

**Consolidated Financial Statements
Six Months Ended June 30, 2007 and 2006**

**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, 2007 AND 2006**

Table of Contents

	Page
Consolidated Balance Sheets	1-2
Consolidated Statements of Income	3
Consolidated Statements of Changes in Shareholders' Equity	4
Consolidated Statements of Cash Flows	5-6
Notes to the Consolidated Financial Statements	7-52

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	194,115,312,674	628,381,303,320
Time deposits	2c	7,349,397,564	-
Short-term investments	2d	5,729,300,000	1,809,600,000
Trade receivables	2e,4		
Related party	2f,23	60,663,379,289	78,724,521,855
Third parties - net of allowance for doubtful accounts of Rp11,347,612,391 in 2007 and Rp14,064,435,448 in 2006	24j	620,637,523,119	563,411,085,828
Other receivables from third parties - net of allowance for doubtful accounts of Rp7,271,980,358 in 2007 and Rp7,371,980,358 in 2006	2e,5	8,248,102,445	5,939,415,796
Derivative assets - net	2q,25	450,345,236	-
Inventories - net	2g,6	1,002,554,831,808	954,808,665,555
Advances and deposits	6,24a	82,085,460,533	93,408,978,687
Prepaid taxes	11	8,447,704,973	28,513,505,235
Prepaid expenses	2h	17,651,023,496	32,191,613,879
TOTAL CURRENT ASSETS		2,007,932,381,137	2,387,188,690,155
NON-CURRENT ASSETS			
Due from related parties	2f,23	44,728,276,350	54,186,399,738
Deferred tax assets - net	2r,11	7,007,392,393	5,930,852,058
Long-term investments and advances to associated company - net of allowance for doubtful accounts of Rp13,720,944,026 in 2007 and 2006	2b,2f,7,23	54,075,051,094	45,982,259,843
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp4,585,366,107,978 in 2007 and Rp4,097,504,750,288 in 2006	2i,2j,2k,2l,8	7,605,657,521,102	7,680,256,354,057
Restricted cash and time deposits	13	479,000,000	5,736,067,280
Other non-current assets	2h,2m,8	64,767,494,894	76,279,783,394
TOTAL NON-CURRENT ASSETS		7,776,714,735,833	7,868,371,716,370
TOTAL ASSETS		9,784,647,116,970	10,255,560,406,525

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

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term loan	9	-	232,500,000,000
Trade payables	10		
Third parties		118,901,076,618	97,631,769,687
Related party	2f,23	-	245,387,341
Other payables to third parties	8,17,24i	129,737,668,628	119,357,211,409
Accrued expenses	12,20	168,783,650,753	168,885,623,455
Taxes payable	2r,11	83,818,935,114	65,941,052,694
Derivative liabilities - net	2q	-	10,777,787,382
Dividend payable	17	110,436,950,970	184,061,584,950
Current maturities of long-term debts			
Loans from banks and financial institutions	2f,12,23	249,715,897,913	331,675,536,773
Obligations under capital lease	2k,8,13	2,913,721,228	1,035,844,548
TOTAL CURRENT LIABILITIES		864,307,901,224	1,212,111,798,239
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Loans from banks and financial institutions	2f,12,23	1,850,115,293,919	2,541,069,793,268
Obligations under capital lease	2k,8,13	4,475,593,001	39,916,663
Long-term derivative liabilities	2q,25	65,588,479,776	46,687,776,300
Due to related party	2f,23	2,101,806,220	4,882,969,476
Deferred tax liabilities - net	2r,11	619,414,843,334	591,775,030,078
Estimated liability for employee benefits	2o,22	57,542,537,808	49,198,901,777
Estimated liability for post-retirement health-care benefits	2o,22	8,898,788,182	5,958,837,164
Provision for recultivation	24q	17,513,616,688	12,051,941,065
Deferred gain on sale-and-leaseback transactions - net	2k	6,601,172,072	7,744,439,727
TOTAL NON-CURRENT LIABILITIES		2,632,252,131,000	3,259,409,605,518
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	14	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,15	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	16	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i	229,970,296,236	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	6,590,439,301	2,074,186,810
Retained earnings			
Appropriated	18	175,000,000,000	150,000,000,000
Unappropriated		1,337,708,721,092	863,176,891,605
TOTAL SHAREHOLDERS' EQUITY		6,288,087,084,746	5,784,039,002,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,784,647,116,970	10,255,560,406,525

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

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Six months ended June 30, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
NET REVENUES	2f,2n,19, 23,24j,24l	3,157,153,412,642	3,063,385,784,699
COST OF REVENUES	2f,2n,20,23, 24c,24d,24m, 24n,24o	2,055,115,060,749	1,952,901,902,635
GROSS PROFIT		1,102,038,351,893	1,110,483,882,064
OPERATING EXPENSES	2f,2n,21,22, 23,24i,24k		
Delivery and selling		424,510,452,534	390,569,449,963
General and administrative		97,200,057,929	91,075,866,780
Total Operating Expenses		521,710,510,463	481,645,316,743
INCOME FROM OPERATIONS		580,327,841,430	628,838,565,321
OTHER INCOME (EXPENSE)			
Foreign exchange gain - net	2p,2q,25	11,131,791,499	2,423,723,039
Interest income		4,018,675,769	16,223,910,872
Interest expense	12,13	(104,121,959,556)	(162,997,137,072)
Others - net	2d,2f,2i,2m, 2n,11,23	22,406,808,847	11,097,935,829
Other Expense - Net		66,564,683,441	133,251,567,332
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	4,773,282,113	3,975,432,445
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		518,536,440,102	499,562,430,434
CORPORATE INCOME TAX EXPENSE	2r,11		
Current		146,357,677,200	60,473,313,200
Deferred		12,033,564,271	96,110,682,285
Total Corporate Income Tax Expense		158,391,241,471	156,583,995,485
NET INCOME		360,145,198,631	342,978,434,949
BASIC EARNINGS PER SHARE	2u	97.83	93.17

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

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six months ended June 30, 2007 and 2006
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 15 and 16)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Retained Earnings		Net Shareholders' Equity
							Appropriated	Unappropriated	
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	18	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distributions of cash dividends	17	-	-	-	-	-	-	(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
Balance as of December 31, 2006		1,840,615,849,500	1,532,486,402,048	229,970,296,236	1,165,715,376,569	973,936,686	150,000,000,000	1,113,000,473,431	6,032,762,334,470
Net income		-	-	-	-	-	-	360,145,198,631	360,145,198,631
Appropriation of retained earnings for general reserve	18	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distributions of cash dividends	17	-	-	-	-	-	-	(110,436,950,970)	(110,436,950,970)
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	281,018,347	-	-	281,018,347
Realized loss on sale of investments in available-for-sale securities	2b,2d	-	-	-	-	641,834,268	-	-	641,834,268
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	-	-	-	-	4,693,650,000	-	-	4,693,650,000
Balance as of June 30, 2007		1,840,615,849,500	1,532,486,402,048	229,970,296,236	1,165,715,376,569	6,590,439,301	175,000,000,000	1,337,708,721,092	6,288,087,084,746

* 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, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		3,374,731,786,208	3,241,777,399,771
Payments to suppliers and contractors, and for salaries and other employees' benefits		(2,534,775,540,004)	(2,380,411,786,371)
Cash provided by operations		839,956,246,204	861,365,613,400
Proceeds from claims for tax refund	11	6,710,309,372	13,460,525,368
Receipts of interest income		2,452,505,017	11,804,864,427
Payments of taxes		(331,829,239,304)	(212,905,053,706)
Payment of interest expense and other financial charges		(119,388,826,266)	(66,764,286,248)
Net receipts from other operating activities		37,715,369,791	46,225,777,245
Net Cash Provided by Operating Activities		435,616,364,814	653,187,440,486
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	8	7,269,600,000	382,500,000
Purchases of fixed assets		(116,890,580,332)	(87,951,661,060)
Proceeds from sale of marketable securities		-	138,377,257
Net Cash Used in Investing Activities		(109,620,980,332)	(87,430,783,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		45,450,000,000	-
Payment of bank loans		(217,248,706,076)	(68,368,620,892)
Net payment for derivative transactions		(4,075,890,000)	(28,753,589,970)
Payment of obligations under capital lease	13	(454,413,640)	(1,075,191,002)
Payment of dividends		(15,019,500)	-
Proceeds from long-term borrowings		-	297,104,804,781
Net Cash Provided by (Used in) Financing Activities		(176,344,029,216)	198,907,402,917
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		1,077,692,661	(21,588,123,505)
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		-	(612,705,016,407)
NET INCREASE IN CASH AND CASH EQUIVALENTS		150,729,047,927	130,370,919,688
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3	43,386,264,747	498,010,383,632
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	194,115,312,674	628,381,303,320

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

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Six months ended June 30, 2007 and 2006
(Expressed in rupiah)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Activities not affecting cash and cash equivalents:			
Payment of obligations under capital lease using time deposits	13	1,436,902,282	-
Payment of bank loans from restricted cash accounts	12	-	1,943,252,376,230
Proceeds from long-term borrowings through restricted cash accounts	12		1,141,479,940,019
Payment of interest using restricted cash accounts	12	-	93,012,389,053
Interest earned on restricted cash accounts	12	-	1,559,750,096

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

1. GENERAL

PT Indocement Tunggak Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 227 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.3 dated May 3, 2007 of Amrul Partomuan Pohan, S.H., LLM concerning, among others, the amendment of Article 12 paragraph 3.c. regarding the limits of authority of the Company's boards of directors. Such amendments were registered with the Ministry of Justice and Human Rights on May 29, 2007.

