFA to allow the Company to engage in currency hedges for tenures of up to 4 (four) years, and enter into swap transactions under International Swap and Derivative Association documentation in relation to the proposed refinancing transaction
- Amendment of the HZMFA to reduce the scheduled principal repayments to be US$40 million per annum or to be US$10 million quarterly starting April 2005 until January 2008.

(b) Acceptance by the swap provider of the terms and conditions of a comfort letter to be issued by HeidelbergCement AG pursuant to the proposed refinancing transaction.

On March 8, 2005, all the above conditions precedent are fulfilled and the refinancing transaction became effective.

The terms of the HC Finance B.V. loan is 4 (four) years and the principal of this loan will be fully repaid (bullet payment) at the end of the fourth year (2009). This loan will bear interest at 3 Months' LIBOR + 1.8% with the payment interest schedule being the same with that of other MFA creditors.

To reduce the exposure to exchange rate fluctuation, at the same time with the above-mentioned refinancing transaction, the Company entered into a hedging transaction with a notional amount of US$150 million using the Cross Currency Interest Rate Swap (CCIRS) instrument with Standard Chartered Bank, Jakarta Branch. The CCIRS contract has the same period with the HC Finance B.V. loan (see Note 22m).

Total principal payments made amounted to Rp153,164,422,824 and Rp87,439,988,937 for the three months ended March 31, 2005 and 2004, respectively.

Total interest payments made by the Company through its escrow accounts amounted to Rp37,851,862,502 (consisting of US$2,078,717, JP¥179,224,412 and Rp2,334,644,901) for the three months ended March 31, 2005 and Rp41,680,659,805 (consisting of US$2,414,930, JP¥225,387,200 and Rp3,394,892,899) for the three months ended March 31, 2004, while the unpaid interest charges amounting to Rp33,369,487,805 and Rp33,651,470,480 as of March 31, 2005 and 2004, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

As of March 31, 2004, the outstanding balance of the restructured debt amounted to Rp5,244,609,967,788 (equivalent to US$610,761,613). 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. Total prepayments made amounted to US$10,900,000 (equivalent to Rp92,062,335,469) for the three months ended March 31, 2004.

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

In December 2004, the Company bought back portions of its restructured debt amounting to US$12,452,464 and JP¥2,800,000,000 from the creditors at a discount of US$122,229 (equivalent to Rp1,102,258,416).

12. OBLIGATIONS UNDER CAPITAL LEASE

On December 23, 2003 and August 23, 2004, PBI entered into sale-and-leaseback agreements with PT Central Sari Finance (CSF) involving certain machineries and transportation equipment with lease terms of 3 years.

The future minimum lease payments required under the lease agreements as of March 31, 2005 and 2004 are as follows:

Years	2005	2004
2004	-	2,208,324,203
2005	1,753,361,641	2,033,672,750
2006	2,037,986,970	1,856,885,606
2007	125,792,516	-
Total	3,917,141,127	6,098,882,559
Less amount applicable to interest	451,351,881	841,815,279
Present value of minimum lease payments	3,465,789,246	5,257,067,280
Current maturities	1,912,022,428	2,193,967,666
Long-term portion	**1,553,766,818**	**3,063,099,614**

The obligations under capital lease are secured by PBI’s time deposits amounting to Rp5,736,067,280 in 2005 and Rp5,257,067,280 in 2004 which were 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.

(Expressed in rupiah, unless otherwise stated)

13. CAPITAL STOCK

a. ***Share Ownership***

The details of share ownership as of March 31, 2005 and 2004 are as follows:

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**

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

b. ***Warrants A***

As of March 31, 2005 and 2004, the Company has 153,382,977 Warrants A issued and outstanding. Up to March 31, 2005, no Warrant A has been exercised.

Warrants A were issued to the creditors of the Company in connection with the debt restructuring at a fixed realization price of Rp3,600 per share. 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.

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 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 23, 2004, June 26, 2003, June 24, 1997 and June 25, 1996 in the amount of Rp25 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 business.

