Consolidated Financial Statements
Nine months ended September 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
NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

Table of Contents

****

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

	Notes	2007	2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	443,154,589,486	557,267,546,812
Time deposits	2c	6,630,946,422	-
Short-term investments	2d	4,594,200,000	4,750,200,000
Trade receivables	2e,4		
Related party	2f,22	90,157,225,980	34,453,249,623
Third parties - net of allowance for doubtful accounts of Rp11,295,820,287 in 2007 and Rp14,184,435,448 in 2006	23j	777,405,259,153	648,728,164,974
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	6,986,911,881	11,199,253,883
Derivative assets - net	2q,24	555,700,005	-
Inventories - net	2g,6	1,018,664,896,929	921,908,321,373
Advances and deposits	6,23a	92,208,904,218	90,836,301,351
Prepaid taxes	10	11,279,157,012	23,560,834,495
Prepaid expenses	2h	16,666,472,391	26,203,769,391
TOTAL CURRENT ASSETS		2,468,304,263,477	2,318,907,641,902
NON-CURRENT ASSETS			
Due from related parties	2f,22	40,925,539,315	51,218,987,050
Deferred tax assets - net	2r,10	7,915,003,829	6,163,882,272
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,7,22	56,859,114,011	51,508,236,089
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp4,705,429,225,651 in 2007 and Rp4,229,667,295,079 in 2006	2i,2j,2k, 2l,8	7,597,512,992,481	7,637,546,669,905
Restricted cash and time deposits	12	479,000,000	2,736,067,280
Other non-current assets	2h,2m,8	75,619,896,958	60,122,534,072
TOTAL NON-CURRENT ASSETS		7,779,311,546,594	7,809,296,376,668
TOTAL ASSETS		**10,247,615,810,071**	**10,128,204,018,570**

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

	Notes	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	9		
Third parties		135,881,357,434	121,509,577,274
Related party	2f,22	3,596,068,380	1,565,264,054
Other payables to third parties	8,16,23i	150,774,228,271	135,733,667,872
Accrued expenses	11,19	155,324,074,632	189,992,474,719
Taxes payable	2r,10	186,581,950,613	108,173,429,940
Derivative liabilities - net	2q	-	5,745,458,051
Current maturities of long-term debts			
Loans from banks and financial institutions	2f,11,22	259,085,547,260	388,844,061,199
Obligations under capital lease	2k,8,12	74,709,893,085	597,755,604
TOTAL CURRENT LIABILITIES		965,953,119,675	952,161,688,713
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Loans from banks and financial institutions	2f,11,22	1,805,302,555,170	2,446,653,744,477
Obligations under capital lease	2k,8,12	55,445,742,269	-
Long-term derivative liabilities	2q,24	54,669,110,579	46,318,973,650
Due to related party	2f,22	2,631,480,659	4,419,975,798
Deferred tax liabilities - net	2r,10	637,299,673,984	599,608,568,337
Estimated liability for employee benefits	2o,21	58,884,294,439	51,868,735,987
Estimated liability for post-retirement health-care benefits	2o,21	9,563,811,208	6,752,762,569
Provision for recultivation	23q	17,347,462,188	11,221,634,413
Deferred gain on sale-and-leaseback transactions - net	2k	6,315,355,158	7,458,622,813
TOTAL NON-CURRENT LIABILITIES		2,647,459,485,654	3,174,303,018,044
MINORITY INTERESTS	2b	2,940,000,000	-
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	13	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,14	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	15	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i	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	10,444,446,850	4,909,775,318
Retained earnings			
Appropriated	17	175,000,000,000	150,000,000,000
Unappropriated		1,677,030,833,539	1,078,041,612,142
TOTAL SHAREHOLDERS' EQUITY		6,631,263,204,742	6,001,739,311,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,247,615,810,071**	**10,128,204,018,570**

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

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

	Notes	2007	2006
NET REVENUES	2f,2n,18, 22,23j,23l	5,306,267,415,743	4,819,555,297,631
COST OF REVENUES	2f,2n,19,22, 23c,23d,23m, 23n,23o	3,326,824,546,675	3,072,163,758,745
GROSS PROFIT		**1,979,442,869,068**	**1,747,391,538,886**
OPERATING EXPENSES	2f,2n,20,21, 22,23i,23k		
Delivery and selling		695,693,257,756	654,927,986,473
General and administrative		161,888,163,295	133,968,548,174
Total Operating Expenses		**857,581,421,051**	**788,896,534,647**
INCOME FROM OPERATIONS		**1,121,861,448,017**	**958,495,004,239**
OTHER INCOME (EXPENSE)			
Interest income		8,453,598,169	24,429,082,801
Interest expense	11,12	(150,638,512,466)	(235,494,899,715)
Foreign exchange gain (loss) - net	2p,2q,24	(10,897,418,049)	32,232,193,212
Others - net	2d,2f,2i,2m, 2n,10,22	30,102,866,767	21,526,869,396
Other Expense - Net		**122,979,465,579**	**157,306,754,306**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**7,555,826,125**	**7,788,270,183**
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**1,006,437,808,563**	**808,976,520,116**
CORPORATE INCOME TAX EXPENSE	2r,10		
Current		277,959,714,000	147,422,174,300
Deferred		29,010,783,485	103,711,190,330
Total Corporate Income Tax Expense		**306,970,497,485**	**251,133,364,630**
NET INCOME		**699,467,311,078**	**557,843,155,486**
BASIC EARNINGS PER SHARE	2u	**190.01**	**151.54**

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

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

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 14 and 15)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Retained Earnings Appropriated	Retained Earnings Unappropriated	Net Shareholders' Equity
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		-	-	-	-	-	-	557,843,155,486	557,843,155,486
Appropriation of retained earnings for general reserve	17	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distributions of cash dividends	16	-	-	-	-	-	-	(184,061,584,950)	(184,061,584,950)
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	(971,787,518)	-	-	(971,787,518)
Changes in the equity of a Subsidiary arising from the decline in market values of its Investments in available-for-sale securities	2b,2d	-	-	-	-	(452,400,000)	-	-	(452,400,000)
Balance as of September 30, 2006		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**4,909,775,318**	**150,000,000,000**	**1,078,041,612,142**	**6,001,739,311,813**
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		-	-	-	-	-	-	699,467,311,078	699,467,311,078
Appropriation of retained earnings for general reserve	17	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distributions of cash dividends	16	-	-	-	-	-	-	(110,436,950,970)	(110,436,950,970)
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	282,537,252	-	-	282,537,252
Realized loss on sale of investments in available-for-sale securities	2b,2d	-	-	-	-	4,041,922,912	-	-	4,041,922,912
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	-	-	-	-	5,146,050,000	-	-	5,146,050,000
Balance as of September 30, 2007		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**10,444,446,850**	**175,000,000,000**	**1,677,030,833,539**	**6,631,263,204,742**

