Consolidated Financial Statements
Six Months Ended June 30, 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
SIX MONTHS ENDED JUNE 30, 2005 AND 2004

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PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004 (As Restated – Note 2a)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	414,806,137,518	561,687,429,092
Short-term investments	2d	6,590,722,650	4,877,447,050
Trade receivables	2e,4,11		
Related party	2f,21	45,622,131,754	23,654,548,316
Third parties - net of allowance for doubtful accounts of Rp12,647,108,011 in 2005 and Rp13,332,091,743 in 2004	22e	452,734,832,356	363,519,166,623
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	40,348,007,721	39,111,129,484
Inventories - net	2g,6,11	827,311,802,829	665,643,675,856
Advances and deposits	6	71,323,729,804	64,860,135,361
Prepaid taxes	10	30,628,550,724	38,623,992,408
Prepaid expenses	2h	26,508,204,520	35,477,081,967
TOTAL CURRENT ASSETS		1,915,874,119,876	1,797,454,606,157
NON-CURRENT ASSETS			
Due from related parties	2f,21	61,363,175,090	66,529,518,787
Deferred tax assets - net	2r,10	3,940,202,710	41,777,222,485
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	47,397,751,151	27,736,479,726
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp3,618,872,764,464 in 2005 and Rp3,141,877,652,104 in 2004	2i,2j,2k, 2l,8,11	7,589,639,017,376	7,970,006,239,372
Restricted cash and time deposits	11,12	328,110,755,493	314,373,813,073
Other non-current assets	2h,2m,8	68,476,542,268	38,341,226,026
TOTAL NON-CURRENT ASSETS		8,098,927,444,088	8,458,764,499,469
TOTAL ASSETS		**10,014,801,563,964**	**10,256,219,105,626**

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004 (As Restated – Note 2a)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	9		
Third parties	22i	114,728,509,487	81,272,756,693
Related party	2f,21	1,149,758,998	3,324,474,160
Other payables to third parties	8,22d	72,592,431,764	55,809,377,183
Accrued expenses	2f,11,18,21	149,295,378,299	169,803,241,128
Taxes payable	2r,10	47,813,880,542	49,873,115,122
Current maturities of long-term liabilities			
Loans from banks and financial institutions	2f,11,21	388,520,000,000	654,342,500,000
Obligations under capital lease	2k,8,12	1,912,022,428	2,190,444,700
Others	2o,20,22l	9,084,518,190	6,062,667,633
Other current liabilities		7,007,705,359	5,451,418,419
TOTAL CURRENT LIABILITIES		792,104,205,067	1,028,129,995,038
NON-CURRENT LIABILITIES			
Due to related parties	2f,21	8,129,353,445	5,306,994,868
Deferred tax liabilities - net	2r,10	205,209,904,016	143,659,198
Long-term liabilities - net of current maturities			
Loans from banks and financial institutions	2f,11,21	3,988,131,718,747	4,769,176,509,843
Obligations under capital lease	2k,8,12	1,075,761,211	2,628,533,640
Others	2o,20,22l	46,433,791,534	25,604,322,450
Deferred gain on sale and leaseback transactions - net	2k	8,887,707,382	10,125,475,037
TOTAL NON-CURRENT LIABILITIES		4,257,868,236,335	4,812,985,495,036
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	6,847,770,149	(1,962,395,327)
Differences arising from restructuring transactions among entities under common control	2a,2b	1,165,715,376,569	1,165,715,376,569
Unrealized losses on available-for-sale securities - net	2d	(3,030,394,615)	(3,007,183,420)
Retained earnings (deficit)			
Appropriated	16	125,000,000,000	100,000,000,000
Unappropriated	2a	297,194,118,911	(218,744,433,818)
NET SHAREHOLDERS' EQUITY		4,964,829,122,562	4,415,103,615,552
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,014,801,563,964**	**10,256,219,105,626**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Six months ended June 30, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
NET REVENUES	2f,2n,17, 21,22e,22g	2,537,157,793,430	2,032,748,411,949
COST OF REVENUES	2f,2n,18, 20, 21,22h,22i,22j	1,624,675,621,791	1,374,093,994,905
GROSS PROFIT		**912,482,171,639**	**658,654,417,044**
OPERATING EXPENSES	2f,2n,19,20, 21,22d,22f		
Delivery and selling		272,642,806,527	220,922,257,593
General and administrative		88,455,598,238	79,121,042,034
Total Operating Expenses		**361,098,404,765**	**300,043,299,627**
INCOME FROM OPERATIONS		**551,383,766,874**	**358,611,117,417**
OTHER INCOME (EXPENSES)			
Interest income	3	10,174,994,889	7,324,460,077
Foreign exchange loss - net	2p,2q,22m	(27,886,992,134)	(433,934,091,459)
Interest expense	11	(114,262,966,426)	(92,827,996,999)
Others - net	2m	29,056,212,345	6,075,700,962
Other Expenses - Net		**(102,918,751,326)**	**(513,361,927,419)**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**4,080,056,585**	**4,472,402,399**
INCOME (LOSS) BEFORE CORPORATE INCOME TAX EXPENSE (BENEFIT)		**452,545,072,133**	**(150,278,407,603)**
CORPORATE INCOME TAX EXPENSE (BENEFIT)	2r,10		
Current		956,348,900	1,662,659,900
Deferred		143,968,768,300	(34,645,896,265)
Total Corporate Income Tax Expense (Benefit)		**144,925,117,200**	**(32,983,236,365)**
NET INCOME (LOSS)		**307,619,954,933**	**(117,295,171,238)**
BASIC EARNINGS (LOSS) PER SHARE	2u	**83.56**	**(31.86)**

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
Six months ended June 30, 2005 and 2004
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 13 and 14)	Difference 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 (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Net Shareholders' Equity
Balance as of December 31, 2003 (as previously reported)		**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**
Adjustment arising from adoption of PSAK No.38 (Revised 2004)	2a	-	-	-	1,496,514,575,077	-	-	(1,496,514,575,077)	-
Balance as of December 31, 2003 (as restated)		**1,840,615,849,500**	**1,532,486,402,048**	**(841,391,078)**	**1,165,715,376.569**	**(3,069,178,320)**	**75,000,000,000**	**(76,449,262,580)**	**4,533,457,796,139**
Net loss		-	-	-	-	-	-	(117,295,171,238)	(117,295,171,238)
Appropriation of retained earnings for general reserve	16	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
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	-	-	(1,121,004,249)	-	-	-	-	(1,121,004,249)
Balance as of June 30, 2004 (as restated)		**1,840,615,849,500**	**1,532,486,402,048**	**(1,962,395,327)**	**1,165,715,376,569**	**(3,007,183,420)**	**100,000,000,000**	**(218,744,433,818)**	**4,415,103,615,552**
Balance as of December 31, 2004 (as previously reported)		**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**
Adjustment arising from adoption of PSAK No.38 (Revised 2004)	2a	-	-	-	1,496,514,575,077	-	-	(1,496,514,575,077)	-
Balance as of December 31, 2004 (as restated)		**1,840,615,849,500**	**1,532,486,402,048**	**5,447,335,825**	**1,165,715,376,569**	**(3,045,917,820)**	**100,000,000,000**	**14,574,163,978**	**4,655,793,210,100**
Net income		-	-	-	-	-	-	307,619,954,933	307,619,954,933
Appropriation of retained earnings for general reserve	16	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-	-	15,523,205	-	-	15,523,205
Changes in the equity of Subsidiaries arising from foreign currency translation adjustment	2b	-	-	721,834,324	-	-	-	-	721,834,324
Changes in the equity of Subsidiaries arising from the recovery from decline in market values of its investments in available-for-sale securities	2b,2d	-	-	678,600,000	-	-	-	-	678,600,000
Balance as of June 30, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**6,847,770,149**	**1,165,715,376,569**	**(3,030,394,615)**	**125,000,000,000**	**297,194,118,911**	**4,964,829,122,562**