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 business	:	Investing activity

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

2005	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	1,136,010,674,858	66,325,873,841	-	-	1,202,336,548,699
Inter-segment sales	28,638,143,183	-	-	(28,638,143,183)	-
Total Revenues	**1,164,648,818,041**	**66,325,873,841**	**-**	**(28,638,143,183)**	**1,202,336,548,699**
RESULTS					
Segment results	213,708,991,741	3,324,336,777	-	1,811,983,611	218,845,312,129
Equity in net earnings of associated companies	-	-	2,256,329,343	-	2,256,329,343
Corporate income tax expense					(71,709,828,314)
NET INCOME					**149,391,813,158**
ASSETS AND LIABILITIES					
Segment assets	9,911,485,042,605	152,006,965,780	2,796,455,509	(303,662,136,561)	9,762,626,327,333
Long-term investments and advances to associated companies - net	-	-	45,171,836,469	-	45,171,836,469
Net deferred tax assets and prepayments of income taxes	47,201,493,567	3,705,848,746	-	-	50,907,342,313
Total Assets	**9,958,686,536,172**	**155,712,814,526**	**47,968,291,978**	**(303,662,136,561)**	**9,858,705,506,115**
Segment liabilities	5,143,185,549,626	68,705,811,262	690,000,000	(304,083,040,759)	4,908,498,320,129
Net deferred tax liabilities	131,683,591,548	-	-	-	131,683,591,548
Total Liabilities (excluding deferred gain on sale-and-leaseback transaction - net)	**5,274,869,141,174**	**68,705,811,262**	**690,000,000**	**(304,083,040,759)**	**5,040,181,911,677**
Capital expenditure	35,431,586,422	87,695,658	-	-	35,519,282,080
Depreciation, amortization and depletion expenses	104,653,118,711	1,836,597,030	-	-	106,489,715,741
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provisions for doubtful accounts	-	120,000,000	-	-	120,000,000
Provision for employee benefits	6,870,062,247	-	-	-	6,870,062,247

(Expressed in rupiah, unless otherwise stated)

17. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2004	Cement	Ready Mix Concrete	Other Businesses	Elimination	Consolidation
REVENUES					
Sales to external customers	923,206,777,806	30,948,645,085	-	-	954,155,422,891
Inter-segment sales	11,432,279,087	-	-	(11,432,279,087)	-
Total Revenues	**934,639,056,893**	**30,948,645,085**	**-**	**(11,432,279,087)**	**954,155,422,891**
RESULTS					
Segment results	4,846,784,592	(914,114,989)	-	-	3,932,669,603
Equity in net earnings of associated companies - net	-	-	1,739,788,369	-	1,739,788,369
Corporate income tax Expense					(8,671,804,102)
NET LOSS					**(2,999,346,130)**
ASSETS AND LIABILITIES					
Segment assets	10,063,109,707,829	114,504,582,935	1,107,548,400	(155,919,017,693)	10,022,802,821,471
Long-term investments and advances to associated companies - net	-	-	26,604,668,925	-	26,604,668,925
Net deferred tax assets and prepayment for income tax	50,541,318,395	3,128,226,853	-	-	53,669,545,248
Total Assets	**10,113,651,026,224**	**117,632,809,788**	**27,712,217,325**	**(155,919,017,693)**	**10,103,077,035,644**
Segment liabilities	5,691,425,619,569	31,053,425,594	-	(160,017,535,217)	5,562,461,509,946
Net deferred tax liabilities	73,454,625	157,234,213	-	-	230,688,838
Total Liabilities (excluding deferred gain on sale and leaseback transaction - net)	**5,691,499,074,194**	**31,210,659,807**	**-**	**(160,017,535,217)**	**5,562,692,198,784**
Capital expenditure	50,979,064,130	18,559,260	-	-	50,997,623,390
Depreciation, amortization and depletion expenses	106,363,348,357	1,684,619,445	-	-	108,047,967,802

GEOGRAPHICAL SEGMENTS

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

	2005	2004
REVENUES (based on sales area)		
Domestic		
Java	1,558,424,764,368	1,313,626,856,569
Outside Java	314,485,114,181	148,137,008,053
Export	148,843,068,602	112,453,569,733
	2,021,752,947,151	1,574,217,434,355
Elimination	(819,416,398,452)	(620,062,011,464)
Net	**1,202,336,548,699**	**954,155,422,891**
ASSETS (based on location of assets)		
Domestic	**9,762,626,327,333**	**10,022,802,821,471**

(Expressed in rupiah, unless otherwise stated)

17. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS (continued)

	2005	2004
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**35,519,282,080**	**50,997,623,390**

Export sales were coursed through HCT, a related company, which is domiciled in Singapore (see Note 22g).