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 trillion, 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

In the EGMS held on June 25, 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.

In the EGMS held on June 26, 2000, the shareholders approved the increase in the Company's authorized capital stock from Rp2 trillion divided into 4 billion shares with par value of Rp500 per share to Rp4 trillion divided into 8 billion shares with the same par value. Such increase in the Company's authorized capital stock was approved by the Ministry of Law and Legislation in its decision letter No. C-13322 HT.01.04.TH.2000 dated July 7, 2000.

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, 2007 and 2006, the members of the Company's boards of commissioners and directors are as follows:

	<u>2007</u>	<u>2006</u>
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	Sri Prakash
Commissioner	Lorenz Naeger	Lorenz Naeger
Commissioner	Bernhard Scheifele	Bernhard Scheifele
Commissioner	Ali Emir Adiguzel	Ali Emir Adiguzel
Board of Directors		
President	Daniel Eugene Antoine Lavallo	Daniel Eugene Antoine Lavallo
Vice President	Tedy Djuhar	Tedy Djuhar
Director	Hans Oivind Hoidalen	Hans Oivind Hoidalen
Director	Nelson G. D. Borch	Nelson G. D. Borch
Director	Christian Kartawijaya	Christian Kartawijaya
Director	Kuky Permana Kumalaputra	Kuky Permana Kumalaputra
Director	Benny Setiawan Santoso	Benny Setiawan Santoso
Director	Ernst Gerard Jelito	Ernest Gerard Jelito

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp13.29 billion and Rp12.45 billion for the six months ended June 30, 2007 and 2006. As of June 30, 2007 and 2006, the Company and Subsidiaries have a total of 6,384 and 6,527 permanent employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

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

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

b. Principles of Consolidation

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

	Principal Activity	Country of Domicile	Year of Incorporation/ Start of Commercial Operations	Total Assets as of June 30, 2007	Effective Percentage of Ownership (%)
<u>Direct</u>					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	507,601,915,825	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	68,023,623,148	99.99
Indocement (Cayman Islands) Limited	Invest in associate company	Cayman Islands	1991/1991	51,420,625,189	100.00
<u>Indirect</u>					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	104,443,730,245	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,688,158,664	99.99

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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

MBG was acquired in 2004 and 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.

As of June 30, 2007, 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 Company" 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, 2007
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 period. 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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 and 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 current year operation if the conditions stated in the PSAK are fulfilled.

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 an 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 23.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

	<u>Years</u>
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. 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2007 and 2006, 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 determined in accordance with the existing Collective Labor Agreement (CLA). The unfunded employee benefit liability was 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.

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Provision for Employee Benefits (continued)

(i) Retirement Benefits (continued)

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 or 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 10% of the present value of the defined benefit obligation at that date. These gains or losses are amortized on a straightline 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.

(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 as that 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 (Note 2).

As of June 30, 2007 and 2006, the rates of exchange used are as follows:

	2007	2006
Euro (EUR1)	12,163.61	11,822.17
U.S. dollar (US\$1)	9,054.00	9,300.00
Japanese yen (JP¥100)	7,346.64	8,095.76

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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Derivative Instruments (continued)

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, and also cross currency interest rate swap to hedge market risks arising from fluctuations in exchange rates relating to its foreign currency denominated loans. However, based on the specific requirements for hedge accounting under PSAK No. 55, the said instruments can not be designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly in earnings.

r. Corporate Income Tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when 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 19.

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. 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 2007 and 2006.

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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	<u>2007</u>	<u>2006</u>
Cash on hand	980,677,797	948,325,897
Cash in banks		
PT Bank Central Asia Tbk.		
Rupiah	22,969,608,989	13,670,139,724
U.S. dollar (US\$252,394 in 2007 and US\$585,873 in 2006)	2,285,178,988	5,448,617,319
Euro (EUR89,137 in 2007 and EUR313,470 in 2006)	1,084,225,393	3,705,899,768
PT Bank Mandiri (Persero) Tbk.		
Rupiah	20,367,149,551	11,394,821,366
U.S. dollar (US\$54,405 in 2007 and US\$293,606 in 2006)	492,585,677	2,730,531,336
Euro (EUR27,021 in 2007 and EUR290,087 in 2006)	328,667,554	3,429,462,439
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	15,916,971,502	5,631,596,990
ABN-AMRO Bank N.V.		
U.S. dollar (US\$565,386 in 2007 and US\$172,193 in 2006)	5,119,006,564	1,601,396,388
Rupiah	1,953,423,306	1,555,667,789
Euro (EUR73,003 in 2007 and EUR387,488 in 2006)	887,976,250	4,580,952,792
Japanese yen (JP¥2,271,010 in 2007 and JP¥4,610,753 in 2006)	166,842,929	373,275,497
Others		
Rupiah	2,524,544,305	4,520,210,554
U.S. dollar (US\$169,920 in 2007 and US\$53,391 in 2006)	1,538,453,869	496,533,045
Japanese yen (JP¥109,511)	-	8,865,748
Rupiah time deposits		
ABN-AMRO Bank N.V.	71,000,000,000	107,000,000,000
PT Bank Central Asia Tbk.	46,500,000,000	43,000,000,000
Standard Chartered Bank., Jakarta Branch	-	100,190,666,668
PT Bank Mandiri (Persero) Tbk.	-	1,500,000,000
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US\$31,500,000)	-	292,950,000,000
Euro time deposit		
ABN AMRO Bank N.V. (EUR2,000,000)	-	23,644,340,000
Total	<u>194,115,312,674</u>	<u>628,381,303,320</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

Interest rates per annum:

	<u>2007</u>	<u>2006</u>
Rupiah time deposits	6.50% - 8.85%	11.25% - 13.00%
U.S. dollar time deposits	5.00% - 5.15%	3.75% - 4.90%
Euro time deposit	-	2.00%

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	<u>2007</u>	<u>2006</u>
<u>Related Party (Note 23)</u>		
Cement business		
HCT Services Asia Pte., Ltd., Singapore		
(US\$6,700,174 in 2007 and		
US\$8,465,002 in 2006)	60,663,379,289	78,724,521,855
<u>Third Parties</u>		
Cement and ready mix concrete business	631,985,135,510	577,475,521,276
Allowance for doubtful accounts	(11,347,612,391)	(14,064,435,448)
Net	620,637,523,119	563,411,085,828

The movements of allowance for doubtful accounts are as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of period	11,067,732,391	13,835,340,496
Provision during the period	279,880,000	240,000,000
Receivables written off during the period	-	(10,905,048)
Balance at end of period	11,347,612,391	14,064,435,448

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.

The aging of trade receivables based on their currency denominations as of June 30, 2007 and 2006 is as follows:

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

	2007		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	544,605,991,289	65,950,753,823	610,556,745,112
Overdue:			
1 - 30 days	35,710,377,280	1,624,395,795	37,334,773,075
31 - 60 days	11,603,765,615	-	11,603,765,615
61 - 90 days	7,004,847,352	-	7,004,847,352
Over 90 days	26,148,383,645	-	26,148,383,645
Total	625,073,365,181	67,575,149,618	692,648,514,799

	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

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2007	2006
Payments for tax assessments being contested	5,502,658,681	5,502,658,681
Others	10,017,424,122	7,808,737,473
Total	15,520,082,803	13,311,396,154
Allowance for doubtful accounts	(7,271,980,358)	(7,371,980,358)
Net	8,248,102,445	5,939,415,796

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of period	7,371,980,358	7,371,980,358
Provision during the period	-	-
Receivables written off during the period	-	-
Reversal of allowance on doubtful accounts collected during the period	(100,000,000)	-
Balance at end of period	<u>7,271,980,358</u>	<u>7,371,980,358</u>

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

6. INVENTORIES

Inventories consist of:

	<u>2007</u>	<u>2006</u>
Finished goods	82,552,065,732	75,756,662,946
Work in process	113,401,572,027	141,616,851,703
Raw materials	252,372,608,520	203,662,560,269
Fuel and lubricants	104,791,061,005	159,272,815,974
Spare parts	496,157,735,897	411,040,738,108
Total	1,049,275,043,181	991,349,629,000
Allowance for losses	(46,720,211,373)	(36,540,963,445)
Net	<u>1,002,554,831,808</u>	<u>954,808,665,555</u>

With the exception of inventories owned by Indomix Perkasa and PBI amounting to Rp9.5 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (Note 8).