* 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
Six months ended June 30, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		2,690,891,870,973	2,188,757,147,032
Payments to suppliers and contractors, and for salaries and other employees' benefits		(1,964,600,809,645)	(1,455,091,091,685)
Cash provided by operations		726,291,061,328	733,666,055,347
Proceeds from claims for tax refund		23,022,640,563	15,872,718,682
Receipts of interest income		6,168,180,504	5,370,237,315
Payments of taxes		(169,264,253,836)	(142,945,482,888)
Net receipts from other operating activities		17,329,485,454	24,352,786,291
Net Cash Provided by Operating Activities		**603,547,114,013**	**636,316,314,747**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	8	415,572,068	70,700,000
Purchases of fixed assets		(54,144,108,856)	(32,087,264,712)
Cash dividend received		-	1,600,803,229
Net Cash Used in Investing Activities		**(53,728,536,788)**	**(30,415,761,483)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from derivative transactions		5,670,216,750	1,646,616,000
Payment of obligations under capital lease	12	(1,136,436,361)	(634,012,470)
Net Cash Provided by Financing Activities		**4,533,780,389**	**1,012,603,530**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		360,381,896	26,197,947,754
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(447,339,120,395)	(371,508,429,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**107,373,619,115**	**261,602,674,639**
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	**414,806,137,518**	**561,687,429,092**
Activities not affecting cash and cash equivalents:			
Payment of bank loans from restricted cash accounts	11	292,364,795,808	373,596,566,651
Payment of interest using restricted cash accounts	11	78,112,158,496	81,228,149,224
Interest earned on restricted cash accounts	11	2,039,139,059	787,050,878
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. 24 dated June 16, 2005 of DR. Amrul Partomuan Pohan, S.H., LLM. concerning, among others, the change in the members of the Company's boards of directors. 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 June 30, 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	Jean-Claude Thierry A. Dosogne
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	Horst Robert Wolf
Commissioner	Lorenz Naeger	Daniel Hugues Jules Gauthier

(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	DR. Albert Scheuer	Christian Kartawijaya

Total salaries and other compensation benefits paid to the Company’s boards of commissioners and directors amounted to Rp12.36 billion and Rp11.32 billion for the six months ended June 30, 2005 and 2004, respectively. As of June 30, 2005 and 2004, the Company and Subsidiaries have a total of 6,731 and 7,147 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.

Effective as of January 1, 2005, the Company adopted Indonesian Statement of Accounting Standard ("PSAK") No. 38 (Revised 2004), “Accounting for Restructuring of Entities under Common Control” on a retroactive basis. This standard provides for the realization of the restructuring difference to gain or loss if the conditions therein are fulfilled. The consolidated financial statements for the six months ended June 30, 2004 have been restated for the retrospective recognition of the restructuring differences amounting to Rp1,496,514,575,077. The restructuring differences were arising from the acquisition of PT Indofood Sukses Makmur Tbk.(ISM)’s shares, acquisition of certain companies by ISM, sales of Bogasari’s net assets to ISM, acquisition of PT Indominco Mandiri and others. The Company has lost the common control status with the above companies, and the related assets and the ownership in the above companies had been disposed. Therefore, in compliance with PSAK No. 38 (Revised 2004) the restructuring differences were recognized retrospectively by restated the 2003 and 2004 financial statements as follows:

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Preparation of the Consolidated Financial Statements (continued)

	2004	2003
Differences Arising from Restructuring Transactions Among Entities under Common Control		
A previously reported	(330,799,198,508)	(330,799,198,508)
Adoption of PSAK No. 38 (Revised 2004)	1,496,514,575,077	1,496,514,575,077
As restated	**1,165,715,376,569**	**1,165,715,376,569**
Retained Earnings - Unappropriated		
A previously reported	1,511,088,739,055	1,420,065,312,497
Adoption of PSAK No. 38 (Revised 2004)	(1,496,514,575,077)	(1,496,514,575,077)
As restated	**14,574,163,978**	**(76,449,262,580)**

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 June 30, 2005	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	407,857,290,458	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	67,189,205,437	99.99
Indocement (Cayman Islands) Limited	Investing	Cayman Islands	1991/1991	35,645,198,770	100.00
Indirect					
PT Pionirbeton Industri (PBI) (formerly PT Pioneer Beton Industri)	Ready mix concrete manufacturing	Indonesia	1996/1996	97,521,821,452	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 June 30, 2005, MBG has not yet started its commercial operations.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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 June 30, 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.

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 (Revised 2004), “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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Cash Equivalents

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

d. Short-term Investments

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

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

e. Allowance for Doubtful Accounts

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

f. Transactions with Related Parties

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 June 30, 2005 and 2004, the rates of exchange used are as follows:

	2005	2004
Euro (EUR1)	11,732.83	11,384.16
U.S. dollar (US$1)	9,713.00	9,415.00
Japanese yen (JP¥100)	8,798.81	8,680.23

Transactions in other foreign currencies are considered insignificant.

q. Derivative Instruments

PSAK No. 55, “Accounting for Derivative Instruments and Hedging Activities”, establishes the accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) be recorded 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.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

u. Net Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2005 and 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	732,589,697	670,872,017
Cash in banks		
ABN-AMRO Bank N.V.		
U.S. dollar		
(US$2,746,814 in 2005 and US$28,015,965 in 2004)	26,679,800,594	263,770,310,382
Rupiah	21,823,385,670	26,737,397,419
Euro		
(EUR555,852 in 2005)	6,521,712,211	-
PT Bank Mandiri (Persero) Tbk.		
Rupiah	12,616,887,906	27,074,587,170
Euro		
(EUR433,260 in 2005 and EUR310,398 in 2004)	5,083,368,038	3,533,625,732
U.S. dollar		
(US$65,911 in 2005 and US$2,029,035 in 2004)	640,197,622	19,103,366,879

