PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

Ready for Sustainable Growth

Annual Report 2006

INDOCEMENT
HEIDELBERGCEMENT Group

Contents

Ready for Sustainable Growth

With its exit from the Master Facilities Agreement, lower net gearing, growing market share and successful modification and repair of its large kilns, Indocement ended the year 2006 on a solid footing - ready for sustainable growth.

Financial Highlights

Billion Rupiah (unless stated otherwise)

	2006	2005	2004	2003	2002
Net Revenues	6,325	5,592	4,616	4,158	3,948
Gross Profit	2,148	2,020	1,523	1,396	1,300
Income from Operations	1,068	1,214	836	814	930
EBITDA (1)	1,585	1,682	1,322	1,278	1,391
Foreign Exchange Gain (Loss)	49	50	(498)	38	849
Net Income	593	740	116	670	1,041
Net Cash Provided by Operating Activities	1,195	1,322*	1,304	1,387	1,257
Total Assets	9,598	10,536	9,771	10,145	11,438
Total Liabilities	3,565	4,907	5,115	5,612	7,629
Net Shareholders' Equity	6,033	5,629	4,656	4,533	3,808
Net Working Capital	1,228	1,693	1,207	1,179	1,465
Net Borrowings (2)	2,217	3,064	4,058	4,616	6,237
Capital Employed	9,084	10,074	9,383	9,857	11,125
Capital Expenditures (3)	277	150	70	114	206
Market Capitalization as of 31 December	21,167	13,068	11,320	7,823	2,485
Issued Ordinary Shares (Million)	3,681	3,681	3,681	3,681	3,681
Per Share Data (Rp)					
• Primary Earnings per Share	161	201	32	182	283
• Dividend per Share	50	-	-	-	-
• Book Value per Share	1,639	1,529	1,265	1,232	1,035
Financial Ratio (%)					
Current Ratio	214	252	143	187	290
Net Gearing (4)	37	54	87	102	164
EBITDA to Net Interest Cover (Times)	5.8	7.1	7.9	6.0	4.3
Net Borrowing to Assets	23	29	42	45	55
Return on Assets (ROA)	6	7	1	7	9
Return on Capital Employed	6	8	1	7	9
Return on Shareholders' Equity (ROE)	10	14	3	15	27
Number of Employees	6,637	6,678	6,851	7,107	7,414

* Restated

(1) Earnings before interest, taxes, depreciation and amortization.

(2) Net borrowings is defined as long-term and short-term borrowings less cash and cash equivalents, short-term investments and restricted cash.

(3) Cash basis.

(4) Net borrowings as a percentage of net shareholders' equity.

Indocement in Brief

Indocement is one of Indonesia's major producers of quality cement and specialty cement products. The Company was established in 1985 and has integrated cement operations with a total annual production capacity of 16.5 million tons of cement. It currently operates 12 plants, nine of which are located in Citeureup, Bogor, West Java; two in Palimanan, Cirebon, West Java; and one in Tarjun, Kotabaru, South Kalimantan.

Since 2005, the Company has diversified its product range by introducing Portland Composite Cement (PCC) in the market. The Company also produces other types of cement namely Portland Cement Type I, Type V, Oil Well Cement and White Cement. To date, Indocement is the only White Cement producer in Indonesia. The Company's products are marketed under the brand name of 'Tiga Roda'.

In 2001, HeidelbergCement Group, based in Germany and the world's leader cement producer with its operations in 50 countries, assumed a controlling majority shareholding of the Company. Since then, the Company has focused on regaining financial sustainability, which was lost during the Asian financial crisis. With the support of HeidelbergCement Group, Indocement has refocused its activities on the core business of producing cement, with the ultimate goal of achieving financial strength. This goal has since been achieved, underlined by the exit of Indocement from the Master Facilities Agreement (MFA) in 2006.

Having exited from the MFA, Indocement is currently in a sound financial condition, ready to undertake the required investments to cope up with the expansion of the Indonesian cement market.

After four year efforts since December 2002, the United Nations Framework Convention on Climate Change (UNFCCC) has registered Indocement's two projects under the Clean Development Mechanism program, namely Alternative Fuel Project and Blended Cement Project.

Indocement's shares are listed on both the Jakarta Stock Exchange and Surabaya Stock Exchange with a market capitalization of Rp21,167 billion as at year-end 2006.

The Company employed 6,637 personnel in 2006.

Our Vision

We are in the business of providing quality shelter, construction materials and related services at competitive prices, in a way that promotes sustainable development.

Our Slogan

Better Shelter for a Better Life

Subsidiaries

Cement Business

PT Indocement Tunggal Prakarsa Tbk.

Citeureup Factory	Bogor, West Java	9 Plants
Cirebon Factory	Palimanan, West Java	2 Plants
Tarjun Factory	Kotabaru, South Kalimantan	1 Plant

Subsidiaries

PT Indomix Perkasa	Ready-Mix Concrete	99.9%
PT Pionirbeton Industri*	Ready-Mix Concrete	99.9%
PT Dian Abadi Perkasa	Cement Trading	99.9%
PT Multi Bangun Galaxy*	Terminal-Land Operation	99.9%
PT Cibinong Center Industrial Estate	Industrial Estate	50.0%
PT Pama Indo Mining	Mining	40.0%
Stillwater Shipping Corporation	Shipping	50.0%
PT Bahana Indonor*	Shipping	50.0%
Indocement (Cayman Island) Limited	Investment	100.0%

*Owned indirectly through a subsidiary

Milestones

1985
Incorporated PT Indocement Tunggal Prakarsa following the merger of six companies owning the first eight cement plants

1989
Public listing of Indocement shares with the Jakarta Stock Exchange and Surabaya Stock Exchange

1991
- Acquired Plant 9 in Palimanan, Cirebon, West Java with an annual designed capacity of 1.3 million tons of cement
- Completed Surabaya Cement Terminal
- Started Ready-Mix Concrete business

1996
Completed Plant 10 in Palimanan, Cirebon, West Java with an annual designed capacity of 1.3 million tons of cement

1999
Completed Plant 11 in Citeureup, Bogor, West Java with an annual designed capacity of 2.6 million tons of cement

2000
- Fully acquired via merger PT Indo Kodeco Cement (Plant 12) with an annual designed capacity of 2.6 million tons of cement
- Effectivity of US$1.1 billion Loan Restructuring

2001
Entry of HeidelbergCement Group, as majority shareholder, through its subsidiary Kimmeridge Enterprise Pte. Ltd.

2002
- Completed Electrostatic Precipitator projects in Citeureup and Cirebon factories
- Acquired effective control of PT Pionirbeton Industri

2003
Kimmeridge Enterprise Pte. Ltd. transferred its shares of PT Indocement Tunggal Prakarsa Tbk. to HC Indocement GmbH

2004
- Received the Superbrands Award 2003/2004 from Superbrands Organization, UK.
- Citeureup Factory achieved the Green Rating for Environmental Performance Rating Program (PROPER) from the Ministry of Environment of the Republic of Indonesia

2005
- Introduced the Portland Composite Cement product to the Indonesian market
- Commemorated the Company's 30th anniversary by, among other things, launching "Joint Projects for the Community" amounting to approximately Rp5.0 billion
- Citeureup Factory achieved the Green Rating and Cirebon Factory achieved Blue Rating for PROPER from the Ministry of Environment of the Republic of Indonesia
- HC Indocement GmbH was merged with HeidelbergCement South-East Asia GmbH in which the latter became the surviving company, and thus the direct shareholder of Indocement

Highlights of 2006

APRIL

Refinancing

On 20 April, Indocement obtained refinancing facilities to replace the Master Facilities Agreement (MFA)

JUNE

30th Anniversary Joint Projects for the Community

On 27 June, Indocement inaugurated the opening of a junior high school, SMPN 1 Gempol in Cirebon

JULY

IMAC Award

On 5 July, Indocement received the IMAC (Indonesian Most Admired Companies) 2006 Award for the best in building corporate image in the cement category

AUGUST

30th Anniversary Joint Projects for the Community

On 4 August, Indocement renovated and inaugurated the new building of the elementary school, SD Negeri 03 Tajur in Citeureup, with its supporting facilities

SEPTEMBER

Shareholding

On 1 September, HeidelbergCement South-East Asia GmbH, the direct shareholder of Indocement was merged into HeidelbergCement AG, which then controlled 65.14% shares of Indocement

AIDS Award

On 20 September, Indocement received the AIDS Award silver category from the National AIDS Care Commission for its efforts and achievements in implementing a preventive HIV and AIDS program at the workplace

Clean Development Mechanism

The United Nations Framework Convention on Climate Change (UNFCCC) has registered Indocement's Alternative Fuel Project on 29 September, and Blended Cement Project on 27 October for issuance of Certified Emission Reduction (CER), the amount of which shall be verified by an independent party

NOVEMBER

Quality Assurance

On 20-24 November, the Quality Assurance Team of the Cirebon Factory won gold medal at the National Quality Convention in Bali

DECEMBER

Collective Labor Agreement

On 14 December, the Collective Labor Agreement III for the period 2007-2008 was signed by the management and the Indocement Labor Union representing workers from the Citeureup, Cirebon and Tarjun factories

Message from the President Commissioner

Daniel Gauthier
President Commissioner

Regaining market share in a challenging year

Dear Shareholders,

Indocement experienced another challenging year in 2006 which, nevertheless, was met with resolve and determination on our part to make the best of it, and, in fact, turn the year into a springboard for future growth.

The year 2006 was noteworthy for a number of reasons. Marketwise for the cement industry, it was one of the most challenging in recent years as the market visibly contracted in the first nine months amidst the inflationary effects of a steep fuel price increase during the fourth quarter of the previous year. The full effect of the fuel price increase was felt throughout 2006, with double-edged consequences for Indocement. Internally, we had to manage our operations efficiently in order to safeguard our operating margin from the eroding effects of rising costs. While externally, Indocement had to contend with lower cement consumption as the pace of construction activities decreased considerably as a result of rising inflation and interest rates.

Although the Indonesian economy held steady in 2006, with national Gross Domestic Product growth of 5.5% compared to 5.6% in 2005, challenging macro-economic conditions especially with regard to double-digit interest rates had dampened real-sector activities including those that are connected with cement consumption.

The postponement of several major public works by the government did not ease the condition. Against our worst-case assessment that cement consumption would fall by no more than 3.0% in 2006 compared to that of the previous year, it actually fell by 4.1% during the first six months of 2006 alone. Nevertheless, it regained significant grounds in the last quarter of 2006 as both interest rates and inflation began to ease markedly throughout the second semester of the year. By year's end, consumption of cement had rebounded to post a slight increase of 1.5% on year-to-year basis.

However, there was a significant difference between cement consumption in the Greater Jakarta Area, and the West Java and Banten area which declined by 8.8% and 6.6% respectively year-on-year, and those of the rest of Indonesia especially in the outer islands outside of Java, which increased by 7.5%. This market phenomenon made it more challenging for Indocement as our markets are mainly concentrated in the Greater Jakarta Area, West Java and Banten.

These challenging conditions notwithstanding, Indocement arguably has the greater opportunities in the market today. Financial wise, our balance sheet has been weaned out of most of the debts that had burdened the Company in the past, and is now conservatively geared to avail Indocement of future growth opportunities. Production wise, we continue to capitalize on increasing use of alternative materials and alternative fuels, while also positioning the Company strategically to increase production capacity swiftly and economically if and when market demand dictates. And in terms of market share, Indocement has proven itself willing and capable of moving decisively to protect its turf against encroaching competition in the market. This move has brought our market share more in line with the prevailing capacity share of Indocement in the Indonesian cement industry to date.

In short, Indocement has not only survived very challenging years for the cement industry in Indonesia, but has in fact positioned itself strategically for future growth. Our strategic advantage arises from the relative ease with which we can add to production capacity, continue to improve healthy operating margin from increasing use of alternative materials, and deliver our products to market with speed and price flexibility.

In 2006, Indocement marked another milestone in the areas of sustainable long-term growth and development when it finally obtained the registration for its two Clean Development Mechanism (CDM) projects under the Kyoto Protocol framework, namely the Alternative Fuels Project and Blended Cement Project. Begun four years ago through rigorous and painstaking processes, our successful CDM projects epitomize the strong commitment of Indocement to sustainable cement production, which focuses on the three areas of economic growth, social development and environmental protection.

The Board of Commissioners is pleased to note that Indocement continues to place a strong emphasis on good corporate governance. At the oversight level, in addition to the Audit Committee we have the Compensation Committee, which is responsible for determining compensation and succession policies for senior executive of Indocement. I would like to take this opportunity to bid farewell to Parikesit Suprapto, who resigned as an Independent Commissioner in 2006, and welcome Sri Prakash who replaces him as an independent member of the Board of Commissioners.

Finally, the Board of Commissioners would like to thank the management and staff of Indocement for their tireless efforts in bringing the Company successfully through another challenging year, and shaping it into a solvent and sustainable company that is poised for growth in the years ahead. As the Indonesian economy predicted to continue strengthen in 2007 and beyond, we expect to witness a resurging demand for cement that is likely to be more than make up for the slack in demand in 2006. I am pleased to report to all our stakeholders that Indocement has never been more ready to capitalize on an emerging opportunity.

Jakarta, 22 March 2007

Daniel Gauthier
President Commissioner

Board of Commissioners

Daniel Gauthier
President Commissioner

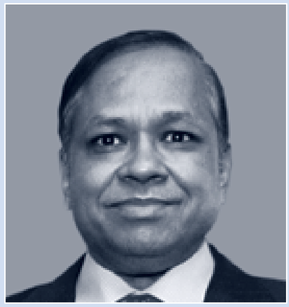
Belgian citizen, age 50. Commissioner since 23 June 2004 and subsequently President Commissioner since 23 February 2005. He is concurrently a member of the Managing Board of HeidelbergCement Group, in charge of the regions of Asia, Africa, Mediterranean Basin, Middle East, Benelux, as well as HC Trading and HTC Asia. He holds a degree in Mining Engineering from Mons, Belgium.

Sudwikatmono
Vice President Commissioner/ Independent Commissioner

Indonesian citizen, age 72. Vice President Commissioner / Independent Commissioner since 26 April 2001. Concurrently, Advisor to the Board of First Pacific Company Ltd., Hong Kong. He graduated from the State Administration Academy.

I Nyoman Tjager
Vice President Commissioner/ Independent Commissioner

Indonesian citizen, age 56. Vice President Commissioner/ Independent Commissioner since 26 April 2001. He is concurrently an Independent Commissioner and Chairman of the Audit Committee of PT Bank Lippo Tbk. He holds a Master's degree in Economics from Fordham University, New York, USA.