* Including Other Paid-in Capital

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

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		5,522,279,575,577	5,114,799,449,080
Payments to suppliers and contractors, and for salaries and other employees' benefits		(4,099,230,222,770)	(3,655,306,705,977)
Cash provided by operations		1,423,049,352,807	1,459,492,743,103
Proceeds from claims for tax refund	10	6,710,309,372	13,460,525,368
Receipts of interest income		6,314,631,710	19,666,811,839
Payments of taxes		(554,564,876,522)	(381,111,850,321)
Payment of interest expense and other financial charges		(168,027,450,755)	(142,210,010,983)
Net receipts from other operating activities		96,679,451,035	81,017,459,033
Net Cash Provided by Operating Activities		**810,161,417,647**	**1,050,315,678,039**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	8,12	181,582,832,044	586,295,001
Purchases of fixed assets		(205,191,732,211)	(147,807,825,903)
Proceeds from sale of marketable securities		-	138,377,257
Investments in shares of stock		-	(1,818,150,000)
Net Cash Used in Investing Activities		**(23,608,900,167)**	**(148,901,303,645)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		90,720,000,000	-
Payment of bank loans		(325,607,680,532)	(300,868,620,892)
Payment of dividends		(97,433,119,863)	(162,089,684,385)
Payment of obligations under capital lease	12	(53,448,509,237)	(1,588,791,412)
Net payment for derivative transactions		(4,075,890,000)	(39,595,919,970)
Proceeds from long-term borrowings		-	297,104,804,781
Net Cash Used in Financing Activities		**(389,845,199,632)**	**(207,038,211,878)**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(371,242,941)	(22,413,982,929)
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		**396,336,074,907**	**59,257,163,180**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3	43,386,264,747	498,010,383,632
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARY AT ACQUISITION DATE	2b	3,432,249,832	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	**443,154,589,486**	**557,267,546,812**

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

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

	Notes	2007	2006
Activities not affecting cash and cash equivalents:			
Payment of obligations under capital lease using time deposits	12	2,155,353,423	-
Payment of bank loans from restricted cash accounts	11	-	1,943,252,376,230
Proceeds from long-term borrowings through restricted cash accounts	11	-	1,141,479,940,019
Payment of interest using restricted cash accounts	11	-	93,012,389,053
Interest earned on restricted cash accounts	11	-	1,559,750,096

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

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 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.

(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 September 30, 2007 and 2006, the members of the Company's boards of commissioners and directors are as follows:

	2007	2006
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 Lavalle	Daniel Eugene Antoine Lavalle
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

(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 Rp19.7 billion and Rp16 billion for the nine months ended September 30, 2007 and 2006. As of September 30, 2007 and 2006, the Company and Subsidiaries have a total of 6,339 and 6,544 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 September 30, 2007	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	635,730,383,070	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	74,330,818,790	99.99
Indocement (Cayman Islands) Limited	Invest in associated Company	Cayman Islands	1991/1991	53,522,227,976	100.00
PT Gunung Tua Mandiri (GTM)	Mining	Indonesia	2006	48,970,046,947	51.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	101,000,349,565	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,688,158,664	99.99

(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.

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 will be 1.5 million tons of andesite and the reserves of approximately 30 million tons of andesite.

As of September 30, 2007, MBG and GTM have 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 September 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.

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 22.

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:

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

Land is stated at cost and is not depreciated.

Construction in progress is stated at cost. 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.

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").

(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 straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

(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 2l).

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

	2007	2006
Euro (EUR1)	12,938.00	11,731.70
U.S. dollar (US$1)	9,137.00	9,235.00
Japanese yen (JP¥100)	7,935.22	7,841.23

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.

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 18.

t. Stock Issuance Costs

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

u. 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.

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2007	2006
Cash on hand	981,958,097	947,951,397
Cash in banks		
PT Bank Central Asia Tbk.		
Rupiah	26,935,442,779	10,099,582,506
Euro (EUR793,756 in 2007 and EUR634,100 in 2006)	10,269,611,635	7,439,075,897
U.S. dollar (US$786,659 in 2007 and US$995,364 in 2006)	7,187,703,374	9,192,182,939
ABN-AMRO Bank N.V.		
Euro (EUR1,321,193 in 2007 and EUR56,457 in 2006)	17,093,589,212	662,334,710
U.S. dollar (US$1,638,286 in 2007 and US$237,044 in 2006)	14,969,023,568	2,189,104,018
Rupiah	1,868,516,803	4,888,599,314
Japanese yen (JP¥2,273,756 in 2007 and JP¥1,596,264,259 in 2006)	180,427,541	125,166,751,956
PT Bank Mandiri (Persero) Tbk.		
Rupiah	25,690,659,681	17,760,117,979
U.S. dollar (US$68,118 in 2007 and US$406,743 in 2006)	622,397,181	3,756,270,959
Euro (EUR12,093 in 2007 and EUR302,498 in 2006)	156,457,293	3,548,818,133
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	3,011,570,683	4,554,569,236
Others		
Rupiah	5,273,994,345	3,735,499,268
U.S. dollar (US$141,922 in 2007 and US$220,849 in 2006)	1,296,737,294	2,039,548,482
Rupiah time deposits		
ABN-AMRO Bank N.V.	225,000,000,000	242,000,000,000
PT Bank Central Asia Tbk.	61,500,000,000	53,000,000,000
Standard Chartered Bank., Jakarta Branch	-	23,229,640,018
PT Bank Mandiri (Persero) Tbk.	-	1,500,000,000
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US$4,500,000 in 2007 and US$4,500,000 in 2006)	41,116,500,000	41,557,500,000
Total	**443,154,589,486**	**557,267,546,812**

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

Interest rates per annum:

	2007	2006
Rupiah time deposits	6.25% - 8.85%	10.25% - 13.00%
U.S. dollar time deposits	5.00% - 5.15%	3.75% - 5.00%

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2007	2006
Related Party (Note 22)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$9,867,268 in 2007 and US$3,730,725 in 2006)	**90,157,225,980**	**34,453,249,623**
Third Parties		
Cement and ready mix concrete business	788,701,079,440	662,912,600,422
Allowance for doubtful accounts	(11,295,820,287)	(14,184,435,448)
Net	**777,405,259,153**	**648,728,164,974**

The movements of allowance for doubtful accounts are as follows:

	2007	2006
Balance at beginning of period	11,067,732,391	13,835,340,496
Provision during the period	360,000,000	360,000,000
Receivables written off during the period	(131,912,104)	(10,905,048)
Balance at end of period	**11,295,820,287**	**14,184,435,448**

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 September 30, 2007 and 2006 is as follows:

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

	2007		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	726,928,728,620	79,558,926,291	806,487,654,911
Overdue:			
1 - 30 days	28,937,992,584	10,598,299,689	39,536,292,273
31 - 60 days	3,698,052,903	-	3,698,052,903
61 - 90 days	4,398,699,996	-	4,398,699,996
Over 90 days	24,737,605,337	-	24,737,605,337
Total	**788,701,079,440**	**90,157,225,980**	**878,858,305,420**