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

	2005	2004
PT Bank Central Asia Tbk.		
U.S. dollar		
(US$676,443 in 2005 and US$27,000 in 2004)	6,570,286,391	254,203,399
Rupiah	6,493,699,468	7,102,428,636
Euro		
(EUR401,376 in 2005 and EUR188,704 in 2004)	4,709,272,033	2,148,232,203
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	1,601,675,951	3,773,022,649
PT Bank Lippo Tbk.		
Rupiah	1,171,238,082	193,653,517
Others		
Rupiah	1,863,219,717	1,212,978,305
U.S. dollar		
(US$53,220 in 2005 and US$51,898 in 2004)	516,928,385	488,615,770
Other foreign currencies	47,949,292	124,135,014
Rupiah time deposits		
ABN-AMRO Bank N.V.	221,144,143,069	200,000,000,000
PT Bank Mandiri (Persero) Tbk.	2,500,000,000	2,500,000,000
PT Bank Central Asia Tbk.	3,000,000,000	3,000,000,000
U.S. dollar time deposits (US$9,378,131)		
ABN-AMRO Bank N.V.	91,089,783,392	-
Total	**414,806,137,518**	**561,687,429,092**

Interest rates per annum ranged from 5.00% to 7.35% in 2005 and from 4.75% to 7.93% in 2004 for the rupiah time deposits and ranged from 1.75% to 2.75% in 2005 for the U.S. dollar time deposits.

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2005	2004
<u>Related Party (see Note 21)</u>		
Cement business		
HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), Singapore (US$4,697,018 in 2005 and US$2,512,432 in 2004)	**45,622,131,754**	**23,654,548,316**
<u>Third Parties</u>		
Cement and ready mix concrete business	465,381,940,367	376,851,258,366
Allowance for doubtful accounts	(12,647,108,011)	(13,332,091,743)
Net	**452,734,832,356**	**363,519,166,623**

(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	240,000,000	-
Receivables written off during the period	(1,414,983,732)	-
Balance at end of period	**12,647,108,011**	**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 June 30, 2005 and 2004 is as follows:

	2005		
	Currency		
	Rupiah	U.S. Dollar (In Equivalent Rupiah)	Total
Current	388,604,960,173	39,822,406,210	428,427,366,383
Overdue:			
1 - 30 days	31,382,334,518	-	31,382,334,518
31 - 60 days	5,571,588,538	5,236,371,545	10,807,960,083
61 - 90 days	11,374,274,574	-	11,374,274,574
Over 90 days	23,364,883,319	5,647,253,244	29,012,136,563
Total	**460,298,041,122**	**50,706,030,999**	**511,004,072,121**

	2004		
	Currency		
	Rupiah	U.S. Dollar (In Equivalent Rupiah)	Total
Current	320,993,764,257	23,654,548,316	344,648,312,573
Overdue:			
1 - 30 days	20,838,170,314	-	20,838,170,314
31 - 60 days	5,148,518,059	-	5,148,518,059
61 - 90 days	1,882,570,831	-	1,882,570,831
Over 90 days	22,904,335,661	5,083,899,244	27,988,234,905
Total	**371,767,359,122**	**28,738,447,560**	**400,505,806,682**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2005	2004
PERTAMINA	19,226,030,144	5,764,182,047
Market value of option, forward exchange contracts and CCIRS (see Note 22m)	17,542,808,284	16,560,220,952
Claim to the Tax Office	5,502,658,681	5,502,658,681
Others	5,449,556,420	12,673,157,463
Total	47,721,053,529	40,500,219,143
Allowance for doubtful accounts	(7,373,045,808)	(1,389,089,659)
Net	**40,348,007,721**	**39,111,129,484**

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	68,308,505,167	39,867,658,456
Work in process	118,977,692,975	83,930,787,240
Raw materials	29,373,798,027	25,208,406,672
Fuel and lubricants	112,745,196,201	60,440,398,223
Spare parts	541,847,463,581	496,125,159,329
Materials in transit and others	134,338,359	134,338,359
Total	871,386,994,310	705,706,748,279
Allowance for inventory losses	(44,075,191,481)	(40,063,072,423)
Net	**827,311,802,829**	**665,643,675,856**

With the exception of inventories owned by Indomix and PBI amounting to Rp9.9 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 June 30, 2005 and 2004 amounting to Rp37,137,524,497 and Rp41,290,561,647, 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	(15,255,547,905)	21,368,452,095
Stillwater Shipping Corporation	50.00	105,500,000	17,362,150,370	17,467,650,370
PT Pama Indo Mining	40.00	1,200,000,000	7,341,648,686	8,541,648,686
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	8,983,463,651	47,397,751,151
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**47,397,751,151**

(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	(21,916,071,375)	14,707,928,625
Stillwater Shipping Corporation	50.00	105,500,000	6,002,140,655	6,107,640,655
PT Pama Indo Mining	40.00	1,200,000,000	5,411,110,446	6,611,110,446
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	(10,967,607,774)	27,446,679,726
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,431,144,026)
Net advances				289,800,000
Total				**27,736,479,726**

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 six months ended June 30, 2005 and 2004 are as follows:

	2005	2004
Stillwater Shipping Corporation	2,336,988,886	2,264,713,164
PT Pama Indo Mining	889,545,975	1,395,755,870
PT Cibinong Center Industrial Estate	853,521,724	811,933,365
Total	**4,080,056,585**	**4,472,402,399**

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 June 30, 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.

The Company received cash dividend from PT Pama Indo Mining amounting to Rp1,600,803,229 in 2004.

(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 June 30, 2005
2005 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	209,454,489,891	6,020,777,067	-	215,475,266,958
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	2,538,061,008	-	2,876,195,347,820
Machinery and equipment	7,283,050,582,835	11,672,037,229	35,861,119	7,294,686,758,945
Transportation equipment	344,875,147,012	19,422,986,878	3,383,525,499	360,914,608,391
Furniture, fixtures and office equipment	196,785,021,094	10,312,514,537	340,772,679	206,756,762,952
Tools and other equipment	58,162,093,421	3,168,391,261	88,527,959	61,241,956,723
Sub-total	11,043,573,258,522	53,134,767,980	3,848,687,256	11,092,859,339,246
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	35,064,179,085	27,965,867,425	108,159,019,554
Total Carrying Value	11,152,127,389,456	88,198,947,065	31,814,554,681	11,208,511,781,840
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	21,755,393,927	905,740,163	-	22,661,134,090
Leasehold improvements	2,266,770,388	163,807,491	-	2,430,577,879
Quarry	15,420,599,275	967,824,946	-	16,388,424,221
Buildings and structures	626,831,349,630	47,467,557,816	-	674,298,907,446
Machinery and equipment	2,258,219,519,132	155,486,317,994	34,139,540	2,413,671,697,586
Transportation equipment	281,938,826,263	12,463,809,050	3,368,656,732	291,033,978,581
Furniture, fixtures and office equipment	142,480,757,740	10,549,771,377	326,321,401	152,704,207,716
Tools and other equipment	41,068,377,149	3,058,841,275	84,401,663	44,042,816,761
Sub-total	3,389,981,593,504	231,063,670,112	3,813,519,336	3,617,231,744,280
Assets under capital lease				
Machinery and equipment	45,814,780	22,907,390	-	68,722,170
Transportation equipment	845,863,100	726,434,914	-	1,572,298,014
Sub-total	891,677,880	749,342,304	-	1,641,020,184
Total Accumulated Depreciation, Amortization and Depletion	3,390,873,271,384	231,813,012,416	3,813,519,336	3,618,872,764,464
Net Book Value	**7,761,254,118,072**			**7,589,639,017,376**

