Consolidated Financial Statements
Six months Ended June 30, 2006 and 2005

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, 2006 AND 2005

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PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2006 and 2005
(Expressed in rupiah)

	Notes	2006	2005
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	628,381,303,320	414,806,137,518
Short-term investments	2d	1,809,600,000	6,590,722,650
Trade receivables	2e,4,11		
Related party	2f,22	78,724,521,855	45,622,131,754
Third parties - net of allowance for doubtful accounts of Rp14,064,435,448 in 2006 and Rp12,647,108,011 in 2005	23i	563,411,085,828	452,734,832,356
Other receivables from third parties - net of allowance for doubtful accounts of Rp7,371,980,358 in 2006 and Rp7,373,045,808 in 2005	2e,5,29	5,939,415,796	3,579,169,293
Derivative assets - net	2q,24,29	-	3,333,262,351
Inventories - net	2g,6,11	954,808,665,555	827,311,802,829
Advances and deposits	6	93,408,978,687	90,549,759,948
Prepaid taxes	10	28,513,505,235	30,628,550,724
Prepaid expenses	2h	32,191,613,879	26,508,204,520
TOTAL CURRENT ASSETS		2,387,188,690,155	1,901,664,573,943
NON-CURRENT ASSETS			
Long-term derivative assets - net	2q,24,29	-	14,209,545,933
Due from related parties	2f,22	54,186,399,738	61,363,175,090
Deferred tax assets - net	2r,10	5,930,852,058	3,940,202,710
Long-term investments and advances to associated company - net of allowance for doubtful accounts of Rp13,720,944,026 in 2006 and 2005	2b,2f,7	45,982,259,843	47,397,751,151
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp4,097,504,750,288 in 2006 and Rp3,618,872,764,464 in 2005	2i,2j,2k, 2l,8,11	7,680,256,354,057	7,589,639,017,376
Restricted cash and time deposits	11,12	5,736,067,280	328,110,755,493
Other non-current assets	2h,2m,8	76,279,783,394	68,476,542,268
TOTAL NON-CURRENT ASSETS		7,868,371,716,370	8,113,136,990,021
TOTAL ASSETS		**10,255,560,406,525**	**10,014,801,563,964**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2006 and 2005
(Expressed in rupiah)

	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	9		
Third parties	23m	97,631,769,687	114,728,509,487
Related party	2f,22	245,387,341	1,149,758,998
Other payables to third parties	8,23h	105,467,871,894	72,592,431,764
Accrued expenses	2f,11,19,23f	168,885,623,455	149,295,378,299
Taxes payable	10	65,941,052,694	47,813,880,542
Derivative liabilities - net	2q,24	10,777,787,382	-
Dividend payable	16	184,061,584,950	-
Other current liabilities		13,889,339,515	7,007,705,359
Current maturities of long-term liabilities			
Loans from banks and financial institutions	2f,11,22	564,175,536,773	388,520,000,000
Obligations under capital lease	2k,8,12	1,035,844,548	1,912,022,428
TOTAL CURRENT LIABILITIES		1,212,111,798,239	783,019,686,877
NON-CURRENT LIABILITIES			
Long-term derivative liabilities – net	2q,24	46,687,776,300	-
Due to related parties	2f,22	4,882,969,476	8,129,353,445
Deferred tax liabilities - net	2r,10	591,775,030,078	205,209,904,016
Long-term liabilities - net of current maturities			
Loans from banks and financial institutions	2f,11,22	2,541,069,793,268	3,988,131,718,747
Obligations under capital lease	2k,8,12	39,916,663	1,075,761,211
Others	2o,21,23p	67,209,680,006	55,518,309,724
Deferred gain on sale-and-leaseback transactions - net	2k	7,744,439,727	8,887,707,382
TOTAL NON-CURRENT LIABILITIES		3,259,409,605,518	4,266,952,754,525
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
Revaluation increment in fixed assets	2i,8,10	229,970,296,236	-
Differences arising from restructuring transactions among entities under common control	2b	1,165,715,376,569	1,165,715,376,569
Differences arising from changes in the equity of Subsidiaries	2b	2,074,186,810	6,847,770,149
Unrealized losses on available-for-sale securities - net	2d	-	(3,030,394,615)
Retained earnings			
Appropriated	16	150,000,000,000	125,000,000,000
Unappropriated		863,176,891,605	297,194,118,911
NET SHAREHOLDERS' EQUITY		5,784,039,002,768	4,964,829,122,562
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,255,560,406,525**	**10,014,801,563,964**

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, 2006 and 2005
(Expressed in rupiah)

	Notes	2006	2005
NET REVENUES	2f,2n,18, 22,23i,23k	3,063,385,784,699	2,537,157,793,430
COST OF REVENUES	2f,2n,19,21, 22,23a,23b, 23l,23m,23n	1,952,901,902,635	1,624,675,621,791
GROSS PROFIT		**1,110,483,882,064**	**912,482,171,639**
OPERATING EXPENSES	2f,2n,20,21, 22,23h,23j		
Delivery and selling		390,569,449,963	272,642,806,527
General and administrative		91,075,866,780	88,455,598,238
Total Operating Expenses		**481,645,316,743**	**361,098,404,765**
INCOME FROM OPERATIONS		**628,838,565,321**	**551,383,766,874**
OTHER INCOME (EXPENSES)			
Interest income		16,223,910,872	10,174,994,889
Foreign exchange gain (loss) - net	2p,2q,24	2,423,723,039	(27,886,992,134)
Interest expense	11	(162,997,137,072)	(114,262,966,426)
Others - net	2i, 2m,22,23l	11,097,935,829	29,056,212,345
Other Expenses - Net		**133,251,567,332**	**102,918,751,326**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**3,975,432,445**	**4,080,056,585**
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**499,562,430,434**	**452,545,072,133**
CORPORATE INCOME TAX EXPENSE	2r,10		
Current		60,473,313,200	956,348,900
Deferred		96,110,682,285	143,968,768,300
Total Corporate Income Tax Expense		**156,583,995,485**	**144,925,117,200**
NET INCOME		**342,978,434,949**	**307,619,954,933**
BASIC EARNINGS PER SHARE	2u	**93.17**	**83.56**

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six months ended June 30, 2006 and 2005
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 14 and 15)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Unrealized Losses on Available-for-Sale Securities - Net	Retained Earnings		Net Shareholders' Equity
								Appropriated	Unappropriated	
Balance as of December 31, 2004		**1,840,615,849,500**	**1,532,486,402,048**	**-**	**1,165,715,376,569**	**5,447,335,825**	**(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	17	-	-	-	-	-	-	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 a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	721,834,324	-	-	-	721,834,324
Changes in the equity of a Subsidiary arising from the recovery from decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-	-	678,600,000	-	-	-	678,600,000
Balance as of June 30, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**-**	**1,165,715,376,569**	**6,847,770,149**	**(3,030,394,615)**	**125,000,000,000**	**297,194,118,911**	**4,964,829,122,562**
Balance as of December 31, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**6,333,962,836**	**-**	**125,000,000,000**	**729,260,041,606**	**5,629,381,928,795**
Net income		-	-	-	-	-	-	-	342,978,434,949	342,978,434,949
Appropriation of retained earnings for general reserve	17	-	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Dividends	16	-	-	-	-	-	-	-	(184,061,584,950)	(184,061,584,950)
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	(866,776,026)	-	-	-	(866,776,026)
Changes in the equity of a Subsidiary arising from the decline in market values of its Investments in available-for-sale securities	2b,2d	-	-	-	-	(3,393,000,000)	-	-	-	(3,393,000,000)
Balance as of June 30, 2006		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**2,074,186,810**	**-**	**150,000,000,000**	**863,176,891,605**	**5,784,039,002,768**

* 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, 2006 and 2005
(Expressed in rupiah)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		3,241,777,399,771	2,690,891,870,973
Payments to suppliers and contractors, and for salaries and other employees' benefits		(2,380,411,786,371)	(1,964,600,809,645)
Cash provided by operations		861,365,613,400	726,291,061,328
Proceeds from claims for tax refund	10	13,460,525,368	23,022,640,563
Receipts of interest income		11,804,864,427	6,168,180,504
Payments of taxes		(212,905,053,706)	(169,264,253,836)
Payments of interest expense and other financial charges	11	(8,256,671,003)	-
Net receipts from other operating activities		45,888,084,997	17,329,485,454
Net Cash Provided by Operating Activities		**711,357,363,483**	**603,547,114,013**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		382,500,000	415,572,068
Proceeds from sale of marketable securities		138,377,257	-
Purchases of fixed assets		(87,951,661,060)	(54,144,108,856)
Net Cash Used in Investing Activities		**(87,430,783,803)**	**(53,728,536,788)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	11	297,104,804,781	-
Payments of bank loans	11	(68,368,620,892)	-
Interest payment for cross currency interest rate swap transaction		(58,507,615,245)	-
Net proceeds from (payment for) derivative transactions		(28,753,589,970)	5,670,216,750
Payment of obligations under capital lease	12	(1,075,191,002)	(1,136,436,361)
Net Cash Provided by Financing Activities		**140,399,787,672**	**4,533,780,389**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(21,588,123,505)	360,381,896
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(612,706,835,280)	(447,339,120,395)
TRANSFER FROM RESTRICTED CASH AND TIME DEPOSITS (OTHER ASSETS)	11	339,511,121	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**130,370,919,688**	**107,373,619,115**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3	498,010,383,632	307,432,518,403
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	**628,381,303,320**	**414,806,137,518**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Six months ended June 30, 2006 and 2005
(Expressed in rupiah)

	Notes	2006	2005
Activities not affecting cash and cash equivalents:			
Payment of bank loans from restricted cash accounts	11	1,943,252,376,328	292,364,795,808
Proceeds from long-term borrowings through restricted cash accounts	11	1,141,479,940,019	-
Payment of interest using restricted cash accounts	11	93,012,389,053	78,112,158,496
Interest earned on restricted cash accounts	11	1,896,246,906	2,039,139,059
Payment to facility and security agent using restricted cash accounts	11	-	1,254,150,000

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. 57 dated June 28, 2006 of Amrul Partomuan Pohan, S.H., LLM. , concerning, among others, the change in the members of the Company's boards of commissioners and 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. 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. 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 on 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.