Sri Prakash
Independent Commissioner

Indonesian citizen, age 54. Independent Commissioner since 28 June 2006. Currently, he is Chairman and President Director of PT Indorama Synthetics Tbk. and Chairman of the SPL Indorama Group. He is a graduate of University of Delhi, India.

Dr. Lorenz Naeger
Commissioner

German citizen, age 46. Commissioner since 2 December 2004. He is concurrently a member of the Managing Board of HeidelbergCement Group, as Chief Financial Officer. He studied at the University of Regensburg, Germany; Swansea (UK), graduating in 1986 with a university degree in Business Administration from Mannheim University, Germany. He received his Doctorate and qualification as a Tax Advisor in 1991.

Dr. Bernd Scheifele
Commissioner

German citizen, age 49. Commissioner since 23 February 2005. Currently, he is the Chairman of the Managing Board of HeidelbergCement Group, and Chairman of Phoenix Pharmahandel AG & Co KG, Mannheim, Germany. He holds a Master's degree in Law (LLM) from Universities of Freiburg and Dijon.

Emir Adiguzel
Commissioner

Turkish citizen, age 47. Commissioner since 23 February 2005. Currently, he is the President and COO of HC Trading, Chief Operating Officer for Mediterranean Basin, Middle East and Central Asia and one of the executive committee members in HeidelbergCement Group. He holds a degree from Harvard Business School's Advanced Management Program.

Report to the Shareholders

Daniel Lavalle
President Director

The necessity to adapt to market situation

Dear Shareholders,

Indocement posted a net income of Rp593 billion on net revenues of Rp6.325 billion in 2006, compared to Rp740 billion and Rp5.592 billion, respectively, in 2005. This result has been highly influenced by a change of marketing strategy decided by the Company in April. Domestic sales volume was too low in the first four months of the year due to weak demand and penetration of our core markets by competitors. Therefore, Indocement decided to reduce its selling price in order to regain market share. Unfortunately, price had to be reduced whilst costs increased, thereby reducing our operating margins.

During the past four years, as Indocement focused intensely on repaying its debts that had been the legacy of the Asian financial crisis of 1997, we had few options to undertake any pricing strategy other than to adopt a premium price for our cement. The aim was simply to generate enough cash in order to meet our scheduled repayment and to accelerate debt payments. But while we were able to pay off most of these debts, in the past four years we were slowly but steadily losing market share as a result of the premium price that we had set on our cement products.

In 2006, with the cement market already depressed from low demand, Indocement had to contend with additional pressures from competing cement companies that were targeting on our main markets. The management of Indocement decided to reduce the selling prices of our products, which started in May 2006. Aggressive behavior by our competitors forced us to reduce prices further. This led to a decline in our margin to a less than satisfactory level.

However, our decisive steps produced tangible results for Indocement. Market share increased from 28.9% in April 2006 to 30.6% by the end of the year. Indocement has shown the market its determination to have a market share in line with its past position and more reflective of its production capacity. At the same time, we positioned ourselves strongly and strategically in the market just in time to capitalize on the anticipation of significant growth and upside potential for cement consumption in the coming years. In 2006, Indocement succeeded in increasing the production volume of Portland Composite Cement product, in line with its strategy of sustainable growth. In addition, the revamping of Plant 8 has been accomplished in line with our plan and budget to add 600,000 tons of annual cement capacity.

The year 2006 was also significant for Indocement for at least two reasons. First, Indocement exited from the Master Facilities Agreement (MFA) that had covered our debt restructuring program since end of 2000. Although the MFA was a viable solution to our debt problems in the past, and had served its purpose well, certain covenants that came with the agreement were particularly restrictive in terms of what Indocement can or cannot do by way of investments or capital expenditures. Our exit from the MFA, therefore, absolves us of any such commitment or restriction. This development has a significant bearing on how Indocement views and responds to potential growth opportunities and market expansion from now on.

Secondly, export sales volume reached 3.2 million tons, an increase of 27.6% from that of 2005. Drastic logistics improvements between Citeureup and Tanjung Priok Harbor were the base for such an achievement.

Moving on to management issues, we would like to report changes to our Board of Directors in 2006. Indocement extends its appreciation to Iwa Kartiwa, Thomas Kern and Albert Scheuer who resigned from the Board last year. Mr. Kartiwa retires after more than 21 years of service with Indocement. While Messrs. Kern and Scheuer have been reassigned elsewhere within the HeidelbergCement Group. I would like to welcome Kuky Permana and Ernest G. Jelito as new members of the Board of Directors.

Indocement achieved key milestones in areas other than marketing and production. Our corporate governance, for instance, was further strengthened by a renewed commitment to transparency, accountability, responsibility and integrity in all of our business dealings, both externally and internally. Indocement continued to enjoy excellent labor relations, a good safety and health track record, and a conducive working environment, which extends throughout our factories and to the surrounding communities.

Furthermore, in our Clean Development Mechanism (CDM) initiative under the Kyoto Protocol framework, 2006 proved to be a milestone year for Indocement as it entered into the verification process to receive the Certified Emission Reduction on the amount of carbon emission reduction or ‘savings’ that can subsequently be traded on the carbon market or exchanged for monetary value. The monetary value itself is perhaps secondary in importance. What is of particular value to Indocement was that the completion of this CDM project - which took more than four years of continuous and exhaustive efforts by Indocement - proved that Indocement were among the first cement companies in the world able to adapt to very rigorous application of sustainable manufacturing processes that could well define industry standards of the future.

With our continued focus on operational excellence, cost efficiency, innovative people, financial solvency and sustainable development, Indocement is increasing its value to shareholders, customers, employees, business partners and communities alike. We also remain deeply committed to the continuing progress and growth of the nation and people of Indonesia - with whom Indocement has prospered over the past 31 years - and will continue to grow in the years to come.

Jakarta, 22 March 2007

Daniel Lavalle
President Director

Board of Directors

Daniel Lavalle
President Director

Belgian citizen, age 56. President Director since 26 April 2001. He holds a Master's degree in Mining from Polytechnical Faculty of Mons, Belgium.

Tedy Djuhar
Vice President Director

Indonesian citizen, age 55. Vice President Director since 26 April 2001. Concurrently, he is a Non-Executive Director of First Pacific Company Ltd., Hong Kong. He graduated from the University of New England, Australia with a degree in Economics.

Oivind Hoidalen
Director

Norwegian citizen, age 59. Director since 26 April 2001. Previously, he was Director for Research and Development of Norcem and Senior Vice President of Scancem International. He is a Technical Science graduate, major in Metallurgy, from the Technical University of Clausthal, Germany.

Nelson Borch
Director

Canadian citizen, age 44. Director since 12 September 2001. Previously, he worked with the CBR Group in various capacities. Also, he was formerly Chief Executive Officer/Managing Partner of Terra Geotechnics SDN BHD, Malaysia. He holds a degree in Civil Engineering from the University of British Columbia, Canada.

Benny S. Santoso
Director

Indonesian citizen, age 48. Director since 15 June 1994. He graduated from the Department of Business Studies, Ngee Ann College, Singapore.

Christian Kartawijaya
Director

Indonesian citizen, age 40. Director since 1 September 2004. He has joined the Company since August 1994. Previously, he was Deputy Finance Director and Head of Corporate Finance of the Company. He has a Master's degree in Business Administration, major in Finance from San Diego State University, San Diego, California, USA.

Kuky Permana
Director

Indonesian citizen, age 54. Director since 28 June 2006. He has joined the Company since 1978. Previously, he was Deputy Technical Director of the Company. He has a degree in Civil and Municipal Engineering from University College, London, UK.

Ernest G. Jelito
Director

Polish citizen, age 48. Director since 28 June 2006. He is concurrently General Director, Vice President of the Management Board of Gorazdze Cement S.A. and Head of cement business line in Poland. He has a degree in Chemistry and Cement Production Technology from the University of Mining and Metallurgy, Krakow, Poland.

Sustaining Growth...

With cost efficiency underlying every initiatives at Indocement, market competitiveness became a powerful tool for the Company in 2006 as it employed more aggressive pricing strategy to recapture lost market share from competitors.

How we fared in ...

2003

Domestic and export sales of cement plus clinker amounted to 8.4 million tons and 2.6 million tons valued at Rp4,158 billion. Indocement began to consolidate land transportation and logistics management in an effort to reduce operating cost and maximize margin.

Through Sound Operations

Indocement booked total sales of cement and clinker amounting to 13.2 million tons in 2006 compared to 12.1 million tons in 2005. In terms of revenues, sales increased by 13.1% from Rp5,592 billion in 2005 to Rp6,325 billion in 2006.

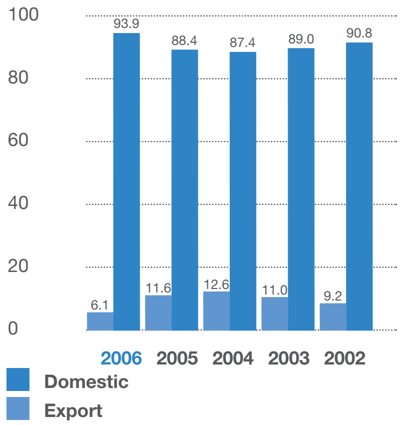
Domestic Sales. Domestic sales volume increased by 4.3% to 10.0 million tons in 2006, despite the generally weak cement market which had prevailed throughout most of the year in which domestic cement consumption only grew slightly of 1.5% from that of the previous year. Market share in home market such as Jakarta, West Java and Banten has improved, resulting from strategic pricing initiatives carried out by Indocement to bar competing products from encroaching upon the Company's key market areas, while also improving overall market share. The move met its objective, as Indocement was able to raise its market share above 30% on average for the full year. Going forward, Indocement will employ a flexible pricing strategy with a key objective of securing our market share to be more or less in line with the Company's production capacity share.

Domestic sales of Portland Composite Cement, or PCC, the new cement product, which Indocement launched to market only in 2005, saw significant growth in 2006 as more and more consumers realize that PCC is superior to Ordinary Portland Cement. Fuelled by this realization, the domestic sales of PCC rose by 159.8% from 2.8 million tons in 2005 to 7.2 million tons in 2006.

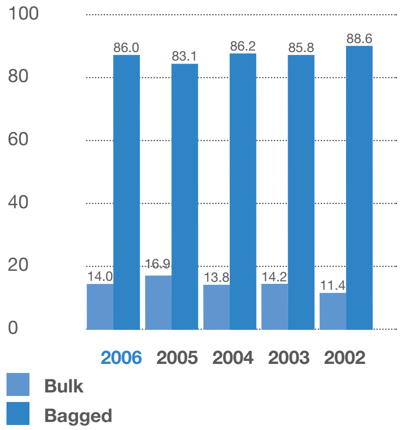
Export Sales. Export sales continued to serve as a strategic outlet especially for clinker deliveries to compensate the weak growth of domestic market. As the first nine months of 2006 saw a largely depressed market at home, Indocement was able to export more clinker and cement abroad during the year compared to that of 2005. Total sales volume of export rose 27.6% from 2.5 million tons in 2005 to 3.2 million tons in 2006.

Sales Outlook. In the last quarter of 2006 the Indonesian macro economy improved significantly as both inflation and interest rates were reined in at single-digit rates. Conditions are expected to improve further in 2007, with indicative correlating upside potential for cement consumption. This outlook bodes well for Indocement's anticipated sales in 2007.

Domestic vs Export Cement Sales
(in %)



Domestic Sales Bulk vs Bagged Cement
(in %)



2004

Domestic sales increased to 9.2 million tons, while exports rose to 3.2 million tons on strong market demand at home and abroad. Net revenues increased to Rp4,616 billion, and Indocement took partial control of marine transportation to further boost operating efficiency.

2005

Domestic sales further increased to 9.6 million tons, as exports declined to 2.5 million tons. Nevertheless, net revenues increased to Rp5,592 billion. Indocement adopted a fully integrated information technology system to manage transportation and logistics more effectively.

Sustaining Growth...

Indocement has completed the revamping of a major plant at Citeureup to significantly increase production capacity, while the doubling of jetty capacity at the Tarjun Factory has increased loading capacity to two ships simultaneously.

Indocement resolved heating problems associated with the burning of low caloric materials as part of cost-efficiency measures. Indocement further improved its facilities to take advantage of more alternative fuels to complement the use of medium-caloric coal fuel.

How we fared in ...

2003

Total production of cement and clinker amounted to 9.3 million tons and 9.9 million tons, respectively. The use of alternative materials and fuels were assessed and Indocement embarked on a Clean Development Mechanism project under the Kyoto Protocol framework.

Through Efficient Production

Indocement produced some 11.7 million tons of clinker and 10.6 million tons of cement in 2006 compared to 11.0 million tons and 10.9 million tons, respectively, in 2005.

Problems Resolved. If 2005 had been a particularly challenging year for production with technical problems besetting some of Indocement's largest kilns, which included Plant 11 in Citeureup and Plant 12 in Tarjun, these problems were largely resolved in 2006. Failure of the gear reducer in Plant 11 was completely resolved, while Plant 12 was fully restored from its unscheduled downtime in 2005.

Power generating problems that had disrupted production at Tarjun Factory - which relies fully on its own power generating capacity - were also resolved in early 2006, enabling Tarjun Factory to run better utilization rate during the year.

The return to normal running capacity of some of the largest kilns meant that Indocement no longer needed to rely heavily on older and less efficient kilns as it did in 2005. This also provided an opportunity for Indocement to undertake plant upgrades and refurbishments of older kilns, which was in fact a key focus activity of the Company's production units in 2006.