The movements of allowance for inventory losses are as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of period	50,661,601,995	38,184,113,445
Reversals during the period	(3,941,390,622)	(1,643,150,000)
Balance at end of period	<u>46,720,211,373</u>	<u>36,540,963,445</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

6. INVENTORIES (continued)

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, 2007 and 2006 amounting to Rp22,890,958,855 and Rp48,052,159,190, respectively, are presented as part of "Advances and Deposits" in the consolidated balance sheets.

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANY

The details of this account are as follows:

2007				
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
<u>Investments in Shares of Stock</u>				
<i>a. Equity Method</i>				
Stillwater Shipping Corporation	50.00	105,500,000	22,897,576,789	23,003,076,789
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(8,248,967,965)	21,775,032,035
PT Pama Indo Mining	40.00	1,200,000,000	8,058,792,270	9,258,792,270
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
<i>b. Cost Method</i>				
Various investees	various	38,150,000	-	38,150,000
Sub-total		<u>31,832,437,500</u>	<u>22,242,613,594</u>	<u>54,075,051,094</u>
<u>Advances</u>				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				<u>54,075,051,094</u>
2006				
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
<u>Investments in Shares of Stock</u>				
<i>a. Equity Method</i>				
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)	-
<i>b. Cost Method</i>				
Various investees	various	20,000,000	-	20,000,000
Sub-total		<u>31,814,287,500</u>	<u>14,167,972,343</u>	<u>45,982,259,843</u>
<u>Advances</u>				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				<u>45,982,259,843</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

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

The principal activities of the above investees are as follows:

Investee	Country of Domicile	Principal Business Activity
Stillwater Shipping Corporation	Liberia	Shipping
PT Cibinong Center Industrial Estate	Indonesia	Development of industrial estates
PT Pama Indo Mining	Indonesia	Mining
PT Indo Clean Set Cement	Indonesia	Production of clean set cement

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the six months ended June 30, 2007 and 2006 are as follows:

	2007	2006
PT Cibinong Center Industrial Estate	1,959,594,180	731,788,014
Stillwater Shipping Corporation	1,506,409,592	2,443,591,946
PT Pama Indo Mining	1,307,278,341	800,052,485
Total	4,773,282,113	3,975,432,445

The Company received cash dividends from PT Pama Indo Mining amounting to Rp2,099,307,170 in October 2006.

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, 2007, 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, 2006	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2007
2007 movements				
<i>Carrying Value</i>				
Direct Ownership				
Land and land improvements	225,592,282,841	3,041,638,413	-	228,633,921,254
Leasehold improvements	3,104,184,761	-	-	3,104,184,761
Quarry	75,196,165,196	-	-	75,196,165,196
Buildings and structures	2,884,173,419,302	7,478,789,833	-	2,891,652,209,135
Machinery and equipment	7,724,448,530,774	61,225,820,364	5,179,953,700	7,780,494,397,438
Transportation equipment	449,912,014,588	24,341,470,147	1,620,288,177	472,633,196,558
Furniture, fixtures and office equipment	237,761,538,141	11,897,152,521	1,316,845,829	248,341,844,833
Tools and other equipment	90,212,774,791	6,842,998,759	77,708,264	96,978,065,286
Sub-total	11,690,400,910,394	114,827,870,037	8,194,795,970	11,797,033,984,461

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2006	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2007
Assets under Capital Lease				
Transportation equipment	19,244,164,620	-	-	19,244,164,620
Construction in progress	298,412,768,646	175,855,763,882	99,523,052,529	374,745,479,999
Total Carrying Value	12,008,057,843,660	290,683,633,919	107,717,848,499	12,191,023,629,080
<u>Accumulated Depreciation, Amortization and Depletion</u>				
Direct Ownership				
Land improvements	25,367,203,600	882,988,736	-	26,250,192,336
Leasehold improvements	2,848,932,256	86,966,186	-	2,935,898,442
Quarry	19,310,196,578	980,507,460	-	20,290,704,038
Buildings and structures	816,931,175,051	47,664,468,996	-	864,595,644,047
Machinery and equipment	2,898,009,407,456	175,180,106,831	4,265,201,478	3,068,924,312,809
Transportation equipment	327,384,712,111	20,919,876,772	1,566,055,152	346,738,533,731
Furniture, fixtures and office equipment	185,179,642,028	10,595,886,998	1,310,424,289	194,465,104,737
Tools and other equipment	53,626,159,974	5,370,128,339	68,336,264	58,927,952,049
Sub-total	4,328,657,429,054	261,680,930,318	7,210,017,183	4,583,128,342,189
Assets under Capital Lease				
Transportation equipment	331,349,327	1,906,416,462	-	2,237,765,789
Total Accumulated Depreciation, Amortization and Depletion	4,328,988,778,381	263,587,346,780	7,210,017,183	4,585,366,107,978
Net Book Value	7,679,069,065,279			7,605,657,521,102
	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2006
2006 movements				
<u>Carrying Value</u>				
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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(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
<u>Accumulated Depreciation, Amortization and Depletion</u>				
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

Construction in progress consists of:

	2007	2006
Machineries under installation	345,237,458,845	167,568,044,795
Buildings and structures under construction	9,410,684,864	2,797,851,688
Others	20,097,336,290	12,993,381,706
Total	374,745,479,999	183,359,278,189

Below are the percentages of completion and estimated completion periods of the construction in progress as of June 30, 2007:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	20 - 95%	3 to 24 months
Buildings and structures under construction	15 - 95	6 to 24 months
Others	40 - 90	1 to 24 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp21,216,976,708 and Rp3,699,619,215 as of June 30, 2007 and 2006, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

Depreciation, amortization and depletion charges amounted to Rp263,587,346,780 and Rp253,364,159,971 for the six months ended June 30, 2007 and 2006, 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 Rp136,220,557,100, US\$1,914,695,350, EUR24,610,145 and JP¥32,000,000 as of June 30, 2007. In management's opinion, the above insurance coverage is adequate to cover any possible losses that may arise from such risks.

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

The Company and Subsidiaries own building/construction rights or "Hak Guna Bangunan" (HGB), land use rights or "Hak Pakai" (HP) and land ownership rights or "Hak Milik" (HM) over land covering approximately 3,241.69 hectares, and local mining rights or "Surat Izin Penambangan Daerah" (SIPD) covering approximately 10,592.36 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, 2007, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 36,973 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 2,483,275 square meters. The total expenditures amounting to Rp22,607,510,026 as of June 30, 2007 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, 2007 and 2006 amounting to Rp1,178,360,801 and Rp14,829,146,579, respectively, are presented as part of "Other Non-current Assets" in the consolidated balance sheets.

9. SHORT-TERM LOAN

This account represents the outstanding loan balance drawn from a revolving loan facility amounting to US\$25,000,000 (consisting of US\$12,500,000 from ABN-AMRO Bank N.V., Jakarta Branch and US\$12,500,000 from Standard Chartered Bank, Jakarta), which is part of a syndicated loan facility as described in Note 12. The loan bears interest at the annual rate of 5.98% and was due on July 20, 2006. The loan was guaranteed by a corporate guarantee of HeidelbergCement AG, the Company's majority shareholder.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

10. TRADE PAYABLES

This account consists of the following:

	<u>2007</u>	<u>2006</u>
Third Parties - Cement and ready mix concrete business		
Rupiah	93,408,114,803	81,213,119,057
U.S. dollar (US\$ 1,331,893 in 2007 and US\$1,230,125 in 2006)	12,058,957,140	11,440,159,210
Other foreign currencies	13,434,004,675	4,978,491,420
Total - Third Parties	118,901,076,618	97,631,769,687
Related Party - Cement business (Note 23)	-	245,387,341
Total Trade Payables	<u>118,901,076,618</u>	<u>97,877,157,028</u>

The aging analysis of trade payables based on their currency denomination as of June 30, 2007 and 2006 is as follows:

	<u>2007</u>		
	<u>Rupiah</u>	<u>Foreign Currencies (Rupiah Equivalent)</u>	<u>Total</u>
Current	72,719,692,264	7,493,056,722	80,212,748,986
Overdue:			
1 - 30 days	14,365,470,830	2,243,522,194	16,608,993,024
31 - 60 days	534,959,074	2,784,372,725	3,319,331,799
61 - 90 days	925,474,925	5,650,705,511	6,576,180,436
Over 90 days	4,862,517,710	7,321,304,663	12,183,822,373
Total	<u>93,408,114,803</u>	<u>25,492,961,815</u>	<u>118,901,076,618</u>
	<u>2006</u>		
	<u>Rupiah</u>	<u>Foreign Currencies (Rupiah Equivalent)</u>	<u>Total</u>
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	<u>81,213,119,057</u>	<u>16,664,037,971</u>	<u>97,877,157,028</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