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.

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

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 fully paid 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.

As of May 1, 2001 (the last exercise date), the total shares issued for rights exercised were as follows:

- 1,196,874,999 shares to Kimmeridge Enterprise Pte., Ltd. (Kimmeridge), a subsidiary of HeidelbergCement (formerly Heidelberger Zement AG (HZ)) (HC), on April 26, 2001, through the conversion of US$149,886,295 debt.
- 32,073 shares to public shareholders.

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

As of June 30, 2006 and 2005, the members of the Company's boards of commissioners and directors are as follows:

	2006	2005
Board of Commissioners		
President	Daniel Hugues Jules Gauthier	Daniel Hugues Jules Gauthier
Vice President	Sudwikatmono	Sudwikatmono
Vice President	I Nyoman Tjager	I Nyoman Tjager
Commissioner	Sri Prakash	Parikesit Suprapto
Commissioner	Lorenz Naeger	Lorenz Naeger
Commissioner	Bernhard Scheifele	Bernhard Scheifele
Commissioner	Ali Emir Adiguzel	Ali Emir Adiguzel
Board of Directors-		
President	Daniel Eugene Antoine Lavalle	Daniel Eugene Antoine Lavalle
Vice President	Tedy Djuhar	Tedy Djuhar
Director	Hans Oivind Hoidalen	Thomas Willi Kern
Director	Nelson G. D. Borch	Hans Oivind Hoidalen
Director	Christian Kartawijaya	Iwa Kartiwa
Director	Kuky Permana Kumalaputra	Nelson G. D. Borch
Director	Benny Setiawan Santoso	Benny Setiawan Santoso
Director	Ernest Gerard Jelito	Christian Kartawijaya
Director	-	Albert Scheuer

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp12.45 billion and Rp12.36 billion for the six months ended June 30, 2006 and 2005, respectively. As of June 30, 2006 and 2005, the Company and Subsidiaries have a total of 6,527 and 6,731 permanent employees, respectively.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

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

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

b. Principles of Consolidation

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

	Principal Activity	Country of Domicile	Year of Incorporation/ Start of Commercial Operations	Total Assets as of June 30, 2006	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	442,409,437,403	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	67,743,216,873	99.99
Indocement (Cayman Islands) Limited	Investing	Cayman Islands	1991/1991	46,734,028,600	100.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	113,522,200,246	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,688,531,689	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 in Lombok (where the Company built its terminal), for a period of 20 years from PT (PERSERO) Pelabuhan Indonesia III starting January 1, 2001.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

As of June 30, 2006, MBG has not yet started its commercial operations.

The Company also has five (5) other subsidiaries, all with effective percentages of ownership of 99.99%. The total cost of investments in these entities amounted to Rp20,000,000. Since these entities have no activities and the total cost of the investments in these subsidiaries is immaterial, their accounts were no longer consolidated into the consolidated financial statements. Instead, the investments in these subsidiaries are presented as part of "Long-term Investments and Advances to Associated Companies" in the consolidated balance sheets. The details of these subsidiaries are as follows:

	Year of Incorporation	Country of Domicile	Total Assets as of June 30, 2006
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 fair 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 Shareholders' 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 of Entities under Common Control", the differences between the cost/proceeds of net assets acquired/disposed of 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. This PSAK also provides for the realization of the restructuring differences to gain or loss if the conditions stated in the PSAK are fulfilled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

In compliance with PSAK No. 40, “Accounting for Changes in the Value of Equity of a Subsidiary/ Associated Company”, the differences 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, are 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 change in the equity of PT Indomix Perkasa in connection with its application of the provisions of PSAK No. 50, “Accounting for Investments in Certain Securities”, is recorded and presented under this account (see item *d* below).

c. Cash Equivalents

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

d. Short-term Investments

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

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

When a decline in the fair value of available-for-sale equity securities has been recognized directly to equity and there is objective evidence that the equity securities are impaired, the cumulative losses that had been recognized directly in equity are removed from equity and recognized in profit and loss even though the equity securities have not been derecognized.

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 22.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method, except for spare parts which use the moving average method. Allowance for inventory losses is provided to reduce the carrying value of inventories to their net realizable value.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Prepaid Expenses

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

i. Fixed Assets

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

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

Land is stated at cost and is not depreciated.

Construction in progress is stated at cost (including capitalized interest - see following item “l”). 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 constructed asset is ready for its intended use.

The costs of maintenance and repairs are charged to operations as incurred; significant renewals and betterments which meet the capitalization criteria under PSAK No. 16, “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 transactions 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 2006 and 2005, no borrowing costs were capitalized.

m. Deferred Charges

In accordance with PSAK No. 47, "Accounting for Land", costs incurred in connection with the acquisition/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. Costs and expenses are generally recognized and charged to operations when they are incurred.

o. Provision for Employee Benefits

(i) Retirement 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 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.

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 or losses for each individual plan at the end of the previous reporting year exceed 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)

o. Provision for Employee Benefits (continued)

(ii) Post-retirement Healthcare Benefits

In March 2005, the Company issued a policy regarding post-retirement healthcare benefits wherein employees who reach normal retirement age as of January 1, 2003 onwards are entitled to receive healthcare benefits for 5 years from their normal retirement date. The amount of post-retirement healthcare benefits is equivalent to the benefits limited to reimbursement for in-patient hospital bills under the same standard which an employee used to have prior to his retirement, for a period not exceeding 60 days per year.

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah at the middle rates of exchange prevailing at the time the transactions are made. 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 (see Note 2l).

As of June 30, 2006 and 2005, the rates of exchange used are as follows:

	2006	2005
Euro (EUR1)	11,822.17	11,732.83
U.S. dollar (US$1)	9,300.00	9,713.00
Japanese yen (JP¥100)	8,095.76	8,798.81

Transactions in other foreign currencies are insignificant.

q. Derivative Instruments

PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", established the accounting and reporting standards which require that every derivative instrument (including certain derivatives embedded in other contracts) be recorded in the balance sheets as either an asset or a 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any of the assets is realized or any of the liabilities is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

s. Segment Reporting

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and other businesses. Financial information on business segments is presented in Note 18.

t. Stock Issuance Costs

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

u. Net Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2006 and 2005.

v. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts that differ from those estimates.

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2006	2005
Cash on hand	948,325,897	732,589,697
Cash in banks		
PT Bank Central Asia Tbk.		
Rupiah	13,670,139,724	6,493,699,468
U.S. dollar (US$585,873 in 2006 and US$676,443 in 2005)	5,448,617,319	6,570,286,391
Euro (EUR313,470 in 2006 and EUR401,376 in 2005)	3,705,899,768	4,709,272,033
PT Bank Mandiri (Persero) Tbk.		
Rupiah	11,394,821,366	12,616,887,906
Euro (EUR290,087 in 2006 and EUR433,260 in 2005)	3,429,462,439	5,083,368,038
U.S. dollar (US$293,606 in 2006 and US$65,911 in 2005)	2,730,531,336	640,197,622
ABN AMRO Bank N.V.		
Euro (EUR387,488 in 2006 and EUR555,852 in 2005)	4,580,952,792	6,521,712,211
U.S. dollar (US$172,193 in 2006 and US$2,746,814 in 2005)	1,601,396,388	26,679,800,594
Rupiah	1,555,667,789	21,823,385,670
Japanese yen (JP¥4,610,753)	373,275,497	-
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	5,631,596,990	1,601,675,951
PT Bank Lippo Tbk.		
Rupiah	2,182,201,004	1,171,238,082
Others		
Rupiah	2,338,009,550	1,863,219,717
U.S. dollar (US$53,391 in 2006 and US$53,220 in 2005)	496,533,045	516,928,385
Other foreign currencies	8,865,748	47,949,292
Rupiah time deposits		
ABN AMRO Bank N.V.	107,000,000,000	221,144,143,069
Standard Chartered Bank., Jakarta Branch	100,190,666,668	-
PT Bank Central Asia Tbk.	43,000,000,000	3,000,000,000
PT Bank Mandiri (Persero) Tbk.	1,500,000,000	2,500,000,000
U.S. dollar time deposits		
ABN AMRO Bank N.V. (US$31,500,000 in 2006 and US$9,378,131 in 2005)	292,950,000,000	91,089,783,392
Euro time deposit		
ABN AMRO Bank N.V. (EUR2,000,000)	23,644,340,000	-
Total	**628,381,303,320**	**414,806,137,518**

Interest rates per annum ranged from 11.25% to 13.00% in 2006 and from 6.90% to 7.35% in 2005 for the rupiah time deposits, and from 3.75% to 4.90% in 2006 and from 1.75% to 3.40% in 2005 for the U.S. dollar time deposits, and at 2.00% for the Euro time deposit in 2006.