	2006		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	569,330,942,016	31,088,752,761	600,419,694,777
Overdue:			
1 - 30 days	43,744,383,865	3,364,496,862	47,108,880,727
31 - 60 days	12,913,819,531	-	12,913,819,531
61 - 90 days	5,908,552,897	-	5,908,552,897
Over 90 days	31,014,902,113	-	31,014,902,113
Total	**662,912,600,422**	**34,453,249,623**	**697,365,850,045**

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
Claim for tax refund	-	5,391,795,600
Others	8,756,233,558	7,676,779,960
Total	14,258,892,239	18,571,234,241
Allowance for doubtful accounts	(7,271,980,358)	(7,371,980,358)
Net	**6,986,911,881**	**11,199,253,883**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	2007	2006
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	**7,271,980,358**	**7,371,980,358**

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:

	2007	2006
Finished goods	69,820,281,242	40,116,320,591
Work in process	86,968,218,414	108,838,382,098
Raw materials	244,608,116,184	201,035,443,003
Fuel and lubricants	137,585,380,935	156,494,785,184
Spare parts	526,463,149,886	451,964,353,942
Total	1,065,445,146,661	958,449,284,818
Allowance for losses	(46,780,249,732)	(36,540,963,445)
Net	**1,018,664,896,929**	**921,908,321,373**

With the exception of inventories owned by Indomix Perkasa and PBI amounting to Rp9.8 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:

	2007	2006
Balance at beginning of period	50,661,601,995	38,184,113,445
Reversals during the period	(3,881,352,263)	(1,643,150,000)
Balance at end of period	**46,780,249,732**	**36,540,963,445**

(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 September 30, 2007 and 2006 amounting to Rp22,091,925,072 and Rp34,585,996,483, 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
Investments in Shares of Stock				
a. Equity Method				
Stillwater Shipping Corporation	50.00	105,500,000	24,999,179,576	25,104,679,576
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(8,750,298,226)	21,273,701,774
PT Pama Indo Mining	40.00	1,200,000,000	9,242,582,661	10,442,582,661
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. Cost Method				
Various investees	various	38,150,000	-	38,150,000
Sub-total		31,832,437,500	25,026,676,511	56,859,114,011
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**56,859,114,011**

	2006			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. Equity Method				
Stillwater Shipping Corporation	50.00	105,500,000	20,439,253,570	20,544,753,570
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(9,779,722,474)	20,244,277,526
PT Pama Indo Mining	40.00	1,200,000,000	7,681,054,993	8,881,054,993
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. Cost Method				
Various investees	various	1,838,150,000	-	1,838,150,000
Sub-total		33,632,437,500	17,875,798,589	51,508,236,089
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**51,508,236,089**

(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 nine months ended September 30, 2007 and 2006 are as follows:

	2007	2006
Stillwater Shipping Corporation	3,606,493,474	4,776,876,808
PT Pama Indo Mining	2,491,068,732	1,635,680,150
PT Cibinong Center Industrial Estate	1,458,263,919	1,375,713,225
Total	**7,555,826,125**	**7,788,270,183**

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 September 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 September 30, 2007
2007 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	225,592,282,841	3,041,638,413	-	228,633,921,254
Leasehold improvements	3,104,184,761	6,861,000	-	3,111,045,761
Quarry	75,196,165,196	-	-	75,196,165,196
Buildings and structures	2,884,173,419,302	19,174,482,421	-	2,903,347,901,723
Machinery and equipment	7,724,448,530,774	121,160,548,301	5,211,359,696	7,840,397,719,379
Transportation equipment	449,912,014,588	7,358,528,730	29,211,602,115	428,058,941,203
Furniture, fixtures and office equipment	237,761,538,141	19,219,320,789	1,798,659,360	255,182,199,570
Tools and other equipment	90,212,774,791	11,327,470,904	157,469,352	101,382,776,343
Sub-total	11,690,400,910,394	181,288,850,558	36,379,090,523	11,835,310,670,429

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2006	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of September 30, 2007
Assets under Capital Lease				
Machinery and equipment	-	154,293,285,000	-	154,293,285,000
Transportation equipment	19,244,164,620	20,728,947,916	-	39,973,112,536
Sub-total	19,244,164,620	175,022,232,916	-	194,266,397,536
Construction in progress	298,412,768,646	115,122,692,620	140,170,311,099	273,365,150,167
Total Carrying Value	12,008,057,843,660	471,433,776,094	176,549,401,622	12,302,942,218,132
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	25,367,203,600	1,324,483,103	-	26,691,686,703
Leasehold improvements	2,848,932,256	119,392,859	-	2,968,325,115
Quarry	19,310,196,578	1,470,761,189	-	20,780,957,767
Buildings and structures	816,931,175,051	71,540,302,700	-	888,471,477,751
Machinery and equipment	2,898,009,407,456	276,887,729,224	4,291,841,946	3,170,605,294,734
Transportation equipment	327,384,712,111	30,260,499,038	26,692,067,640	330,953,143,509
Furniture, fixtures and office equipment	185,179,642,028	16,075,401,052	1,790,375,670	199,464,667,410
Tools and other equipment	53,626,159,974	8,167,382,681	148,097,352	61,645,445,303
Sub-total	4,328,657,429,054	405,845,951,846	32,922,382,608	4,701,580,998,292
Assets under Capital Lease				
Transportation equipment	331,349,327	3,516,878,032	-	3,848,227,359
Total Accumulated Depreciation, Amortization and Depletion	4,328,988,778,381	409,362,829,878	32,922,382,608	4,705,429,225,651
Net Book Value	**7,679,069,065,279**			**7,597,512,992,481**

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of September 30, 2006
2006 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	224,518,277,686	1,074,005,155	-	225,592,282,841
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	2,247,753,391	-	2,881,835,385,602
Machinery and equipment	7,598,973,011,201	110,348,349,620	499,605,704	7,708,821,755,117
Transportation equipment	445,546,068,642	13,879,765,194	6,240,017,006	453,185,816,830
Furniture, fixtures and office equipment	218,579,593,300	14,713,354,704	844,424,670	232,448,523,334
Tools and other equipment	64,138,529,143	5,517,656,828	100,626,154	69,555,559,817
Sub-total	11,509,643,462,140	147,780,884,892	7,684,673,534	11,649,739,673,498
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	197,074,523,806	130,612,971,483	209,990,868,446
Total Carrying Value	11,660,666,201,303	344,855,408,698	138,297,645,017	11,867,223,964,984

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of September 30, 2006
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	23,572,533,808	1,399,343,413	-	24,971,877,221
Leasehold improvements	2,590,369,120	198,558,082	-	2,788,927,202
Quarry	17,357,081,668	1,462,861,181	-	18,819,942,849
Buildings and structures	721,819,652,671	71,365,876,388	-	793,185,529,059
Machinery and equipment	2,569,424,305,191	259,999,893,202	381,226,845	2,829,042,971,548
Transportation equipment	301,433,082,278	30,813,690,811	5,728,331,559	326,518,441,530
Furniture, fixtures and office equipment	163,487,186,953	17,136,789,164	830,405,130	179,793,570,987
Tools and other equipment	47,214,846,898	4,893,307,602	82,983,987	52,025,170,513
Sub-total	3,846,899,058,587	387,270,319,843	7,022,947,521	4,227,146,430,909
Assets under capital lease				
Machinery and equipment	91,629,560	34,361,085	-	125,990,645
Transportation equipment	1,736,726,200	668,147,325	-	2,404,873,525
Sub-total	1,828,355,760	702,508,410	-	2,530,864,170
Total Accumulated Depreciation, Amortization and Depletion	3,848,727,414,347	387,972,828,253	7,022,947,521	4,229,677,295,079
Net Book Value	**7,811,938,786,956**			**7,637,546,669,905**