10. TRADE PAYABLES (continued)

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

Suppliers	Materials Supplied
Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA)	Fuel
PT Adaro Indonesia	Coal
PT Masa Jaya Perkasa	Coal
PT Trubaindo Coal Mining	Coal
Eurocan Pulp & Paper Co.	Kraft paper
Fujian Qingshan Paper Industry Co., Ltd.	Kraft paper
Billerud AB	Kraft paper
Itochu Co.	Gypsum
PT Politama Pakindo	Woven paper
United Tractors	Spare parts

11. TAXATION

a. Taxes Payable

	2007	2006
Income taxes		
Article 21	4,588,867,490	3,551,908,739
Article 22	1,185,750,012	1,145,100,283
Article 23	1,153,225,745	2,170,499,210
Article 25	15,610,175,461	-
Article 26	220,586,516	294,822,013
Article 29	44,890,911,473	9,989,292,791
Value added tax	16,169,418,417	48,789,429,658
Total	83,818,935,114	65,941,052,694

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, 2007 and 2006 is as follows:

	2007	2006
Income before corporate income tax expense per consolidated statements of income	518,536,440,102	499,562,430,434
Income of Subsidiaries before corporate income tax expense - net	(10,001,000,067)	(16,807,632,497)
Reversal of inter-company eliminating entries during consolidation	(1,506,409,592)	(2,443,591,946)
Income before corporate income tax expense attributable to the Company	507,029,030,443	480,311,205,991

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	2007	2006
Add (deduct):		
Temporary differences		
Provision for employee benefits- net	2,712,816,245	468,895,621
Provision for post-retirement healthcare benefits - net	1,341,180,447	1,549,523,164
Depreciation of fixed assets (including leased assets)	(42,066,093,467)	(64,904,957,897)
Provisions for doubtful accounts and inventory losses (write-off of accounts and inventories against allowance) - net	(4,041,390,622)	(1,643,150,000)
Payments of obligations under capital lease	(1,436,902,282)	-
Provision for recultivation - net (Note 24q)	(330,297,250)	(664,315,576)
	(43,820,686,929)	(65,194,004,688)
Permanent differences		
Non-deductible expenses		
Employees' benefits	11,654,432,784	29,525,414,494
Public relations	2,128,602,300	1,213,447,333
Donations	1,599,824,440	2,637,204,150
Others	765,287,727	628,166,275
Equity in net earnings of associated companies - net	(3,266,872,521)	(1,531,840,499)
Income already subjected to final tax	(1,351,998,407)	(13,023,934,942)
	11,529,276,323	19,448,456,811
Estimated taxable income of the Company	474,737,619,837	434,565,658,114
Estimated tax loss carryforward at beginning of year	-	(256,930,304,261)
Corrections by the Tax Office	-	6,359,790,385
Estimated taxable income	474,737,619,837	183,995,144,238

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

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

	<u>2007</u>	<u>2006</u>
Current		
Company	142,403,785,700	55,181,043,200
Subsidiaries	3,953,891,500	5,292,270,000
	<u>146,357,677,200</u>	<u>60,473,313,200</u>
Deferred		
Company	13,146,206,079	96,637,292,683
Subsidiaries	(1,112,641,808)	(526,610,398)
	<u>12,033,564,271</u>	<u>96,110,682,285</u>
Total	<u>158,391,241,471</u>	<u>156,583,995,485</u>

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

	<u>2007</u>	<u>2006</u>
Current income tax expense		
Company	142,403,785,700	55,181,043,200
Subsidiaries	3,953,891,500	5,292,270,000
Total	<u>146,357,677,200</u>	<u>60,473,313,200</u>
Prepayments of income tax		
Company	97,533,910,337	46,430,809,910
Subsidiaries	6,530,032,395	5,589,119,241
Total	<u>104,063,942,732</u>	<u>52,019,929,151</u>
Estimated claims for income tax refund - presented as part of "Prepaid Taxes" in the consolidated balance sheets		
Company	-	-
Subsidiaries	2,597,177,005	1,535,908,742
Total for the current year	<u>2,597,177,005</u>	<u>1,535,908,742</u>
Claims for income tax refund from prior years:		
Company		
2005	-	10,414,347,316
Subsidiaries	3,027,171,528	12,044,484,143
Total	<u>5,624,348,533</u>	<u>23,994,740,201</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

In March 2007, the Company received a decision letter from the Tax Office wherein the Tax Office approved to refund the claim for 2005 income tax and increased the 2005 taxable income by Rp16,328,657,367. Out of the said total amount of assessment, Rp5,292,461,212 will be contested by the Company. In addition, the Company also received withholding tax Article 26 and value added tax assessments for 2005, whereby, according to the Tax Office, the Company has to pay additional taxes and penalties totalling Rp8,916,678,829. The Company has contested the result of the tax assessments.

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 December 2006, DAP received a decision letter from the Tax Office wherein the Tax Office approved to refund DAP's 2005 claim for tax refund amounting to Rp5,849,231,775.

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, out of the total claim of Rp3,830,534,868.

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 2005 consolidated balance sheet. Furthermore, on August 16, 2006, the Tax Court issued a decision in favor of DAP and the refund was received by DAP in October 2006. The Tax Office, however, asked for a judicial review by the Supreme Court. As of June 30, 2007, the Supreme Court has not rendered any decision on the matter.

- e. The reconciliation between income before corporate income tax expense (after the reversal of inter-company eliminating entries during consolidation) 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, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Income before corporate income tax expense	518,536,440,102	499,562,430,434
Reversal of inter-company eliminating entries during consolidation	(1,506,409,592)	(2,443,591,946)
Combined income, net of loss, before income tax of the Company and Subsidiaries	<u>517,030,030,510</u>	<u>497,118,838,488</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	<u>2007</u>	<u>2006</u>
Tax expense at the applicable tax rate	155,056,508,674	149,065,651,380
Tax effects on permanent differences:		
Non-deductible expenses	4,953,655,542	10,484,702,093
Equity in net earnings of associated companies - net	(980,061,756)	(459,552,150)
Income already subjected to final tax	(638,860,989)	(4,414,742,954)
Tax corrections	-	1,907,937,116
Corporate income tax expense per consolidated statements of income	<u>158,391,241,471</u>	<u>156,583,995,485</u>

f. Deferred tax assets (liabilities) consist of:

	<u>December 31, 2006</u>	<u>Deferred Tax Benefit (Expense) Credited (Charged) to 2007 Profit and Loss</u>	<u>June 30, 2007</u>
Deferred Tax Assets:			
Company			
Estimated liability for employee benefits	14,398,065,929	813,844,874	15,211,910,803
Allowance for doubtful accounts and inventory losses	13,156,064,068	(1,212,417,188)	11,943,646,880
Reserve for recultivation	5,353,174,181	(99,089,175)	5,254,085,006
Estimated liability for post-retirement healthcare benefits	2,267,282,321	402,354,134	2,669,636,455
Obligation under capital lease	2,635,889,954	(431,070,685)	2,204,819,269
Others	833,851,800	-	833,851,800
Sub-total	38,644,328,253	(526,378,040)	38,117,950,213
Subsidiaries	7,642,479,221	1,136,591,808	8,779,071,029
Total	<u>46,286,807,474</u>	<u>610,213,768</u>	<u>46,897,021,242</u>
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(639,347,120,920)	(13,182,752,978)	(652,529,873,898)
Net book value of assets under capital lease	(5,565,844,588)	562,924,939	(5,002,919,649)
Sub-total	(644,912,965,508)	(12,619,828,039)	(657,532,793,547)
Subsidiaries	(1,747,728,636)	(23,950,000)	(1,771,678,636)
Total	<u>(646,660,694,144)</u>	<u>(12,643,778,039)</u>	<u>(659,304,472,183)</u>
Net Deferred Tax Assets:			
Subsidiaries	<u>5,894,750,585</u>	<u>1,112,641,808</u>	<u>7,007,392,393</u>
Net Deferred Tax Liabilities:			
Company	<u>(606,268,637,255)</u>	<u>(13,146,206,079)</u>	<u>(619,414,843,334)</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	<u>December 31, 2005</u>	<u>Deferred Tax Benefit (Expense) Credited (Charged) to 2006 Profit and Loss</u>	<u>June 30, 2006</u>
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)

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

12. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	<u>2007</u>	<u>2006</u>
Third parties		
Rupiah	294,736,842,104	350,000,000,000
U.S. dollar	266,854,736,928	325,500,000,000
Japanese yen	180,139,612,800	802,245,330,041
Sub-total	741,731,191,832	1,477,745,330,041

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

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

	<u>2007</u>	<u>2006</u>
Related party (Note 23)		
U.S. dollar	1,358,100,000,000	1,395,000,000,000
Total	2,099,831,191,832	2,872,745,330,041
Less current maturities	249,715,897,913	331,675,536,773
Long-term maturities	<u>1,850,115,293,919</u>	<u>2,541,069,793,268</u>