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2003	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 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	35,755,000	-	2,814,733,661
Quarry	71,572,756,395	2,601,431,801	-	74,174,188,196
Buildings and structures	2,869,715,188,338	2,654,309,772	-	2,872,369,498,110
Machinery and equipment	7,229,921,005,652	9,173,365,279	-	7,239,094,370,931
Transportation equipment	339,364,488,980	3,776,694,452	1,230,280,879	341,910,902,553
Furniture, fixtures and office equipment	182,527,745,485	8,271,360,036	578,097,438	190,221,008,083
Tools and other equipment	50,459,505,482	2,173,922,759	40,329,648	52,593,098,593
Sub-total	10,945,676,613,125	59,053,358,452	1,848,707,965	11,002,881,263,612
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	12,621,048,094	9,472,449,399	101,989,204,824
Total Carrying Value	11,051,530,642,294	71,674,406,546	11,321,157,364	11,111,883,891,476
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	19,943,913,602	905,740,163	-	20,849,653,765
Leasehold improvements	1,978,944,982	132,683,064	-	2,111,628,046
Quarry	13,498,356,128	958,580,701	-	14,456,936,829
Buildings and structures	531,991,259,186	47,399,522,983	-	579,390,782,169
Machinery and equipment	1,921,180,277,928	158,733,678,470	-	2,079,913,956,398
Transportation equipment	265,776,028,288	10,432,525,004	1,190,723,762	275,017,829,530
Furniture, fixtures and office equipment	120,497,102,926	11,235,295,911	557,277,840	131,175,120,997
Tools and other equipment	35,989,900,653	2,565,317,636	31,812,859	38,523,405,430
Sub-total	2,910,855,783,693	232,363,343,932	1,779,814,461	3,141,439,313,164
Assets under capital lease				
Machinery and equipment	-	22,907,390	-	22,907,390
Transportation equipment	-	415,431,550	-	415,431,550
Sub-total	-	438,338,940	-	438,338,940
Total Accumulated Depreciation, Amortization and Depletion	2,910,855,783,693	232,801,682,872	1,779,814,461	3,141,877,652,104
Net Book Value	**8,140,674,858,601**			**7,970,006,239,372**

Construction in progress consists of:

	2005	2004
Machineries under installation	81,899,414,168	85,201,433,952
Buildings and structures under construction	13,304,315,765	8,888,002,994
Others	12,955,289,621	7,899,767,878
Total	**108,159,019,554**	**101,989,204,824**

(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 June 30, 2005:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	5 - 95%	3 to 24 months
Buildings and structures under construction	10 - 99	1 to 24 months
Others	25 - 99	2 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 Rp231,813,012,416 and Rp232,801,682,872 for the six months ended June 30, 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 Rp197,768,746,013 and US$2,339,142,516 as of June 30, 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 3,212.06 hectares, and local mining rights or "Surat Izin Penambangan Daerah" (SIPD) covering approximately 11,315.35 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 June 30, 2005, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 1,006,282 square meters. In addition, the Company is also in the process of acquiring land rights covering a total area of approximately 429,642 square meters. The total expenditures incurred in relation to the above land rights acquisition process amounting to Rp12,892,700,101 as of June 30, 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 June 30, 2005 and 2004 amounting to Rp14,277,687,474 and Rp2,781,658,729, 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 Rp1,228,740,282 and Rp6,969,053,707 as of June 30, 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	96,872,962,376	69,136,552,298
U.S. dollar (US$1,068,741 in 2005 and US$478,775 in 2004)	10,379,084,751	4,507,670,673
Other foreign currencies	7,476,462,360	7,628,533,722
Sub-total	114,728,509,487	81,272,756,693
Other businesses	-	-
Total - Third Parties	114,728,509,487	81,272,756,693
Related Party - Cement business (see Note 21)	1,149,758,998	3,324,474,160
Total Trade Payables	**115,878,268,485**	**84,597,230,853**

The aging analysis of trade payables based on their currency denomination as of June 30, 2005 and 2004 is as follows:

	2005		
	Rupiah	Foreign Currencies (In Rupiah Equivalent)	Total
Current	81,380,117,794	-	81,380,117,794
Overdue:			
1 - 30 days	8,075,242,403	7,605,060,794	15,680,303,197
31 - 60 days	2,690,812,317	1,433,493,105	4,124,305,422
61 - 90 days	2,666,948,877	19,566,519	2,686,515,396
Over 90 days	2,059,840,984	9,947,185,692	12,007,026,676
Total	**96,872,962,375**	**19,005,306,110**	**115,878,268,485**

	2004		
	Rupiah	Foreign Currencies (In Rupiah Equivalent)	Total
Current	45,938,351,524	-	45,938,351,524
Overdue:			
1 - 30 days	18,162,335,543	5,888,832,358	24,051,167,901
31 - 60 days	1,130,296,614	4,816,124,893	5,946,421,507
61 - 90 days	365,583,529	19,523,834	385,107,363
Over 90 days	3,539,985,088	4,736,197,470	8,276,182,558
Total	**69,136,552,298**	**15,460,678,555**	**84,597,230,853**

(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	2,686,591,673	4,016,185,745
Article 22	998,699,953	852,953,167
Article 23	1,190,863,661	1,405,399,513
Article 26	1,849,447,322	3,021,145,611
Value added tax	41,088,277,933	40,577,431,086
Total	**47,813,880,542**	**49,873,115,122**

b. The reconciliation between income (loss) before corporate income tax expense (benefit), as shown in the consolidated statements of income, and estimated taxable income (fiscal loss) of the Company for the six months ended June 30, 2005 and 2004 is as follows:

	2005	**2004**
Income (loss) before corporate income tax expense (benefit) per consolidated statements of income	452,545,072,133	(150,278,407,603)
Less:		
Loss (income) of Subsidiaries before corporate income tax expense - net	(8,958,391,247)	926,896,764
Income (loss) before tax expense (benefit) attributable to the Company	443,586,680,886	(149,351,510,839)
Add (deduct):		
Temporary differences		
Provision for employee benefits - net	12,551,415,386	8,182,342,506
Depreciation of fixed assets	(76,345,201,601)	(103,457,133,305)