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2006	2005
Related Party (see Note 22)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$8,465,002 in 2006 and US$4,697,018 in 2005)	**78,724,521,855**	**45,622,131,754**
Third Parties		
Cement and ready mix concrete business	577,475,521,276	465,381,940,367
Allowance for doubtful accounts	(14,064,435,448)	(12,647,108,011)
Net	**563,411,085,828**	**452,734,832,356**

The movements of allowance for doubtful accounts are as follows:

	2006	2005
Balance at beginning of period	13,835,340,496	13,822,091,743
Provision during the period	240,000,000	240,000,000
Receivables written off during the period	(10,905,048)	(1,414,983,732)
Balance at end of period	**14,064,435,448**	**12,647,108,011**

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, 2006 and 2005 is as follows:

	2006		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	499,680,857,302	33,833,259,477	533,514,116,779
Overdue:			
1 - 30 days	37,607,282,483	44,891,262,378	82,498,544,861
31 - 60 days	6,595,357,352	-	6,595,357,352
61 - 90 days	5,137,542,442	-	5,137,542,442
Over 90 days	28,454,481,697	-	28,454,481,697
Total	**577,475,521,276**	**78,724,521,855**	**656,200,043,131**

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

	2005		
	Currency		
	Rupiah	U.S. Dollar (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**

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2006	2005
Contested payment for tax assessments	5,502,658,681	5,502,658,681
Others	7,808,737,473	5,449,556,420
Total	13,311,396,154	10,952,215,101
Allowance for doubtful accounts	(7,371,980,358)	(7,373,045,808)
Net	**5,939,415,796**	**3,579,169,293**

The movements of allowance for doubtful accounts are as follows:

	2006	2005
Balance at beginning of period	7,371,980,358	8,503,980,725
Receivables written off during the period	-	(1,130,934,917)
Balance at end of period	**7,371,980,358**	**7,373,045,808**

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.

(Expressed in rupiah, unless otherwise stated)

6. INVENTORIES

Inventories consist of:

	2006	2005
Finished goods	75,756,662,946	68,308,505,167
Work in process	141,616,851,703	118,977,692,975
Raw materials	39,626,426,814	29,373,798,027
Fuel and lubricants	159,272,815,974	112,745,196,201
Spare parts	575,076,871,563	541,847,463,581
Materials in transit and others	-	134,338,359
Total	991,349,629,000	871,386,994,310
Allowance for inventory losses	(36,540,963,445)	(44,075,191,481)
Net	**954,808,665,555**	**827,311,802,829**

With the exception of inventories owned by Indomix and PBI amounting to Rp10 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (see Note 8).

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

The movements of allowance for inventory losses are as follows:

	2006	2005
Balance at beginning of period	38,184,113,445	44,075,191,481
Reversals during the period	(1,643,150,000)	-
Balance at end of period	**36,540,963,445**	**44,075,191,481**

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, 2006 and 2005 amounting to Rp48,052,159,190 and Rp37,137,524,497, respectively, are presented as part of "Advances and Deposits" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANY

The details of this account are as follows:

	2006			
	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	30,024,000,000	(10,423,647,685)	19,600,352,315
Stillwater Shipping Corporation	50.00	105,500,000	18,210,980,200	18,316,480,200
PT Pama Indo Mining	40.00	1,200,000,000	6,845,427,328	8,045,427,328
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		31,814,287,500	14,167,972,343	45,982,259,843
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**45,982,259,843**

	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**

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

(Expressed in rupiah, unless otherwise stated)

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

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the six months ended June 30, 2006 and 2005 are as follows:

	2006	2005
Stillwater Shipping Corporation	2,443,591,946	2,336,988,886
PT Pama Indo Mining	800,052,485	889,545,975
PT Cibinong Center Industrial Estate	731,788,014	853,521,724
Total	**3,975,432,445**	**4,080,056,585**

Based on the minutes of the shareholders' extraordinary meeting of PT Cibinong Center Industrial Estate (CCIE) held on September 19, 2005, which were covered by notarial deed No. 7 of Notary Popie Savitri Martosuhardjo Pharmanto, S.H., of the same date, the shareholders of CCIE agreed to reduce its issued and paid-up capital from Rp73,248,000,000 to Rp60,048,000,000. As a result, the Company's investment in CCIE was reduced by its proportionate share of Rp6,600,000,000.

In September 2005, the Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp2,267,602,055 and from Stillwater Shipping Corporation amounting to US$1,000,000 (equivalent to Rp10,240,000,000).

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, 2006, 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.

8. FIXED ASSETS

Fixed assets consist of:

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2006
2006 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	224,518,277,686	542,895,025	-	225,061,172,711
Leasehold improvements	3,104,184,761	-	-	3,104,184,761
Quarry	75,196,165,196	-	-	75,196,165,196
Buildings and structures	2,879,587,632,211	1,293,287,610	-	2,880,880,919,821
Machinery and equipment	7,598,973,011,201	56,921,691,227	114,368,972	7,655,780,333,456
Transportation equipment	445,546,068,642	9,445,680,154	4,255,632,096	450,736,116,700
Furniture, fixtures and office equipment	218,579,593,300	10,196,859,980	622,747,359	228,153,705,921
Tools and other equipment	64,138,529,143	3,896,285,331	39,009,924	67,995,804,550
Sub-total	11,509,643,462,140	82,296,699,327	5,031,758,351	11,586,908,403,116
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	143,529,316,123	111,802,695,125	71,972,733,059	183,359,278,189
Total Carrying Value	11,660,666,201,303	194,099,394,452	77,004,491,410	11,777,761,104,345

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2006
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	23,572,533,808	905,740,163	-	24,478,273,971
Leasehold improvements	2,590,369,120	134,059,947	-	2,724,429,067
Quarry	17,357,081,668	972,607,451	-	18,329,689,119
Buildings and structures	721,819,652,671	47,606,805,413	-	769,426,458,084
Machinery and equipment	2,569,424,305,191	167,731,568,323	92,552,833	2,737,063,320,681
Transportation equipment	301,433,082,278	20,676,523,238	3,848,906,346	318,260,699,170
Furniture, fixtures and office equipment	163,487,186,953	11,575,171,693	609,521,593	174,452,837,053
Tools and other equipment	47,214,846,898	3,293,344,803	35,843,258	50,472,348,443
Sub-total	3,846,899,058,587	252,895,821,031	4,586,824,030	4,095,208,055,588
Assets under capital lease				
Machinery and equipment	91,629,560	22,907,390	-	114,536,950
Transportation equipment	1,736,726,200	445,431,550	-	2,182,157,750
Sub-total	1,828,355,760	468,338,940	-	2,296,694,700
Total Accumulated Depreciation, Amortization and Depletion	3,848,727,414,347	253,364,159,971	4,586,824,030	4,097,504,750,288
Net Book Value	**7,811,938,786,956**			**7,680,256,354,057**

	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

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2004	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2005
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**

Construction in progress consists of:

	2006	2005
Machineries under installation	167,568,044,795	81,899,414,168
Buildings and structures under construction	2,797,851,688	13,304,315,765
Others	12,993,381,706	12,955,289,621
Total	**183,359,278,189**	**108,159,019,554**

Below are the percentages of completion and estimated completion periods of the construction in progress as of June 30, 2006:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	8 - 97%	1 to 24 months
Buildings and structures under construction	25 - 95	3 to 24 months
Others	3 - 95	1 to 24 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp3,699,619,215 and Rp1,228,740,282 as of June 30, 2006 and 2005, respectively, are presented as part of “Other Payables to Third Parties” in the consolidated balance sheets.

In November 2005, the Company received a decision letter from the Tax Office which approved the revaluation of certain machinery and transportation equipment. The increment of Rp229,970,296,236, which is net of deferred tax effect amounting to Rp98,558,698,385, between the revalued amount and the net book value of these fixed assets was recognized as revaluation increment in fixed assets, which is presented in the shareholders’ equity section of the 2006 consolidated balance sheet, while the difference of Rp430,904,292,854 between the revalued amount and the fiscal book value was compensated against the Company’s tax loss carryforward.

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 Rp253,364,159,971 and Rp231,813,012,416 for the six months ended June 30, 2006 and 2005, 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 Rp220,337,322,404 and US$2,677,810,480 as of June 30, 2006. In management’s opinion, the above insurance coverage is adequate to cover any possible losses that may arise from such risks.

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

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

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 3,221.29 hectares, and local mining rights or “Surat Izin Penambangan Daerah” (SIPD) covering approximately 10,544.199 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, 2006, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 2,288,314 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 430,687 square meters. The total expenditures amounting to Rp18,808,733,084 as of June 30, 2006 incurred in relation to the above land rights acquisition process 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, 2006 and 2005 amounting to Rp14,829,146,579 and Rp14,277,687,474, respectively, are presented as part of “Other Non-current Assets” in the consolidated balance sheets.