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

	<u>2007</u>	<u>2006</u>
Rupiah		
<u>Third parties</u>		
PT Bank Central Asia Tbk.	294,736,842,104	350,000,000,000
Total rupiah loans	<u>294,736,842,104</u>	<u>350,000,000,000</u>
U.S. dollar		
<u>Third parties</u>		
ABN-AMRO Bank N.V., Jakarta	US\$ 14,736,842	US\$ 17,500,000
Standard Chartered Bank, Jakarta	14,736,842	17,500,000
<u>Related party</u>		
HC Finance B.V.	150,000,000	150,000,000
Total U.S dollar loans	<u>US\$ 179,473,684</u>	<u>US\$ 185,000,000</u>
Japanese yen		
<u>Third parties</u>		
ABN-AMRO Bank N.V., Jakarta	JP¥ 1,226,000,000	JP¥ 3,534,000,000
Calyon Deutschland, Germany	1,226,000,000	3,534,000,000
Marubeni Corporation, Tokyo	-	1,178,000,000
Japan Bank for International Cooperation, Tokyo	-	1,663,450,503
Total Japanese yen loans	<u>JP¥ 2,452,000,000</u>	<u>JP¥ 9,909,450,503</u>

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

	<u>2007</u>	<u>2006</u>
Japanese yen	1.38% - 1.56%	2.30% - 3.80%
U.S. dollar	6.22% - 6.56%	5.25% - 6.88%
Rupiah	9.10% - 12.36%	10.75% - 13.65%

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

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

The HC Finance B.V. loan has a term of 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 the 3 Months' LIBOR with the same interest payment schedule as that of the other HZMFA creditors. Starting July 1, 2006, the interest rate was reduced from 3 Months' LIBOR + 1.80% per annum to 3 Months' LIBOR + 1.15% per annum.

To reduce the exposure to exchange rate fluctuations relating to the above-mentioned refinancing transaction with HC Finance B.V., the Company entered into a Cross Currency Interest Rate Swap (CCIRS) transaction with a notional amount of US\$150 million with Standard Chartered Bank, Jakarta Branch. The CCIRS contract has the same period as the HC Finance B.V. loan (Note 25).

Total interest payments made by the Company amounted to Rp79,306,841,152 (consisting of US\$6,442,745, JP¥28,764,700 and Rp18,738,340,403) for the six months ended June 30, 2007 and Rp95,364,633,316 (consisting of US\$7,697,473, JP¥241,578,703 and Rp3,184,912,596) for the six months ended June 30, 2006, while the unpaid interest charges amounting to Rp38,464,860,697 and Rp59,296,362,878 as of June 30, 2007 and 2006, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheet.

For the six months ended June 30, 2006, total prepayments of the principal loan installments amounted to US\$4,334,814 (equivalent to Rp42,383,356,775).

On March 29, 2006, the Company obtained the approval of independent shareholders to obtain a corporate guarantee from HeidelbergCement AG (HC), a related party (which is considered a conflict of interest), in connection with the Company's plan to refinance its debt. The corporate guarantee is issued to:

- Standard Chartered Bank as Coordinating Lead Arranger of the syndicated loan with a total amount equivalent to US\$158 million (consisting of US\$60 million, Rp350 billion and JP¥7,068 million)
- Marubeni Corporation for the bilateral loan of JP¥1,178 million.

On April 7, 2006, the Company (as the Borrower) together with HeidelbergCement AG (as the Guarantor), signed the syndicated loan facility ("the Facility") agreement 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 with a total amount equivalent to US\$158 million. The Company also paid Standard Chartered Bank front-end and agency fee of Rp5,836,364,240 (consisting of US\$250,000, JP¥28,272,000 and Rp1,400,000,000). 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.

The above Facility agreement (the "agreement") covers certain matters, among others,

- (i) cross default between the Company and the Guarantor should the Company or the Guarantor not be able to pay any of its financial indebtedness with an outstanding amount in excess of US\$25,000,000 on the due date

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

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

- (ii) negative pledge whereby the Company shall not, among others:
- a. pledge, sell, transfer, dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Company
 - b. sell, transfer, or otherwise dispose of any of its receivables or recourse them
 - c. items (a) and (b) do not apply for transactions in the ordinary course of business.

The agreement also states that HC, as a Guarantor, should maintain:

- (i) The Group's Net Debt/Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) ratio at levels not higher than:
 - a. 3.25:1 for the period ending June 30, 2006, 2007, 2008, 2009, 2010
 - b. 3.00:1 for the period ending December 31, 2006, 2007, 2008, 2009, 2010
- (ii) Consolidated Net Worth of the Guarantor Group at a level not lower than EUR3,500,000,000 at any time.

On April 11, 2006, the Company (as the Borrower) signed a bilateral loan facility agreement with Marubeni Corporation (as Lender) to partially refinance the Marubeni Contractor Facility in the amount of JP¥1,178 million that was set to mature on December 29, 2012 and the JBIC P11 Guarantee Facility in the amount of JP¥2.4 billion, which was guaranteed by Marubeni Corporation. The loan from Marubeni Contractor Facility was fully paid in October 2006 and the JBIC P11 Guarantee Facility was fully paid in December 2006.

The bilateral loan bears annual interest at Long-Term Prime Rate (LTPR) plus 0.9%. The guarantee fees paid to Marubeni Corporation arising from the previous loans were reduced from 1% to 0.7% per annum in 2006.

The Facility and the Marubeni Contractor Facility mentioned above are secured by the Corporate Guarantee of HC. The Company pays a guarantee fee of 0.2% per annum of the available loan facility balance as compensation to HC.

On April 20, 2006, the Company terminated the HZMFA loan and repaid the outstanding principal balance of Rp1,801,595,022,984 (consisting of US\$98,723,524, JP¥11,078,193,765 and Rp52,895,195,219) by using the drawdown of the Facility as stated above and the Company's cash through the escrow accounts. In May 2006, following the full repayment of the outstanding balance of the HZMFA loan and the termination of the HZMFA, the Company closed all the escrow accounts and the remaining cash balances in those accounts totaling Rp339,511,121 were transferred to "Cash and Cash Equivalents".

13. OBLIGATIONS UNDER CAPITAL LEASE

The future minimum lease payments required under the lease agreements as of June 30, 2007 and 2006 are as follows:

<u>Years</u>	<u>2007</u>	<u>2006</u>
2006	-	992,891,853
2007	1,867,455,534	125,792,516
2008	3,412,955,776	-
2009	3,208,944,509	-
Total	8,489,355,819	1,118,684,369

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

13. OBLIGATIONS UNDER CAPITAL LEASE (continued)

	2007	2006
Add residual value	50,000,000	-
Less amounts applicable to interest	1,150,041,590	42,923,158
Present value of minimum lease payments	7,389,314,229	1,075,761,211
Current maturities	2,913,721,228	1,035,844,548
Long-term maturities	4,475,593,001	39,916,663

a. The Company

In November 2006, the Company entered into finance lease transactions with PT ABN-AMRO Finance Indonesia (AAFI) for certain transportation equipment with a total amount of Rp15,180,159,620.

In December 2006, the Company entered into a sale and leaseback transaction with the same party for the sale and leaseback of transportation equipment with the total leaseback value of Rp3,650,660,000.

The lease periods for the above transactions are for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of Rp10 million for each equipment at the end of the lease period.

Based on the lease agreement, the Company will not sell, assign or transfer any right or obligation under the lease agreement, or any lease created or contemplated therein or any right to the leased assets without AAFI's prior written consent.

The above obligations under capital lease are secured by the related leased assets.

b. PBI

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

The obligations under capital lease of PBI are secured by PBI's time deposits amounting to Rp479,000,000 in 2007 and Rp5,736,067,280 in 2006 which are placed in PT Bank NISP (presented as part of "Restricted Cash and Time Deposits"), and the related leased assets. Based on the lease agreements, PBI is not permitted to sell or transfer its leased assets to other parties.

14. CAPITAL STOCK

The details of share ownership as of June 30, 2007 and 2006 are as follows:

Shareholders	2007		
	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
HeidelbergCement AG, 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	803,515,602	21.83	401,757,801,000
Total	3,681,231,699	100.00 %	1,840,615,849,500

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

14. CAPITAL STOCK (continued)

Shareholders	2006		
	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	803,515,602	21.83	401,757,801,000
Total	3,681,231,699	100.00 %	1,840,615,849,500

On September 1, 2006, HeidelbergCement South -East Asia GmbH merged with HeidelbergCement AG with the latter as the surviving company. As a result of the merger, HeidelbergCement AG became the direct shareholder of the Company.

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

15. 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.

16. 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.