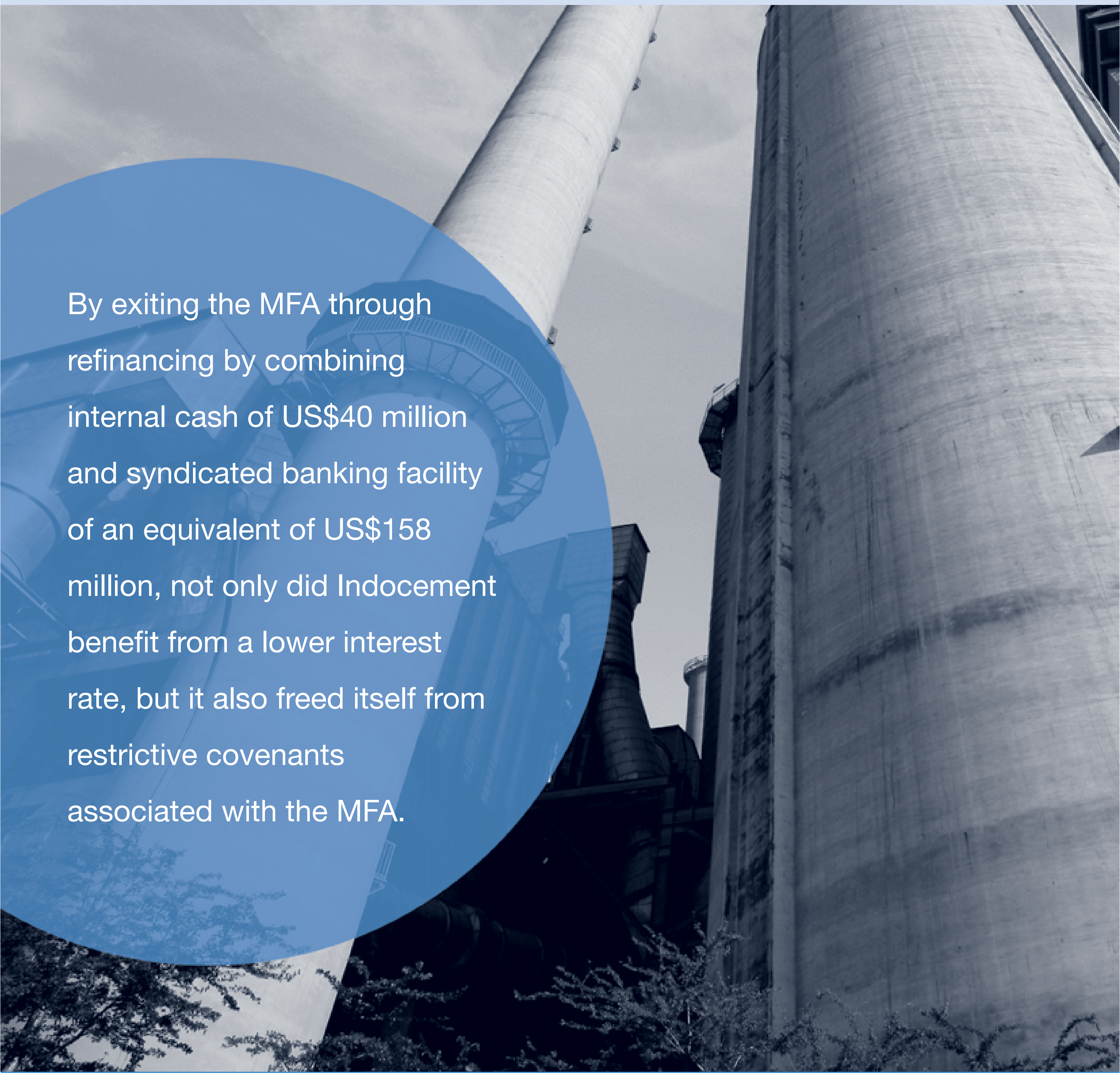
Increased Capacity. The program to revamp and fit-out Plant 8 in Citeureup with innovative processing technology that would allow for much greater use of alternative fuels has been completed. After a few weeks of test runs that had been carried out, Plant 8 has been commissioned to increase production capacity by some 600,000 tons per annum.

Production Outlook. Indocement stands to gain enormously from its ability to generate increasing production capacity without having to invest heavily in the construction of new kilns. Furthermore, a successful and complete revamping of one of its largest plants has given Indocement a more solid base from which to ramp up production volume whenever the market for cement picks up.

2004
Production of cement rose to 10.5 million tons, and clinker to 11.3 million tons on rising market demand. Indocement began to use alternative materials to save on production costs, and explore the use of more economical fuel to produce heat.

2005
Production of cement rose slightly further to 10.9 million tons, while clinker declined slightly to 11.0 million tons. However, Indocement was using much more alternative materials than ever which significantly increased its competitiveness in the market.

Sustaining Growth...



By exiting the MFA through refinancing by combining internal cash of US$40 million and syndicated banking facility of an equivalent of US$158 million, not only did Indocement benefit from a lower interest rate, but it also freed itself from restrictive covenants associated with the MFA.

How we fared in ...

2003

Indocement posted a net income of Rp670 billion and net shareholders' equity of Rp4,533 billion. By year's end, Indocement had total debts of approximately Rp5,290 billion. Despite retiring some Rp2,007 billion of these debts during the year, net gearing ratio only fell from 163.8% to 101.8%.

Through Financial Prudence

Indocement's consolidated net revenues amounted to Rp6,325 billion in 2006, increasing by 13.1% from Rp5,592 billion in 2005. This was mainly due to an increase in domestic sales volume by 4.3% despite only 1.5% growth of national consumption in 2006. The change in marketing strategy from "margin-oriented" to more "volume-oriented" since May 2006 had not only increased sales volume, but also led to a modest increase of domestic selling price by 7.2% during the year. However, this was not enough to compensate for increases in cost of revenues by 16.9% and delivery and selling expenses by 44.6% with the full impact of fuel hikes taken in 2005. This had the consequence of reducing gross profit margin and operating profit margin from 36.1% to 34.0%, and from 21.7% to 16.9%, respectively, between 2005 and 2006.

Turn-around Year. There were several factors why 2006 qualified as a turnaround year for Indocement in terms of financial sustainability. The first one was the exit of Indocement from the Master Facilities Agreement (MFA), a debt restructuring program which it had been attached to since the year 2000 as the result of monetary crisis. A refinancing scheme was secured from a syndication of four major banks, which raised a total of equivalent US$158 million in a new loan and the Company's own cash of US$40 million to replace the MFA. With it, not only did Indocement enjoy more favorable loan terms at lower interest rates, but it also disengaged itself from the restrictive MFA covenants. Today, Indocement has the flexibility to use its strong cash position either to reduce debt further or undertake capital expenditures.

Low Gearing and Low Risk. In its balance sheet, Indocement kept a lower cash balance of Rp53 billion in 2006 compared to Rp801 billion in 2005, as well as a debt level equivalent to Rp2,271 billion, a reduction of Rp1,599 billion from that of 2005. With a much healthier balance sheet in 2006, Indocement succeeded in bringing net gearing ratios down from 54.4% to 36.8% as at year-end 2006. This was a far cry from the prevailing net gearing ratio of 832.5% in 2000 at the start of MFA. One other complimentary feature of the Company's balance sheet was the low risk associated with foreign exchange risk exposure. As at year-end 2006, a total of 74.1% of the Company's total borrowings were in Rupiah denomination. The remaining foreign currency debts were in Japanese Yen (10.7%) and US Dollar (15.2%).

Financial Outlook. In 2006, Indocement resumed its income tax regimen following several years of tax-loss benefits carried forward. At the same time it entered a new era in which it can also resume capital expenditures to increase competitiveness in anticipation of significant growth potentials in cement consumption in the near future. Indocement believes that its sustainably strong balance sheet at present far outweighs any short-term decline from temporal market adjustments. By any measure, Indocement's financial conditions have never been more sounds in recent years than they are today.

2004

Net income fell to Rp116 billion on an extraordinary foreign exchange translation loss of Rp498 billion. However, a further Rp681 billion of debts were retired during the year, reducing net gearing ratio further to 87.2%. Net shareholders' equity rose slightly to Rp4,656 billion.

2005

Net income recovered to Rp740 billion on growing financial sustainability. Indocement reduced its debts during the year by Rp739 billion to a total of Rp3,870 billion, reducing net gearing ratio even further to 54.4%. Net shareholders' equity climbed to Rp5,629 billion.

Sustaining Growth...

Indocement had another accident-free year in 2006, underlining its committed efforts to provide safe, healthy and conducive working environment - conditions that contribute to excellent labour relations between Indocement and its employees.

A streamlined organization was achieved in 2006 as Indocement pursued natural retrenchment by not replacing retiring personnel, but encourage and train people to multi-task in their work.

Through Commitment and Dedication

People remain as key assets of Indocement, and their tireless commitments and dedication to the cause of the Company are behind the Company's full recovery and resurgence as a major cement-producing company in the country, today and in several years to come. Throughout the challenging periods of recovery of the past four or five years, Indocement pursued sound and consistent policies and strategies in human resources management that sought to bring out the best in individuals as well as in a performance-driven and results oriented organization. A singular focus on achieving operational excellence at every level in the past has succeeded in shaping Indocement into being the leading, low-cost producer of consistently high-quality cement in the Indonesian market.

Succession Challenge. Indocement faces an emerging challenge with respect to its middle and higher management succession program. More than a decade ago, at a time when Indocement was faced with Indonesia's worst financial crisis in the mid to late nineties, there was an interlude in personnel recruitment of several years. This created a generational 'gap' between senior executives who were recruited before 1995 and the more junior staffs recruited in the post-2000 era. Starting from 2006, as more than 200 senior personnel of Indocement entered their mandatory retirement age, the Company encountered challenges in the succession order because of this gap.

Continuous Learning and Training. In order to overcome the above gap, Indocement has resumed its management trainee program since 2006, and revitalized its overall human resources development and training programs. Every managerial staff are required to develop a continuous learning mindset as they go through the various training programs of Indocement which include Team-Building Training, the Executive Leadership Development Program, the Responsibility Awareness Program, and Outbound Training among other programs.

People Outlook. Indocement has made this a key priority of its human resources management and development programs, and is confident that issues of succession can be resolved quickly from a combination of training, recruitment and the implementation of systems and standardized operating procedures to help people cope with and manage daily activities better.

Sustaining Growth...

Indocement responded to several disasters by undertaking relief missions to aid victims of the Yogyakarta and Central Java earthquake, tsunami in Pangandaran, West Java and wild fires which razed three villages in South Kalimantan among other stricken areas in 2006.

Education and healthcare services for the young remain a key focus of Indocement's CSR initiatives as it made substantial contributions to build schools, an ambulance and a mobile clinic in 2006 as a realization of its 30th anniversary commemorative program.

Through Community Development

Indocement continues to pursue its business interests in a way that promotes sustainable development, wholesome communities and a friendly environment.

In order to realize this vision, Indocement undertakes a wide range of Corporate Social Responsibility (CSR) activities which, among other things, promote education, empower local economies, support local infrastructures, donate to social causes, help stricken communities and maintain ecological balance through environmental protection and conservation.

A CSR activity that was completed in 2006 as part of Indocement's 30th anniversary celebration in 2005 was the 'Joint Projects for the Community' that Indocement undertook with its suppliers and business partners, that saw the construction, renovation and refurbishment of several public schools in the villages of Citeureup, Cirebon and Tarjun, enabling the students to enjoy their brand new and well-equipped schools.

In maintaining ecological balance, Indocement adheres to responsible manufacturing practices at all times, constantly monitoring dust particles emission, noise emission, as well as greenhouse gas emission within the Clean Development Mechanism under the Kyoto Protocol framework.

Indocement continues to innovate with the use of renewable energy sources to reduce our dependence on non-renewable, fossil fuels. We are currently in the process of exploring the possibility of harnessing renewable sources of energy with our surrounding communities.

In contributing to social progress, Indocement is committed to improve the welfare of communities by supporting education, healthcare and various social and economic needs. Through its community development programs in 2006, in addition to the school projects in Cirebon and Citeureup, Indocement donated an ambulance and a mobile clinic to public health service providers in Tarjun. Indocement CSR initiatives also extend beyond its immediate communities, providing relief aids to those who suffered from natural disasters from earthquakes to floods and tsunamis, which of late have been striking many parts of Indonesia in increasing frequencies.

Sustaining Growth...

Indocement has always placed a strong emphasis on best practice corporate governance that underlines transparency, accountability, responsibility, fairness and independence in the business conduct and operations of the Company.

Indocement engages good corporate governance as a means to foster clear lines of authority and responsibility within an open environment in which integrity is expected to flourish and prevail at all times.

The key points of Indocement's corporate governance policies and implementation are as follows:
- Clear and segregated roles and responsibilities of Commissioners and Directors
- Focus on strategic direction and business plan
- Proper business conduct
- Transparent and fair dealings with stakeholders
- Protection of minority shareholders' rights
- Emphasis on risk management and risk aversion
- Enhanced operational oversight and control through the Audit Committee and the Internal Audit Division
- Effective management information system for informed decisions
- Timely and accurate disclosure and dissemination of material information to stakeholders, and
- Responsibility to social, environmental and developmental issues

Board of Commissioners

The Board of Commissioners (BOC) has the duty and responsibility of overseeing and advising the Directors on matters of corporate policies. The BOC continuously monitors the effectiveness of company policy and decision making process by the Directors, including the execution of strategy to meet stakeholders' expectations.

The broad duties and responsibilities of the BOC are set out comprehensively in the Company's Articles of Associations. The main ones are:
- Provide assessment and opinion to the General Meeting of Shareholders (GMS) with respect to the Company's strategic goals and business plan, annual budgets, periodical financial and other reports by the Directors.
- Supervise the performance and results of operations of the Company against the business plan and annual budgets, and present its assessments and opinions to the GMS.
- Follow the progress of the Company and, in the case of a deteriorating performance, to report it at the first opportunity to the GMS and propose countermeasures.
- Undertake other supervisory duties as laid out by the GMS.
- Present the BOC's report in the Annual General Meeting of Shareholders or at any time that is deemed necessary for the Company to undertake an Extraordinary General Meeting of Shareholders.

As of 31 December 2006, the Board of Commissioners of the Company comprised of seven Commissioners including the President Commissioner, two Vice President Commissioners, and three Independent Commissioners. The profiles of each Commissioner are presented separately in this annual report.

Board of Directors

The Board of Directors (BOD) is fully responsible for managing the Company prudently and in accordance with prevailing regulations in the interest and in line with the objectives of the Company. The Directors whether individually or collectively must act with precision, prudence, and consider all aspects of a situation in carrying out their duties and avoid situations where conflicts of interests may arise.

The broad duties and responsibilities of the Directors are set forth comprehensively in the Company's Articles of Association. The main ones are:
- Determine the policies with respect to the governance and management of the Company
- Set Company objectives, strategies and budgetary plans periodically, and measure operating results on performances against those objectives, strategies and plans
- Set Company policies on employment, including policies on hiring and firing, remuneration, pension and other benefits
- Represent the Company in all of BOD activities with internal parties as well as all business dealings with external parties

- Undertake other activities, with respect to either management or ownership of the Company, as directed by meetings of the BOC and in line with prevailing rules and regulations

As of 31 December 2006, the Directors of Indocement consisted of eight members including a President Director and Vice President Director. The profile of each Director is presented separately in this annual report.

Meetings of the Commissioners and Directors

In the course of their duties, the Directors meet internally on a regular basis or as needed from time to time. The Board of Commissioners and the Board of Directors meet at least twice a year to evaluate business targets and discuss pertinent issues on the development of the Company.

The following tables set forth the number of meetings of the Company's BOC and BOD meetings in 2006, and the level of attendance of each Commissioner and Director.

Compensation Committee

The Compensation Committee oversees the implementation of the Company's policies on nomination and compensation plan of board members and senior management personnel.