Most of the Company's sales are coursed through DAP's sub-distributors. Sales of more than 10% of net revenues were made only to PT Jabotabek Niagatama Sukses, PT Jabar Multindo Perkasa and PT Jateng Kencana Abadimulia in 2004 (see Note 22e).

18. COST OF REVENUES

The details of cost of revenues are as follows:

	2005	2004
Raw materials used	113,088,797,402	97,923,866,557
Direct labor	67,041,109,819	47,938,760,530
Fuel and power	339,588,289,894	262,283,035,322
Manufacturing overhead	188,527,437,797	179,607,086,991
Total Manufacturing Cost	708,245,634,912	587,752,749,400
Work in Process Inventory		
At beginning of period	75,301,148,375	87,803,081,247
At end of period	(75,727,565,730)	(78,037,166,287)
Cost of Goods Manufactured	707,819,217,557	597,518,664,360
Finished Goods Inventory		
At beginning of period	35,836,142,073	55,054,132,871
Others	(141,829,678)	(446,643,055)
At end of period	(42,050,258,083)	(57,108,536,748)
Cost of Goods Sold before Packing Cost	701,463,271,869	595,017,617,428
Packing Cost	61,519,054,915	53,708,629,703
Total Cost of Revenues	**762,982,326,784**	**648,726,247,131**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounted to Rp54,040,462,992 and Rp46,378,836,215 as of March 31, 2005 and 2004, 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 consolidated revenues.

(Expressed in rupiah, unless otherwise stated)

19. OPERATING EXPENSES

The details of operating expenses are as follows:

	2005	2004
Delivery and Selling Expenses		
Delivery, loading and transportation	107,557,295,006	87,681,205,285
Salaries, wages and employees' benefits (see Note 20)	6,381,611,396	4,449,453,566
Rental	2,159,711,379	983,717,285
Advertising and promotion	1,245,995,473	1,125,643,968
Depreciation	1,129,650,446	1,193,302,779
Professional fees	1,104,055,142	1,109,419,395
Miscellaneous (each below Rp1 billion)	4,628,244,418	3,440,171,236
Total Delivery and Selling Expenses	124,206,563,260	99,982,913,514
General and Administrative Expenses		
Salaries, wages and employees' benefits (see Note 20)	25,696,996,966	22,124,863,245
Rental	4,262,156,850	4,007,319,635
Professional fees	2,383,971,451	1,771,554,632
Depreciation	1,704,513,903	1,655,570,276
Donations	1,343,798,769	1,351,354,775
Public relations	1,342,147,527	1,693,440,150
Training and seminars	1,179,186,568	1,144,367,598
Miscellaneous (each below Rp1 billion)	5,704,677,452	4,858,334,751
Total General and Administrative Expenses	43,617,449,486	38,606,805,062
Total Operating Expenses	**167,824,012,746**	**138,589,718,576**

20. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

The Company has a defined contribution retirement plan covering its full-time 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. Total Company's contributions amounted to approximately Rp5.25 billion and Rp4.92 billion for the three months ended March 31, 2005 and 2004, respectively.

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 March 31, 2005 and 2004, the Plan assets totaled Rp372 billion and Rp316 billion, respectively.

The Company and Subsidiaries have 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.