17. CASH DIVIDENDS

At the Company's Annual General Shareholders' Meeting on May 3, 2007, the shareholders approved the declaration of cash dividends from 2006 net income totaling Rp110,436,950,970 or Rp30 per share. The cash dividends will be paid on July 16, 2007, while the unpaid cash dividends as of June 30, 2007 are presented as part of "Dividend Payable" in the 2007 consolidated balance sheet

Based on the minutes of the shareholders' annual general meeting held on June 28, 2006, the shareholders agreed to distribute cash dividends amounting to Rp184,061,584,950 to be taken from the Company's retained earnings as of December 31, 2005. The cash dividends were paid in August 2006. The unpaid cash dividends as of June 30, 2006 are presented as part of "Dividend Payable" in the 2006 consolidated balance sheet.

18. 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 appropriation of the Company's retained earnings as general reserve during their annual general meetings held on May, 3, 2007, 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION

BUSINESS SEGMENTS

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and other business.

The main activities of each operating business are as follows:

Cement : Produce and sell several types of cement
 Ready mix concrete : Produce and sell ready mix concrete
 Other business : Invest in associated company

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

<u>2007</u>	<u>Cement</u>	<u>Ready Mix Concrete</u>	<u>Other Business</u>	<u>Elimination</u>	<u>Consolidation</u>
REVENUES					
Sales to external customers	3,023,570,193,690	133,583,218,952	-	-	3,157,153,412,642
Inter-segment sales	59,716,600,007	-	-	(59,716,600,007)	-
Total Revenues	3,083,286,793,697	133,583,218,952	-	(59,716,600,007)	3,157,153,412,642
RESULTS					
Segment results	517,230,395,338	(3,467,237,349)	-	-	513,763,157,989
Equity in net earnings of associated companies	-	-	4,773,282,113	-	4,773,282,113
Corporate income tax expense					(158,391,241,471)
NET INCOME					360,145,198,631
ASSETS AND LIABILITIES					
Segment assets	10,079,074,853,529	147,469,789,635	2,795,707,064	(514,223,381,717)	9,715,116,968,511
Long term investments and advances to associated companies - net	-	-	54,075,051,094	-	54,075,051,094
Net deferred tax assets and prepayments of income taxes	8,496,307,360	6,958,790,005	-	-	15,455,097,365
Total Assets	10,087,571,160,889	154,428,579,640	56,870,758,158	(514,223,381,717)	9,784,647,116,970
Segment liabilities	3,310,638,063,415	74,692,913,815	-	(514,786,960,412)	2,870,544,016,818
Net deferred tax liabilities	619,414,843,334	-	-	-	619,414,843,334
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	3,930,052,906,749	74,692,913,815	-	(514,786,960,412)	3,489,958,860,152
Depreciation, amortization and depletion expenses	260,024,478,475	3,562,868,305	-	-	263,587,346,780
Capital expenditures	189,442,247,784	1,718,333,606	-	-	191,160,581,390
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for post-retirement benefits	18,235,263,000	677,903,500	-	-	18,913,166,500
Provision for healthcare benefits	1,535,875,500	-	-	-	1,535,875,500
Provisions for doubtful accounts and inventory losses	-	279,880,000	-	-	279,880,000

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

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	4,242,305,594,009	83,230,943,370	-	(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)	4,834,080,624,087	83,230,943,370	-	(453,534,603,427)	4,463,776,964,030
Depreciation, amortization and depletion expenses	249,939,046,731	3,425,113,240	-	-	253,364,159,971
Capital expenditure	121,698,361,575	428,299,818	-	-	122,126,661,393
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
Provision for post-retirement healthcare benefits	1,697,310,000	-	-	-	1,697,310,000
Provisions for doubtful accounts	-	240,000,000	-	-	240,000,000

GEOGRAPHICAL SEGMENTS

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

	2007	2006
REVENUES (based on sales area)		
Domestic		
Java	3,881,900,009,649	3,865,496,609,887
Outside Java	1,065,580,516,399	862,944,644,424
Export	433,246,961,547	449,325,085,879
Total	5,380,727,487,595	5,177,766,340,190
Elimination	(2,223,574,074,953)	(2,114,380,555,491)
Net	3,157,153,412,642	3,063,385,784,699

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS (continued)

	<u>2007</u>	<u>2006</u>
ASSETS (based on location of assets)		
Domestic	9,715,116,968,511	10,175,133,789,389
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	191,160,581,390	122,126,661,393

Export sales were executed through HCT, a related company which is domiciled in Singapore (Note 24i).

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 2007 and 2006 (Note 24j).

20. COST OF REVENUES

The details of cost of revenues are as follows:

	<u>2007</u>	<u>2006</u>
Raw materials used	340,293,793,526	315,175,659,736
Direct labor	165,160,858,924	144,993,921,297
Fuel and power	904,952,529,295	956,976,284,839
Manufacturing overhead	492,870,035,646	432,268,411,468
Total Manufacturing Cost	1,903,277,217,391	1,849,414,277,340
Work in Process Inventory		
At beginning of period	113,362,558,381	108,997,225,500
At end of period	(113,401,572,027)	(141,616,851,703)
Cost of Goods Manufactured	1,903,238,203,745	1,816,794,651,137
Finished Goods Inventory		
At beginning of period	66,209,610,931	68,680,550,631
Others	2,923,509,155	(315,867,055)
At end of period	(82,552,065,732)	(75,756,662,946)
Cost of Goods Sold before Packing Cost	1,889,819,258,099	1,809,402,671,767
Packing Cost	165,295,802,650	143,499,230,868
Total Cost of Revenues	2,055,115,060,749	1,952,901,902,635

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounting to Rp66,997,817,705 and Rp71,770,700,827 as of June 30, 2007 and 2006, respectively, 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

21. OPERATING EXPENSES

The details of operating expenses are as follows:

	2007	2006
<u>Delivery and Selling Expenses</u>		
Delivery, loading and transportation	371,286,516,937	336,450,863,098
Salaries, wages and employees' benefits (Note 22)	19,159,756,474	16,057,225,741
Advertising and promotion	12,147,576,006	16,596,761,213
Rental	4,603,486,948	4,778,544,724
Professional fees	3,378,578,773	2,846,946,390
Depreciation	2,850,799,852	2,814,194,434
Research and testing	2,508,089,958	2,271,443,041
Taxes and licenses	2,465,198,709	2,748,253,670
Repairs and maintenance	1,560,719,716	1,333,721,868
Electricity and water	1,088,969,574	1,192,608,153
Miscellaneous (each below Rp1 billion)	3,460,759,587	3,478,887,631
Total Delivery and Selling Expenses	424,510,452,534	390,569,449,963
<u>General and Administrative Expenses</u>		
Salaries, wages and employees' benefits (Note 22)	54,410,991,889	51,304,671,220
Rental	9,013,957,703	10,002,012,742
Depreciation	5,284,122,611	3,528,614,176
Donations	4,731,331,227	1,602,668,355
Repairs and maintenance	4,158,573,557	1,893,547,506
Training and seminars	3,650,219,454	3,367,428,358
Medical	2,671,671,888	3,091,190,140
Travelling and transportation	2,483,890,857	2,258,916,030
Professional fees	2,039,075,365	5,427,338,126
Public relations	1,899,889,300	1,000,642,133
Communication	1,521,954,829	1,857,806,384
Miscellaneous (each below Rp1 billion)	5,334,379,249	5,741,031,610
Total General and Administrative Expenses	97,200,057,929	91,075,866,780
Total Operating Expenses	521,710,510,463	481,645,316,743

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

a. Retirement Benefits

The Company has a defined contribution retirement plan covering its full-time employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings. Total contributions paid by the Company to the plan amounted to Rp12.5 billion and Rp12 billion for the six months ended June 30, 2007 and 2006, respectively, which were charged to operations.

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, 2007 and 2006, the Plan assets totaled Rp507 billion and Rp427 billion, respectively.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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 2007 and 2006	11% in 2007 and 2006
Wage and salary increase	9% in 2007 and 2006	9% in 2007 and 2006
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, 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

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

	2007	2006
Current service costs	5,132,377,500	3,574,615,072
Interest costs	9,150,859,500	8,263,829,500
Actuarial loss recognized	657,684,000	50,891,500
Amortization of past service costs	3,972,245,500	3,972,245,500
Total employee benefits expense	18,913,166,500	15,861,581,572

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

	2007	2006
Present value of defined benefit obligation	172,032,425,390	153,684,204,965
Unamortized balance of non-vested past service costs	(82,791,626,500)	(90,798,391,500)
Actuarial loss	(31,698,261,082)	(13,686,911,688)
Liability recognized in the consolidated balance sheets	57,542,537,808	49,198,901,777

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of period	54,187,223,918	47,867,513,812
Provision during the period	18,913,166,500	15,861,581,572
Payments during the period	<u>(15,557,852,610)</u>	<u>(14,530,193,607)</u>
Balance at end of period (recorded as "Non-current Liabilities - Estimated Liability for Employee Benefits" account in the consolidated balance sheets)	<u>57,542,537,808</u>	<u>49,198,901,777</u>

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 11 - 15 years in 2007 and from 12.19 - 16.02 years in 2006.

b. Post-retirement Healthcare Benefits

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. The Company has appointed PT Watson Wyatt Purbajaga, an independent actuary, to calculate the expected obligations for the post-retirement healthcare benefits.