Meeting of BOD, BOC and Audit Committee

Type of meetings	Total meetings (times)	Attendance (%)
Commissioners' meeting	2	100
Directors' meeting	3	100
Audit Committee's meeting	5	100

Among other things, the Committee is responsible for:

- Assuring that members of the BOD and key management personnel of the Company are effectively compensated in terms of salaries and benefits, which are internally equitable and externally competitive.
- Recommending to the BOC of all compensation initiatives that effect the executive and non-executive members of the BOD including the President Director.
- Reviewing with the President Director all compensation for other key management personnel.
- Observing competitive practices and trends to determine the adequacy of the Company's executive compensation package.
- Reviewing from time to time the adequacy of the Committee's Charter of Association and recommending appropriate changes thereof.

As of year-end 2006, the Compensation Committee comprised of the following members:

Chairman : Daniel Gauthier
Members : I Nyoman Tjager
Dr. Bernd Scheifele

One of the three members of the Compensation Committee is an Independent Commissioner, I Nyoman Tjager.

The profiles and expertise of each member of the Compensation Committee are presented in this annual report on page 10 and 11 . The Committee met once in 2006.

Compensation to Board Members

The total salaries and other compensation benefits paid to Board of Commissioners and Board of Directors amounted to Rp28 billion in 2006.

The Audit Committee

The Audit Committee provides professional and independent opinion to the Board of Commissioners with respect to reports and other matters presented by the Directors. In its formation, the Audit Committee is equipped with the Audit Committee Charter which describes roles and responsibilities of the Committee, as follows:

- Propose the appointment of an external auditor through a selection process
- Evaluate the execution and results of the audits conducted by the Internal Audit Division as well as external auditors
- Recommend the enhancement of the internal control system and its implementation
- Review selected procedures for information release from the Company.
- Identify matters requiring the attention of the Commissioners.

As of year-end 2006, the Audit Committee consisted of the following members:

Chairman	**:**	**I Nyoman Tjager**
Members	**:**	**F. Antonius Alijoyo**
		Phil Leifermann

The profiles and expertise of each member of the Audit Committee as well as the Committee's Report for fiscal year 2006 are presented on page 32 and 33 in this annual report. The Committee met five times in 2006.

All three members of the Committee are independent of the majority shareholder of the Company.

External Auditors

Indocement has appointed the public accounting firm of Purwantono, Sarwoko and Sandjaja (a member firm of Ernst & Young Global) as auditors of the Company's financial statements for fiscal year of 2006. The external auditors perform their duties according to professional standards and ethics.

Internal Control

Indocement fully understand the importance of an effective internal control system. Internal Audit Division supports the Directors in undertaking the supervisory role of the Company's operations. In 2006, the Internal Audit Division conducted audits on 21 business processes, resulting in more than 100 audit findings. These findings had been reported to the BOC, which selected and forwarded several pertinent findings to the BOD for further actions.

Corporate Secretary

The Corporate Secretary reports directly to the President Director. He is responsible for corporate communications concerning the performance of Indocement to stakeholders, as well as managing media and investor relations. Through the investor relations activities, the Company updates shareholders and the investment community with the latest development.

The Corporate Secretary is also responsible for corporate compliance, ensuring that the Company is updated and complies with all prevailing rules and regulations. The profile of the Corporate Secretary is presented below.

Sunu Widyatmoko, Indonesian citizen, age 38. Corporate Secretary since 1 January 2006. He holds a Master's degree in Business Administration, major in Finance from University of Illinois at Urbana-Champaign, USA.

Change in Direct Shareholder

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

Litigation Cases

As at year-end 2006, Indocement was faced with the single case of litigation that had been in progress since February 2004, involving claims by certain plaintiffs on land already acquired by Indocement. The Company won the case in both the district and appellate courts. However, the case now rests with the Supreme Court, which has not yet rendered its decision. For a more detailed account of this litigation case, see note 26 in the Notes to the Consolidated Financial Statements on page 95 of this annual report.

Risk Management

Indocement has developed a comprehensive risk management framework as an integral part of its business. Evaluative and anticipative measures at the earliest stage of a potential risk are the cornerstones of Indocement's rigorous risk management process. The major risk categories of importance to Indocement are strategic, operational and finance. The indicators and parameters of all risk elements attributable to the risk categories have been and continue to be systematically identified and analyzed from time to time. The identified risk elements are then closely and constantly monitored at all levels of management. This highly organized and bottom-up approach to risk management provides reasonable assurances towards the business continuity and sustainability of Indocement as a going concern.

Audit Committee Report

The Audit Committee report has been prepared pursuant to the regulations of the Capital Market and Financial Institution Supervisory Board (BAPEPAM-LK) and the Jakarta Stock Exchange.

During 2006, the Audit Committee met for a total of five times, to discuss the following matters:

- Financial reporting and audit
- Corporate governance
- Enterprise risk management
- Internal audit
- Business planning
- Monitoring the limit of "related-party transactions"

The Audit Committee was involved in the selection and appointment of the independent public accounting firm to audit the Company's financial statements. The Committee considered the scope and methodology of the audits, as well as the independence, objectivity and qualifications of the external auditors. In addition, the Committee conducted several reviews of the external audit works. Audit Committee concluded that both the financial reporting and audit were satisfactory, in compliance with Generally Accepted Accounting Principles in Indonesia.

The Audit Committee has reviewed Indocement's self-assessment of corporate governance practices, based on a checklist provided by the Forum for Corporate Governance in Indonesia (FCGI). Audit Committee concluded that corporate governance practices within Indocement were satisfactory. Although the Company's current corporate governance practices are already above national standards, further enhancements are still required to meet international best-practice standards. One of the initiatives was to develop the new work ethics of Indocement in 2006.

Indocement's enterprise risk management approach has been assessed, based on the HeidelbergCement Group risk management framework. Audit Committee concluded that risk management was satisfactory, with the formulation of highly structured and well-defined risk categories, as well as the identification and review of the major risks affecting Indocement, including both financial and operational risks.

Indocement recently adopted risk-based audit, which in line with the HeidelbergCement Group Internal Audit guidelines. The internal audit works were able to provide clear distinctions between risk-based internal audit and enterprise risk management processes, and appropriate mitigation of the major risks affecting Indocement, including the establishment of adequate internal controls.

Indocement's business plans have been reviewed through high-level discussions with senior management. Audit Committee concluded that business planning was satisfactory, and that Management clearly understood the challenges faced by Indocement and had applied sufficient measures and actions to meet business goals and objectives, including undertaking a corporate action to exercise a refinancing program for a more cost-effective borrowing.

Finally, pursuant to the independent shareholders' approval on the Company's transactions with related companies at the Extraordinary General Meeting of Shareholders of 23 February 2005 and 29 March 2006 , the Audit Committee reviewed all "related-party transactions" commencing 1 January 2006 until 31 December 2006. We concluded that all "related-party transactions" were made in accordance with the guidelines as per shareholders' approval and kept well below the approved limits.

Audit Committee Members

I Nyoman Tjager
Chairman of Audit Committee

Indonesian citizen, age 56. Vice President Commissioner/ Independent Commissioner since 26 April 2001 and Chairman of Indocement's Committee Audit since 6 December 2001.
He is concurrently an Independent commissioner and Chairman of the Audit Committee of PT Bank Lippo Tbk.
He holds a Master's in Economics degree from Fordham University, New York.

F. Antonius Alijoyo
Member of Audit Committee

Indonesian citizen, age 43. Member of Audit Committee of Indocement since 6 December 2001. He is a member of International Board of Professional Risk Managers' International Association (PRMIA). Previously a Senior Partner in RSM/AAJ Associate (a member firm of RSM International). He holds a Bachelor's degree from Parahyangan Catholic University, a Master of Business Administration from IPPM, and a candidate doctor in economics from Parahyangan Catholic University, Bandung.

Phil Leifermann
Member of Audit Committee

Australian citizen, age 45. Member of Audit Committee of Indocement since 5 March 2002. Currently, he is the President Director of Insight Consulting. He holds a Bachelor of Business from Southern Cross University, Australia and a Master of Business Administration degree from the University of Western Australia, Perth.

Management Discussion and Analysis

OPERATIONAL REVIEW

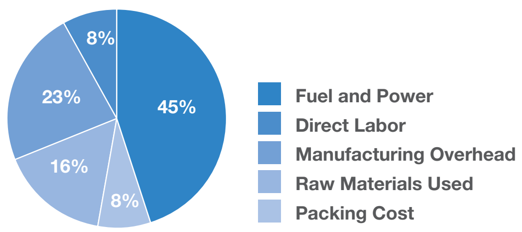
Production

In 2006, Indocement produced 11,739,107 tons of clinker or 7.1% higher than that of 2005. It produced 10,577,511 tons of cement or 2.7% lower than that of 2005. The utilization rate of the installed capacity during 2006 was at 76.1%. The plant utilization of each plant site was 71.8% for the Citeureup Factory, 86.0% for the Cirebon Factory, and 85.1% for the Tarjun Factory. The following table shows the production of clinker and cement for the respective factories.

Clinker and Cement Production (in Tons)

Factory	2006	2005	Variance	
			Quantity	%
Clinker Production				
Citeureup	**7,604,934**	7,150,925	454,009	6.3%
Cirebon	**2,091,964**	2,024,105	67,859	3.4%
Tarjun	**2,042,209**	1,780,916	261,293	14.7%
Total	**11,739,107**	10,955,946	783,161	7.1%
Cement Production				
Citeureup	**6,827,191**	7,312,717	(485,526)	-6.6%
Cirebon	**2,416,175**	2,269,881	146,294	6.4%
Tarjun	**1,334,145**	1,291,573	42,572	3.3%
Total	**10,577,511**	**10,874,171**	(296,660)	-2.7%

Composition of Manufacturing Cost in 2006



Sales and Revenues

While the domestic cement consumption grew only by 1.5% from 31.5 million tons in 2005 to 31.9 million tons in 2006, the Company was able to increase its domestic sales volume by 4.3% from 9.6 million tons in 2005 to 10.0 million tons in 2006. As a result, the Company's market share improved slightly from 29.7% in 2005 to 30.6% in 2006.

Such achievement was attributable to the management's decision to change the Company's marketing strategy from that of "margin oriented" to a more of "volume oriented". The decision was taken in consideration of the contraction of the national cement consumptions since October 2005 when the Government changed its fuel subsidy policy. The result of which, by the end of 2006, the domestic selling price was 13.8% lower than that of 2005. Nonetheless, the average domestic selling price in 2006 was still 7.2% higher.

The bagged cement sales constituted 86.0% of the total domestic sales volume, while the remaining 14.0% was in form of bulk cement. In 2005 the composition of bagged cement and bulk cement were 83.1% and 16.9%, respectively. The slight change in the composition was mainly affected by the construction of Cipularang Toll Road, West Java in 2005 where the Company supplied most of the cement requirements.

The increase of export sales volume from 2.5 million tons in 2005 to 3.2 million tons in 2006 was a direct consequence of the weak domestic consumption in 2006, especially throughout the first half of the year.

As a result of foregoing, the Company's net revenues in 2006 increased by 13.1% from Rp5,592 billion in 2005 to Rp6,325 billion. The revenues from cement business and ready-mix concrete operation accounted for 95.6% and 4.4% of total net revenues, respectively.

FINANCIAL REVIEW

Cost of Revenues

The cost of revenues increased by 16.9% from Rp3,572 billion in 2005 to Rp4,178 billion in 2006. This increase exceeded the increase of revenues, consequently, the ratio of cost revenues to net revenues increase from 63.9% in 2005 to 66.0% in 2006. The increase was mainly attributable to the fuel-related costs such as energy cost, which accounted for roughly 45.4% and 43.7%, of total manufacturing costs in 2006 and 2005 respectively. In 2005, the effects of fuel price increase were felt only during the last three months of the year.

Operating Expenses

The increase of operating expenses by as much as 34.0% was mainly attributable to delivery and selling expenses, which rose by 44.6%. Such an increase resulted from higher delivery and land transportation costs due to rates increases, and higher sea freight charges as a direct consequences of the full-year effect of fuel price increases has caused the steep increase.

Profitability

The Company's gross profit margin declined from 36.1% in 2005 to 34.0% in 2006. This was mainly due to the full effect of the fuel price increase as referred to above.

Current Assets

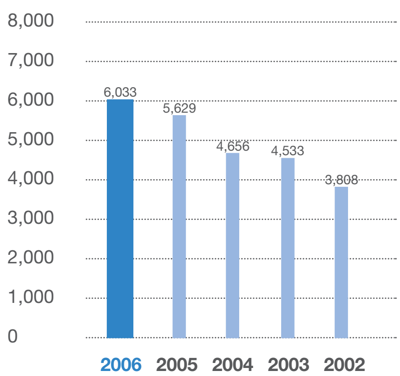
Current assets decreased by 19.2% to Rp1,742 billion in 2006, which was mainly due to a decrease in the amount of cash and cash equivalent from Rp498 billion in 2005 to Rp43 billion in 2006. The decrease in the amount of cash-on-hand resulted from management decision to use the Company's cash balance to reduce its debt. Consequently, current ratio has declined from 2.5 times to 2.1 times.

On the other hand, trade receivables from third parties grew by 14.9% to Rp581 billion, which was in line with the increase in sales. Other receivables from third parties also grew by 119.5% to Rp12 billion. Average collection period in 2006 was 34 days compared to 33 days in 2005.

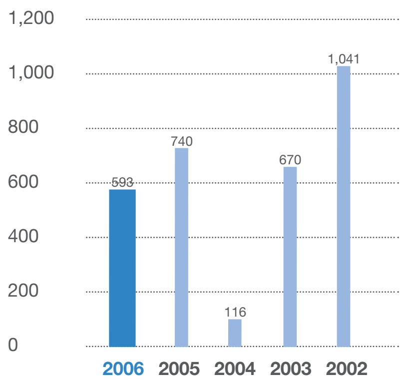
Non-Current Assets

Non-current assets decreased by 6.3% from Rp8,381 billion in 2005 to Rp7,857 billion in 2006. With the termination of the Master Facilities Agreement (MFA), the Company was no longer under the obligation to restrict cash and time deposits as per the covenants of the agreement. The Company has therefore closed its escrow accounts and transferred the remaining balance to its current accounts.