Construction in progress consists of:

	2007	2006
Machineries under installation	195,519,660,443	193,831,036,353
Buildings and structures under construction	54,373,796,114	3,227,626,532
Others	23,471,693,610	12,932,205,561
Total	**273,365,150,167**	**209,990,868,446**

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

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	25 - 95%	2 to 24 months
Buildings and structures under construction	50 - 95	1 to 24 months
Others	60 - 95	1 to 12 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp23,187,289,909 and Rp4,931,139,789 as of September 30, 2007 and 2006, respectively, are presented as part of “Other Payables to Third Parties” in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

Depreciation, amortization and depletion charges amounted to Rp409,362,829,878 and Rp387,972,828,253 for the nine months ended September 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 Rp136,102,557,100, US$1,916,748,904, EUR24,610,145 and JP¥32,000,000 as of September 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 September 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 Rp24,146,450,526 as of September 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 September 30, 2007 and 2006 amounting to Rp5,788,923,007 and Rp847,822,170, respectively, are presented as part of "Other Non-current Assets" in the consolidated balance sheets.

9. TRADE PAYABLES

This account consists of the following:

	2007	**2006**
Third Parties - Cement and ready mix concrete business		
Rupiah	114,628,407,124	102,235,306,844
U.S. dollar (US$783,393 in 2007 and US$1,389,071 in 2006)	7,157,860,928	12,828,068,641
Other foreign currencies	14,095,089,382	6,446,201,789
Total - Third Parties	135,881,357,434	121,509,577,274
Related Party - Cement business (Note 22)	3,596,068,380	1,565,264,054
Total Trade Payables	**139,477,425,814**	**123,074,841,328**

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES (continued)

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

	2007		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	88,151,167,069	-	88,151,167,069
Overdue:			
1 - 30 days	18,137,497,668	10,417,169,287	28,554,666,955
31 - 60 days	1,853,987,457	4,058,040,159	5,912,027,616
61 - 90 days	1,799,999,037	4,078,578,335	5,878,577,372
Over 90 days	4,685,755,893	6,295,230,909	10,980,986,802
Total	**114,628,407,124**	**24,849,018,690**	**139,477,425,814**

	2006		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	80,278,228,878	2,836,376,752	83,114,605,630
Overdue:			
1 - 30 days	12,333,252,170	12,893,173,354	25,226,425,524
31 - 60 days	5,901,341,339	4,279,436,381	10,180,777,720
61 - 90 days	696,259,945	331,471,675	1,027,731,620
Over 90 days	3,026,224,512	499,076,322	3,525,300,834
Total	**102,235,306,844**	**20,839,534,484**	**123,074,841,328**

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

(Expressed in rupiah, unless otherwise stated)

10. TAXATION

a. Taxes Payable

	2007	2006
Income taxes		
Article 21	16,372,193,411	3,058,421,010
Article 22	1,492,289,852	1,269,480,790
Article 23	1,958,498,542	1,846,743,877
Article 25	15,610,175,461	-
Article 26	549,588,002	332,769,678
Article 29	122,772,430,625	48,907,893,323
Value added tax	27,826,774,720	52,758,121,262
Total	**186,581,950,613**	**108,173,429,940**

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 nine months ended September 30, 2007 and 2006 is as follows:

	2007	2006
Income before corporate income tax expense per consolidated statements of income	1,006,437,808,563	808,976,520,116
Income of Subsidiaries before corporate income tax expense - net	(16,071,959,804)	(28,959,815,400)
Reversal of inter-company eliminating entries during consolidation	(3,606,493,474)	(4,776,876,808)
Income before corporate income tax expense attributable to the Company	986,759,355,285	775,239,827,908
Add (deduct):		
Temporary differences		
Provision for employee benefits - net	3,515,817,032	2,593,194,724
Provision for post-retirement healthcare benefits - net	2,006,203,208	2,343,448,569
Payments of obligations under capital lease	(53,929,229,865)	-
Depreciation of fixed assets (including leased assets)	(50,828,107,914)	(93,104,669,952)
Provisions for doubtful accounts and inventory losses (write-off of accounts and inventories against allowance) - net	(3,981,352,263)	(1,643,150,000)
Provision for recultivation - net (Note 23q)	(496,451,750)	(1,494,622,228)
	(103,713,121,552)	(91,305,798,887)

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2007	2006
Permanent differences		
Non-deductible expenses		
Employees' benefits	19,551,608,631	43,178,863,900
Public relations	4,095,389,800	1,920,343,553
Donations	2,377,455,316	3,788,722,950
Others	811,077,745	1,080,572,722
Equity in net earnings of associated companies - net	(3,949,332,651)	(3,011,393,375)
Income already subjected to final tax	(4,332,500,626)	(19,317,078,275)
	18,553,698,215	27,640,031,475
Estimated taxable income of the Company	901,599,931,948	711,574,060,496
Estimated tax loss carryforward at beginning of year	-	(256,930,304,261)
Corrections by the Tax Office	-	6,359,790,385
Estimated taxable income	**901,599,931,948**	**461,003,546,620**

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

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

	2007	2006
Current		
Company	270,462,479,300	138,283,563,800
Subsidiaries	7,497,234,700	9,138,610,500
	277,959,714,000	147,422,174,300
Deferred		
Company	31,031,036,729	104,470,830,942
Subsidiaries	(2,020,253,244)	(759,640,612)
	29,010,783,485	103,711,190,330
Total	**306,970,497,485**	**251,133,364,630**

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

	2007	2006
Current income tax expense		
Company	270,462,479,300	138,283,563,800
Subsidiaries	7,497,234,700	9,138,610,500
Total	277,959,714,000	147,422,174,300

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2007	2006
Prepayments of income tax		
Company	148,070,814,639	91,641,624,219
Subsidiaries	10,451,873,808	8,948,938,608
Total	158,522,688,447	100,590,562,827
Estimated claims for income tax refund - presented as part of "Prepaid Taxes" in the consolidated balance sheets		
Company	-	-
Subsidiaries	3,335,405,072	2,076,281,850
Total for the current year	3,335,405,072	2,076,281,850
Claims for income tax refund from prior years:		
Company		
2005	-	10,414,347,316
Subsidiaries	3,027,171,528	6,510,604,140
Total	**6,362,576,600**	**19,001,233,306**

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 September 30, 2007, the Supreme Court has not rendered any decision on the matter.