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

Discount rate	11% in 2007 and 2006
Claim cost trend	8% in 2007 and 9% in 2006
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 post-retirement healthcare benefits recognized in the consolidated statements of income consisted of the following:

	<u>2007</u>	<u>2006</u>
Current service cost	397,332,000	453,563,500
Interest cost	808,744,000	854,753,000
Actuarial loss recognized	(59,194,000)	-
Vested past service cost and amortization of non-vested past service costs	<u>388,993,500</u>	<u>388,993,500</u>
Total post-retirement healthcare benefits	<u>1,535,875,500</u>	<u>1,697,310,000</u>

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

b. Post-retirement Healthcare Benefits (continued)

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

	<u>2007</u>	<u>2006</u>
Present value of defined benefit obligation	15,968,712,682	16,877,595,664
Unamortized balance of non-vested past service costs	(10,144,947,500)	(10,922,934,500)
Actuarial gain	3,075,023,000	4,176,000
Liability recognized in the consolidated balance sheets	<u>8,898,788,182</u>	<u>5,958,837,164</u>

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of period	7,557,608,000	4,409,314,000
Provision during the period	1,535,875,500	1,697,310,000
Payments during the period	(194,695,318)	(147,786,836)
Balance at end of period (recorded as "Non-current Liabilities - Estimated Liability for Post-retirement Healthcare Benefits" account in the consolidated balance sheets)	<u>8,898,788,182</u>	<u>5,958,837,164</u>

Non-vested past service costs are amortized over the remaining number of years of service of active employees, which is 13.84 years in 2007 and 14.61 years in 2006.

23. 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:

	<u>Amount</u>		<u>Percentage to Total Assets/Liabilities and Related Income/Expenses</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Trade Receivables - Related Party</u>				
HCT Services Asia Pte., Ltd., Singapore	60,663,379,289	78,724,521,855	0.62%	0.77%
<u>Due from Related Parties</u>				
Officers and employees	43,162,585,389	52,521,443,062	0.44%	0.51%
Others	1,565,690,961	1,664,956,676	0.02	0.02
Total	<u>44,728,276,350</u>	<u>54,186,399,738</u>	<u>0.46%</u>	<u>0.53%</u>
<u>Trade Payables - Related Party</u>				
HCT Services Asia Pte., Ltd., Singapore	-	245,387,341	-	0.01%

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2007	2006	2007	2006
<u>Due to Related Party</u>				
PT Pama Indo Mining	2,101,806,220	4,882,969,476	0.06 %	0.11%
<u>Long-term Investments in Associated Company</u>				
Stillwater Shipping Corporation	23,003,076,789	18,316,480,200	0.23 %	0.18%
PT Cibinong Center Industrial Estate	21,775,032,035	19,600,352,315	0.22	0.19
PT Pama Indo Mining	9,258,792,270	8,045,427,328	0.09	0.08
Total	54,036,901,094	45,962,259,843	0.54 %	0.45%
<u>Long-term Loans</u>				
HC Finance B.V., Netherlands	1,358,100,000,000	1,395,000,000,000	38.84 %	31.20%
<u>Net Revenues</u>				
HCT Services Asia Pte., Ltd., Singapore	433,246,961,547	449,325,085,879	13.72 %	14.67%
<u>Cost of Revenues</u>				
PT Pama Indo Mining	20,153,178,156	19,152,211,046	0.98 %	0.98%
HeidelbergCement Technology Center GmbH	5,677,138,758	-	0.28	-
HCT Services Asia Pte., Ltd., Singapore	5,084,244,600	7,992,161,100	0.25	0.41
Total	30,914,561,514	27,144,372,146	1.51 %	1.39%
<u>Operating Expenses</u>				
PT Bahana Indonor	6,395,822,574	-	1.22 %	-%
HC Fuels Limited	251,916,687	-	0.05	-
Stillwater Shipping Corporation (Note 24e)	9,090,000	13,398,360,000	0.01	2.78
HeidelbergCement Technology Center GmbH	-	734,140,859	-	0.15
Total	6,656,829,261	14,132,500,859	1.28 %	2.93%
<u>Other Income (Expenses)</u>				
PT Cibinong Center Industrial Estate	2,885,873,603	1,252,579,186	4.33 %	0.94%
HC Finance B.V., Netherlands	(44,438,588,686)	(45,594,586,668)	(66.76)	(34.22)
HeidelbergCement AG	(943,451,694)	(760,752,361)	(1.42)	(0.57)
Net	(42,496,166,777)	(45,102,759,843)	(63.85%)	(33.85%)

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

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.	HeidelbergCement AG	Shareholder	Guarantee fee
2.	HCT Services Asia Pte., Ltd., Singapore	Under Common Control	Sale of finished goods and purchase of raw materials
3.	HC Finance B.V., Netherlands	Under Common Control	Long-term loan
4.	HeidelbergCement Technology Center GmbH	Under Common Control	Professional fee
5.	HC Fuels Limited	Under Common Control	Professional fee
6.	PT Cibinong Center Industrial Estate	Associated Company	Sale of water and electricity
7.	Stillwater Shipping Corporation	Associated Company	Transportation
8.	PT Pama Indo Mining	Associated Company	Mining service
8.	PT Bahana Indonor	Associated Company	Transportation
10.	Officers and employees	Employees	Loan

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

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.

In the EGMS held on March 29, 2006, the independent shareholders 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's former majority shareholder, namely Scancem Energy and Recovery AB (SEAR), a company having its business in consultancy services and management, particularly on alternative energy technology, as the new party for 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.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

- a. The Company and PT Indomix Perkasa (a Subsidiary) have entered into a conditional sale and purchase of shares agreement with Justinus Heru Tanaka and Ari Tejo Wibowo, for the latter two persons to sell their 250 shares representing 100% ownership of PT Sahabat Muliasakti (SMS) for a total purchase price of Rp1,800,000,000. The agreement was signed on July 24, 2006, but its effectivity is conditional upon the fulfillment of the conditions stated in the agreement, which include, among others, obtaining the mining license for SMS.

As of June 30, 2007, certain conditions stated above have not yet been fulfilled. Therefore, the Company recorded the amount paid for the conditional purchase of the shares as part of "Advances and Deposits" in the 2007 consolidated balance sheet.

- b. On July 12, 2006, the Company entered into a spare parts purchase contract with S.E.M.T. Pielstick for the conversion of two (2) power plant engines in the Company's Citeureup plant from Heavy Fuel Oil (HFO) operation to gas operation. The total value of this contract amounted to EUR3,286,642. In relation to this contract, on the same date, the Company entered into a technical assistance contract with Centrales Diesel Export, a wholly-owned subsidiary of S.E.M.T. Pielstick with contract amount of EUR144,000. As of June 30, 2007, the engines are still in the commissioning stage.
- c. 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 consumed natural gas 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

For the six months ended June 30, 2007 and 2006, total purchases of natural gas from RGM amounted to US\$502,763 (equivalent to Rp4,553,106,420) and US\$451,916 (equivalent to Rp4,144,125,542), while total transportation fee incurred amounted to US\$139,062 (equivalent to Rp1,259,369,819) and US\$124,998 (equivalent to Rp1,146,247,450), respectively.

- d. 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\$13,113,070 and US\$13,806,537 for the six months ended June 30, 2007 and 2006, respectively.
- e. The Company has signed vessel charter agreements with Stillwater Shipping Corporation, Liberia, an associated company, for the charter of "M/V Tiga Roda" and "M/V Quantum One" vessels. On June 2, 2006 and September 5, 2006, the charter agreements for the "M/V Tiga Roda" and "M/V Quantum One" vessels were assigned by Stillwater Shipping Corporation to PT Bahana Indonor, an Indonesian company acquired by Stillwater Shipping Corporation in 2006. The charter agreement for the "M/V Tiga Roda" vessel is valid until May 2010, while the charter agreement for the "M/V Quantum One" vessel is valid until September 2010.
- f. 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.
- g. In relation with the kiln modification project in Plant 8, the Company entered into supply contracts and service contracts with several suppliers, among others:
 - (i) PT Wijaya Karya, for manufacturing and erection of mechanical equipment with a contract amount of Rp80.6 billion
 - (ii) IKN GmbH, for equipment supply for Clinker Cooler Upgrade with amount of EUR 1,072,500, and service contract for supervision of erection and commissioning at the rate as stipulated in the contract
 - (iii) FLSmidth A/S, for equipment supply for Preheater and Calciner Upgrade with amount of EUR2,154,200.

As of June 30, 2007, the kiln modification project is still in the final commissioning stage.

- h. 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 undertake 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 (Blended Cement Project)
- Use of alternative fuels in clinker burning (Alternative Fuel Project).