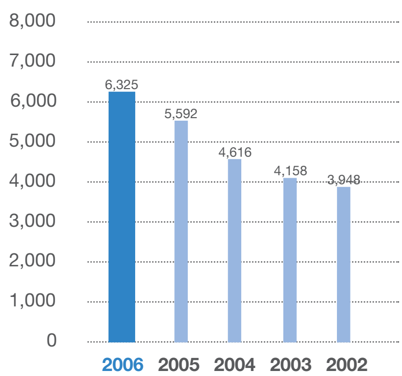
Net Shareholder's Equity
(in billion Rupiah)

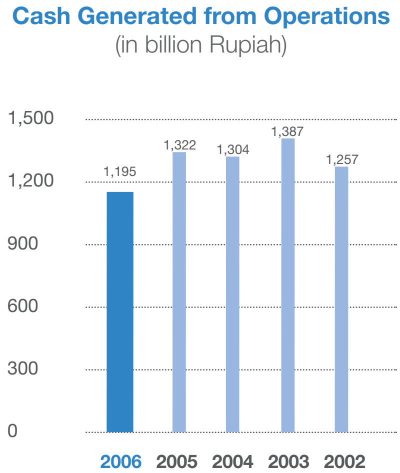


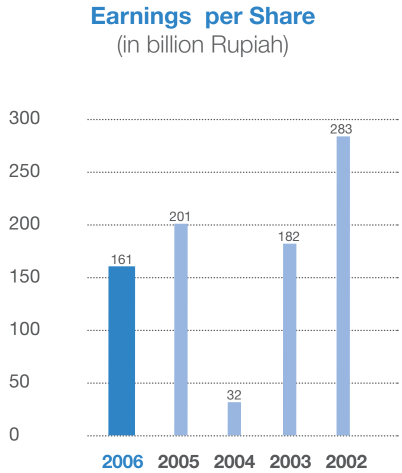
Net Income
(in billion Rupiah)

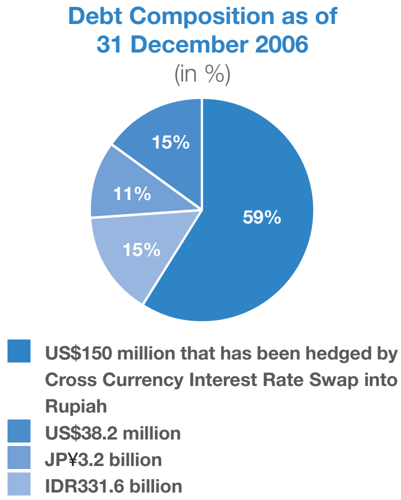


Net Revenues
(in billion Rupiah)









Total Assets

As a result of the foregoing, total assets declined by 8.9% from Rp10,536 billion in 2005 to Rp9,598 billion in 2006.

Current Liabilities

Current liabilities declined by 5.1% from Rp856 billion in 2005 to Rp812 billion in 2006, mainly as a result of the decline in the current maturities of long-term liabilities – loans from banks and financial institutions, which arose as a result of the debt refinancing.

Non-Current Liabilities

Non-current liabilities decreased by 32.0% from Rp4,051 billion in 2005 to Rp2,753 billion in 2006. In addition to the US$40 million of the Company's cash, which was one of the instruments to fully repay MFA, the Company during the year has repaid around US$108 million.

Total Liabilities

Accordingly, total liabilities fell by 27.3% from Rp4,907 billion in 2005 to Rp3,566 billion in 2006. Consequently, the net gearing was reduced from 54.4% to 36.8%. The reduction of the Company's net gearing has improved its capability to pay its long-term debt as its net debt to EBITDA ratio dropped significantly from 1.82 times to 1.40 times. Since around 74.1% of its debt now are in Rupiah denominated that carry higher interest rate, the Company's ability to serve interest expense, reflected in EBITDA to Net Interest Cover ratio, declined from 7.1 times to 5.8 times in 2006.

Capital Expenditure

In the effort to reduce its long-term energy cost, the Company has entered into a spare parts purchase for the conversion of two power plant engines in the Company's Citeureup plant from Heavy Fuel Oil (HFO) operation to gas operation. The total value of this purchase was amounted to EUR3,286,642.

For 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 the equipment supply for Clinker Cooler Upgrade with the amount of EUR1,072,500, and service contract for supervision of erection and commissioning at the rate as stipulated in the contract.

(iii) FLSmidth, for equipment supply for Preheater and Calciner Upgrade with amount of EUR2,154,200.

The funding for all of the Company's expenditure were from internal cash flow and the foreign exchange risk associated was managed internally. Those projects are expected to be completed in first quarter 2007.

Subsequent Events

- On 22 January 2007, the Company paid the installments on its long-term loan from banks and financial institutions amounting to US$1,842,105, JP¥372,000,000 and Rp18,421,052,632 and its obligations for interest and other financial charges covering the period 20 July 2006 to 22 January 2007 amounting to US$3,649,671, JP¥25,777,288 and Rp10,873,779,000.

- On 22 January 2007, the Company re borrowed the revolving loan facility of US$5,000,000. The loan bears interest at the annual rate of 6.22% and will be due on 22 February 2007. The proceeds of the loan are used for the repayment of the principal revolving loan. The Company also paid its obligation for interest and other financial charges covering the period 20 December 2006 to 22 January 2007 amounting to US$29,562.

- In January 2007, the management of the Company announced its plan to close the Bulk Cement and Coal Transport Division (BCTD). As of the independent auditors' report date, the Company is in the tender process by inviting transporter companies to handle the delivery of bulk cement and coal.

Dividends

The Company has paid its first dividends since 1998 amounting Rp50 per share or 25% of net income for fiscal year 2005.

Conflict of Interest Transaction

In the Extraordinary General Meeting of Shareholders held on 29 March 2006, the independent shareholders approved the proposals to add 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 arms length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company's shareholder's equity based on the latest audited consolidated financial statements.

In 2006, total amount of recurring transaction with HeidelbergCement AG and its affiliates was Rp22,421,375,866, well below Rp301,638,116,724, representing 5% of the Company's net shareholders' equity as at year-end 2006.

Outlook

With the improvement in Indonesia macro economy, such as lower interest rate and stable exchange rates, the Company believes there will be about 4% growth of cement domestic consumption in 2007.

Responsibility for Operational and Financial Reporting

The Management of Indocement is responsible for the preparation of the financial statements and related notes included in this Annual Report to shareholders. The statements have been prepared in accordance with the generally accepted accounting principles that are currently applied to in Indonesia, and include amounts that are based on the best judgment of Management. Financial information included elsewhere in this Annual Report in consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data presented in the financial statements, Management maintains a system of internal controls designed to provide reasonable assurances that transactions are executed with the management's authorization, ensuring that assets are safeguarded and records are adequately maintained. To assure the effective administration of internal control, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communications channel are provided to foster an environment conducive to the effective functioning of controls. The management believes that the internal control system supports the integrity and reliability of the financial statements.

Board of Commissioners

Daniel Gauthier
President Commissioner

Sudwikatmono
Vice President Commissioner/
Independent Commissioner

I Nyoman Tjager
Vice President Commissioner/
Independent Commissioner

Sri Prakash
Independent Commissioner

Dr. Lorenz Naeger
Commissioner

Dr. Bernd Scheifele
Commissioner

Emir Adiguzel
Commissioner

Furthermore, the system is supported by an internal auditing function and reports its findings to management throughout the year. The Company's independent auditors are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of the Management in carrying out its responsibility over the Company's operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal controls and the data contained in the financial statements.

The Audit Committee of the Board of Commissioners, comprised solely of independent members, meets regularly with the independent auditors, Management and internal auditors to review their work and discuss the Company's financial control, audit and reporting practises. Both the independent and internal auditors have access to the Committee to discuss matters which may require the attention of the Board of Commissioners.

Board of Directors

Daniel Lavalle
President Director

Tedy Djuhar
Vice President Director

Oivind Hoidalen
Director

Nelson Borch
Director

Benny S. Santoso
Director

Christian Kartawijaya
Director

Kuky Permana
Director

Ernest G. Jelito
Director

Financial Report

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PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

HEAD OFFICE
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70-71
Jakarta 12910, Indonesia
Tel: (+62 21) 2512121, 2522121, 5703817
Fax: (+62 21) 2510066
PO Box 4018 Jakarta 10040
Website: www.indocement.co.id

Statement of the Board of Directors
concerning
Responsibility over the Consolidated Financial Statements of
PT Indocement Tunggal Prakarsa Tbk. (the "Company") and subsidiaries
for the years ended 31 December 2006 and 2005

The undersigned:

1.	Name	:	**Daniel Lavalle**
	Office address	:	Wisma Indocement, Level 8 Jalan Jenderal Sudirman Kav. 70-71 Jakarta 12910
	Domicile address	:	Four Season Resident Summer Tower II #31A Jalan Setia Budi Tengah Jakarta 12910
	Telephone	:	021-2512121
	Position	:	President Director of the Company
2.	Name	:	**Christian Kartawijaya**
	Office address	:	Wisma Indocement, Level 8 Jalan Jenderal Sudirman Kav. 70-71 Jakarta 12910
	Domicile address	:	Jalan Kelapa Puyuh II KD/26 RT001 RW 019 Kelapa Gading - Jakarta Utara
	Telephone	:	021-2512121
	Position	:	Director of the Company

in this matter acting jointly for and on behalf of the Company, having its domiciled in Jakarta, Wisma Indocement, Level 8, Jalan Jenderal Sudirman Kav.70-71, hereinafter declare as follows:

1. That we are responsible for the preparation and presentation of the Company's consolidated financial statements for the years ended 31 December 2006 and 2005 ("Consolidated Financial Statements of the Company and Subsidiaries");

2. That the Consolidated Financial Statements of the Company and Subsidiaries have been prepared and presented in accordance with the Indonesian generally accepted accounting principle; the Capital Market and Financial Institution Supervisory Board (BAPEPAMLK) and stock exchange regulations and guidelines for financial statements presentations and disclosures for publicly listed companies issued by BAPEPAMLK and stock exchanges.

3. a. That all information in the Consolidated Financial Statements of the Company and Subsidiaries are complete and correct;

   b. That the Consolidated Financial Statements of the Company and Subsidiaries do not contain incorrect information and material facts, and neither do they omit not mislead any information and material facts.

4. That we are responsible for the internal control system in the Company and Subsidiaries.

The above statement is made truthfully.

Jakarta, 22 March 2007

Daniel Lavalle	**Christian Kartawijaya**
President Director	Director

ERNST & YOUNG

Purwantono, Sarwoko & Sandjaja
Jakarta Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52 - 53
Jakarta 12190, Indonesia

Phone: (62-21) 5289 5000
Fax : (62-21) 5289 4100
www.ey.com

This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-6573

The Shareholders, and the Boards of Commissioners and Directors
PT Indocement Tunggal Prakarsa Tbk.

We have audited the consolidated balance sheet of PT Indocement Tunggal Prakarsa Tbk. (the "Company") and Subsidiaries as of December 31, 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of all associated companies, the investments in which are accounted for in the consolidated financial statements using the equity method. The carrying values of these investments represent approximately 0.51% of the total consolidated assets as of December 31, 2006, while the related equity in net earnings of these associated companies amounted to Rp9,686,380,530 in 2006. The consolidated financial statements of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries for the year ended December 31, 2005, were audited by Prasetio, Sarwoko & Sandjaja, whose report dated January 20, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Sarwoko & Sandjaja

Benyanto Suherman
Public Accountant License No. 05.1.0973

January 22, 2007

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices applied to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	2006	2005
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	43,386,264,747	498,010,383,632
Time deposits	2c	8,786,299,848	-
Short-term investments	2d	1,300,650,000	5,428,752,650
Trade receivables	2e,4,12		
Related party	2f,23	35,942,984,396	47,897,758,168
Third parties - net of allowance for doubtful accounts of Rp11,067,732,391 in 2006 and Rp13,835,340,496 in 2005	24j	581,313,208,397	505,963,586,184
Other receivables from third parties - net of allowance for doubtful accounts of Rp7,371,980,358 in 2006 and 2005	2e,5	11,962,963,023	5,448,888,761
Inventories - net	2g,6,12	953,204,236,576	911,291,789,489
Advances and deposits	6,24a	72,485,222,241	119,605,903,683
Prepaid taxes	11	14,984,540,549	37,854,330,331
Prepaid expenses	2h	18,336,034,367	24,263,350,909
TOTAL CURRENT ASSETS		1,741,702,404,144	2,155,764,743,807
NON-CURRENT ASSETS			
Long-term derivative assets	2q,25	-	84,171,508,110
Due from related parties	2f,23	49,961,946,164	57,224,578,033
Deferred tax assets - net	2r,11	5,894,750,585	5,404,241,660
Long-term investments and advances to associated company - net of allowance for doubtful accounts of Rp13,720,944,026 in 2006 and 2005	2b,2f,7,23	49,020,750,634	42,873,603,424
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp4,328,988,778,381 in 2006 and Rp3,848,727,414,347 in 2005	2i,2j,2k, 2l,8,12	7,679,069,065,279	7,811,938,786,956
Restricted cash and time deposits	12,13	479,000,000	302,771,129,921
Other non-current assets	2h,2m,8	72,152,413,936	76,231,152,013
TOTAL NON-CURRENT ASSETS		7,856,577,926,598	8,380,615,000,117
TOTAL ASSETS		**9,598,280,330,742**	**10,536,379,743,924**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term loan	9	45,100,000,000	-
Trade payables	10		
Third parties		139,479,645,891	168,495,389,817
Related party	2f,23	-	2,278,762,995
Other payables to third parties	8,17,24i	115,383,815,567	84,159,162,713
Accrued expenses	12,20	183,463,901,989	157,216,319,564
Taxes payable	2r,11	69,089,659,782	34,552,510,560
Derivative liabilities - net	2q,25	3,738,655,113	14,030,194,787
Current maturities of long-term debts			
Loans from banks and financial institutions	2f,12,23	252,930,774,797	393,200,000,000
Obligations under capital lease	2k,8,13	2,993,554,562	1,912,022,428
TOTAL CURRENT LIABILITIES		812,180,007,701	855,844,362,864
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Loans from banks and financial institutions	2f,12,23	1,972,974,161,926	3,476,891,067,797
Obligations under capital lease	2k,8,13	5,912,495,283	119,749,997
Long-term derivative liabilities	2q,25	75,939,001,160	-
Due to related party	2f,23	5,482,141,192	5,695,739,069
Deferred tax liabilities - net	2r,11	606,268,637,255	495,137,737,395
Estimated liability for employee benefits	2o,22	54,187,223,918	47,867,513,812
Estimated liability for post-retirement health-care benefits	2o,22	7,557,608,000	4,409,314,000
Provision for recultivation	24q	17,843,913,938	12,716,256,641
Deferred gain on sale-and-leaseback transactions - net	2k	7,172,805,899	8,316,073,554
TOTAL NON-CURRENT LIABILITIES		2,753,337,988,571	4,051,153,452,265
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	14	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,15	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	16	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i,8,11	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	973,936,686	6,333,962,836
Retained earnings			
Appropriated	18	150,000,000,000	125,000,000,000
Unappropriated		1,113,000,473,431	729,260,041,606
TOTAL SHAREHOLDERS' EQUITY		6,032,762,334,470	5,629,381,928,795
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,598,280,330,742**	**10,536,379,743,924**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Year ended December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	2006	2005
NET REVENUES	2f,2n,19, 23,24j,24l	6,325,329,027,717	5,592,353,968,132
COST OF REVENUES	2f,2n,20,23, 24c,24d,24m, 24n,24o	4,177,533,518,004	3,572,454,635,627
GROSS PROFIT		**2,147,795,509,713**	**2,019,899,332,505**
OPERATING EXPENSES	2f,2n,21,22, 23,24i,24k		
Delivery and selling		887,351,398,943	613,587,028,536
General and administrative		192,768,213,358	192,357,458,781
Total Operating Expenses		**1,080,119,612,301**	**805,944,487,317**
INCOME FROM OPERATIONS		**1,067,675,897,412**	**1,213,954,845,188**
OTHER INCOME (EXPENSE)			
Foreign exchange gain - net	2p,2q,25	49,289,270,983	49,959,182,624
Interest income		26,943,365,574	24,944,082,851
Interest expense	12,13	(301,027,932,756)	(263,474,390,735)
Others - net	2d,2f,2i,2m, 2n,12,23,24m	9,630,123,767	34,381,842,416
Other Expense - Net		**215,165,172,432**	**154,189,282,844**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**9,686,380,530**	**18,046,318,226**
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**862,197,105,510**	**1,077,811,880,570**
CORPORATE INCOME TAX EXPENSE	2r,11		
Current		158,754,697,800	4,252,138,600
Deferred		110,640,390,935	333,873,864,342
Total Corporate Income Tax Expense		**269,395,088,735**	**338,126,002,942**
NET INCOME		**592,802,016,775**	**739,685,877,628**
BASIC EARNINGS PER SHARE	2u	**161.03**	**200.93**