(Expressed in rupiah, unless otherwise stated)

20. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

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

	Company	Subsidiaries
Discount rate	10% in 2005 and 9% in 2004	10% in 2005 and 9% in 2004
Wage and salary increase	9% in 2005 and 8% in 2004	9% in 2005 and 8% in 2004
Retirement age	55 years	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old	2% - 5% for employees with ages from 20 years old, decreasing linearly to 0% at age 45
Table of mortality	Commissioner's Standard Ordinary 1980	Commissioner's Standard Ordinary 1980
Disability	10% of the mortality rate	10% at the mortality rate

Provisions for employee benefits recognized in the consolidated statements of income for the three months ended March 31, 2005 and 2004 are as follows:

	2005	**2004**
Current service costs	2,054,418,000	-
Interest costs	3,018,678,247	-
Amortization of past service costs and actuarial gains	1,796,966,000	-
Net employees' benefits expenses	**6,870,062,247**	**-**

A reconciliation of estimated liability for employee benefits is as follows:

	2005	**2004**
Present value of defined benefit obligation	157,432,248,247	130,655,966,721
Unamortized balance of the non-vested past service costs	(100,855,888,000)	(104,659,854,000)
Actuarial loss	(16,062,882,277)	(9,070,286,819)
Translation liability	-	591,204,000
Liability should be recognized in consolidated balance sheets	40,513,477,970	17,517,029,902
Current maturity of estimated liability for employee benefits	6,214,292,069	3,580,283,310
Long-term portion	**34,299,185,901**	**13,936,746,592**

Movements in the estimated liability for employee benefits are as follows:

	2005	**2004**
Balance at beginning of period	33,647,515,723	17,740,633,181
Provision during the period	6,870,062,247	-
Payment during the period	(4,100,000)	(223,603,279)
Balance at end of period (recorded as part of "Long-term Liabilities - Others" account in the consolidated balance sheets)	**40,513,477,970**	**17,517,029,902**

(Expressed in rupiah, unless otherwise stated)

20. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

The balance of the non-vested past service costs is amortized over the average remaining number of years of service of active employees, which ranges from 12.19 - 16.02 years in 2005 and from 13.19 - 16.49 years in 2004.

21. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

In the normal course of business, the Company and Subsidiaries entered into transactions with related parties. The significant transactions and related account balances with related parties are as follows:

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2005	**2004**	**2005**	**2004**
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	23,604,552,326	10,127,152,985	0.24%	0.10%
Due from Related Parties				
Officers and employees	63,627,131,380	64,566,040,931	0.64%	0.65%
Others (each below Rp1 billion)	395,134,712	969,953,487	0.01%	0.01%
Total	64,022,266,092	65,535,994,418	0.65%	0.66%
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	-	2,012,689,756	-	0.02%
Accrued Expenses				
Stillwater Shipping Corporation	-	1,654,031,979	-	0.02%
Due to Related Parties				
PT Pama Indo Mining	3,576,050,432	4,714,173,292	0.04%	0.05%
Long-term Loans				
HC Finance B.V., Netherlands	1,422,000,000,000	-	14.42%	-
WestLB AG, Tokyo	53,383,449,414	90,471,175,988	0.54%	0.89%
WestLB Asia Pacific Ltd., Singapore	9,545,822,010	16,177,705,690	0.10%	0.16%
Total	1,484,929,271,424	106,648,881,678	15.06%	1.05%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	148,843,068,602	112,453,569,733	12.38%	11.79%
Cost of Revenues				
PT Pama Indo Mining	7,284,816,994	7,250,811,502	0.96%	1.12%
HCT Services Asia Pte., Ltd., Singapore	1,088,032,140	2,012,689,756	0.14%	0.31%
Total	8,372,849,134	9,263,501,258	1.10%	1.43%
Operating Expenses				
Stillwater Shipping Corporation	8,899,824,500	2,135,909,879	5.30%	1.54%
Other Income (Expenses)				
PT Cibinong Center Indutrial Estate	211,879,092	714,620,627	0.40%	0.44%

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

(Expressed in rupiah, unless otherwise stated)

21. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

Nature of relationship and type of transaction with the above related parties are as follows:

No.	Related Parties	Nature of Relationship	Type of Transaction
1.	HCT Services Asia Pte., Ltd., Singapore	Under Common Control	Sale of finished goods and purchase of raw materials
2.	HC Finance B.V., Netherlands	Under Common Control	Long-term debt
3.	PT Cibinong Center Industrial Estate	Associated Company	Rental of industrial estate and sale of water and electricity
4.	Stillwater Shipping Corporation	Associated Company	Transportation
5.	PT Pama Indo Mining	Associated Company	Mining service
6.	WestLB AG, Tokyo	Affiliated Company	Long-term debt
7.	WestLB Asia Pacific Ltd., Singapore	Affiliated Company	Long-term debt
8.	Officers and employees	Employees	Loan

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. On November 30, 2004, the Company entered into two contracts for the supply of Retrofit and automated laboratory system (autolab), and the supply of services for erection supervision and commissioning of autolab with ABB Switzerland Ltd. (contractor). Based on these contracts, the contractor agreed to supply the equipment for the installation of the Company's autolab and to provide the supervision of the erection and commissioning of all parts of equipment purchased from the contractor. The total value of these contracts amounted to EUR1,510,000.

b. In June 2004, a group of fishermen in Rampa Village, Kotabaru, South Kalimantan, blockaded the Company's jetty in Tarjun in protest for the loss of their livelihood due to the illegal dumping of dredging materials. Based on the claims submitted to the Company, the fisherman alleged that the Company illegally dumped materials outside the approved dumping locations which resulted in damage to their fishing equipment and the decrease in their catch.

   Accordingly, the Company has tried to pass on the claim to PT Boskalis International Indonesia (Boskalis), the contractor appointed by the Company to dredge the jetty for its alleged misconduct and improper dumping of dredging materials beyond the approved dumping location.

   A fact-finding committee consisting of representatives from the Company, the association of fishermen and other related parties has been established to investigate the claim that Boskalis has dumped the dredging materials beyond the approved dumping location. Also, according to the management, the Company has sent two warning letters to Boskalis due to its failure to fulfill the "Safety, Security and Protection of Environment" clause as stated under the Contract Dredging of Berthing Pocket and Turning Basin Tarjun Port Facility. Thus, the management believes that the claims and all costs, if any, of moving the dredging materials to the designated dumping site, should be borne by Boskalis. As of March 31, 2005, the Company was not able to determine the estimated liability that would be borne by the Company.

c. On June 9, 2004, the Company entered into a "Prototype Carbon Fund Emission Reductions Purchase Agreement" (Agreement) with the International Bank for Reconstruction and Development, in its capacity as a trustee ("Trustee") of the Prototype Carbon Fund (PCF). The PCF is a World Bank-administered fund representing six (6) governments and seventeen (17) companies.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

As stated in the Agreement, the Company undertakes to carry out a project which is expected to result in the reduction of greenhouse gas emissions (the Project). The Project is composed of two components as follows:

- Introduction of new type of cement which contains a higher proportion of additive materials
- Use of alternative fuels in clinker burning.

Subject to the terms and conditions of the Agreement, the Company shall generate a minimum number of Greenhouse Gases (GHG) Reductions from the Project and transfer the Emission Reductions (ERs) corresponding to these GHG Reductions to the Trustee at a price of US$3.60 for each ER.

The Project shall commence in January 2005 and shall be terminated in 2011 or upon full delivery of the ERs to be generated by the Project.

The Project should be implemented in a manner consistent with, or upon entry of the Kyoto Protocol in accordance with the applicable International UNFCCC/Kyoto Protocol Rules.

The agreement will be effective after all the following conditions precedent are fulfilled:

- Indonesia has ratified the Kyoto Protocol on or before December 31, 2005
- Receipt by the Trustee of a Letter of Approval for the Project on or before March 1, 2006 which includes authorization of the Company's and the Trustee's participation in the Project, and in the reasonable opinion of the Trustee meets all other requirements of approval under the International UNFCCC/Kyoto Protocol Rules.