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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 as stipulated in the Agreement.

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 conditions precedent are fulfilled:

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

As of June 30, 2007, the two components of the Project (Blended Cement Project and Alternative Fuel Project) have been registered with the UNFCCC on October 27, 2006 and September 29, 2006, respectively. Verification of Certified Emission Reduction (CER's) for the year 2007 and 2006 is still ongoing with designated operational entity TUEV SUED, Germany.

- i. The Company has 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 Rp30,973,894,917 and Rp27,578,073,789 as of June 30, 2007 and 2006, respectively, are shown as part of "Other Payables to Third Parties" in the consolidated balance sheets.
- j. 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, 2007 and 2006 are as follows:

	2007	2006
PT Bangunsukses Niagatama Nusantara	289,211,885,691	251,162,132,311
PT Royal Inti Mandiri Abadi	201,638,517,075	178,525,144,250
PT Intimegah Mitra Sejahtera	186,084,738,534	190,356,781,718
PT Primasindo Cipta Sarana	175,071,115,244	134,252,522,878
PT Samudera Tunggal Utama	167,413,914,274	176,724,890,238
PT Saka Agung Abadi	151,851,927,496	130,522,368,841
PT Kharisma Mulia Abadijaya	144,848,943,200	151,361,795,572

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

	<u>2007</u>	<u>2006</u>
PT Citrabaru Mitra Perkasa	136,985,437,600	117,697,216,872
PT Adikarya Maju Bersama	136,401,797,981	140,697,096,760
PT Angkasa Indah Mitra	132,139,958,000	127,195,062,372
PT Nusa Makmur Perdana	128,358,946,200	138,640,549,839
PT Kirana Semesta Niaga	116,836,847,100	106,695,921,438
PT Sumber Abadi Sukses	111,676,567,200	133,637,339,932
PT Cipta Pratama Karyamandiri	104,553,711,154	100,266,357,671
Total	<u>2,183,074,306,749</u>	<u>2,077,735,180,692</u>

The total outstanding receivables from these sub-distributors amounting to Rp431,689,159,809 and Rp376,670,865,500 as of June 30, 2007 and 2006, respectively, are recorded as part of "Trade Receivables - Third Parties" in the consolidated balance sheets.

- k. 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. The agreements expired on November 16, 2009. Rental expenses charged to current operations amounted to Rp5,202,901,040 and Rp5,102,162,400 for the six months ended June 30, 2007 and 2006, respectively.
- l. 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 (Note 19):
- HCT Services Asia Pte., Ltd. (HCT) will act as the Company's exclusive export distributor.
 - The Company shall invoice HCT 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, 2007 and 2006 amounted to approximately US\$2.14 million and US\$2.28 million, respectively.

- m. 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. As of June 30, 2007, total cumulative payments starting from January 1, 2005 for the gas transportation fee amounted to US\$3,322,027.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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\$691,048 and US\$746,809 for the six months ended June 30, 2007 and 2006, respectively.

- n. 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. This agreement will expire in 2014. Total purchases of natural gas from PERTAMINA for the six months ended June 30, 2007 and 2006 amounted to Rp46,858,559,251 and Rp49,270,488,368, respectively.
- o. 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 Rp172.9 billion and Rp174.3 billion for the six months ended June 30, 2007 and 2006, respectively.

- p. 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.
- q. 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 Rp17,513,616,688 and Rp12,051,941,065 as of June 30, 2007 and 2006, respectively, which is presented as part of "Non-current Liabilities - Provision for Recultivation" in the consolidated balance sheets.
- r. The Company has an outstanding cooperation agreement with PT Drymix Indonesia in producing skim coat mortar, which has the first commercial production starting July 9, 2007.

25. 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, 2007, the Company has outstanding derivative instruments as follows:

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

25. DERIVATIVE INSTRUMENTS (continued)

a. Cross Currency Interest Rate Swap

As of June 30, 2007, the Company has a Cross Currency Interest Rate Swap (CCIRS) transaction with Standard Chartered Bank, Jakarta Branch (SCB) to hedge its US\$150 million debt to HC Finance B.V. Under the CCIRS, the Company will purchase U.S. dollars with a notional amount of US\$150 million from SCB on March 8, 2009 (maturity date) for a fixed exchange rate of Rp9,358 to US\$1. Also, SCB will pay the Company quarterly interest in U.S. dollars computed at the rate of 3 Months' LIBOR + 1.80% per annum in exchange for the Company paying quarterly interest to the SCB in rupiah computed 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. Based on an amendment to the CCIRS dated August 10, 2006, effective July 20, 2006, the quarterly interest to be paid by SCB to the Company will be at the rate of 3 Months' LIBOR + 1.15% per annum, while the interest to be paid by the Company to SCB will be at the rate of 3 Months' SBI + 1.33% per annum. As of June 30, 2007 and 2006, the Company recognized the net liabilities on the CCIRS contract at fair value of Rp65,588,479,776 and Rp46,687,776,300, respectively, which are presented as "Long-term Derivative Liabilities" consolidated balance sheet.

The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the gain arising from the changes in the fair value of the CCIRS amounting to Rp10,350,521,384 were recorded as part of "Foreign Exchange Gain - Net" presented in the six months ended June 30, 2007 consolidated statement of income.

b. Forward exchange contracts with Standard Chartered Bank, Jakarta Branch entered into on May 22, 2007, with notional amounts aggregating to US\$1.5 million which will mature on various dates in 2007 and 2008, at fixed exchange rates ranging from Rp8,800 to Rp8,835 for every US\$1.

The derivative instruments as mentioned in item b above can not be designated as hedge for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly to earnings. As of June 30, 2007, the Company recognized the net receivables on the above derivative instruments at fair value of Rp450,345,236, which is presented as "Derivative Assets - Net" in the 2007 consolidated balance sheet.

The gain arising from the derivative transactions amounting to Rp450,345,236 for the six months ended June 30, 2007 was recorded as part of "Foreign Exchange Gain - Net" presented in the 2007 consolidated statement of income.

26. 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 of 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.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

26. LITIGATION (continued)

Based on the decision of the District Court of Cibinong (the "Court") dated August 16, 2004, the Court rejected all of the above claims. The Plaintiffs submitted an appeal to the High Court of West Java. On March 22, 2005, the High Court of West Java confirmed the decision of the District Court of Cibinong to reject all of the above claims. On June 27, 2005, the Plaintiffs submitted an appeal to the Supreme Court, and as of June 30, 2007, the Supreme Court has not rendered its decision on the case.

27. ECONOMIC CONDITIONS

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

28. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of June 30, 2007, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	<u>Foreign Currency</u>	<u>Equivalent in Rupiah</u>
Assets		
Related Parties	US\$ 6,700,174	60,663,375,396
Third Parties	US\$ 1,815,600	16,438,442,400
	JP¥ 2,271,010	166,842,929
	EUR 189,160	2,300,868,468
Total		79,569,529,193
Liabilities		
Related Parties	US\$ 152,291,271	1,378,845,167,634
Third Parties	US\$ 32,088,179	290,526,372,666
	JP¥ 2,474,834,300	181,817,166,617
	EUR 2,235,766	27,194,985,675
Total		1,878,383,692,592
Net liabilities		1,798,814,163,399

29. SUBSEQUENT EVENTS

- a. On July 20, 2007, the Company paid the installments on its long-term loan from banks and financial institutions amounting to US\$1,842,105, JP¥372,000,000 and Rp18,421,052,632 and its obligations for interest and other financial charges covering the period April 20, 2007 to July 20, 2007 amounting to US\$3,215,665, JP¥16,547,305 and Rp6,928,771,929 (Note 12).
- b. On July 18, 2007, the Company re-borrowed from the revolving loan facility of US\$5,000,000 (Note 9). The loan bears interest at the annual rate of 6.22% and will be due on August 20, 2007. The proceeds of the loan are used for the payment of the installments on its long-term loan.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended June 30, 2007 and 2006
(Expressed in rupiah, unless otherwise stated)

29. SUBSEQUENT EVENTS (continued)

- c. On July 25, 2007, the Company enters effectively as a shareholders of PT Gunung Tua Mandiri (GTM) through the issuance of 3,060 new shares of GTM, with a par value of Rp1,000,000 per share, which is equivalent to 51% ownership. GTM is a company which has obtained the local mining rights or "Surat Izin Penambangan Daerah" (SIPD) for exploitation of C classification mining, with andesite type, located at Blok Gunung Tua, Desa Batujajar, Kecamatan Cigudeg, Kabupaten Bogor with covering a total mining area of approximately 30 hectares. The annual production capacity of GTM is 1.5 million tons of andesite and the reserves of approximately 30 million tons of andesite.

30. RECLASSIFICATION OF ACCOUNT

"Other Current Liabilities" amounting to Rp13,889,339,515 have been reclassified to "Other Payables to Third Party" to conform with the presentation of accounts in the 2007 consolidated financial statements.