9. TRADE PAYABLES

This account consists of the following:

	2006	**2005**
Third Parties - Cement and ready mix concrete business		
Rupiah	81,213,119,057	96,872,962,376
U.S. dollar (US$1,230,125 in 2006 and US$1,068,741 in 2005)	11,440,159,210	10,379,084,751
Other foreign currencies	4,978,491,420	7,476,462,360
Total - Third Parties	97,631,769,687	114,728,509,487
Related Party - Cement business (see Note 22)	245,387,341	1,149,758,998
Total Trade Payables	**97,877,157,028**	**115,878,268,485**

The aging analysis of trade payables based on their currency denomination as of June 30, 2006 and 2005 is as follows:

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES (continued)

	2006		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	61,427,481,642	6,987,228,634	68,414,710,276
Overdue:			
1 - 30 days	13,808,562,330	8,603,341,742	22,411,904,072
31 - 60 days	2,670,303,391	-	2,670,303,391
61 - 90 days	591,153,806	-	591,153,806
Over 90 days	2,715,617,888	1,073,467,595	3,789,085,483
Total	**81,213,119,057**	**16,664,037,971**	**97,877,157,028**

	2005		
	Rupiah	Foreign Currencies (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**

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

Suppliers	Materials Supplied
Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA)	Fuel
PT Adaro Indonesia	Coal
PT Masa Jaya Perkasa	Coal
PT Padang Bara Sukses Makmur	Coal
PT Putra Utama Mandiri	Coal
PT Indotruck Utama	Spare parts
PT Politama Pakindo	Woven paper
Eurocan Pulp & Paper Co.	Kraft paper
Fujian Qingshan Paper Industry Co., Ltd.	Kraft paper
Billerud AB	Kraft paper
Itochu Co.	Gypsum

10. TAXATION

a. Taxes Payable

	2006	2005
Income taxes		
Article 21	3,551,908,739	2,686,591,673
Article 22	1,145,100,283	998,699,953
Article 23	2,170,499,210	1,190,863,661
Article 26	294,822,013	1,849,447,322
Article 29	9,989,292,791	-
Value added tax	48,789,429,658	41,088,277,933
Total	**65,941,052,694**	**47,813,880,542**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

b. The reconciliation between income before corporate income tax expense, as shown in the consolidated statements of income, and estimated taxable income of the Company for the six months ended June 30, 2006 and 2005 is as follows:

	2006	2005
Income before corporate income tax expense per consolidated statements of income	499,562,430,434	452,545,072,133
Income of Subsidiaries before corporate income tax expense - net	(16,807,632,497)	(4,726,257,521)
Reversal of inter-company consolidation eliminations	(2,443,591,946)	(4,232,133,726)
Income before corporate income tax expense attributable to the Company	480,311,205,991	443,586,680,886
Add (deduct):		
Temporary differences		
Provision for post-retirement healthcare benefits - net	1,549,523,164	-
Provision for employee benefits - net	468,895,621	12,551,415,386
Depreciation of fixed assets	(64,904,957,897)	(76,345,201,601)
Provisions for doubtful accounts and inventory losses - net	(1,643,150,000)	(2,545,918,649)
Provision for recultivation - net (see Note 23p)	(664,315,576)	(283,527,632)
Provision for trade discount	-	(13,543,264,140)
	(65,194,004,688)	(80,166,496,636)
Permanent differences		
Non-deductible expenses		
Employees' benefits	29,525,414,494	21,858,894,779
Donations	2,637,204,150	5,237,178,992
Public relations	1,213,447,333	2,210,147,028
Others	628,166,275	308,047,897
Income already subjected to final tax	(13,023,934,942)	(5,419,388,987)
Equity in net earnings of associated companies - net	(1,531,840,499)	(1,743,067,699)
	19,448,456,811	22,451,812,010
Estimated taxable income of the Company	434,565,658,114	385,871,996,260
Estimated tax loss carryforward at beginning of year	(256,930,304,261)	(1,627,684,818,624)
Corrections by the Tax Office	6,359,790,385	13,012,856,409
Estimated taxable income (tax loss carryforward) at end of period	**183,995,144,238**	**(1,228,799,965,955)**

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

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

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

	2006	2005
Current		
Company	55,181,043,200	-
Subsidiaries	5,292,270,000	956,348,900
	60,473,313,200	956,348,900
Deferred		
Company	96,637,292,683	143,715,404,792
Subsidiaries	(526,610,398)	253,363,508
	96,110,682,285	143,968,768,300
Total	**156,583,995,485**	**144,925,117,200**

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

	2006	2005
Current income tax expense		
Company	55,181,043,200	-
Subsidiaries	5,292,270,000	956,348,900
Total	60,473,313,200	956,348,900
Prepayments of income tax		
Company	46,430,809,910	3,971,039,274
Subsidiaries	5,589,119,241	4,423,067,367
Total	52,019,929,151	8,394,106,641
Estimated claims for income tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	-	3,971,039,274
Subsidiaries	1,535,908,742	3,466,718,467
Total for the current year	1,535,908,742	7,437,757,741
Claims for income tax refund from prior years:		
Company		
2005	10,414,347,316	-
2004	-	8,328,177,255
Subsidiaries	12,044,484,143	12,687,723,375
Total	**23,994,740,201**	**28,453,658,371**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

In March 2006, the Company received a decision letter from the Tax Office wherein the Tax Office approved to refund the claim for 2004 income tax and increased the 2004 taxable income to Rp57,969,361,654. The difference of Rp6,359,790,385 between the amount of taxable income approved by the Tax Office and the amount reported was recognized as an adjustment to the Company's tax loss carryforward in 2006.

In March 2005, the Company received a decision letter from the Tax Office wherein the Tax Office approved to refund the claim for 2003 income tax and increased the 2003 taxable income to Rp758,843,760,148. The difference of Rp13,012,856,409 between the amount of taxable income approved by the Tax Office and the amount reported was recognized as an adjustment to the Company's tax loss carryforward in 2005.

In April 2006, DAP received a decision letter from the Tax Office wherein the Tax Office approved to refund DAP's 2003 claim for tax refund amounting to Rp3,824,659,200.

In March 2006, DAP received a decision letter from the Tax Office wherein the Tax Office approved to refund DAP's 2004 claim for tax refund amounting to Rp2,946,642,366, out of the total claim of Rp2,991,878,166.

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

e. The reconciliation between income before corporate income tax expense multiplied by the applicable tax rate and corporate income tax expense as shown in the consolidated statements of income for the six months ended June 30, 2006 and 2005 is as follows:

	2006	2005
Income before corporate income tax expense	499,562,430,434	452,545,072,133
Reversal of inter-company consolidation eliminations	(2,443,591,946)	(4,232,133,726)
Combined income, net of loss, before income tax of the Company and Subsidiaries	497,118,838,488	448,312,938,407
Tax expense at the applicable tax rate	149,065,651,380	134,476,381,363
Tax effects on permanent differences:		
Non-deductible expenses	10,484,702,093	9,570,424,830
Income already subjected to final tax	(4,414,742,954)	(2,502,625,606)
Equity in net earnings of associated companies - net	(459,552,150)	(522,920,310)
Tax corrections	1,907,937,116	3,903,856,923
Corporate income tax expense per consolidated statements of income	**156,583,995,485**	**144,925,117,200**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

f. Deferred tax assets (liabilities) consist of:

	December 31, 2005	Deferred Tax Benefit (Expense) Credited (Charged) to 2006 Profit and Loss	June 30, 2006
Deferred Tax Assets:			
Company			
Tax loss carryforward	77,079,091,278	(77,079,091,278)	-
Estimated liability for employee benefits	13,156,508,384	140,668,686	13,297,177,070
Allowance for doubtful accounts and inventory losses	9,412,817,503	(492,945,000)	8,919,872,503
Reserve for recultivation	3,814,876,992	(199,294,673)	3,615,582,319
Estimated liability for post-retirement healthcare benefits	1,322,794,200	464,856,949	1,787,651,149
Others	833,851,800	-	833,851,800
Sub-total	105,619,940,157	(77,165,805,316)	28,454,134,841
Subsidiaries	6,566,388,568	637,158,144	7,203,546,712
Total	**112,186,328,725**	**(76,528,647,172)**	**35,657,681,553**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(600,757,677,552)	(19,471,487,367)	(620,229,164,919)
Subsidiaries	(1,162,146,908)	(110,547,746)	(1,272,694,654)
Total	**(601,919,824,460)**	**(19,582,035,113)**	**(621,501,859,573)**
Net Deferred Tax Assets:			
Subsidiaries	**5,404,241,660**	**526,610,398**	**5,930,852,058**
Net Deferred Tax Liabilities:			
Company	**(495,137,737,395)**	**(96,637,292,683)**	**(591,775,030,078)**

	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**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	2005
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)**
Net Deferred Tax Assets:			
Subsidiaries	**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)**

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

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2006	2005
Third parties		
Japanese yen	802,245,330,041	1,611,855,298,733
U.S. dollar	558,000,000,000	1,178,424,770,204
Rupiah	350,000,000,000	68,372,219,220
Sub-total	1,710,245,330,041	2,858,652,288,157
Related parties (see Note 22)		
U.S. dollar	1,395,000,000,000	1,517,999,430,590
Total	3,105,245,330,041	4,376,651,718,747
Less portions currently due	564,175,536,773	388,520,000,000
Long-term portion	**2,541,069,793,268**	**3,988,131,718,747**

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

		2006		2005
Japanese yen				
Third parties				
ABN AMRO Bank N.V., Jakarta	JP¥	3,534,000,000	JP¥	-
Calyon Deutschland, Germany		3,534,000,000		-
Japan Bank for International Cooperation, Tokyo		1,663,450,503		3,326,912,503
Marubeni Corporation, Tokyo		1,178,000,000		14,992,102,213
Total Japanese yen loans	**JP¥**	**9,909,450,503**	**JP¥**	**18,319,014,716**

(Expressed in rupiah, unless otherwise stated)

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

		2006		2005
U.S. dollar				
Third parties				
ABN AMRO Bank N.V., Jakarta	US$	30,000,000	US$	-
Standard Chartered Bank, Jakarta		30,000,000		-
PT Bank Central Asia Tbk. (BCA)		-		29,784,655
Barclays Bank PLC		-		15,264,449
Mizuho Global, Ltd., Tokyo		-		14,175,574
Other creditors (each below US$10 million)		-		62,099,812
Related parties				
HC Finance B.V.		150,000,000		150,000,000
WestLB AG, Tokyo *		-		5,331,902
WestLB Asia Pacific Ltd., Singapore *		-		953,430
Total U.S. dollar loans	**US$**	**210,000,000**	**US$**	**277,609,822**
Rupiah				
Third parties				
PT Bank Central Asia Tbk. (BCA)		350,000,000,000		49,078,549,947
PT Bank Mandiri (Persero) Tbk.		-		19,293,669,273
Total rupiah loans		**350,000,000,000**		**68,372,219,220**

* Not related party anymore since July 1, 2005.