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

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 15 and 16)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Unrealized Losses on Available-for-Sale Securities - Net	Retained Earnings		Net Shareholders' Equity
								Appropriated	Unappropriated	
Balance as of December 31, 2004		1,840,615,849,500	1,532,486,402,048	-	1,165,715,376,569	5,447,335,825	(3,045,917,820)	100,000,000,000	14,574,163,978	4,655,793,210,100
Net income		-	-	-	-	-	-	-	739,685,877,628	739,685,877,628
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	1,339,027,011	-	-	-	1,339,027,011
Realized loss on sale of investments in available-for-sale securities	2b,2d	-	-	-	-	-	166,314,209	-	-	166,314,209
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-	-	-	554,910,000	-	-	554,910,000
Write-off of investments in available-for-sale securities with permanent decline in market value	2b,2d	-	-	-	-	-	2,324,693,611	-	-	2,324,693,611
Appropriation of retained earnings for general reserve	18	-	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Change 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)
Revaluation increment in fixed assets	8	-	-	229,970,296,236	-	-	-	-	-	229,970,296,236
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		-	-	-	-	-	-	-	592,802,016,775	592,802,016,775
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	(1,458,076,150)	-	-	-	(1,458,076,150)
Appropriation of retained earnings for general reserve	18	-	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distributions of cash dividends	17	-	-	-	-	-	-	-	(184,061,584,950)	(184,061,584,950)
Change in the equity of a Subsidiary arising from the decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-	-	(3,901,950,000)	-	-	-	(3,901,950,000)
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

* Including Other Paid–in Capital

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year ended December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		6,811,980,979,629	5,950,081,359,459
Payments to suppliers and contractors, and for salaries and other employees' benefits		(4,932,197,408,179)	(4,240,613,316,254)
Cash provided by operations		1,879,783,571,450	1,709,468,043,205
Receipts of interest income		22,924,457,557	16,126,669,839
Proceeds from claims for tax refund	11	18,852,275,968	22,644,517,528
Payments of taxes		(538,569,746,637)	(388,306,921,298)
Payment of interest expense and other financial charges		(207,888,924,625)	(39,037,547,060)
Net receipts from other operating activities		20,222,897,936	870,572,669
Net Cash Provided by Operating Activities		**1,195,324,531,649**	**1,321,765,334,883**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received	7	2,099,307,170	12,577,602,055
Proceeds from sale of fixed assets	8	1,933,553,401	551,172,068
Proceeds from sale of marketable securities		138,377,257	103,377,617
Purchases of fixed assets		(277,126,849,133)	(150,274,790,566)
Net placement of time deposits		(8,786,299,848)	-
Advance to purchase shares of stock	24a	(1,800,000,000)	-
Investment in shares of stock		(18,150,000)	-
Refund of investment in associated company	7	-	6,600,000,000
Net Cash Used in Investing Activities		**(283,560,061,153)**	**(130,442,638,826)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		352,164,804,781	-
Payment of bank loans		(872,572,006,605)	-
Payment of dividends		(162,395,684,385)	-
Net payment for derivative transactions		(53,724,729,500)	(3,211,404,898)
Payment of obligations under capital lease	13	(11,956,542,200)	(2,245,547,785)
Net Cash Used in Financing Activities		**(748,484,157,909)**	**(5,456,952,683)**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(5,199,415,065)	1,590,627,958
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(612,705,016,407)	(996,878,506,103)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(454,624,118,885)**	**190,577,865,229**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	498,010,383,632	307,432,518,403
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**43,386,264,747**	**498,010,383,632**

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)
Year ended December 31, 2006
With comparative figures for 2005
(Expressed in rupiah)

	Notes	2006	2005
Activities not affecting cash and cash equivalents:			
Payment of bank loans from restricted cash accounts (including debt buy-back of Rp64,477,910,000 in 2005)	12	1,943,252,376,230	767,339,804,256
Proceeds from long-term borrowings deposited to restricted cash accounts	12	1,141,479,940,019	-
Payment of interest using restricted cash accounts	12	93,012,389,053	182,047,495,964
Interest earned on restricted cash accounts	12	1,559,750,096	4,882,240,714
Recognition of revaluation increment in fixed assets	8	-	328,528,994,622
Payment to facility and security agent using restricted cash accounts	12	-	2,608,875,000

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

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 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. 57 dated June 28, 2006 of Amrul Partomuan Pohan, S.H., LLM concerning, among others, the change in the members of the Company's boards of commissioners and directors. Such amendments were registered with the Ministry of Justice and Human Rights on July 24, 2006.

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 December 31, 2006 and 2005, the members of the Company's boards of commissioners and directors are as follows:

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

(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 Rp28 billion for the years ended December 31, 2006 and 2005. As of December 31, 2006 and 2005, the Company and Subsidiaries have a total of 6,637 and 6,678 permanent employees, respectively (unaudited).

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 December 31, 2006	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	403,651,821,686	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	65,882,958,308	99.99
Indocement (Cayman Islands) Limited	Invest in associated company	Cayman Islands	1991/1991	49,633,197,250	100.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	87,595,326,552	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.

As of December 31, 2006, MBG has not yet started its commercial operations.

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

	Year of Incorporation	Country of Domicile	Total Assets as of December 31, 2006
PT Bhakti Sari Perkasa Abadi	1998	Indonesia	5,000,000
PT Lentera Abadi Sejahtera	1998	Indonesia	5,000,000
PT Mandiri Sejahtera Sentra	1998	Indonesia	5,000,000
PT Sari Bhakti Sejati	1998	Indonesia	5,000,000
PT Makmur Abadi Perkasa Mandiri	1998	Indonesia	-

All significant intercompany accounts and transactions have been eliminated.

Investments in associated companies wherein the Company or its Subsidiaries have ownership interests of at least 20% but not exceeding 50% are accounted for under the equity method, whereby the costs of such investments are increased or decreased by the Company's or Subsidiaries' share in the net earnings (losses) of the investees since the date of acquisition and are reduced by cash dividends received by the Company or Subsidiaries from the investees. The share in net earnings (losses) of the investees is adjusted for the straight-line amortization, over a twenty-year period (in view of the good future business prospects of the investees), of the difference between the costs of such investments and the Company's or Subsidiaries' proportionate share in the fair value of the underlying net assets of investees at date of acquisition (goodwill).

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

All other investments are carried at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

In compliance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control", the differences between the cost/proceeds of net assets acquired/disposed of in connection with restructuring transactions among entities under common control and their net book values are recorded and presented as "Differences Arising from Restructuring Transactions Among Entities under Common Control" under the Shareholders' Equity section of the consolidated balance sheets. This PSAK also provides for the realization of the restructuring differences to current year operation if the conditions stated in the PSAK are fulfilled.

In compliance with PSAK No. 40, "Accounting for Changes in the Value of Equity of a Subsidiary/ Associated Company", the differences between the carrying amount of the Company's investment in, and the value of the underlying net assets of, the subsidiary/investee arising from changes in the latter's equity which are not resulting from transactions between the Company and the concerned subsidiary/investee, are recorded and presented as "Differences Arising from Changes in the Equity of Subsidiaries" under the Shareholders' Equity section of the consolidated balance sheets. Accordingly, the resulting difference arising from the change in the equity of PT Indomix Perkasa in connection with its application of the provisions of PSAK No. 50, "Accounting for Investments in Certain Securities", is recorded and presented under this account (see item *d* below).

c. Cash Equivalents

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

d. Short-term Investments

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

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

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

e. Allowance for Doubtful Accounts

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

f. Transactions with Related Parties

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

All significant transactions and balances with related parties, whether or not conducted using terms and conditions similar to those granted to third parties, are disclosed in Note 23.

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 2006 and 2005, no borrowing costs were capitalized.

m. Deferred Charges

In accordance with PSAK No. 47, "Accounting for Land", costs incurred in connection with the acquisition/renewal of landrights, such as legal fees, land remeasurement fees, notarial fees, taxes and other expenses, are deferred and amortized using the straight-line method over the legal terms of the related landrights.

n. Revenue and Expense Recognition

Revenues are recognized when the products are delivered and the risks and benefits of ownership are transferred to the customers and/or when the services are rendered. Costs and expenses are generally recognized and charged to operations when they are incurred.

o. Provision for Employee Benefits

(i) Retirement Benefits

The Company has a defined contribution retirement plan (Pension Plan) covering all of its qualified permanent employees and an unfunded employee benefit liability 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 December 31, 2006 and 2005, the rates of exchange used are as follows:

	2006	2005
Euro (EUR1)	11,858.15	11,659.87
U.S. dollar (US$1)	9,020.00	9,830.00
Japanese yen (JP¥100)	7,579.53	8,342.18

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 19.

t. Stock Issuance Costs

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

u. Earnings per Share

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

v. Use of Estimates

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

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2006	2005
Cash on hand	945,527,897	903,672,897
Cash in banks		
PT Bank Central Asia Tbk.		
Rupiah	18,398,346,973	4,736,046,427
U.S. dollar (US$60,855 in 2006 and US$468,385 in 2005)	548,909,304	4,604,224,845
Euro (EUR5,139 in 2006 and EUR290,674 in 2005)	60,942,827	3,389,219,653
PT Bank Mandiri (Persero) Tbk.		
Rupiah	5,268,311,427	19,529,839,532
U.S. dollar (US$323,021 in 2006 and US$161,058 in 2005)	2,913,650,322	1,583,199,157
Euro (EUR52,531 in 2006 and EUR668,901 in 2005)	622,925,577	7,799,293,806
ABN-AMRO Bank N.V.		
U.S. dollar (US$259,970 in 2006 and US$316,559 in 2005)	2,344,926,784	3,111,779,492
Rupiah	1,649,410,336	1,447,689,689
Japanese yen (JP¥9,805,537 in 2006 and JP¥28,641,411 in 2005)	743,213,619	2,389,318,060
Euro (EUR28,921 in 2006 and EUR455,502 in 2005)	342,952,521	5,311,098,069
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	3,614,520,665	10,341,049,894
PT Bank Lippo Tbk.		
Rupiah	-	7,344,525,701
Others		
Rupiah	3,700,195,190	1,568,037,038
U.S. dollar (US$81,201 in 2006 and US$53,319 in 2005)	732,431,305	524,125,770
Japanese yen (JP¥109,509)	-	9,135,438
Rupiah time deposits		
PT Bank Central Asia Tbk.	1,500,000,000	59,500,000,000
ABN-AMRO Bank N.V.	-	27,000,000,000
PT Bank Mandiri (Persero) Tbk.	-	10,500,000,000
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US$33,206,320)	-	326,418,128,164
Total	**43,386,264,747**	**498,010,383,632**

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

Interest rates per annum:

	2006	2005
Rupiah time deposits	8.25% - 13.00%	5.00% - 14.00%
U.S. dollar time deposits	3.70% - 5.10%	1.75% - 3.75%

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2006	2005
Related Party (Note 23)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$3,984,810 in 2006 and US$4,872,610 in 2005)	**35,942,984,396**	**47,897,758,168**
Third Parties		
Cement and ready mix concrete business	592,380,940,788	519,798,926,680
Allowance for doubtful accounts	(11,067,732,391)	(13,835,340,496)
Net	**581,313,208,397**	**505,963,586,184**

The movements of allowance for doubtful accounts are as follows:

	2006	2005
Balance at beginning of year	13,835,340,496	13,822,091,743
Provision during the year	2,663,022,870	6,682,663,190
Receivables written off during the year	(5,430,630,975)	(6,655,585,161)
Reversal of allowance on doubtful accounts collected during the year	-	(13,829,276)
Balance at end of year	**11,067,732,391**	**13,835,340,496**

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

Trade receivables were used as collateral for the long-term loans from banks and financial institutions (Note 12).