As of March 31, 2005, the Project is in the preparation stage.

d. In 2005 and 2004, the Company entered into one-year agreements with several land transporters for the distribution of the Company's cement in Indonesia. Transportation expense incurred is recorded as part of "Delivery and Selling Expenses" (Delivery, loading and transportation) account in the consolidated statements of income, while the unpaid transportation expenses amounting to Rp13,690,608,625 and Rp9,417,580,900 as of March 31, 2005 and 2004, respectively, are shown as part of "Other Payables to Third Parties" in the consolidated balance sheets.

e. 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 non-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).

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 were originally valid until July 14, 2004, and were automatically renewable for another five (5) years, subject to the same terms and conditions, except for the requirement to submit written termination notice three (3) months prior to the expiration of the agreement by any party who wished not to renew or extend its distribution rights.

(Expressed in rupiah, unless otherwise stated)

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

On April 6, 2004, DAP submitted written termination notices to the above sub-distributors. On June 18, 2004, DAP entered into new distributorship agreements with PT Bangunsukses Niagatama Nusantara, PT Cipta Pratama Karyamandiri, PT Intimegah Mitra Sejahtera, PT Nusa Makmur Perdana, PT Royal Inti Mandiri Abadi, PT Saka Agung Abadi, PT Adikarya Maju Bersama, PT Angkasa Indah Mitra, PT Citrabaru Mitra Perkasa, PT Kharisma Mulia Abadijaya, PT Kirana Semesta Niaga, PT Primasindo Cipta Sarana, PT Samudera Tunggal Utama, and PT Sumber Abadi Sukses. Under the agreements, DAP appointed these companies to be non-exclusive area distributors to sell bagged cement and bulk cement for the domestic market.

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 effective from July 14, 2004 until December 31, 2008, and may be extended for an additional period of three (3) years upon written agreement by both parties.

Total gross sales by the Company and DAP to these sub-distributors for the three months ended March 31, 2005 and 2004 are as follows:

	2005	2004
PT Bangunsukses Niagatama Nusantara	90,218,889,109	-
PT Samudera Tunggal Utama	78,827,775,347	-
PT Intimegah Mitra Sejahtera	74,506,089,864	-
PT Nusa Makmur Perdana	71,351,904,653	-
PT Royal Inti Mandiri Abadi	70,490,710,715	-
PT Kharisma Mulia Abadijaya	64,024,717,166	-
PT Angkasa Indah Mitra	57,347,667,442	-
PT Sumber Abadi Sukses	51,601,364,546	-
PT Citrabaru Mitra Perkasa	51,498,950,707	-
PT Adikarya Maju Bersama	47,207,427,185	-
PT Primasindo Cipta Sarana	46,058,446,500	-
PT Saka Agung Abadi	40,888,839,208	30,618,948,661
PT Kirana Semesta Niaga	37,655,147,469	-
PT Cipta Pratama Karyamandiri	34,014,676,414	-
PT Jabotabek Niagatama Sukses	-	266,855,058,006
PT Jabar Multindo Perkasa	-	181,918,684,370
PT Jateng Kencana Abadimulia	-	120,155,309,220
PT Royal Inti Mega Utama	-	50,029,971,900
PT Bangunsukses Niaga Nusantara	-	47,435,213,359
Total	**815,692,606,325**	**697,013,185,516**

The total outstanding receivables from these sub-distributors amounting to Rp237,239,288,049 and Rp168,779,064,736 as of March 31, 2005 and 2004, respectively, are recorded as part of “Trade Receivables - Third Parties” account in the consolidated balance sheets.

f. In 2004, the Company and DAP entered into lease agreements with PT Serasi Tunggal Mandiri for the lease of office space and car park located at Wisma Indocement. Rental expenses charged to current operations amounted to Rp2,617,521,540 and Rp2,510,367,900 for the three months ended March 31, 2005 and 2004, respectively.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. 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 (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 export distribution agreement is effective for twenty (20) years.