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

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 nine months ended September 30, 2007 and 2006 is as follows:

	2007	2006
Income before corporate income tax expense	1,006,437,808,563	808,976,520,116
Reversal of inter-company eliminating entries during consolidation	(3,606,493,474)	(4,776,876,808)
Combined income, net of loss, before income tax of the Company and Subsidiaries	1,002,831,315,089	804,199,643,308
Tax expense at the applicable tax rate	300,796,893,888	241,189,892,238
Tax effects on permanent differences:		
Non-deductible expenses	9,429,357,274	15,609,909,799
Income already subjected to final tax	(1,988,054,145)	(6,670,956,510)
Equity in net earnings of associated companies - net	(1,184,799,795)	(903,418,013)
Others	(82,899,737)	-
Tax corrections	-	1,907,937,116
Corporate income tax expense per consolidated statements of income	**306,970,497,485**	**251,133,364,630**

f. Deferred tax assets (liabilities) consist of:

	December 31, 2006	Deferred Tax Benefit (Expense) Credited (Charged) to 2007 Profit and Loss	September 30, 2007
Deferred Tax Assets:			
Company			
Obligation under capital lease	2,635,889,954	36,410,800,652	39,046,690,606
Estimated liability for employee benefits	14,398,065,929	1,054,745,110	15,452,811,039
Allowance for doubtful accounts and inventory losses	13,156,064,068	(1,194,405,679)	11,961,658,389
Reserve for recultivation	5,353,174,181	(148,935,525)	5,204,238,656
Estimated liability for post-retirement healthcare benefits	2,267,282,321	601,860,962	2,869,143,283
Others	833,851,800	-	833,851,800
Sub-total	38,644,328,253	36,724,065,520	75,368,393,773
Subsidiaries	7,642,479,221	2,056,178,243	9,698,657,464
Total	**46,286,807,474**	**38,780,243,763**	**85,067,051,237**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(639,347,120,920)	(16,289,995,784)	(655,637,116,704)
Net book value of assets under capital lease	(5,565,844,588)	(51,465,106,465)	(57,030,951,053)
Sub-total	(644,912,965,508)	(67,755,102,249)	(712,668,067,757)
Subsidiaries	(1,747,728,636)	(35,924,999)	(1,783,653,635)
Total	**(646,660,694,144)**	**(67,791,027,248)**	**(714,451,721,392)**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	December 31, 2006	Deferred Tax Benefit (Expense) Credited (Charged) to 2007 Profit and Loss	September 30, 2007
Net Deferred Tax Assets :			
Subsidiaries	**5,894,750,585**	**2,020,253,244**	**7,915,003,829**
Net Deferred Tax Liabilities:			
Company	**(606,268,637,255)**	**(31,031,036,729)**	**(637,299,673,984)**

	December 31, 2005	Deferred Tax Benefit (Expense) Credited (Charged) to 2006 Profit and Loss	September 30, 2006
Deferred Tax Assets:			
Company			
Estimated liability for employee benefits	13,156,508,384	777,958,417	13,934,466,801
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	(448,386,668)	3,366,490,324
Estimated liability for post-retirement healthcare benefits	1,322,794,200	703,034,571	2,025,828,771
Tax loss carryforward	77,079,091,278	(77,079,091,278)	-
Others	833,851,800	-	833,851,800
Sub-total	105,619,940,157	(76,539,429,958)	29,080,510,199
Subsidiaries	6,566,388,568	944,637,264	7,511,025,832
Total	**112,186,328,725**	**(75,594,792,694)**	**36,591,536,031**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax base and accounting base	(600,757,677,552)	(27,931,400,984)	(628,689,078,536)
Subsidiaries	(1,162,146,908)	(184,996,652)	(1,347,143,560)
Total	**(601,919,824,460)**	**(28,116,397,636)**	**(630,036,222,096)**
Net Deferred Tax Assets:			
Subsidiaries	**5,404,241,660**	**759,640,612**	**6,163,882,272**
Net Deferred Tax Liabilities:			
Company	**(495,137,737,395)**	**(104,470,830,942)**	**(599,608,568,337)**

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

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2007	2006
Third parties		
Rupiah	276,315,789,472	350,000,000,000
U.S. dollar	252,469,736,958	323,225,000,000
Japanese yen	165,052,576,000	777,022,805,676
Sub-total	693,838,102,430	1,450,247,805,676

(Expressed in rupiah, unless otherwise stated)

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

	2007	2006
Related party (Note 22)		
U.S. dollar	1,370,550,000,000	1,385,250,000,000
Total	2,064,388,102,430	2,835,497,805,676
Less current maturities	259,085,547,260	388,844,061,199
Long-term maturities	**1,805,302,555,170**	**2,446,653,744,477**

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

		2007		2006
Rupiah				
Third parties				
PT Bank Central Asia Tbk.		276,315,789,472		350,000,000,000
Total rupiah loans		**276,315,789,472**		**350,000,000,000**
U.S. dollar				
Third parties				
ABN-AMRO Bank N.V., Jakarta	US$	13,815,789	US$	17,500,000
Standard Chartered Bank, Jakarta		13,815,789		17,500,000
Related party				
HC Finance B.V.		150,000,000		150,000,000
Total U.S dollar loans	**US$**	**177,631,578**	**US$**	**185,000,000**
Japanese yen				
Third parties				
ABN-AMRO Bank N.V., Jakarta	JP¥	1,040,000,000	JP¥	3,534,000,000
Calyon Deutschland, Germany		1,040,000,000		3,534,000,000
Japan Bank for International Cooperation, Tokyo		-		1,663,450,503
Marubeni Corporation, Tokyo		-		1,178,000,000
Total Japanese yen loans	**JP¥**	**2,080,000,000**	**JP¥**	**9,909,450,503**

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

	2007	2006
Japanese yen	1.38% - 1.68%	1.01% - 3.80%
U.S. dollar	6.22% - 6.56%	5.25% - 6.88%
Rupiah	8.83% - 12.36%	10.75% - 13.65%

11. 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 24).

Total interest payments made by the Company amounted to Rp116,380,676,126 (consisting of US$9,657,101, JP¥44,072,383 and Rp25,518,106,485) for the nine months ended September 30, 2007 and Rp141,924,648,552 (consisting of US$11,161,648, JP¥269,625,868 and Rp15,257,469,303) for the nine months ended September 30, 2006, while the unpaid interest charges amounting to Rp34,851,732,096 and Rp55,913,965,767 as of September 30, 2007 and 2006, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheet.

For the nine months ended September 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$50,000,000 on the due date

(Expressed in rupiah, unless otherwise stated)

11. 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.

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 Contactor 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".

12. OBLIGATIONS UNDER CAPITAL LEASE

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

Years	2007	2006
2006	-	488,179,161
2007	56,538,140,319	125,792,516
2008	34,278,487,294	-
2009	31,782,354,731	-
2010	19,905,773,405	-
Total	142,504,755,749	613,971,677

(Expressed in rupiah, unless otherwise stated)

12. OBLIGATIONS UNDER CAPITAL LEASE (continued)

	2007	2006
Add residual value	1,095,685,000	-
Less amounts applicable to interest	13,444,805,395	16,216,073
Present value of minimum lease payments	130,155,635,354	597,755,604
Current maturities	74,709,893,085	597,755,604
Long-term maturities	**55,445,742,269**	**-**

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 Company has an option to purchase the above leased assets by payment of the residual value of Rp10 million for each equipment at the end of the lease period.