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2005	**2004**
Reversal of trade discount	(13,543,264,140)	-
Receivables written off during the period	(2,545,918,649)	-
Realization of recultivation expenses (see Note 22l)	(283,527,632)	-
	(80,166,496,636)	(95,274,790,799)
Permanent differences		
Non-deductible expenses		
Employees' benefits	21,858,894,779	17,839,415,613
Donations	5,237,178,992	5,551,640,511
Public relations	2,210,147,028	3,523,252,987
Others	308,047,897	94,732,644
Income already subjected to final tax	(5,419,388,987)	(3,671,699,635)
Equity in net earnings of associated companies - net	(1,743,067,699)	(2,207,689,235)
	22,451,812,010	21,129,652,885
Estimated taxable income (fiscal loss) of the Company	385,871,996,260	(223,496,648,753)
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	**(1,228,799,965,955)**	**(1,902,791,038,647)**

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 (benefit) are as follows:

	2005	**2004**
Current income tax expense		
Company	-	-
Subsidiaries	956,348,900	1,662,659,900
Total current income tax expense	956,348,900	1,662,659,900
Deferred income tax expense (benefit)		
Company	143,715,404,792	(34,440,883,493)
Subsidiaries	253,363,508	(205,012,772)
Net income tax expense (benefit)	143,968,768,300	(34,645,896,265)
Total	**144,925,117,200**	**(32,983,236,365)**

(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	956,348,900	1,662,659,900
Total	956,348,900	1,662,659,900
Prepayments of income tax		
Company	12,299,216,529	25,759,090,259
Subsidiaries	17,110,790,742	12,479,123,804
Total	29,410,007,271	38,238,214,063
Estimated claims for tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	12,299,216,529	25,759,090,259
Subsidiaries	16,154,441,842	10,816,463,904
Total	**28,453,658,371**	**36,575,554,163**
Estimated Corporate Income Tax Payable		
Subsidiary	**-**	**-**

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. Moreover, the Tax Office also approved the Company’s 2002 claim for tax refund amounting to Rp 10,359,940,562.

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 to the Tax Court 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 (loss) before corporate income tax expense (benefit) multiplied by the applicable tax rate and corporate income tax expense (benefit) as shown in the consolidated statements of income for the six months ended June 30, 2005 and 2004 is as follows:

	2005	2004
Income (loss) before corporate income tax expense (benefit)	**452,545,072,133**	**(150,278,407,603)**
Tax expense (benefit) at the applicable rate	134,476,381,363	(42,930,436,339)
Tax effects on permanent differences (mainly consisting of employees' benefits, donations and public relations expenses)	9,570,424,830	8,317,977,602
Tax corrections	3,903,856,923	4,025,673,893
Income already subjected to final tax	(2,502,625,606)	(1,687,247,787)
Equity in net earnings of associated companies - net	(522,920,310)	(662,306,771)
Others	-	(46,896,963)
Tax expense (benefit) per consolidated statements of income	**144,925,117,200**	**(32,983,236,365)**

f. Deferred tax assets (liabilities) consist of:

	December 31, 2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	June 30, 2005
Deferred Tax Assets:			
Company			
Tax loss carryforward	488,305,445,587	(119,665,455,801)	368,639,989,786
Allowance for doubtful accounts and inventory losses	13,295,618,437	(763,775,595)	12,531,842,842
Estimated liability for employee benefits	9,338,768,646	3,765,424,616	13,104,193,262
Reserve for recultivation	2,902,904,019	(85,058,290)	2,817,845,729
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	(120,811,844,312)	397,927,723,419
Subsidiaries	5,063,109,760	(20,675,688)	5,042,434,072
Total	**523,802,677,491**	**(120,832,520,000)**	**402,970,157,491**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(580,234,066,955)	(22,903,560,480)	(603,137,627,435)
Subsidiaries	(869,543,543)	(232,687,819)	(1,102,231,362)
Total	**(581,103,610,498)**	**(23,136,248,299)**	**(604,239,858,797)**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	December 31, 2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	June 30, 2005
Net Deferred Tax Assets:			
Company	-	-	-
Subsidiaries	4,193,566,217	(253,363,507)	3,940,202,710
Net	**4,193,566,217**	**(253,363,507)**	**3,940,202,710**
Net Deferred Tax Liabilities:			
Company	(61,494,499,224)	(143,715,404,792)	(205,209,904,016)
Subsidiaries	-	-	-
Net	**(61,494,499,224)**	**(143,715,404,792)**	**(205,209,904,016)**

	December 31, 2003	Deferred Tax Benefit (Expense) Credited (Charged) to 2004 Profit and Loss	June 30, 2004
Deferred Tax Assets:			
Company			
Tax loss carryforward	507,813,990,861	63,023,320,733	570,837,311,594
Allowance for doubtful accounts and inventory losses	11,608,313,004	-	11,608,313,004
Estimated liability for employee benefits	4,909,405,499	2,454,702,752	7,364,108,251
Reserve for recultivation	1,745,367,302	-	1,745,367,302
Others	833,851,800	-	833,851,800
Sub-total	526,910,928,466	65,478,023,485	592,388,951,951
Subsidiaries	3,659,625,735	57,872,226	3,717,497,961
Total	**530,570,554,201**	**65,535,895,711**	**596,106,449,912**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(522,984,721,821)	(31,037,139,992)	(554,021,861,813)
Subsidiaries	(598,165,169)	147,140,357	(451,024,812)
Total	**(523,582,886,990)**	**(30,889,999,635)**	**(554,472,886,625)**
Net Deferred Tax Assets:			
Company	3,926,206,645	34,440,883,493	38,367,090,138
Subsidiaries	3,352,260,121	57,872,226	3,410,132,347
Net	**7,278,466,766**	**34,498,755,719**	**41,777,222,485**
Net Deferred Tax Liabilities:			
Company	-	-	-
Subsidiaries	(290,799,555)	147,140,357	(143,659,198)
Net	**(290,799,555)**	**147,140,357**	**(143,659,198)**

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	1,178,424,770,204	2,882,937,861,830
U.S. dollar	1,611,855,298,733	2,298,559,046,017
Rupiah	68,372,219,220	129,735,532,375
Sub-total	2,858,652,288,157	5,311,232,440,222
Related parties (see Note 21)		
U.S. dollar	1,517,999,430,590	112,286,569,621
Total	4,376,651,718,747	5,423,519,009,843
Less portions currently due	388,520,000,000	654,342,500,000
Long-term portion	**3,988,131,718,747**	**4,769,176,509,843**