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

	2006	2005
Japanese yen	2.30% - 3.80%	2.30% - 3.70%
U.S. dollar	5.25% - 6.88%	3.37% - 5.25%
Rupiah	10.75% - 13.65%	7.87% - 8.19%

Prior to the refinancing, the Company's 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.

The HZMFA, which has been amended from time to time, 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 subject 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.

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

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 which are presented as part of “Restricted Cash and Time Deposits” in the consolidated balance sheets. However, following to the fully prepayment of HZMFA on April 20, 2006 and the termination of the existing HZMFA at the same time, the Company closed its escrow accounts and the remaining balances amounted to Rp339,511,121 were transferred to the current accounts as part of “Cash and cash equivalents” in the 2006 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 excess cash available in the above-mentioned escrow accounts after the payments or applications required under the HZMFA.

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

- All of the above-mentioned escrow accounts maintained in JPMorgan Chase Bank, 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 capital stock of Indomix and DAP.

On March 8, 2005, HeidelbergCement Finance B.V., a related party, purchased a portion of the restructured debt under the HZMFA. In connection with this transaction, the following amendments were made to the HZMFA agreements:

- 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.

- The loan ranks pari passu with other debts as to the security under the HZMFA and with the different terms of payment.

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

The term of the HC Finance B.V. loan is four (4) years and will be fully repaid at the end of the fourth year (2009). This loan bears interest at the rate of 1.8% above 3 Months' LIBOR with the same interest payment schedule as that of the other MFA creditors.

To reduce the exposure to exchange rate fluctuation relating to the above-mentioned refinancing transaction, the Company simultaneously 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 24).

Total principal payments made from the escrow accounts amounted to Rp99,273,996,569 and Rp250,747,375,177 for the six months ended June 30, 2006 and 2005, respectively.

Total interest payments made by the Company through its escrow accounts amounted to Rp93,012,389,053 (consisting of US$7,697,473, JP¥212,962,732 and Rp3,184,912,596) for the six months ended June 30, 2006 and 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, while the unpaid interest charges amounting to Rp59,296,362,878 and Rp36,003,155,320 as of June 30, 2006 and 2005, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheets.

Total prepayments made from the escrow accounts amounted to US$4,334,814 (equivalent to Rp42,383,356,775) and US$4,375,700 (equivalent to Rp41,617,420,631) for the six months ended June 30, 2006 and 2005, respectively.

In September 2005, the Company bought back portions of its restructured debt at face value amounting to JP¥700,000,000 (equivalent to Rp64,477,910,000) from the creditors.

On March 29, 2006, the Company has convened the EGMS and obtained approval from independent shareholders regarding the conflict of interest transaction in form of Corporate Guarantee issued by HeidelbergCement AG (HC), a related party, to substitute to the existing collateralized assets under the HZMFA relating to the Company's plan to fully refinance its debt previously restructured in 2000 under the HZMFA. The Corporate Guarantee is issued:

1. To guarantee:

   a. Syndicated loan with the Standard Chartered Bank as Coordinating Lead Arranger.

   b. Bilateral loan between the Company and Marubeni Corporation.

   The maximum amount of the loan guaranteed is US$190 million and Company will pay a guarantee fee as compensation to HC at 0.2% per annum of the loan guaranteed.

2. To guarantee the hedging transaction for the syndicated loan as stated in item *1.a.* above.

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

On April 7, 2006, The Company (as the Borrower) together with HeidelbergCement AG (as the Guarantor), signed the syndicated loan facility agreement ("the Facility") in US$, JP¥ and IDR with total amount equivalent to US$158 million with Standard Chartered Bank (as the Coordinating Lead Arranger and Facility Agent), ABN AMRO Bank N.V., Jakarta Branch, PT Bank Central Asia, Tbk. and Calyon Deutschland acting as the Lead Arrangers. The Facility consists of the following:

i. Term loan facility of US$35 million and revolving credit facility of US$25 million, with annual interest rate at US$ LIBOR plus 0.9%.
ii. Term loan facility of Rp350 billion, with annual interest rate at SBI plus 1%.
iii. Term loan facility of JP¥7,068 million, with annual interest rate at JP¥ LIBOR plus 0.9%.

The Facility will expire in five years from the date of the first drawdown. The term loans will be repaid in 19 equal quarterly installments with the first installment commencing six months from the first drawdown date, while for the revolving credit facility, each drawdown shall be repaid on the last day of its interest period, and may be re-borrowed during the credit facility period.

On April 11, 2006, The Company (as the Borrower) signed a bilateral loan facility agreement with Marubeni Corporation (as Lender). The loan facility is from partial refinancing of the Marubeni Contractor Facility amounting to JP¥1,178 million that will be due on December 29, 2012 and from the JBIC P11 Guarantee Facility amounting to JP¥2.4 billion, which is guaranteed by Marubeni.

The interest rate of the Marubeni Contractor Facility was LTPR plus 0.9% and the guarantee fee to Marubeni Corporation reduced from 1% to 0.7% per annum.

The Facility and the Marubeni Contractor Facility as mentioned above are secured by the Corporate Guarantee of HC. The Company will pay guarantee fee as compensation to HC at 0.2% per annum of the loan facilities.

On April 20, 2006, The Company terminated the existing HZMFA and made a prepayment of the principal amounting to Rp1,801,595,022,984 (consisting of US$98,723,524, JP¥11,078,193,765 and Rp52,895,195,219). While on the same time, the Facility and the Marubeni Contractor Facility as mentioned above has become effective.

Total principal payments made from the current accounts on the above-mentioned loan facilities amounted to JP¥831,731,000 (equivalent to Rp68,368,620,892) for the six months ended June 30, 2006.

Total interest payments made by the Company through its current accounts amounted to JP¥28,615,971 (equivalent to Rp2,352,244,263) for the six months ended June 30, 2006.

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.

(Expressed in rupiah, unless otherwise stated)

12. OBLIGATIONS UNDER CAPITAL LEASE (continued)

The future minimum lease payments required under the lease agreements as of June 30, 2006 and 2005 are as follows:

Years	2006	2005
2005	-	1,275,356,034
2006	992,891,853	2,037,986,970
2007	125,792,516	125,792,516
Total	1,118,684,369	3,439,135,520
Less amounts applicable to interest	42,923,158	451,351,881
Present value of minimum lease payments	1,075,761,211	2,987,783,639
Current maturities	1,035,844,548	1,912,022,428
Long-term portion	**39,916,663**	**1,075,761,211**

The obligations under capital lease are secured by PBI's time deposits amounting to Rp5,736,067,280 in 2006 and 2005 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.

13. CAPITAL STOCK

a. ***Share Ownership***

The details of share ownership as of June 30, 2006 and 2005 are as follows:

	2006		
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
HeidelbergCement South-East Asia 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**

	2005		
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**

On November 2, 2005, HC Indocement GmbH merged with HeidelbergCement South-East Asia GmbH with the latter as the surviving company. As a result of the merger, HeidelbergCement South-East Asia GmbH became the direct shareholder of the Company.

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

(Expressed in rupiah, unless otherwise stated)

13. CAPITAL STOCK (continued)

b. ***Warrants A***

Warrants A were issued to the creditors of the Company in connection with the debt restructuring at a fixed exercise price of Rp3,600 per share. All of the warrants, which were issued at no cost, were naked warrants and were listed on the Jakarta and Surabaya Stock Exchanges.

The period of exercise of Warrants A was from two (2) to four (4) years and nine (9) months after the effective date of the debt restructuring on December 29, 2000. As of September 29, 2005 (the last exercise date for Warrants A), no warrants had been exercised by the holders of Warrants A. A total of 153,382,977 Warrants A was forfeited.

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 stock issuance costs.

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. DIVIDENDS

At the Company's Annual General Shareholders' Meeting on June 28, 2006, the shareholders approved the declaration of cash dividends from 2005 net income totaling Rp184,061,584,950 or Rp50 per share. The cash dividends will be paid on August 7, 2006 while the unpaid cash dividends as of June 30, 2006 are presented as part of "Dividend Payable" in the consolidated balance sheets.

17. 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 28, 2006, June 16, 2005, June 23, 2004, June 26, 2003, June 24, 1997 and June 25, 1996 in the amount of Rp25 billion each.