In July 2007, the Company entered into finance lease and a sale and leaseback transactions with AAFI for certain transportation equipment with the total amount of US$227,000 and US$2,053,554, respectively. The Company has an option to purchase the leased assets by payment of the residual value of US$1,000 for each equipment at the end of the lease period.

In August 2007, the Company entered into a sale and leaseback transaction with the same party for the sale and leaseback of machinery package for Plant 8 project with the total leaseback value of Rp154,293,285,000. The Company has an option to purchase the leased assets by payment of the residual value of Rp1 billion for machinery package for Plant 8 project at the end of the lease period.

The lease periods for the above transactions are for 36 months.

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 Rp2,736,067,280 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.

(Expressed in rupiah, unless otherwise stated)

13. CAPITAL STOCK

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

Shareholders	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**

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

14. ADDITIONAL PAID-IN CAPITAL

This account represents the excess of the amounts received and/or the carrying value of converted debentures and bonds over the par value of the shares issued after offsetting all stock issuance costs.

15. OTHER PAID-IN CAPITAL

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

16. 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 were paid on July 16, 2007.

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.

17. RETAINED EARNINGS

In compliance with Corporation Law No. 1 of 1995 dated March 7, 1995, which requires companies to set aside, on a gradual basis, an amount equivalent to at least 20% of their subscribed capital as general reserve, the shareholders approved the partial 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.

18. SEGMENT INFORMATION

BUSINESS SEGMENTS

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

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

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:

2007	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	5,086,670,209,856	219,597,205,887	-	-	5,306,267,415,743
Inter-segment sales	101,629,512,802	-	-	(101,629,512,802)	-
Total Revenues	**5,188,299,722,658**	**219,597,205,887**	**-**	**(101,629,512,802)**	**5,306,267,415,743**
RESULTS					
Segment results	1,007,182,792,977	(8,300,810,539)	-	-	998,881,982,438
Equity in net earnings of associated companies	-	-	7,555,826,125	-	7,555,826,125
Corporate income tax expense					(306,970,497,485)
NET INCOME					**699,467,311,078**
ASSETS AND LIABILITIES					
Segment assets	10,653,731,226,055	148,708,568,235	2,795,707,064	(633,672,966,134)	10,171,562,535,220
Long-term investments and advances to associated companies - net	-	-	56,859,114,011	-	56,859,114,011
Net deferred tax assets and prepayments of income taxes	10,610,334,473	8,583,826,367	-	-	19,194,160,840
Total Assets	**10,664,341,560,528**	**157,292,394,602**	**59,654,821,075**	**(633,672,966,134)**	**10,247,615,810,071**
Segment liabilities	3,525,979,384,567	78,130,848,934	-	(634,312,657,313)	2,969,797,576,188
Net deferred tax liabilities	637,299,673,983	-	-	-	637,299,673,983
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**4,163,279,058,550**	**78,130,848,934**	**-**	**(634,312,657,313)**	**3,607,097,250,171**
Depreciation, amortization and depletion expenses	403,991,539,555	5,371,290,323	-	-	409,362,829,878
Capital expenditures	329,393,645,385	1,869,819,610	-	-	331,263,464,995
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for post-retirement benefits	27,352,894,500	1,016,855,250	-	-	28,369,749,750
Provision for healthcare benefits	2,303,813,250	-	-	-	2,303,813,250
Provisions for doubtful accounts and inventory losses	-	360,000,000	-	-	360,000,000

2006	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	4,605,919,784,703	213,635,512,928	-	-	4,819,555,297,631
Inter-segment sales	91,545,159,999	-	-	(91,545,159,999)	-
Total Revenues	**4,697,464,944,702**	**213,635,512,928**	**-**	**(91,545,159,999)**	**4,819,555,297,631**
RESULTS					
Segment results	792,921,692,590	8,266,557,343	-	-	801,188,249,933
Equity in net earnings of associated companies	-	-	7,788,270,183	-	7,788,270,183
Corporate income tax expense					(251,133,364,630)
NET INCOME					**557,843,155,486**

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2006	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
ASSETS AND LIABILITIES					
Segment assets	10,403,355,392,093	160,733,786,013	2,796,080,089	(519,914,192,481)	10,046,971,065,714
Long-term investments and advances to associated companies - net	-	-	51,508,236,089	-	51,508,236,089
Net deferred tax assets and prepayments of income taxes	24,110,078,887	5,614,637,880	-	-	29,724,716,767
Total Assets	**10,427,465,470,980**	**166,348,423,893**	**54,304,316,178**	**(519,914,192,481)**	**10,128,204,018,570**
Segment liabilities	3,959,016,488,823	81,115,990,891	-	(520,734,964,107)	3,519,397,515,607
Net deferred tax liabilities	599,608,568,337	-	-	-	599,608,568,337
Total Liabilities (excluding deferred gain on sale-and-leaseback transactions - net)	**4,558,625,057,160**	**81,115,990,891**	**-**	**(520,734,964,107)**	**4,119,006,083,944**
Depreciation, amortization and depletion expenses	382,827,928,626	5,144,899,627	-	-	387,972,828,253
Capital expenditure	213,643,419,377	599,017,838	-	-	214,242,437,215
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provision for employee benefits	22,607,581,608	1,184,790,750	-	-	23,792,372,358
Provision for post-retirement healthcare benefits	2,545,965,000	-	-	-	2,545,965,000
Provisions for doubtful accounts	-	360,000,000	-	-	360,000,000

GEOGRAPHICAL SEGMENTS

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

	2007	2006
REVENUES (based on sales area)		
Domestic		
Java	6,530,868,579,135	6,148,047,362,420
Outside Java	1,781,338,314,316	1,397,572,259,713
Export	732,521,344,320	656,229,198,253
Total	9,044,728,237,771	8,201,848,820,386
Elimination	(3,738,460,822,028)	(3,382,293,522,755)
Net	**5,306,267,415,743**	**4,819,555,297,631**
ASSETS (based on location of assets)		
Domestic	**10,171,562,535,220**	**10,046,971,065,714**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**331,263,464,995**	**214,242,437,215**

Export sales were executed through HCT, a related company which is domiciled in Singapore (Note 23l).

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 23j).