The aging of trade receivables based on their currency denominations as of December 31, 2006 and 2005 is as follows:

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

	2006		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	492,698,772,489	13,910,457,827	506,609,230,316
Overdue:			
1 - 30 days	45,052,488,560	27,652,434,502	72,704,923,062
31 - 60 days	10,397,041,132	-	10,397,041,132
61 - 90 days	7,570,024,617	-	7,570,024,617
Over 90 days	31,042,706,057	-	31,042,706,057
Total	**586,761,032,855**	**41,562,892,329**	**628,323,925,184**

	2005		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	431,735,012,361	27,289,165,724	459,024,178,085
Overdue:			
1 - 30 days	46,376,612,861	20,984,347,831	67,360,960,692
31 - 60 days	12,067,095,056	-	12,067,095,056
61 - 90 days	3,862,457,075	-	3,862,457,075
Over 90 days	25,381,993,940	-	25,381,993,940
Total	**519,423,171,293**	**48,273,513,555**	**567,696,684,848**

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2006	2005
Claim for tax refund	5,849,231,775	-
Payments for tax assessments being contested	5,502,658,681	5,502,658,681
Others	7,983,052,925	7,318,210,438
Total	19,334,943,381	12,820,869,119
Allowance for doubtful accounts	(7,371,980,358)	(7,371,980,358)
Net	**11,962,963,023**	**5,448,888,761**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	2006	2005
Balance at beginning of year	7,371,980,358	8,503,980,725
Receivables written off during the year	-	(1,130,934,917)
Reversal of allowance on doubtful accounts collected during the year	-	(1,065,450)
Balance at end of year	**7,371,980,358**	**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:

	2006	2005
Finished goods	66,209,610,931	68,680,550,631
Work in process	113,362,558,381	108,997,225,500
Raw materials	215,808,190,887	184,632,037,563
Fuel and lubricants	163,152,907,815	201,858,531,698
Spare parts	445,332,570,557	385,307,557,542
Total	1,003,865,838,571	949,475,902,934
Allowance for losses	(50,661,601,995)	(38,184,113,445)
Net	**953,204,236,576**	**911,291,789,489**

With the exception of inventories owned by Indomix Perkasa and PBI amounting to Rp9.65 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (Note 8).

The inventories were used as collateral for the long-term loans from banks and financial institutions (Note 12).

The movements of allowance for inventory losses are as follows:

	2006	2005
Balance at beginning of year	38,184,113,445	44,075,191,481
Provisions during the year	14,258,869,633	812,733,614
Reversals during the year	(1,781,381,083)	(1,366,739,241)
Inventories written off during the year	-	(5,337,072,409)
Balance at end of year	**50,661,601,995**	**38,184,113,445**

(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 December 31, 2006 and 2005 amounting to Rp35,359,059,771 and Rp74,188,520,465, 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:

	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	21,110,148,850	21,215,648,850
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(10,208,562,145)	19,815,437,855
PT Pama Indo Mining	40.00	1,200,000,000	6,751,513,929	7,951,513,929
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	17,188,313,134	49,020,750,634
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**49,020,750,634**

	2005			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. Equity Method				
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(11,155,435,699)	18,868,564,301
Stillwater Shipping Corporation	50.00	105,500,000	16,634,164,280	16,739,664,280
PT Pama Indo Mining	40.00	1,200,000,000	6,045,374,843	7,245,374,843
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. Cost Method				
Various investees	various	20,000,000	-	20,000,000
Sub-total		31,814,287,500	11,059,315,924	42,873,603,424
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**42,873,603,424**

(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 years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Stillwater Shipping Corporation	5,934,060,720	11,231,810,109
PT Pama Indo Mining	2,805,446,256	1,860,874,187
PT Cibinong Center Industrial Estate	946,873,554	4,953,633,930
Total	**9,686,380,530**	**18,046,318,226**

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

The Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp2,099,307,170 in 2006 and Rp2,267,602,055 in 2005, and from Stillwater Shipping Corporation amounting to US$1,000,000 (equivalent to Rp10,240,000,000 excluding foreign exchange gain amounting to Rp70 million) in 2005.

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 December 31, 2006, the liquidation process of ICSC is still ongoing. The additional equity in net losses of ICSC after 2002 has not been recognized in the consolidated financial statements since ICSC has ceased operations and the effects of the additional equity are immaterial to the consolidated financial statements.

8. FIXED ASSETS

Fixed assets consist of:

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 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	4,585,787,091	-	2,884,173,419,302
Machinery and equipment	7,598,973,011,201	150,539,512,526	25,063,992,953	7,724,448,530,774
Transportation equipment	445,546,068,642	18,215,967,108	13,850,021,162	449,912,014,588
Furniture, fixtures and office equipment	218,579,593,300	20,104,317,915	922,373,074	237,761,538,141
Tools and other equipment	64,138,529,143	26,174,939,302	100,693,654	90,212,774,791
Sub-total	11,509,643,462,140	220,694,529,097	39,937,080,843	11,690,400,910,394

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2005	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 2006
Assets under Capital Lease				
Machinery and equipment	366,518,240	-	366,518,240	-
Transportation equipment	7,126,904,800	18,764,164,620	6,646,904,800	19,244,164,620
Sub-total	7,493,423,040	18,764,164,620	7,013,423,040	19,244,164,620
Construction in progress	143,529,316,123	353,609,046,748	198,725,594,225	298,412,768,646
Total Carrying Value	11,660,666,201,303	593,067,740,465	245,676,098,108	12,008,057,843,660
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	23,572,533,808	1,794,669,792	-	25,367,203,600
Leasehold improvements	2,590,369,120	258,563,136	-	2,848,932,256
Quarry	17,357,081,668	1,953,114,910	-	19,310,196,578
Buildings and structures	721,819,652,671	95,111,522,380	-	816,931,175,051
Machinery and equipment	2,569,424,305,191	348,605,852,832	20,020,750,567	2,898,009,407,456
Transportation equipment	301,433,082,278	39,289,965,548	13,338,335,715	327,384,712,111
Furniture, fixtures and office equipment	163,487,186,953	22,595,473,376	903,018,301	185,179,642,028
Tools and other equipment	47,214,846,898	6,494,364,563	83,051,487	53,626,159,974
Sub-total	3,846,899,058,587	516,103,526,537	34,345,156,070	4,328,657,429,054
Assets under Capital Lease				
Machinery and equipment	91,629,560	126,235,473	217,865,033	-
Transportation equipment	1,736,726.200	948,735,244	2,354,112,117	331,349,327
Sub-total	1,828,355,760	1,074,970,717	2,571,977,150	331,349,327
Total Accumulated Depreciation, Amortization and Depletion	3,848,727,414,347	517,178,497,254	36,917,133,220	4,328,988,778,381
Net Book Value	**7,811,938,786,956**			**7,679,069,065,279**

	Balance as of December 31, 2004	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 2005
2005 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	209,454,489,891	15,063,787,795	-	224,518,277,686
Leasehold improvements	3,104,184,761	-	-	3,104,184,761
Quarry	74,484,452,696	711,712,500	-	75,196,165,196
Buildings and structures	2,873,657,286,812	5,957,873,399	27,528,000	2,879,587,632,211
Machinery and equipment	7,283,050,582,835	316,938,167,634*	1,015,739,268	7,598,973,011,201
Transportation equipment	344,875,147,012	109,242,767,082*	8,571,845,452	445,546,068,642
Furniture, fixtures and office equipment	196,785,021,094	22,875,433,432	1,080,861,226	218,579,593,300
Tools and other equipment	58,162,093,421	6,077,245,007	100,809,285	64,138,529,143
Sub-total	11,043,573,258,522	476,866,986,849	10,796,783,231	11,509,643,462,140
Assets under Capital Lease				
Machinery and equipment	366,518,240	-	-	366,518,240
Transportation equipment	7,126,904,800	-	-	7,126,904,800
Sub-total	7,493,423,040	-	-	7,493,423,040
Construction in progress	101,060,707,894	134,012,620,988	91,544,012,759	143,529,316,123
Total Carrying Value	11,152,127,389,456	610,879,607,837	102,340,795,990	11,660,666,201,303

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2004	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 2005
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	21,755,393,927	1,817,139,881	-	23,572,533,808
Leasehold improvements	2,266,770,388	323,598,732	-	2,590,369,120
Quarry	15,420,599,275	1,936,482,393	-	17,357,081,668
Buildings and structures	626,831,349,630	95,015,831,041	27,528,000	721,819,652,671
Machinery and equipment	2,258,219,519,132	311,861,770,653	656,984,594	2,569,424,305,191
Transportation equipment	281,938,826,263	27,958,857,344	8,464,601,329	301,433,082,278
Furniture, fixtures and office equipment	142,480,757,740	22,059,565,326	1,053,136,113	163,487,186,953
Tools and other equipment	41,068,377,149	6,241,398,925	94,929,176	47,214,846,898
Sub-total	3,389,981,593,504	467,214,644,295	10,297,179,212	3,846,899,058,587
Assets under Capital Lease				
Machinery and equipment	45,814,780	45,814,780	-	91,629,560
Transportation equipment	845,863,100	890,863,100	-	1,736,726,200
Sub-total	891,677,880	936,677,880	-	1,828,355,760
Total Accumulated Depreciation, Amortization and Depletion	3,390,873,271,384	468,151,322,175	10,297,179,212	3,848,727,414,347
Net Book Value	**7,761,254,118,072**			**7,811,938,786,956**

* includes revaluation increment on machinery and transportation equipment amounting to Rp273,366,446,892 and Rp55,162,547,730, respectively

Construction in progress consists of:

	2006	2005
Machineries under installation	274,629,534,016	128,627,246,888
Buildings and structures under construction	10,633,153,059	2,512,897,805
Others	13,150,081,571	12,389,171,430
Total	**298,412,768,646**	**143,529,316,123**

Below are the percentages of completion and estimated completion periods of the construction in progress as of December 31, 2006:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	20 - 90%	2 to 24 months
Buildings and structures under construction	35 - 90	3 to 20 months
Others	50 - 95	1 to 20 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp33,101,458,564 and Rp1,691,047,494 as of December 31, 2006 and 2005, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

8. FIXED ASSETS (continued)

In November 2005, the Company received a decision letter from the Tax Office which approved the revaluation of certain machinery and transportation equipment. The revaluation increment of Rp229,970,296,236 (net of deferred tax of Rp98,558,698,386) is presented in the shareholders' equity section of the 2005 consolidated balance sheet, while the difference of Rp430,904,292,854 between the revalued amount and the fiscal book value was compensated against the Company's tax loss carryforward (Note 11). The revaluation was conducted by PT Ujatek Baru, an independent appraiser, using the cost approach.

Fixed assets were used as collateral to secure the long-term loans from banks and financial institutions (Note 12).

Depreciation, amortization and depletion charges amounted to Rp517,178,497,254 in 2006 and Rp468,151,322,175 in 2005.

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 Rp121,617,894,850 and US$2,619,720,480 as of December 31, 2006. 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 3,221.29 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 December 31, 2006, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 33,170 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 2,685,831 square meters. The total expenditures amounting to Rp21,159,959,689 as of December 31, 2006 incurred in relation to the above land rights acquisition process are recorded as part of "Other Non-current Assets" in the consolidated balance sheets.

The Company made advance payments for the purchase of certain machinery, equipment and spare parts from several suppliers. The outstanding balances of the purchase advances as of December 31, 2006 and 2005 amounting to Rp7,524,902,055 and Rp24,590,662,409, respectively, are presented as part of "Other Non-current Assets" in the consolidated balance sheets.

9. SHORT-TERM LOAN

This account represents the outstanding loan balance drawn from a revolving loan facility amounting to U$$5,000,000 (consisting of US$2,500,000 from ABN-AMRO Bank N.V., Jakarta Branch and US$2,500,000 from Standard Chartered Bank, Jakarta), which is part of a syndicated loan facility as described in Note 12. The loan bears interest at the annual rate of 6.25% and is due on January 22, 2007. The loan is guaranteed by a corporate guarantee of HeidelbergCement AG, the Company's majority shareholder.

(Expressed in rupiah, unless otherwise stated)

10. TRADE PAYABLES

This account consists of the following:

	2006	2005
Third Parties - Cement and ready mix concrete business		
Rupiah	121,788,354,464	151,647,765,581
U.S. dollar (US$1,184,111 in 2006 and US$1,013,796 in 2005)	10,680,678,063	9,991,399,978
Other foreign currencies	7,010,613,364	6,856,224,258
Total - Third Parties	139,479,645,891	168,495,389,817
Related Party - Cement business (Note 23)	-	2,278,762,995
Total Trade Payables	**139,479,645,891**	**170,774,152,812**

The aging analysis of trade payables based on their currency denomination as of December 31, 2006 and 2005 is as follows:

	2006		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	87,091,467,150	9,290,204,446	96,381,671,596
Overdue:			
1 - 30 days	14,596,273,892	4,949,428,393	19,545,702,285
31 - 60 days	3,281,567,115	2,623,144,889	5,904,712,004
61 - 90 days	11,191,307,066	181,555,866	11,372,862,932
Over 90 days	5,627,739,241	646,957,833	6,274,697,074
Total	**121,788,354,464**	**17,691,291,427**	**139,479,645,891**

	2005		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	120,865,407,183	10,961,261,763	131,826,668,946
Overdue:			
1 - 30 days	24,669,611,109	407,204,774	25,076,815,883
31 - 60 days	3,210,854,588	7,184,674,171	10,395,528,759
61 - 90 days	993,708,770	55,396,042	1,049,104,812
Over 90 days	1,908,183,931	517,850,481	2,426,034,412
Total	**151,647,765,581**	**19,126,387,231**	**170,774,152,812**

(Expressed in rupiah, unless otherwise stated)

10. TRADE PAYABLES (continued)

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

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

11. TAXATION

a. Taxes Payable

	2006	2005
Income taxes		
Article 21	3,810,792,661	5,123,617,107
Article 22	1,050,542,171	1,078,391,112
Article 23	2,110,211,050	2,290,020,061
Article 25	13,826,970,672	5,050,000
Article 26	782,704,606	1,639,967,475
Article 29	68,075,741	272,790,669
Value added tax	47,440,362,881	24,142,674,136
Total	**69,089,659,782**	**34,552,510,560**

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 years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Income before corporate income tax expense per consolidated statements of income	862,197,105,510	1,077,811,880,570
Income of Subsidiaries before corporate income tax expense - net	(27,364,594,469)	(14,285,907,710)
Reversal of inter-company eliminating entries during consolidation	(5,933,687,695)	72,113,420,472
Income before corporate income tax expense attributable to the Company	828,898,823,346	1,135,639,393,332

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	2006	2005
Add (deduct):		
Temporary differences		
Provisions for doubtful accounts and inventory losses (write-off of accounts and inventories against allowance) - net	12,477,488,550	(12,942,669,779)
Provision for recultivation - net (Note 24q)	5,127,657,297	3,039,909,909
Provision for employee benefits - net	4,138,525,150	12,725,799,127
Provision for post-retirement healthcare benefits - net	3,148,293,735	4,409,314,000
Depreciation of fixed assets (including leased assets)	(128,420,128,570)	(170,004,805,594)
Payments of obligations under capital lease	(10,044,519,772)	-
Provision for trade discount	-	(13,543,264,140)
	(113,572,683,610)	(176,315,716,477)
Permanent differences		
Non-deductible expenses		
Employees' benefits	50,202,292,026	48,008,153,178
Donations	5,690,585,022	11,879,141,457
Public relations	3,516,640,788	3,877,345,366
Others	1,366,964,286	847,210,613
Income already subjected to final tax	(20,404,361,731)	(15,333,654,252)
Equity in net earnings of associated companies - net	(3,752,319,810)	(6,814,508,117)
Cash dividend income	-	(74,950,000,000)
	36,619,800,581	(32,486,311,755)
Estimated taxable income of the Company	751,945,940,317	926,837,365,100
Estimated tax loss carryforward at beginning of year	(256,930,304,261)	(1,627,684,818,624)
Revaluation increment in fixed assets (Note 8)	-	430,904,292,854
Corrections by the Tax Office	6,359,790,385	13,012,856,409
Estimated taxable income (tax loss carryforward at end of year)	**501,375,426,441**	**(256,930,304,261)**

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

As of the independent auditors' report date, the Company has not yet submitted its 2006 corporate income tax return to the Tax Office, however, management represents that its 2006 corporate income tax return will be prepared based on the computation as stated above. In the case where prior to the submission of its 2006 corporate income tax return, the Company receives a tax assessment letter for 2005 from the Tax Office, which shows a computation of estimated tax loss different from that stated above, then the 2006 corporate income tax return submitted will be adjusted to incorporate the adjustment made in the 2005 tax assessment letter.