18. SEGMENT INFORMATION

<u>BUSINESS SEGMENTS</u>

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

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

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

2006	**Cement**	**Ready Mix Concrete**	**Other Business**	**Elimination**	**Consolidation**
REVENUES					
Sales to external customers	2,928,157,674,892	135,228,109,807	-	-	3,063,385,784,699
Inter-segment sales	59,822,699,708	-	-	(59,822,699,708)	-
Total Revenues	**2,987,980,374,600**	**135,228,109,807**	**-**	**(59,822,699,708)**	**3,063,385,784,699**
RESULTS					
Segment results	490,752,452,036	4,834,545,953	-	-	495,586,997,989
Equity in net earnings of associated companies	-	-	3,975,432,445	-	3,975,432,445
Corporate income tax expense					(156,583,995,485)
NET INCOME					**342,978,434,949**
ASSETS AND LIABILITIES					
Segment assets	10,467,503,823,265	157,630,280,600	2,796,080,089	(452,796,394,565)	10,175,133,789,389
Long-term investments and advances to associated companies - net	-	-	45,982,259,843	-	45,982,259,843
Net deferred tax assets and prepayments of income taxes	28,847,994,527	5,596,362,766	-	-	34,444,357,293
Total Assets	**10,496,351,817,792**	**163,226,643,366**	**48,778,339,932**	**(452,796,394,565)**	**10,255,560,406,525**
Segment liabilities	4,241,615,594,009	83,230,943,370	690,000,000	(453,534,603,427)	3,872,001,933,952
Net deferred tax liabilities	591,775,030,078	-	-	-	591,775,030,078
Total Liabilities (excluding deferred gain on sale-and-leaseback transactions - net)	**4,833,390,624,087**	**83,230,943,370**	**690,000,000**	**(453,534,603,427)**	**4,463,776,964,030**
Capital expenditure	121,698,361,575	428,299,818	-	-	122,126,661,393
Depreciation, amortization and depletion expenses	249,939,046,731	3,425,113,240	-	-	253,364,159,971
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provision for employee benefits	15,071,721,072	789,860,500	-	-	15,861,581,572
Provisions for doubtful accounts	-	240,000,000	-	-	240,000,000
Provision for post-retirement healthcare benefits	1,697,310,000	-	-	-	1,697,310,000

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**

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2005	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
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

GEOGRAPHICAL SEGMENTS

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

	2006	2005
REVENUES (based on sales area)		
Domestic		
Java	3,865,496,609,887	3,317,528,042,384
Outside Java	862,944,644,424	689,882,698,145
Export	449,325,085,879	302,041,173,777
Total	5,177,766,340,190	4,309,451,914,306
Elimination	(2,114,380,555,491)	(1,772,294,120,876)
Net	**3,063,385,784,699**	**2,537,157,793,430**
ASSETS (based on location of assets)		
Domestic	**10,175,133,789,389**	**9,932,835,059,379**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**122,126,661,393**	**60,233,079,640**

Export sales were coursed through HCT, a related company which is domiciled in Singapore (see Note 23k).

Most of the Company's sales are coursed through DAP's sub-distributors. There were no aggregate sales to any individual customer/sub-distributor which exceeded 10% of net revenues in 2006 and 2005 (see Note 23i).

(Expressed in rupiah, unless otherwise stated)

19. COST OF REVENUES

The details of cost of revenues are as follows:

	2006	2005
Raw materials used	315,175,659,736	259,059,062,082
Direct labor	144,993,921,297	142,106,866,052
Fuel and power	956,976,284,839	753,463,564,995
Manufacturing overhead	432,268,411,468	415,700,673,358
Total Manufacturing Cost	1,849,414,277,340	1,570,330,166,487
Work in Process Inventory		
At beginning of period	108,997,225,500	75,301,148,375
At end of period	(141,616,851,703)	(118,977,692,975)
Cost of Goods Manufactured	1,816,794,651,137	1,526,653,621,887
Finished Goods Inventory		
At beginning of period	68,680,550,631	35,836,142,073
Others	(315,867,055)	(247,924,456)
At end of period	(75,756,662,946)	(68,308,505,167)
Cost of Goods Sold before Packing Cost	1,809,402,671,767	1,493,933,334,337
Packing Cost	143,499,230,868	130,742,287,454
Total Cost of Revenues	**1,952,901,902,635**	**1,624,675,621,791**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounted to Rp71,770,700,827 and Rp69,733,569,502 as of June 30, 2006 and 2005, 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.

20. OPERATING EXPENSES

The details of operating expenses are as follows:

	2006	2005
Delivery and Selling Expenses		
Delivery, loading and transportation	336,450,863,098	229,840,249,721
Advertising and promotion	16,596,761,213	8,674,365,925
Salaries, wages and employees’ benefits (see Note 21)	16,057,225,741	14,110,154,377
Rental	4,778,544,724	4,708,231,424
Professional fees	2,846,946,390	3,046,035,219
Depreciation	2,814,194,434	2,346,130,386
Taxes and licenses	2,748,253,670	1,961,149,383
Research and testing	2,271,443,041	1,435,590,095
Repairs and maintenance	1,333,721,868	1,002,733,238
Electricity and water	1,192,608,153	1,395,888,580
Miscellaneous (each below Rp1 billion)	3,478,887,631	4,122,278,179
Total Delivery and Selling Expenses	390,569,449,963	272,642,806,527

(Expressed in rupiah, unless otherwise stated)

20. OPERATING EXPENSES (continued)

	2006	2005
General and Administrative Expenses		
Salaries, wages and employees' benefits (see Note 21)	51,304,671,220	51,282,674,320
Rental	10,002,012,742	9,777,343,880
Professional fees	5,427,338,126	3,942,550,593
Depreciation	3,528,614,176	3,457,602,095
Training and seminars	3,367,428,358	3,391,586,214
Medical	3,091,190,140	1,549,312,751
Traveling and transportation	2,258,916,030	1,805,389,980
Repairs and maintenance	1,893,547,506	1,706,710,933
Communication	1,857,806,384	1,509,334,559
Donations	1,602,668,355	2,418,298,202
Public relations	1,000,642,133	2,065,450,128
Insurance	883,786,148	1,195,919,429
Miscellaneous (each below Rp1 billion)	4,857,245,462	4,353,425,154
Total General and Administrative Expenses	91,075,866,780	88,455,598,238
Total Operating Expenses	**481,645,316,743**	**361,098,404,765**

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

a. Retirement Benefit

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. Retirement benefits charged to operations amounted to approximately Rp12 billion and Rp11 billion for the six months ended June 30, 2006 and 2005, 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, 2006 and 2005, the Plan assets totaled Rp427 billion and Rp382 billion, respectively.

The Company and Subsidiaries have appointed PT Mercer Indonesia, an independent actuary, to calculate the expected obligation for post-employment, severance, gratuity and compensation benefits of its qualified permanent employees.

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

	Company	Subsidiaries
Discount rate	11% in 2006 and 10% in 2005	11% in 2006 and 10% in 2005
Wage and salary increase	9% in 2006 and 2005	9% in 2006 and 2005
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	Commissioners Standard Ordinary 1980 (CSO '80)	Commissioners Standard Ordinary 1980 (CSO '80)
Disability	10% of the mortality rate	10% at the mortality rate

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefit (continued)

The provisions for employee benefits recognized in the consolidated statements of income consisted of the following:

	2006	2005
Current service costs	3,574,615,072	9,225,822,877
Interest costs	8,263,829,500	7,021,131,000
Actuarial loss recognized	50,891,500	-
Amortization of past service costs and actuarial gains	3,972,245,500	3,860,697,000
Net employee benefits expense	**15,861,581,572**	**20,107,650,877**

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

	2006	2005
Present value of defined benefit obligation	153,684,204,965	160,980,529,901
Unamortized balance of the non-vested past service costs	(90,798,391,500)	(98,851,817,500)
Actuarial loss	(13,686,911,688)	(16,003,221,777)
Liability recognized in the consolidated balance sheets	**49,198,901,777**	**46,125,490,624**

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

	2006	2005
Balance at beginning of period	47,867,513,812	33,647,515,723
Provision during the period	15,861,581,572	20,107,650,877
Payments during the period	(14,530,193,607)	(7,629,675,976)
Balance at end of period (recorded as part of "Long-term Liabilities - Others" account in the consolidated balance sheets)	**49,198,901,777**	**46,125,490,624**

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 12.19 - 16.02 years in 2006 and from 13.19 - 16.49 years in 2005.

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

b. Post-retirement Healthcare Benefit

Effective March 2005, the Company started to provide post-retirement healthcare benefits (the “Plan”) to all of its qualified permanent employees. The plan is not funded. In December 2005, the Company appointed PT Watson Wyatt Purbajaga (WWP) to calculate the expected obligations for the post-retirement healthcare benefit.

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

Discount rate	11%
Claim cost trend	9%
Retirement age	55
Mortality rate	CSO ‘80
Disability rate	10% of mortality rate
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old

The provision for employee benefits recognized in the consolidated statements of income for the six months ended June 30, 2006 consisted of the following:

Current service cost	453,563,500
Interest cost	854,753,000
Vested past service costs and amortization of non-vested past service costs	388,993,500
Net post-retirement healthcare benefits	**1,697,310,000**

A reconciliation of estimated liability for post-retirement health care benefits is as follows:

Present value of defined benefit obligation	16,877,595,664
Unamortized balance of the non-vested past service costs	(10,922,934,500)
Actuarial gain	4,176,000
Liability recognized in the 2006 consolidated balance sheet	**5,958,837,164**

Movements in the estimated liability for post-retirement healthcare benefits are as follows:

Balance at beginning of period	4,409,314,000
Provision during the period	1,697,310,000
Payments during the period	(147,786,836)
Balance at end of period	**5,958,837,164**

Non-vested past service costs are amortized over the remaining number of years of service of active employees, which is 14.61 years.