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

		2005		2004
Japanese yen				
Third parties				
Marubeni Corporation, Tokyo	JP¥	14,992,102,213	JP¥	28,222,315,274
Japan Bank for International Corporation, Tokyo		3,326,912,503		4,990,374,503
Total Japanese yen loans	**JP¥**	**18,319,014,716**	**JP¥**	**33,212,689,777**
U.S. dollar				
Third parties				
PT Bank Central Asia Tbk. (BCA)	US$	29,784,655	US$	56,516,055
Barclays Bank PLC		15,264,449		18,172,422
Mizuho Global, Ltd., Tokyo		14,175,574		26,897,995
BNP Paribas, Singapore Branch		8,516,240		16,159,471
Mizuho Trust & Banking Co., Ltd., Tokyo		8,160,859		15,485,140
Credit Industriel et Commercial, Singapore		6,252,768		11,864,559
Kawasaki Heavy Industries Limited, Tokyo		5,662,608		10,744,735
Deutsche Bank AG, London		4,514,312		17,543,690
Other creditors (each below US$10 million)		28,993,025		70,753,910
Related parties				
HC Finance B.V., Netherlands		150,000,000		-
WestLB AG, Tokyo		5,331,902		10,117,225
WestLB Asia Pacific Ltd., Singapore		953,430		1,809,123
Total U.S. dollar loans	**US$**	**277,609,822**	**US$**	**256,064,325**
Rupiah				
Third parties				
PT Bank Central Asia Tbk. (BCA)		49,078,549,947		82,992,121,835
PT Bank Mandiri (Persero) Tbk.		19,293,669,273		36,609,524,791
JPMorgan Europe Ltd., London		-		10,133,885,749
Total rupiah loans		**68,372,219,220**		**129,735,532,375**

(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% - 3.65%
Rupiah	7.87% - 8.19%	8.06% - 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 Rp322,374,688,213 (consisting of Rp1,600,696, US$27,913,108 and JP¥582,500,000) as of June 30, 2005, and Rp309,116,745,793 (consisting of Rp3,009,767, US$26,954,566 and JP¥637,500,371) as of June 30, 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 Rp250,747,375,177 and Rp233,007,237,457 for the six months ended June 30, 2005 and 2004, respectively.

Total interest payments made by the Company through its escrow accounts amounted to Rp78,112,158,496 (consisting of US$4,852,729, JP¥315,868,658 and Rp4,206,679,902) for the six months ended June 30, 2005 and Rp81,228,149,224 (consisting of US$ 4,627,758, JP¥ 442,416,869 and Rp 6,118,070,884) for the six months ended June 30, 2004, while the unpaid interest charges amounting to Rp36,003,155,320 and Rp32,441,625,218 as of June 30, 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 June 30, 2004, the outstanding balance of the restructured debt amounted to Rp5,423,519,009,843 (equivalent to US$576,050,877). 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$4,375,700 (equivalent to Rp41,617,420,631) and US$16,420,000 (equivalent to Rp140,589,329,194) for the six months ended June 30, 2005 and 2004, respectively.

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 June 30, 2005 and 2004 are as follows:

Years	2005	2004
2004	-	1,770,235,263
2005	1,275,356,034	2,033,672,750
2006	2,037,986,970	1,856,885,606
2007	125,792,516	-
Total	3,439,135,520	5,660,793,619
Less amount applicable to interest	451,351,881	841,815,279
Present value of minimum lease payments	2,987,783,639	4,818,978,340
Current maturities	1,912,022,428	2,190,444,700
Long-term portion	**1,075,761,211**	**2,628,533,640**

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 June 30, 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 June 30, 2005 and 2004, the Company has 153,382,977 Warrants A issued and outstanding. Up to June 30, 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 16, 2005, 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	2,405,194,153,292	131,963,640,138	-	-	2,537,157,793,430
Inter-segment sales	56,950,076,850	-	-	(56,950,076,850)	-
Total Revenues	**2,462,144,230,142**	**131,963,640,138**	**-**	**(56,950,076,850)**	**2,537,157,793,430**
RESULTS					
Segment results	445,948,198,399	621,672,309	-	1,895,144,840	448,465,015,548
Equity in net earnings of associated companies	-	-	4,080,056,585	-	4,080,056,585
Corporate income tax expense					(144,925,117,200)
NET INCOME					**307,619,954,933**
ASSETS AND LIABILITIES					
Segment assets	10,140,132,251,649	142,755,077,633	2,796,455,509	(352,848,725,412)	9,932,835,059,379
Long-term investments and advances to associated companies - net	-	-	47,397,751,151	-	47,397,751,151
Net deferred tax assets and prepayments of income taxes	30,651,577,931	3,917,175,503	-	-	34,568,753,434
Total Assets	**10,170,783,829,580**	**146,672,253,136**	**50,194,206,660**	**(352,848,725,412)**	**10,014,801,563,964**
Segment liabilities	5,123,898,552,708	64,674,539,454	690,000,000	(353,388,262,158)	4,835,874,830,004
Net deferred tax liabilities	205,209,904,016	-	-	-	205,209,904,016
Total Liabilities (excluding deferred gain on sale-and-leaseback transaction - net)	**5,329,108,456,724**	**64,674,539,454**	**690,000,000**	**(353,388,262,158)**	**5,041,084,734,020**
Capital expenditure	60,128,034,176	105,045,464	-	-	60,233,079,640
Depreciation, amortization and depletion expenses	228,094,809,720	3,718,202,696	-	-	231,813,012,416
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provisions for doubtful accounts	-	240,000,000	-	-	240,000,000
Provision for employee benefits	20,107,650,877	-	-	-	20,107,650,877

(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	1,961,106,015,903	71,642,396,046	-	-	2,032,748,411,949
Inter-segment sales	25,826,193,924	-	-	(25,826,193,924)	-
Total Revenues	**1,986,932,209,827**	**71,642,396,046**	**-**	**(25,826,193,924)**	2,032,748,411,949
RESULTS					
Segment results	(144,541,097,716)	(709,712,286)	-	(9,500,000,000)	(154,750,810,002)
Equity in net earnings of associated companies - net	-	-	4,472,402,399	-	4,472,402,399
Tax benefit - net					32,983,236,365
NET LOSS					**(117,295,171,238)**
ASSETS AND LIABILITIES					
Segment assets	10,260,075,770,521	122,338,360,714	1,107,548,400	(235,440,268,628)	10,148,081,411,007
Long-term investments and advances to associated companies - net	-	-	27,736,479,726	-	27,736,479,726
Net deferred tax assets and prepayment for income tax	77,457,221,244	2,943,993,649	-	-	80,401,214,893
Total Assets	**10,337,532,991,765**	**125,282,354,363**	**28,844,028,126**	**(235,440,268,628)**	**10,256,219,105,626**
Segment liabilities	6,024,241,408,824	41,516,961,595	-	(234,912,014,580)	5,830,846,355,839
Net deferred tax liabilities	-	143,659,198	-	-	143,659,198
Total Liabilities (excluding deferred gain on sale and leaseback transaction - net)	**6,024,241,408,824**	**41,660,620,793**	**-**	**(234,912,014,580)**	**5,830,990,015,037**
Capital expenditure	61,320,283,762	881,673,385	-	-	62,201,957,147
Depreciation, amortization and depletion expenses	229,437,437,278	3,364,245,594	-	-	232,801,682,872
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provision for employee benefits	8,182,342,505	201,765,819	-	-	8,384,108,324