Total sales discounts granted to HCT for the three months ended March 31, 2005 and 2004 amounted to approximately US$0.38 million and US$0.67 million, respectively.

h. The Company has an outstanding agreement with PT Rabana Gasindo Usama (Rabana) whereby Rabana will build and own the distribution and receiving facilities for natural gas at Tegal Gede - Citeureup with a capacity of 18 MMSCFD. The Company will pay compensation of US$0.45 per MMBTU of natural gas delivered as gas transportation fee and US$0.02 per MMBTU of natural gas delivered 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. On February 17, 2005, the Company signed an addendum of the agreement. The addendum stipulates that minimum purchase requirement will not be valid if the total cumulative payments since January 1, 2005 made for the gas transportation fee exceed US$1,074,000 plus interest and overhead expenses and it is agreed that no claim over past obligations according to the original agreement (prior to addendum) except for US$900,000 that will be installed until January 2006. The outstanding balance of the obligation amounted to US$700,000 is presented as part of "Trade Payables - Third Parties" in the 2005 consolidated balance sheets. Total transportation fee and technical fee paid to Rabana amounted to US$320,636 and US$332,462 for the three months ended March 31, 2005 and 2004, respectively.

i. The Company also has agreements with PERTAMINA for the purchase of natural gas which provide for an 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 to future gas consumption. Such agreements expired in 2004 for the cement plants in Citeureup and will expire in 2014 for the power plant in Citeureup. Total purchases of natural gas from PERTAMINA for the three months ended March 31, 2005 and 2004 amounted to Rp24,907,668,725 and Rp22,733,031,069, respectively. The related outstanding payables arising from these purchases amounting to US$96,423 (equivalent to Rp827,985,272) as of March 31, 2004, are presented as part of "Trade Payables - Third Parties" in the consolidated balance sheets.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

j. 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 is required to pay connection fee of Rp8,000,000,000, 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 government regulation.

   The Company also has an outstanding sale and purchase of electricity agreement with PLN wherein PLN agreed to deliver electricity to the Company's Cirebon plants with connection power of 45,000 KVA/70 kV. Under the agreement, the Company was required to pay connection fee of Rp2,300,000,000. The price of the electricity will be based on the government regulation.

   Total purchase of electricity under the agreements amounted to Rp50.8 billion and Rp43.8 billion for the three months ended March 31, 2005 and 2004, respectively.

k. 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.

l. 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 provision for recultivation amounting to Rp9,611,283,961 and Rp5,817,891,007 as of March 31, 2005 and 2004, respectively, which is presented as part of "Long-term Liabilities - Others" in the consolidated balance sheets.

m. The Company is exposed to market risks, 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.

   As of March 31, 2004, the Company entered into forward exchange contracts with Standard Chartered Bank, Jakarta Branch to hedge its foreign currency-denominated loans. Under the terms of the forward exchange contracts, the Company shall purchase a total of JP¥2,537.5 million and US$16.75 million in various dates in 2004 and 2005, at fixed exchange rates ranging from Rp80.10 to Rp86.23 to JP¥1 and Rp8,536 to Rp8,990 to US$1. In addition, the Company also entered into option contracts with JPMorgan Chase Bank, Jakarta Branch (JPMorgan), with notional amounts aggregating to JP¥1,087.5 million and US$16.75 million, whereby JPMorgan and the Company have the right to "call and put" at exchange rate of Rp8,500 and Rp9,800 to US$1 and Rp79.40 and Rp90.29 to JP¥1. As of March 31, 2004, the Company recognized the net receivables on the forward and option contracts at market value of Rp4,449,104,077 which is presented as part of "Other Receivables from Third Parties" in the 2004 consolidated balance sheet.

   The gain arising from the derivative transactions amounted to Rp4,449,104,077 and is recorded as part of "Foreign Exchange Loss - Net" in the three months ended March 31, 2004 consolidated statement of income.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

As of March 31, 2005, the Company has outstanding forward exchange contracts with Standard Chartered Bank, Jakarta Branch, JPMorgan Chase Bank, N.A., Jakarta Branch and ABN-AMRO Bank N.V., Jakarta Branch, with notional amounts aggregating to JP¥1,295 million and US$16.5 million which will mature in various dates in 2005, at fixed exchange rates ranging from Rp86.99 to Rp89.24 to JP¥1 and Rp9,208 to Rp9,477 to US$1. As of March 31, 2005, the Company recognized the net receivables on the forward contracts at market value of Rp5,685,936,911, which is presented as part of “Other Receivables from Third Parties” in the 2005 consolidated balance sheet.