(Expressed in rupiah, unless otherwise stated)

22. 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	
	2006	2005	2006	2005
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	78,724,521,855	45,622,131,754	0.77%	0.45%
Due from Related Parties				
Officers and employees	52,521,443,062	61,131,927,052	0.51%	0.61%
Others (each below Rp1 billion)	1,664,956,676	231,248,038	0.02	0.01
Total	54,186,399,738	61,363,175,090	0.53%	0.62%
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	245,387,341	1,149,758,998	0.01%	0.01%
Due to Related Parties				
PT Pama Indo Mining	4,882,969,476	8,129,353,445	0.05%	0.08%
Long-term Loans				
HC Finance B.V., Netherlands	1,395,000,000,000	1,456,950,000,000	13.60%	14.55%
WestLB AG, Tokyo	- *	51,788,764,029	-	0.52
WestLB Asia Pacific Ltd., Singapore	- *	9,260,666,561	-	0.09
Total	1,395,000,000,000	1,517,999,430,590	13.60%	15.16%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	449,325,085,879	302,041,173,777	14.67%	11.90%
Cost of Revenues				
PT Pama Indo Mining	19,152,211,046	15,838,631,490	0.98%	0.97%
HCT Services Asia Pte., Ltd., Singapore	7,992,161,100	5,600,378,160	0.41	0.34
Total	27,144,372,146	21,439,009,650	1.39%	1.31%
Operating Expenses				
Stillwater Shipping Corporation (see Note 23c)	13,398,360,000	13,156,898,000	2.78%	3.64%
HeidelbergCement Technology Center GmbH	734,140,859	622,436,776	0.15	0.17
	14,132,500,859	13,779,334,776	2.93%	3.81%
Other Income (Expenses)				
HC Finance B.V., Netherlands	45,594,586,668	21,916,712,157	34.22%	21.30%
PT Cibinong Center Industrial Estate	1,252,579,186	1,326,692,241	0.94	1.29
Total	46,847,165,854	23,243,404,398	35.16%	22.59%

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

(Expressed in rupiah, unless otherwise stated)

22. 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 loan
3.	HeidelbergCement Technology Center GmbH	Under Common Control	Professional fee
4.	PT Cibinong Center Industrial Estate	Associated Company	Rental of industrial estate and sale of water and electricity
5.	Stillwater Shipping Corporation	Associated Company	Transportation
6.	PT Pama Indo Mining	Associated Company	Mining service
7.	WestLB AG, Tokyo *	Affiliated Company	Long-term debt
8.	WestLB Asia Pacific Ltd., Singapore*	Affiliated Company	Long-term debt
9.	Officers and employees	Employees	Loan

* Effective July 1, 2005, WestLB AG, Tokyo and WestLB Asia Pacific Ltd., Singapore were no longer related parties.

In the EGMS held on March 29, 2006, the independent shareholders have approved the proposals to add 1 (one) affiliated company to HeidelbergCement AG, which owns 100% of the shares in HeidelbergCement South-East Asia GmbH, the company majority shareholder, namely Scancem Energy and Recovery AB (SEAR), a company having its business in the consultancy services and management, particularly on the alternative energy technology, as the new party in the recurring transactions. The transactions shall be conducted on an arm’s length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company’s stockholder’s equity based on the latest audited consolidated financial statements.

In the EGMS held on February 23, 2005, the independent shareholders approved the proposals for recurring transactions (mainly purchase of raw materials) with HC Fuel Limited, HCT Services Asia Pte. Ltd., and HeidelbergCement Technology Center GmbH, the Company’s related parties. Each of the transactions should be conducted on an arm’s length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company’s stockholder’s equity based on the latest audited consolidated financial statements.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. On June 1, 2005, the Company entered into an agreement with PT Rabana Gasindo Makmur (RGM) for the supply of natural gas for the cement plants in Cirebon. The supply agreement provides 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 RGM. However, such payment can be treated as a prepayment and can be applied to the future gas consumption. On the other hand, if the Company’s consumption is higher than the annual contract volume, the Company should pay the excess of natural gas consumed at 130% of the applicable price. This agreement is valid for 5 years.

   In relation to the above agreement, on the same date, the Company entered into a gas transportation agreement with PT Rabana Wahana Consorindo Utama (RWCU) wherein RWCU agreed to build and own the distribution and receiving facilities for natural gas from the tie-in point located at the Central Processing Plant in Bangadua to the Company’s natural gas receiving facilities at Cirebon. The Company will pay gas transportation fee as compensation of US$0.52 per MMBTU of natural gas delivered. This agreement shall remain valid in accordance with the natural gas supply agreement between the Company and RGM.

   For the six months ended June 30, 2006, total purchases of natural gas from RGM amounted to US$451,916 (equivalent to Rp4,144,125,542), while total transportation fee incurred amounted to US$124,998 (equivalent to Rp1,146,247,450).

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

b. The Company has a three-year Coal supply agreement with PT Adaro Indonesia (Adaro) wherein Adaro agreed to supply 700,000 MT per year. The contract period is from January 1, 2005 until December 31, 2007. The agreement also stipulates, among others, the price and price adjustment formula, specifications for coal quality, and term for transfer of title and risk. Total purchases of coal from Adaro amounted to US$13,806,537 and US$9,240,752 for the six months ended June 30, 2006 and 2005, respectively.

c. The Company has signed vessel charter agreements with Stillwater Shipping Corporation, an associated company, Liberia for the charter of “M/V Tiga Roda” and “M/V Quantum One” vessels. The charter agreement for the “M/V Tiga Roda” vessel, which is valid until May 2010, was assigned on June 2, 2006 from Stillwater Shipping Corporation to PT Bahana Indonor, an Indonesian company directly controlled by Stillwater Shipping Corporation. The charter agreement for the “M/V Quantum One” vessel remains unchanged and is valid until September 2010.

d. The Company and PT Multi Bangun Galaxy, a Subsidiary, have agreements with PT (Persero) Pelabuhan Indonesia for the lease of land for the cement terminals located at the Tanjung Priok Port, Tanjung Perak Port, and Lembar Port. The lease period will end in December 2012 for the Tanjung Priok Port, in July 2012 for the Tanjung Perak Port, and in December 2021 for the Lembar Port.

e. On November 30, 2004, the Company entered into two contracts with ABB Switzerland Ltd. (contractor) for the supply of Retrofit and automated laboratory system (autolab), and the supply of erection supervision services and commissioning of the autolab. The total value of these contracts amounted to EUR1,510,000. As of June 30, 2006, the equipment is still in testing and commissioning stage.

f. 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 was 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 Dredging of Berthing Pocket and Turning Basin Tarjun Port Facility Contract. The management believes that all claims and costs of moving the dredging materials to the designated dumping site should be borne by Boskalis.

   In August 2005, the Company appointed PT Dewi Rahmi to move the dredging materials to the designated dumping site. The Company also appointed Universitas Lambung Mangkurat to supervise the work of PT Dewi Rahmi. Total expenses incurred to remove the dredging materials amounted to Rp7,102,127,660 for the year ended December 31, 2005, while the unpaid expenses amounting to Rp1,272,573,894 as of June 30, 2006 are presented as part of “Accrued Expenses” in the consolidated balance sheets.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. 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.

   As stated in the Agreement, the Company agreed 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 with a total volume of 3 million tons at the price of US$3.60 for each ER.

   The Project was agreed to 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 precedent conditions 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, 2006, the Project is still undergoing the final verification and certification process.

h. In 2006 and 2005, the Company entered into one-year agreements with several land transporters for the distribution of the Company's cement in Indonesia. Transportation expenses incurred are recorded as part of "Delivery and Selling Expenses" in the consolidated statements of income, while the unpaid transportation expenses amounting to Rp27,578,073,789 and Rp10,972,714,818 as of June 30, 2006 and 2005, respectively, are shown as part of "Other Payables to Third Parties" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. On June 18, 2004, DAP entered into new distributorship agreements with several companies for the non-exclusive area distribution of the Company's bagged cement and bulk cement for the domestic market. The 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, 2006 and 2005 are as follows:

	2006	2005
PT Bangunsukses Niagatama Nusantara	251,162,132,311	203,443,149,712
PT Intimegah Mitra Sejahtera	190,356,781,718	154,584,449,786
PT Royal Inti Mandiri Abadi	178,525,144,250	145,707,064,101
PT Samudera Tunggal Utama	176,724,890,238	157,441,619,928
PT Kharisma Mulia Abadijaya	151,361,795,572	129,386,577,922
PT Adikarya Maju Bersama	140,697,096,760	111,471,087,129
PT Nusa Makmur Perdana	138,640,549,839	146,441,177,176
PT Primasindo Cipta Sarana	134,252,522,878	108,894,516,390
PT Sumber Abadi Sukses	133,637,339,932	104,521,762,962
PT Saka Agung Abadi	130,522,368,841	89,960,580,441
PT Angkasa Indah Mitra	127,195,062,372	116,975,169,194
PT Citrabaru Mitra Perkasa	117,697,216,872	103,124,530,825
PT Kirana Semesta Niaga	106,695,921,438	87,771,885,767
PT Cipta Pratama Karyamandiri	100,266,357,671	81,725,377,535
Total	**2,077,735,180,692**	**1,741,448,948,868**

The total outstanding receivables from these sub-distributors amounting to Rp376,670,865,500 and Rp293,902,993,635 as of June 30, 2006 and 2005, respectively, are recorded as part of "Trade Receivables - Third Parties" in the consolidated balance sheets.

j. 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 Rp5,102,162,400 and Rp5,282,319,720 for the six months ended June 30, 2006 and 2005, respectively.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

k. The Company has an exclusive export distribution agreement with HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, under the following terms and conditions (see Note 18):

- 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, 2006 and 2005 amounted to approximately US$2.28 million and US$1.75 million, respectively.

l. 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 minimum purchase requirement was amended by an addendum signed by the Company and Rabana on February 17, 2005. The addendum stipulates that the minimum purchase requirement will no longer be applicable if the total cumulative payments starting from January 1, 2005 made for the gas transportation fee exceed US$1,074,000 plus interest and overhead expenses.