GEOGRAPHICAL SEGMENTS

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

	2005	2004
REVENUES (based on sales area)		
Domestic		
Java	3,317,528,042,384	2,687,948,125,814
Outside Java	689,882,698,145	348,990,218,741
Export	302,041,173,777	262,789,520,932
	4,309,451,914,306	3,299,727,865,487
Elimination	(1,772,294,120,876)	(1,266,979,453,538)
Net	**2,537,157,793,430**	**2,032,748,411,949**
ASSETS (based on location of assets)		
Domestic	**9,932,835,059,379**	**10,148,081,411,007**

(Expressed in rupiah, unless otherwise stated)

17. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS (continued)

	2005	2004
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**60,233,079,640**	**62,201,957,147**

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	259,059,062,082	211,028,587,286
Direct labor	142,106,866,052	100,557,388,921
Fuel and power	753,463,564,995	547,280,569,060
Manufacturing overhead	415,700,673,358	382,182,813,042
Total Manufacturing Cost	1,570,330,166,487	1,241,049,358,309
Work in Process Inventory		
At beginning of period	75,301,148,375	87,803,081,247
At end of period	(118,977,692,975)	(83,930,787,240)
Cost of Goods Manufactured	1,526,653,621,887	1,244,921,652,316
Finished Goods Inventory		
At beginning of period	35,836,142,073	55,054,132,871
Others	(247,924,456)	(623,322,232)
At end of period	(68,308,505,167)	(39,867,658,456)
Cost of Goods Sold before Packing Cost	1,493,933,334,337	1,259,484,804,499
Packing Cost	130,742,287,454	114,609,190,406
Total Cost of Revenues	**1,624,675,621,791**	**1,374,093,994,905**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounted to Rp69,733,569,502 and Rp64,671,203,987 as of June 30, 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	229,840,249,721	187,752,988,755
Salaries, wages and employees' benefits (see Note 20)	14,110,154,377	11,035,270,172
Advertising and promotion	8,674,365,925	8,395,187,128
Rental	4,708,231,424	2,168,739,441
Professional fees	3,046,035,219	2,438,325,680
Depreciation	2,346,130,386	2,479,937,596
Taxes and licenses	1,961,149,383	187,105,972
Research and testing	1,435,590,095	414,133,072
Electricity and water	1,395,888,580	1,242,537,974
Repairs and maintenance	1,002,733,238	1,630,121,989
Miscellaneous (each below Rp1 billion)	4,122,278,179	3,177,909,814
Total Delivery and Selling Expenses	272,642,806,527	220,922,257,593
General and Administrative Expenses		
Salaries, wages and employees' benefits (see Note 20)	51,282,674,320	45,034,320,680
Rental	9,777,343,880	7,905,435,826
Professional fees	3,942,550,593	3,933,621,170
Depreciation	3,457,602,095	2,955,053,136
Training and seminars	3,391,586,214	2,670,373,442
Donations	2,418,298,202	2,216,980,697
Public relations	2,065,450,128	3,122,192,271
Traveling and transportation	1,805,389,980	2,429,624,865
Repairs and maintenance	1,706,710,933	1,522,506,400
Medical	1,549,312,751	1,359,636,873
Communication	1,509,334,559	1,397,634,270
Insurance	1,195,919,429	1,053,107,513
Miscellaneous (each below Rp1 billion)	4,353,425,154	3,520,554,891
Total General and Administrative Expenses	88,455,598,238	79,121,042,034
Total Operating Expenses	**361,098,404,765**	**300,043,299,627**

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 Rp11 billion and Rp10 billion for the six months ended June 30, 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 June 30, 2005 and 2004, the Plan assets totaled Rp382 billion and Rp324 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 six months ended June 30, 2005 and 2004 are as follows:

	2005	**2004**
Current service costs	9,225,822,877	2,634,057,000
Interest costs	7,021,131,000	3,155,573,500
Amortization of past service costs and actuarial gains	3,860,697,000	2,594,477,824
Net employees' benefits expenses	**20,107,650,877**	**8,384,108,324**

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

	2005	**2004**
Present value of defined benefit obligation	160,980,529,901	136,393,558,071
Unamortized balance of the non-vested past service costs	(98,851,817,500)	(102,267,141,995)
Actuarial loss	(16,003,221,777)	(8,868,521,000)
Translation liability	-	591,204,000
Liability should be recognized in consolidated balance sheets	46,125,490,624	25,849,099,076
Current maturity of estimated liability for employee benefits	6,214,292,069	3,580,283,310
Long-term portion	**39,911,198,555**	**22,268,815,766**

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	20,107,650,877	8,384,108,324
Payment during the period	(7,629,675,976)	(275,642,429)
Balance at end of period (recorded as part of "Long-term Liabilities - Others" account in the consolidated balance sheets)	**46,125,490,624**	**25,849,099,076**

(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	45,622,131,754	23,654,548,316	0.45%	0.23%
Due from Related Parties				
Officers and employees	61,131,927,052	66,060,432,534	0.61%	0.64%
Others (each below Rp1 billion)	231,248,038	469,086,253	0.01%	0.01%
Total	61,363,175,090	66,529,518,787	0.62%	0.65%
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	1,149,758,998	3,324,474,160	0.01%	0.03%
Accrued Expenses				
Stillwater Shipping Corporation	-	1,654,031,979	-	0.02%
Due to Related Parties				
PT Pama Indo Mining	8,129,353,445	5,306,994,868	0.08%	0.05%
Long-term Loans				
HC Finance B.V., Netherlands	1,456,950,000,000	-	14.55%	-
WestLB AG, Tokyo	51,788,764,029	95,253,675,823	0.52%	0.93%
WestLB Asia Pacific Ltd., Singapore	9,260,666,561	17,032,893,798	0.09%	0.17%
Total	1,517,999,430,590	112,286,569,621	15.16%	1.10%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	302,041,173,777	262,789,520,932	11.90%	12.93%
Cost of Revenues				
PT Pama Indo Mining	15,838,631,490	15,814,114,152	0.97%	1.15%
HCT Services Asia Pte., Ltd., Singapore	5,600,378,160	5,144,770,940	0.34%	0.37%
Total	21,439,009,650	20,958,885,092	1.31%	1.52%
Operating Expenses				
Stillwater Shipping Corporation	13,156,898,000	11,780,114,579	3.64%	3.93%
HeidelbergCement AG	1,566,859,527	-	0.43%	-
HC Technology Center GmbH	622,436,776	-	0.17%	-
Total	15,346,194,303	11,780,114,579	4.24%	3.93%
Other Income (Expenses)				
PT Cibinong Center Indutrial Estate	1,326,692,241	1,451,566,506	1.29%	0.28%