The gain arising from the derivative transactions amounted to Rp8,278,141,411 and is recorded as part of “Foreign Exchange Loss - Net” in the three months ended March 31, 2005 consolidated statement of income.

On March 8, 2005, the Company also entered into a hedging transaction using the Cross Currency Interest Rate Swap (CCIRS) instrument with Standard Chartered Bank, Jakarta Branch (Standard Chartered) for the same period with the HC Finance B.V. loan (see Note 11), which is 4 years. Under the CCIRS, the Company will purchase U.S. dollars with a notional amount of US$150 million from Standard Chartered at the maturity date on March 8, 2009 with a fixed exchange rate of Rp9,358 to US$1. Also, Standard Chartered will pay the Company quarterly interest at the rate of 3 Months’ LIBOR + 1.80% per annum. At the same time, the Company will pay interest to the Standard Chartered at the rate of 3 Months’ Sertifikat Bank Indonesia (SBI) + 1.99% per annum on the above-mentioned notional amount using the above exchange rate. As of March 31, 2005, the Company recognized the net payables on the CCIRS contract at market value of Rp43,468,832,652, which is presented as part of “Other Payables to Third Parties” in the 2005 consolidated balance sheet.

The loss arising from the derivative transactions amounted to Rp43,468,832,652 and is recorded as part of “Foreign Exchange Loss - Net” in the three months ended March 31, 2005 consolidated statement of income.

23. LITIGATION

On February 24, 2004, Ati binti Sadim dkk (“Plaintiffs”), who represented themselves as the heirs of the owners of land with an area of 2,665,044 square meters located in Cipulus and Pasir Kores, Lulut Village - West Java, filed a lawsuit against the Company for alleged unfair practices employed by the Company in acquiring the aforementioned land, specifically for the following reasons:

- The land price is too low and inappropriate.
- The purchase price was determined only by the Company.
- The Company did not involve the Plaintiffs in the land measurement process.
- The Company has not paid the price for land with an area of approximately 934,111 square meters which it has taken possession.

The total loss being claimed by the Plaintiffs due to their inability to use the land for a 30-year period amounts to Rp41,103,585,000.

Based on the decision of the District Court of Cibinong (the “Court”) dated August 16, 2004, the Court rejected all of the above claims. The Plaintiffs submitted an appeal to the High Court of West Java. On March 22, 2005, the High Court of West Java confirmed the decision of the District Court of Cibinong to reject all of the above claims.

(Expressed in rupiah, unless otherwise stated)

24. ECONOMIC CONDITIONS

The operations of the Company and its Subsidiaries may be affected by future economic conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors such as fiscal and monetary actions being undertaken by the Government and others, actions that are beyond the control of the Company and its Subsidiaries.

25. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of March 31, 2005, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah
Assets			
Related Parties	US$	2,489,932	23,604,555,360
Third Parties	US$	38,436,054	364,373,791,920
	JP¥	435,985,064	38,577,048,425
	EUR	2,251,469	27,578,513,957
Total			454,133,909,662
Liabilities			
Related Parties	US$	157,434,676*	1,492,480,728,480
Third Parties	US$	130,581,378	1,237,911,463,440
	JP¥	19,175,467,126	1,696,693,269,976
	EUR	998,604	12,232,020,228
Total			4,439,317,482,124
Net liabilities			**3,985,183,572,462**

* Includes HC Finance B.V. loan of US$150 million (see Note 22m)

26. SUBSEQUENT EVENTS

On April 20, 2005, the Company paid its long-term loan from banks and financial institutions amounting to US$7,162,353, JP¥762,452,809 and Rp3,837,526,111, which already include a debt prepayment equivalent to US$4,375,700. In addition, the Company paid its obligations for interest covering the period January 20, 2005 to April 20, 2005 amounting to US$2,774,012, JP¥136,644,249 and Rp1,872,035,001 (see Note 11).