(Expressed in rupiah, unless otherwise stated)

19. COST OF REVENUES

The details of cost of revenues are as follows:

	2007	2006
Raw materials used	547,587,698,678	498,612,793,021
Direct labor	308,988,529,240	211,939,639,356
Fuel and power	1,420,685,965,129	1,434,363,221,229
Manufacturing overhead	748,865,519,038	660,405,256,102
Total Manufacturing Cost	3,026,127,712,085	2,805,320,909,708
Work in Process Inventory		
At beginning of period	113,362,558,381	108,997,225,500
At end of period	(86,968,218,414)	(108,838,382,098)
Cost of Goods Manufactured	3,052,522,052,052	2,805,479,753,110
Finished Goods Inventory		
At beginning of period	66,209,610,931	68,680,550,631
Others	2,616,048,874	(452,436,093)
At end of period	(69,820,281,242)	(40,116,320,591)
Cost of Goods Sold before Packing Cost	3,051,527,430,615	2,833,591,547,057
Packing Cost	275,297,116,060	238,572,211,688
Total Cost of Revenues	**3,326,824,546,675**	**3,072,163,758,745**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounting to Rp57,280,200,177 and Rp74,281,126,498 as of September 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.

20. OPERATING EXPENSES

The details of operating expenses are as follows:

	2007	2006
Delivery and Selling Expenses		
Delivery, loading and transportation	609,066,773,641	570,802,243,201
Salaries, wages and employees' benefits (Note 21)	34,912,758,184	23,749,016,425
Advertising and promotion	16,512,767,512	25,386,792,188
Rental	7,055,652,753	7,547,660,359
Professional fees	5,170,452,178	4,204,399,538
Taxes and licenses	4,565,585,126	5,220,440,019
Depreciation	4,266,961,251	4,261,616,287
Research and testing	3,745,494,190	3,218,254,578
Repairs and maintenance	3,121,005,199	2,394,505,487
Electricity and water	1,664,565,240	1,953,667,867
Medical	1,154,989,966	1,035,301,748
Miscellaneous (each below Rp1 billion)	4,456,252,516	5,154,088,776
Total Delivery and Selling Expenses	695,693,257,756	654,927,986,473

(Expressed in rupiah, unless otherwise stated)

20. OPERATING EXPENSES (continued)

	2007	2006
General and Administrative Expenses		
Salaries, wages and employees' benefits (Note 21)	94,466,187,211	75,036,956,627
Rental	13,264,892,820	14,549,303,870
Professional fees	8,594,366,310	6,710,677,381
Donations	6,606,562,797	2,474,047,770
Repairs and maintenance	5,448,584,930	2,873,783,284
Training and seminars	4,965,079,939	5,076,397,027
Medical	4,215,628,756	4,727,949,889
Depreciation	4,105,660,395	5,064,235,569
Travelling and transportation	4,070,232,258	3,434,139,766
Public relations	3,816,343,300	1,662,402,353
Communication	2,782,305,091	2,812,593,281
Publications and sponsorships	1,165,145,067	1,312,582,124
Insurance	922,522,327	1,291,518,879
Taxes and licenses	902,614,499	1,102,325,745
Miscellaneous (each below Rp1 billion)	6,562,037,595	5,839,634,609
Total General and Administrative Expenses	161,888,163,295	133,968,548,174
Total Operating Expenses	**857,581,421,051**	**788,896,534,647**

21. 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 Rp18.9 billion and Rp18.1 billion for the nine months ended September 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 September 30, 2007 and 2006, the Plan assets totaled Rp518.2 billion and Rp454.3 billion, respectively.

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

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

	Company	Subsidiaries
Discount rate	11% in 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, decreasing linearly to 0% at age 45
Table of mortality	Commissioners Standard Ordinary 1980 (CSO '80)	Commissioners Standard Ordinary 1980 (CSO '80)
Disability	10% of the mortality rate	10% at the mortality rate

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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

	2007	2006
Current service costs	7,698,566,250	5,361,922,608
Interest costs	13,726,289,250	12,395,744,250
Actuarial loss recognized	986,526,000	76,337,250
Amortization of past service costs	5,958,368,250	5,958,368,250
Total employee benefits expense	**28,369,749,750**	**23,792,372,358**

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

	2007	2006
Present value of defined benefit obligation	171,059,217,271	154,342,470,675
Unamortized balance of non-vested past service costs	(80,805,503,750)	(88,812,268,750)
Actuarial loss	(31,369,419,082)	(13,661,465,938)
Liability recognized in the consolidated balance sheets	**58,884,294,439**	**51,868,735,987**

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

	2007	2006
Balance at beginning of period	54,187,223,918	47,867,513,812
Provision during the period	28,369,749,750	23,792,372,358
Payments during the period	(23,672,679,229)	(19,791,150,183)
Balance at end of period (recorded as "Non-current Liabilities - Estimated Liability for Employee Benefits" account in the consolidated balance sheets)	**58,884,294,439**	**51,868,735,987**

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

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

b. Post-retirement Healthcare Benefits (continued)

The provision for post-retirement healthcare benefits recognized in the consolidated statements of income consisted of the following:

	2007	2006
Current service cost	595,998,000	680,345,250
Interest cost	1,213,116,000	1,282,129,500
Actuarial loss recognized	(88,791,000)	-
Vested past service cost and amortization of non-vested past service costs	583,490,250	583,490,250
Total post-retirement healthcare benefits	**2,303,813,250**	**2,545,965,000**

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

	2007	2006
Present value of defined benefit obligation	16,468,835,958	17,477,024,319
Unamortized balance of non-vested past service costs	(9,950,450,750)	(10,728,437,750)
Actuarial gain	3,045,426,000	4,176,000
Liability recognized in the consolidated balance sheets	**9,563,811,208**	**6,752,762,569**

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

	2007	2006
Balance at beginning of period	7,557,608,000	4,409,314,000
Provision during the period	2,303,813,250	2,545,965,000
Payments during the period	(297,610,042)	(202,516,431)
Balance at end of period (recorded as "Non-current Liabilities - Estimated Liability for Post-retirement Healthcare Benefits" account in the consolidated balance sheets)	**9,563,811,208**	**6,752,762,569**

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.

(Expressed in rupiah, unless otherwise stated)

22. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

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

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2007	**2006**	**2007**	**2006**
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	90,157,225,980	34,453,249,623	0.88%	0.34%
Due from Related Parties				
Officers and employees	39,442,460,167	49,571,466,752	0.38%	0.49%
Others	1,483,079,148	1,647,520,298	0.01	0.02
Total	40,925,539,315	51,218,987,050	0.39%	0.51%
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	3,596,068,380	1,565,264,054	0.10%	0.04%
Due to Related Party				
PT Pama Indo Mining	2,631,480,659	4,419,975,798	0.07%	0.11%
Long-term Investments in Associated Company				
Stillwater Shipping Corporation	25,104,679,576	20,544,753,570	0.25%	0.20%
PT Cibinong Center Industrial Estate	21,273,701,774	20,244,277,526	0.21	0.20
PT Pama Indo Mining	10,442,582,661	8,881,054,993	0.10	0.09
Total	56,820,964,011	49,670,086,089	0.56%	0.49%
Long-term Loans				
HC Finance B.V., Netherlands	1,370,550,000,000	1,385,250,000,000	37.93%	33.57%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	732,521,344,320	656,229,198,253	13.80%	13.62%
Cost of Revenues				
PT Pama Indo Mining	33,197,064,658	30,187,959,518	1.00%	0.98%
HCT Services Asia Pte., Ltd., Singapore	10,863,522,860	12,948,389,000	0.33	0.42
HeidelbergCement Technology Center GmbH	4,676,263,900	-	0.14	-
Total	48,736,851,418	43,136,348,518	1.47%	1.40%
Operating Expenses				
PT Bahana Indonor	12,596,762,424	-	1.47%	-%
HC Fuels Limited	365,091,687	-	0.04	-
Stillwater Shipping Corporation (Note 23e)	9,090,000	20,041,067,000	0.01	2.54
HeidelbergCement Technology Center GmbH	-	757,899,252	-	0.10
Total	12,970,944,111	20,798,966,252	1.52%	2.64%
Other Income (Expenses)				
PT Cibinong Center Industrial Estate	4,760,700,135	2,310,947,543	3.87%	1.47%
HC Finance B.V., Netherlands	(67,432,125,301)	(68,893,107,887)	(54.83)	(43.79)
HeildelbergCement AG	(1,352,797,605)	(1,625,443,253)	(1.10)	(1.04)
Net	(64,024,222,771)	(68,207,603,597)	(52.06%)	(43.36%)