In addition, the addendum declares that there is no claim over past obligations according to the original agreement (prior to addendum) except for US$900,000 which will be paid by the Company in installments until January 2006. The gain arising from this settlement amounting to Rp23,808,349,379 is presented as part of "Other Income (Expenses) - Others - Net" in the 2005 consolidated statement of income. The agreement will expire in 2014 or may be terminated if the total volume of natural gas consumed reaches the contractual volume as stipulated in the agreement. Total transportation fee and technical fee paid to Rabana amounted to US$746,809 and US$717,519 for the six months ended June 30, 2006 and 2005, respectively.

m. 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 agreement will expire in 2014. Total purchases of natural gas from PERTAMINA for the six months ended June 30, 2006 and 2005 amounted to Rp49,270,488,368 and Rp44,606,898,944, respectively.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

n. The Company has an outstanding sale and purchase of electricity agreements with PT PLN (Persero) (PLN) wherein PLN agreed to deliver electricity to the Company's Citeureup and Cirebon plants with connection power of 80,000 KVA/150 kV and 45,000 KVA/70 kV, respectively. The price of the electricity charges will be based on government regulation.

   Total electricity purchased under the agreements amounted to Rp174.3 billion and Rp121.4 billion for the six months ended June 30, 2006 and 2005, respectively.

o. 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.

p. 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 Rp12,051,941,065 and Rp9,392,819,100 as of June 30, 2006 and 2005, respectively, which is presented as part of "Long-term Liabilities - Others" in the consolidated balance sheets.

24. DERIVATIVE INSTRUMENTS

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, 2006, the Company has outstanding derivative instruments as follows:

a. Cross Currency Interest Rate Swap

   As described in Note 11, the Company has entered into a hedging transaction to hedge its US$150 million debt to HC Finance B.V. by using the Cross Currency Interest Rate Swap (CCIRS) instrument with Standard Chartered Bank, Jakarta Branch (SCB), with the same period with the HC Finance B.V. loan, which is 4 years. Under the CCIRS, the Company will purchase U.S. dollars with a notional amount of US$150 million from SCB at the maturity date on March 8, 2009 with a fixed exchange rate of Rp9,358 to US$1. Also, SCB 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 SCB 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. The above interest payment period is the same with the interest payment period of the HC Finance B.V. loan. As of June 30, 2006, the Company recognized the net liabilities on the CCIRS contract at market value of Rp46,687,776,300, which is presented as "Long-term Derivatives Liabilities - Net" in the 2006 consolidated balance sheet.

   The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the reduction in the fair value of the CCIRS amounting to Rp130,859,284,410 were recorded as part of "Foreign Exchange Gain (Loss) - Net" presented in the six months ended June 30, 2006 consolidated statement of income.

24. DERIVATIVE INSTRUMENTS (continued)

b. Forward exchange contracts with Standard Chartered Bank, Jakarta Branch entered on February 20, 2006, JPMorgan Chase Bank N.A., Jakarta Branch (JPMorgan) entered on November 9, 2005 and ABN AMRO Bank N.V., Jakarta Branch (ABN AMRO) entered on July 7, 2005 and February 20, 2006, with notional amounts aggregating to JP¥850 million which will mature on various dates from July 2006 to January 2007, at fixed exchange rates ranging from Rp85.95 to Rp96.49 for every JP¥1.

c. Structured currency option contracts with Standard Chartered Bank entered on November 10, 2005, for the purchase of a total of US$2,000,000 with the following terms:

- If USD/IDR spot rate is or above Rp11,500, the Company has the right to buy USD at the rate of USD/IDR spot rate minus Rp810 on the settlement date.
- If USD/IDR spot rate is above Rp10,690 but below Rp11,500, the Company has the right to buy USD at the rate of Rp10,690 on the settlement date.
- If USD/IDR spot rate is below Rp10,690, the Company is obliged to buy USD at the rate of Rp10,690 on the settlement date.

These contracts have no premium and will be settled on various dates from July to October 2006.

d. Structured currency option contracts with Standard Chartered Bank entered on December 6, 2005, for the purchase of a total of US$1,500,000 with the following terms:

- If USD/IDR spot rate is or above Rp11,000, the Company has the right to buy USD at the rate of USD/IDR spot rate minus Rp750 on the settlement date.
- If USD/IDR spot rate is above Rp10,250 but below Rp11,000, the Company has the right to buy USD at the rate of Rp10,250 on the settlement date.
- If USD/IDR spot rate is below Rp10,250, the Company is obliged to buy USD at the rate of Rp10,250 on the settlement date.

These contracts have premium at US$16,000 and will be settled on various dates from July to September 2006.

e. Structured currency option contracts with JPMorgan entered on November 11, 2005, for the purchase of a total of US$2,000,000 with the following terms:

- If USD/IDR spot rate is or above Rp11,500, the Company will buy USD at the rate of USD/IDR spot rate minus Rp1,000 on the settlement date.
- If USD/IDR spot rate is above Rp10,500 but below Rp11,500, the Company will buy USD at the rate of Rp10,500 on the settlement date.
- If USD/IDR spot rate is above Rp10,250 but below Rp10,500, the Company will buy USD at the spot rate on the settlement date.
- If USD/IDR spot rate is below Rp10,250, the Company will buy USD at the rate of Rp10,250 on the settlement date.

These contracts have upfront fee at US$60,000 and will be settled on various dates from July to October 2006.

24. DERIVATIVE INSTRUMENTS (continued)

f. Structured currency option contracts with ABN AMRO entered on May 1, 2006, for the purchase of a total of JP¥700 million with the following terms:

- If JP¥/IDR spot rate is at or above Rp85.00, the Company has the right to buy JP¥ at the rate of JP¥/IDR spot rate minus Rp4.50 on the settlement date.
- If JP¥/IDR spot rate is above Rp80.50 but below Rp85.00, the Company has the right to buy JP¥ at the rate of Rp80.50 on the settlement date.
- If JP¥/IDR spot rate is at or below Rp80.50, the Company is obliged to buy JP¥ at the rate of Rp80.50 on the settlement date.

These contracts have no premium and will be settled on various dates from October 2006 to March 2007.

The derivative instruments as mentioned in items *b, c, d,* e and *f* above can not be designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly to earnings. As of June 30, 2006, the Company recognized the net liabilities on the above derivative instruments at market value of Rp10,777,787,382 which is presented as part of “Derivatives Liabilities - Net” in the 2006 consolidated balance sheet.

The loss arising from the derivative transactions amounted to Rp32,259,572,094 and was recorded as part of “Foreign Exchange Gain (Loss) - Net” presented in the six months ended June 30, 2006 consolidated statement of income.

25. 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 amounted 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 June 30, 2006, the Supreme Court has not yet rendered its decision.

26. ECONOMIC CONDITIONS

The operations of the Company and its Subsidiaries may be affected by future economic conditions in Indonesia, in this case the continuity of negative growth of cement consumption due to the weakening purchasing power after fuel price hikes that increased inflation. Economic improvements and sustained recovery of cement consumption are dependent upon several factors in such as fiscal and monetary actions including lower mortgage rate and fiscal incentives for real sector investment being undertaken by the Government and others, actions that are beyond the control of the Company and its Subsidiaries.

(Expressed in rupiah, unless otherwise stated)

27. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of June 30, 2006, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah
Assets			
Related Parties	US$	8,465,002	78,724,518,600
Third Parties	US$	32,615,162	303,321,006,600
	JP¥	4,720,264	382,141,245
	EUR	991,046	11,716,314,290
Total			394,143,980,735
Liabilities			
Related Parties	US$	150,525,087	1,399,883,309,100
Third Parties	US$	63,997,524	595,176,973,200
	JP¥	9,946,236,286	805,223,418,748
	EUR	410,266	4,850,234,397
Total			2,805,133,935,445
Net liabilities			**2,410,989,954,710**

28. SUBSEQUENT EVENT

On July 20, 2006, the Company made a principal repayment on its revolving loan amounting to US$25,000,000 and its obligations for interest and other financial charges covering the period April 20, 2006 to July 20, 2006 amounting to US$3,464,175, JP¥32,074,109 and Rp12,072,556,708 (see Note 11).

29. RECLASSIFICATION OF ACCOUNT

Net derivative assets amounting to Rp3,333,262,351 and net long-term derivative assets amounting to Rp14,209,545,933 which were previously presented as part of “Other Receivables from Third Parties - Net” in the 2005 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 2006 consolidated financial statements.