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.	HeidelbergCement AG, Germany	Under Common Control	Professional and consultancy services
4.	HC Technology Center GmbH, Germany	Under Common Control	Professional and consultancy services
5.	PT Cibinong Center Industrial Estate	Associated Company	Rental of industrial estate and sale of water and electricity
6.	Stillwater Shipping Corporation	Associated Company	Transportation
7.	PT Pama Indo Mining	Associated Company	Mining service
8.	WestLB AG, Tokyo	Affiliated Company	Long-term debt
9.	WestLB Asia Pacific Ltd., Singapore	Affiliated Company	Long-term debt
10.	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. As of June 30, 2005, the Company has made a provision of Rp6.2 billion as its estimated liability that would be borne by the Company, and is presented as part of "Accrued Expenses" account in the 2005 consolidated balance sheet.

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 June 30, 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 Rp10,972,714,818 and Rp15,820,237,905 as of June 30, 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 six months ended June 30, 2005 and 2004 are as follows:

	2005	2004
PT Bangunsukses Niagatama Nusantara	203,443,149,712	-
PT Samudera Tunggal Utama	157,441,619,928	-
PT Intimegah Mitra Sejahtera	154,584,449,786	-
PT Nusa Makmur Perdana	146,441,177,176	-
PT Royal Inti Mandiri Abadi	145,707,064,101	-
PT Kharisma Mulia Abadijaya	129,386,577,922	-
PT Angkasa Indah Mitra	116,975,169,194	-
PT Adikarya Maju Bersama	111,471,087,129	-
PT Primasindo Cipta Sarana	108,894,516,390	-
PT Sumber Abadi Sukses	104,521,762,962	-
PT Citrabaru Mitra Perkasa	103,124,530,825	-
PT Saka Agung Abadi	89,960,580,441	65,255,331,511
PT Kirana Semesta Niaga	87,771,885,767	-
PT Cipta Pratama Karyamandiri	81,725,377,535	-
PT Jabotabek Niagatama Sukses	-	563,148,791,751
PT Jabar Multindo Perkasa	-	380,667,521,086
PT Jateng Kencana Abadimulia	-	261,224,862,752
PT Bangunsukses Niaga Nusantara	-	156,063,514,959
PT Royal Inti Mega Utama	-	105,787,545,346
Total	**1,741,448,948,868**	**1,532,147,567,405**

The total outstanding receivables from these sub-distributors amounting to Rp293,902,993,635 and Rp264,015,884,608 as of June 30, 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 Rp5,282,319,720 and Rp5,080,915,800 for the six months ended June 30, 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 six months ended June 30, 2005 and 2004 amounted to approximately US$1.75 million and US$1.47 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$717,519 and US$557,427 for the six months ended June 30, 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 will expire in 2014 for the power plant and cement plants in Citeureup. Total purchases of natural gas from PERTAMINA for the six months ended June 30, 2005 and 2004 amounted to Rp44,606,898,944 and Rp42,801,034,246, respectively. The related outstanding payables arising from these purchases amounting to US$1,440,660 (equivalent to Rp13,563,817,854)as of June 30, 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 Rp121.4 billion and Rp86.1 billion for the six months ended June 30, 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 Rp9,392,819,100 and Rp5,817,891,007 as of June 30, 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 June 30, 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¥1,680 million and US$11.25 million in various dates in 2004 and 2005, at fixed exchange rates ranging from Rp81.82 to Rp86.23 to JP¥1 and Rp8,681 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¥720 million and US$11.25 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 June 30, 2004, the Company recognized the net receivables on the forward and option contracts at market value of Rp16,560,220,952 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 Rp18,206,836,952 and is recorded as part of "Foreign Exchange Loss - Net" in the six months ended June 30, 2004 consolidated statement of income.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

As of June 30, 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¥2,055 million and US$15.5 million which will mature in various dates in 2005 and 2006, at fixed exchange rates ranging from Rp86.99 to Rp95.56 to JP¥1 and Rp9,382 to Rp9,898 to US$1. As of June 30, 2005, the Company recognized the net receivables on the forward contracts at market value of Rp3,333,262,351, which is presented as part of “Other Receivables from Third Parties” in the 2005 consolidated balance sheet.

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 June 30, 2005, the Company recognized the net receivables on the CCIRS contract at market value of Rp14,209,545,933, 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 Rp20,135,012,785 and is recorded as part of “Foreign Exchange Loss - Net” in the six months ended June 30, 2005 consolidated statement of income.

n. In the EGMS held on February 23, 2005, the independent shareholders approved the Recurring Transaction with the Company’s affiliates. The Recurring Transaction covers the transactions with HeidelbergCement AG and its subsidiaries, including HC Fuels Limited, HCT Services Asia Pte., Ltd., and HC Technology Center GmbH in area of supply of raw materials, fuel as well as to perform necessary advisory services as needed.

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. On June 27, 2005, the Plaintiffs submitted an appeal to the Supreme Court, and as of June 30, 2005, the Supreme Court has not yet rendered its decision.

(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 June 30, 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$	4,697,018	45,622,135,834
Third Parties	US$	40,833,627	396,617,019,051
	JP¥	583,044,952	51,301,017,541
	EUR	1,390,487	16,314,347,588
Total			509,854,520,014
Liabilities			
Related Parties	US$	157,200,273*	1,526,886,251,649
Third Parties	US$	125,178,066	1,215,854,555,058
	JP¥	18,410,126,397	1,619,872,042,432
	EUR	626,961	7,356,026,830
Total			4,369,968,875,969
Net liabilities			**3,860,114,355,955**

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

26. SUBSEQUENT EVENTS

a. On July 20, 2005, the Company paid its long-term loan from banks and financial institutions amounting to US$8,440,999, JP¥889,818,044 and Rp4,522,613,229, which already include a debt prepayment equivalent to US$6,626,104. In addition, the Company paid its obligations for interest covering the period April 20, 2005 to July 20, 2005 amounting to US$3,569,296, JP¥114,002,853 and Rp1,415,043,794 (see Note 11).

b. In July 2005, the Company entered into forward currency exchange contracts with Standard Chartered Bank, Jakarta Branch and ABN-AMRO Bank N.V., Jakarta Branch for the purchase of a total of JP¥500,000,000 and US$7,500,000 at fixed exchange rates ranging from Rp93.49 to Rp96.49 to JP¥1 and Rp9,946 to Rp10,279 to US$1 in various dates in 2005 and 2006.