(Expressed in rupiah, unless otherwise stated)

22. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

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

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.

23. 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 two local partners who agreed 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 September 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 September 30, 2007, the engines are still in the commissioning stage.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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.

   For the nine months ended September 30, 2007 and 2006, total purchases of natural gas from RGM amounted to US$695,734 (equivalent to Rp6,340,519,224) and US$729,228 (equivalent to Rp6,683,775,348), while total transportation fee incurred amounted to US$192,437 (equivalent to Rp1,753,760,643) and US$201,701 (equivalent to Rp1,848,703,733), respectively.

d. The Company has a five-year Coal supply agreement with PT Adaro Indonesia (Adaro) wherein Adaro agreed to supply 1,000,000 MT per year. The contract period is from January 1, 2005 until December 31, 2009. 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$19,122,202 and US$19,366,300 for the nine months ended September 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 September 30, 2007, the kiln modification project has been successfully in its final commissioning stage.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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).

   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 commencein 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 th e 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.

   In addition, 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 200 6 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 Rp39,065,145,590 and Rp31,843,600,627 as of September 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 withseveral 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.

(Expressed in rupiah, unless otherwise stated)

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

Total gross sales by the Company and DAP to these sub-distributors for the nine months ended September 30, 2007 and 2006 are as follows:

	2007	2006
PT Bangunsukses Niagatama Nusantara	475,771,728,770	414,271,604,103
PT Royal Inti Mandiri Abadi	334,494,150,611	306,833,443,440
PT Primasindo Cipta Sarana	314,318,701,866	247,457,110,585
PT Intimegah Mitra Sejahtera	304,789,067,848	285,183,258,402
PT Samudera Tunggal Utama	284,073,324,590	272,667,458,987
PT Saka Agung Abadi	253,163,195,975	211,910,502,724
PT Adikarya Maju Bersama	248,768,689,945	228,923,115,677
PT Kharisma Mulia Abadijaya	231,947,390,800	219,684,825,972
PT Nusa Makmur Perdana	220,096,611,100	224,729,778,190
PT Kirana Semesta Niaga	220,081,793,900	194,760,003,738
PT Citrabaru Mitra Perkasa	218,813,415,200	174,494,437,672
PT Angkasa Indah Mitra	208,334,375,600	186,493,161,172
PT Sumber Abadi Sukses	182,681,289,600	194,543,385,532
PT Cipta Pratama Karyamandiri	172,088,040,665	170,142,529,437
Total	**3,669,421,776,470**	**3,332,094,615,631**

The total outstanding receivables from these sub-distributors amounting to Rp549,072,385,465 and Rp445,477,794,373 as of September 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 Rp7,791,024,260 and Rp7,866,137,850 for the nine months ended September 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 18):

- 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 nine months ended September 30, 2007 and 2006 amounted to approximately US$3.21 million and US$3.01 million, respectively.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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 September 30, 2007, total cumulative payments starting from January 1, 2005 for the gas transportation fee amounted to US$3,740,906.

   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$1,143,377 and US$1,101,886 for the nine months ended September 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 nine months ended September 30, 2007 and 2006 amounted to Rp76,349,856,594 and Rp75,447,314,793, 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 Rp260.9 billion and Rp263.8 billion for the nine months ended September 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 Rp17,347,462,188 and Rp11,221,634,413 as of September 30, 2007 and 2006, respectively, which is presented as part of "Non-current Liabilities - Provision for Recultivation" in the consolidated balance sheets.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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.

24. DERIVATIVE INSTRUMENTS

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

As of September 30, 2007, the Company has outstanding derivative instruments as follows:

a. Cross Currency Interest Rate Swap

As of September 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 September 30, 2007 and 2006, the Company recognized the net liabilities on the CCIRS contract at fair value of Rp54,669,110,579 and Rp46,318,973,650, 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 Rp21,269,890,581 were recorded as part of "Foreign Exchange Gain (Loss) - Net" presented in the nine months ended September 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 September 30, 2007, the Company recognized the net receivables on the above derivative instruments at fair value of Rp555,700,005, which is presented as "Derivative Assets - Net" in the 2007 consolidated balance sheet.

The gain arising from the derivative transactions amounting to Rp555,700,005 for the nine months ended September 30, 2007 was recorded as part of "Foreign Exchange Gain (Loss) - Net" presented in the 2007 consolidated statement of income.

(Expressed in rupiah, unless otherwise stated)

25. LITIGATION

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

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

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 September 30 , 2007 , the Supreme Court has not rendered its decision on the case.

26. 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 , industry fuel prices that is related to world crude oil price 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.

27. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency		Equivalent in Rupiah
Assets			
Related Parties	US$	9,867,268	90,157,227,716
Third Parties	US$	7,621,941	69,641,674,917
	JP¥	2,273,756	180,427,541
	EUR	2,127,041	27,519,656,458
Total			187,498,986,632
Liabilities			
Related Parties	US$	152,768,743	1,395,848,004,791
Third Parties	US$	29,080,949	265,712,631,013
	JP¥	2,105,421,838	167,069,854,773
	EUR	2,547,029	32,953,461,202
Total			1,861,583,951,779
Net liabilities			**1,674,084,965,147**

28. SUBSEQUENT EVENTS

On October 22, 2007, the Company paid its long-term loan from banks and financial institutions amounting to US$9,842,105, JP¥972,000,000 and Rp96,421,052,632, which already include a debt prepayment amounting to US$8,000,000, JP¥600,000,000 and Rp78,000,000,000. In addition, the Company paid its obligations for interest and other financial charges covering the period July 20, 2007 to October 22, 2007 amounting to US$3,031,576, JP¥10,196,910 and Rp6,517,468,356 (Note 11).

29. RECLASSIFICATION OF ACCOUNT

“Other Current Liabilities” amounting to Rp12,991,438,285 have been reclassified to “Other Payables to Third Party” to conform with the presentation of accounts in the 2007 consolidated financial statements.