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

The Company's estimated taxable income for 2005, as stated above, conforms with the amount reported in its 2005 corporate income tax return.

As of the independent auditors' report date, the Tax Office is conducting an examination of the Company's 2005 corporate income tax return.

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

	2006	**2005**
Current		
Company	150,395,127,800	-
Subsidiaries	8,359,570,000	4,252,138,600
	158,754,697,800	4,252,138,600
Deferred		
Company	111,130,899,860	335,084,539,785
Subsidiaries	(490,508,925)	(1,210,675,443)
	110,640,390,935	333,873,864,342
Total	**269,395,088,735**	**338,126,002,942**

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

	2006	**2005**
Current income tax expense		
Company	150,395,127,800	-
Subsidiaries	8,359,570,000	4,252,138,600
Total	158,754,697,800	4,252,138,600
Prepayments of income tax		
Company	150,594,431,333	10,368,661,923
Subsidiaries	12,063,244,858	10,201,181,203
Total	162,657,676,191	20,569,843,126
Estimated claims for income tax refund - presented as part of "Prepaid Taxes" in the consolidated balance sheets		
Company	199,303,533	10,368,661,923
Subsidiaries	3,771,750,599	6,221,833,272
Total for the current year	3,971,054,132	16,590,495,195
Claims for income tax refund from prior years:		
Company		
2005	10,414,347,319	-
2004	-	8,383,878,232
Subsidiaries	361,252,286	12,622,709,918
Total	**14,746,653,737**	**37,597,083,345**

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

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

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

In 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 and is presented as part of "Other Receivables from Third Parties" in the 2006 consolidated balance sheet.

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, filed an objection to the Tax Court's decision and asked for a judicial review by the Supreme Court. As of January 22, 2007 (the independent auditors' report date), the Supreme Court has not rendered any decision on the matter.

e. The reconciliation between income before corporate income tax expense (after the reversal of inter-company eliminating entries during consolidation) multiplied by the applicable tax rate and corporate income tax expense as shown in the consolidated statements of income for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Income before corporate income tax expense	862,197,105,510	1,077,811,880,570
Reversal of inter-company eliminating entries during consolidation	(5,933,687,695)	72,113,420,472
Combined income, net of loss, before income tax of the Company and Subsidiaries	856,263,417,815	1,149,925,301,042

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	2006	2005
Tax expense at the applicable tax rate	256,826,525,024	344,942,589,901
Tax effects on permanent differences:		
Non-deductible expenses	19,007,464,625	20,137,594,656
Income already subjected to final tax	(7,216,463,107)	(6,439,377,804)
Equity in net earnings of associated companies - net	(1,125,695,943)	(2,044,352,435)
Cash dividend income	-	(22,485,000,000)
Others	(27,820,259)	(124,066,688)
Tax corrections	1,931,078,395	4,138,615,312
Corporate income tax expense per consolidated statements of income	**269,395,088,735**	**338,126,002,942**

f. Deferred tax assets (liabilities) consist of:

	2005	Deferred Tax Benefit (Expense) Credited (Charged) to 2006 Profit and Loss	2006
Deferred Tax Assets:			
Company			
Estimated liability for employee benefits	13,156,508,384	1,241,557,545	14,398,065,929
Allowance for doubtful accounts and inventory losses	9,412,817,503	3,743,246,565	13,156,064,068
Reserve for recultivation	3,814,876,992	1,538,297,189	5,353,174,181
Obligation under capital lease	-	2,635,889,954	2,635,889,954
Estimated liability for post-retirement healthcare benefits	1,322,794,200	944,488,121	2,267,282,321
Tax loss carryforward	77,079,091,278	(77,079,091,278)	-
Others	833,851,800	-	833,851,800
Sub-total	105,619,940,157	(66,975,611,904)	38,644,328,253
Subsidiaries	6,566,388,568	1,076,090,653	7,642,479,221
Total	**112,186,328,725**	**(65,899,521,251)**	**46,286,807,474**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(600,757,677,552)	(38,589,443,368)	(639,347,120,920)
Net book value of assets under capital lease	-	(5,565,844,588)	(5,565,844,588)
Sub-total	(600,757,677,552)	(44,155,287,956)	(644,912,965,508)
Subsidiaries	(1,162,146,908)	(585,581,728)	(1,747,728,636)
Total	**(601,919,824,460)**	**(44,740,869,684)**	**(646,660,694,144)**
Net Deferred Tax Assets:			
Subsidiaries	**5,404,241,660**	**490,508,925**	**5,894,750,585**
Net Deferred Tax Liabilities:			
Company	**(495,137,737,395)**	**(111,130,899,860)**	**(606,268,637,255)**

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	2004	Deferred Tax Benefit (Expense) Credited (Charged) to: 2005 Profit and Loss	Equity	2005
Deferred Tax Assets:				
Company				
Tax loss carryforward	488,305,445,587	(282,189,824,842)	(129,036,529,467)	77,079,091,278
Estimated liability for employee benefits	9,338,768,646	3,817,739,738	-	13,156,508,384
Allowance for doubtful accounts and inventory losses	13,295,618,437	(3,882,800,934)	-	9,412,817,503
Reserve for recultivation	2,902,904,019	911,972,973	-	3,814,876,992
Estimated liability for post-retirement healthcare benefits	-	1,322,794,200	-	1,322,794,200
Accrual for trade discount	4,062,979,242	(4,062,979,242)	-	-
Others	833,851,800	-	-	833,851,800
Sub-total	518,739,567,731	(284,083,098,107)	(129,036,529,467)	105,619,940,157
Subsidiaries	5,063,109,760	1,503,278,808	-	6,566,388,568
Total	**523,802,677,491**	**(282,579,819,299)**	**(129,036,529,467)**	**112,186,328,725**
Deferred Tax Liabilities:				
Company				
Difference in net book value of fixed assets between tax and accounting bases	(580,234,066,955)	(51,001,441,678)	30,477,831,081	(600,757,677,552)
Subsidiaries	(869,543,543)	(292,603,365)	-	(1,162,146,908)
Total	**(581,103,610,498)**	**(51,294,045,043)**	**30,477,831,081**	**(601,919,824,460)**
Net Deferred Tax Assets:				
Subsidiaries	**4,193,566,217**	**1,210,675,443**	**-**	**5,404,241,660**
Net Deferred Tax Liability:				
Company	**(61,494,499,224)**	**(335,084,539,785)**	**(98,558,698,386)**	**(495,137,737,395)**

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

12. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2006	2005
Third parties		
Rupiah	331,578,947,368	56,966,532,575
U.S. dollar	299,084,210,555	1,045,147,844,896
Japanese yen	242,241,778,800	1,293,476,690,326
Sub-total	872,904,936,723	2,395,591,067,797

(Expressed in rupiah, unless otherwise stated)

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

	2006	2005
Related party (Note 23)		
U.S. dollar	1,353,000,000,000	1,474,500,000,000
Total	2,225,904,936,723	3,870,091,067,797
Less current maturities	252,930,774,797	393,200,000,000
Long-term maturities	**1,972,974,161,926**	**3,476,891,067,797**

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

		2006		2005*
Rupiah				
Third parties				
PT Bank Central Asia Tbk.		331,578,947,368		40,891,386,095
PT Bank Mandiri (Persero) Tbk.		-		16,075,146,480
Total rupiah loans		**331,578,947,368**		**56,966,532,575**
U.S. dollar				
Third parties				
ABN-AMRO Bank N.V., Jakarta	US$	16,578,947	US$	-
Standard Chartered Bank, Jakarta		16,578,947		-
PT Bank Central Asia Tbk.		-		29,275,407
Bayerische Hypo und Vereinsbank AG, Singapore		-		15,611,392
Other creditors (each below US$10 million)		-		61,435,464
Related party				
HC Finance B.V.		150,000,000		150,000,000
Total U.S dollar loans	**US$**	**183,157,894**	**US$**	**256,322,263**
Japanese yen				
Third parties				
ABN-AMRO Bank N.V., Jakarta	JP¥	1,598,000,000	JP¥	-
Calyon Deutschland, Germany		1,598,000,000		-
MG Leasing Corporation, Tokyo		-		7,137,589,232
Marubeni Corporation, Tokyo		-		5,872,489,165
Japan Bank for International Cooperation, Tokyo		-		2,495,181,503
Total Japanese yen loans	**JP¥**	**3,196,000,000**	**JP¥**	**15,505,259,900**

*based on the confirmation from JPMorgan Chase Bank, N.A., as the facility agent

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

	2006	2005
Japanese yen	1.01% - 3.80%	2.30% - 3.80%
U.S. dollar	5.25% - 6.88%	3.37% - 6.17%
Rupiah	10.75% - 13.65%	7.88% - 10.75%

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

Prior to their refinancing in April 2006 as described below, the Company's debts represented restructured debts under a Post HZ Entry Master Facility Agreement (HZMFA) dated December 29, 2000. The HZMFA provided for, among others, the mechanism, amounts and schedules of loan installment repayments, collateral, interest rates, restrictions on granting of guarantees or loans, issuance of warrants to the lenders, restrictions on issuance of new shares or other securities, restrictions on declarations and payments of cash dividends without prior written consent from the creditors, restrictions on capital expenditures, appointment of monitoring accountants, determination and transfer of surplus cash, and restrictions on derivative transactions.

The HZMFA, which had been amended from time to time, also required the Company to:

- Establish and maintain escrow accounts in JPMorgan Chase Bank, N.A. Usages or withdrawals of funds from these escrow accounts should be subjected to strict monitoring and review by the monitoring accountants.
- Maintain an aggregate balance for all other current bank accounts (other than the current bank accounts agreed by the lenders) in an amount not exceeding the working capital buffers as defined in the HZMFA.

In compliance with the above requirements, the Company opened and maintained eleven (11) escrow accounts with JPMorgan Chase Bank, N.A. As of December 31, 2005, the balances of deposits maintained in such escrow accounts totaled Rp297,035,062,641 (consisting of Rp2,755,928, US$23,339,511 and JP¥810,398,698) and are presented as part of "Restricted Cash and Time Deposits" in the consolidated balance sheets. 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".

Furthermore, as stated in the HZMFA, the loan repayment installments would be as follows:

(i) Fixed quarterly installment payments totaling US$10,500,000 in 2002; US$33,500,000 in 2003; US$58,750,000 in 2004; US$78,500,000 in 2005; US$84,500,000 in 2006; US$87,250,000 in 2007; and US$22,000,000 in 2008 (final).

(ii) Quarterly payments equal to the amount of excess cash available in the above-mentioned escrow accounts after the payments or applications required under the HZMFA.

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

- All of the above-mentioned escrow accounts maintained in JPMorgan Chase Bank, N.A., including all time deposit and demand deposit placements made from the funds in the escrow accounts

- All receivables of the Company

- All land, buildings, site improvements and other fixtures owned by the Company, except for:

  - Cement plants 6, 7 and 8, including their supporting facilities and land
  - Land where cement plants 1 and 2 are located
  - Quarry and the expansion of the Citeureup cement plants, including the land located within Kecamatan Citeureup, Cileungsi, Cibadak and Jonggol

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

- Fiduciary transfers of all proprietary rights over the inventories, and plant and equipment owned by the Company, including the related insurance coverage and/or proceeds from insurance recoveries.

- Shares of capital stock of Indomix and DAP.

On March 8, 2005, HeidelbergCement Finance B.V., a related party, purchased a portion of the restructured debt under the HZMFA.

The HC Finance B.V. loan has a term of four (4) years and will be fully repaid at the end of the fourth year (2009). This loan bears interest at the rate of 1.8% above the 3 Months' LIBOR with the same interest payment schedule as that of the other HZMFA creditors. Starting July 1, 2006, the interest rate was reduced from 3 Months' LIBOR + 1.80% per annum to 3 Months' LIBOR + 1.15% per annum.

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

Total principal payments made from the escrow accounts amounted to Rp99,273,996,471 in 2006 and Rp447,701,385,103 in 2005.

Total interest payments made by the Company through its escrow accounts amounted to Rp93,012,389,053 (consisting of US$7,697,473; JP¥212,962,732 and Rp3,184,912,596) in 2006 and Rp182,047,495,964 (consisting of US$12,128,331; JP¥631,589,771 and Rp6,998,480,825) in 2005. The unpaid interest charges amounting to Rp59,588,287,601 as of December 31, 2005, are presented as part of "Accrued Expenses" in the 2005 consolidated balance sheet.

In 2006 and 2005, total prepayments of the principal loan installments amounted to US$4,334,814 (equivalent to Rp42,383,356,775) and US$25,296,073 (equivalent to Rp255,160,509,153), respectively.

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 under the HZMFA. 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:

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

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

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

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

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

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

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

(i) The Group's Net Debt/Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) ratio at levels not higher than:
   a. 3.25:1 for the period ending June 30, 2006, 2007, 2008, 2009, 2010
   b. 3.00:1 for the period ending December 31, 2006, 2007, 2008, 2009, 2010

(ii) Consolidated Net Worth of the Guarantor Group at a level not lower than EUR3,500,000,000 at any time.

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

(Expressed in rupiah, unless otherwise stated)

13. OBLIGATIONS UNDER CAPITAL LEASE

The future minimum lease payments required under the lease agreements as of December 31, 2006 and 2005 are as follows:

Years	2006	2005
2006	-	2,037,986,970
2007	3,778,240,875	125,792,516
2008	3,412,955,776	-
2009	3,208,944,509	-
Total	10,400,141,160	2,163,779,486
Add residual value	50,000,000	-
Less amounts applicable to interest	1,544,091,315	132,007,061
Present value of minimum lease payments	8,906,049,845	2,031,772,425
Current maturities	2,993,554,562	1,912,022,428
Long-term maturities	**5,912,495,283**	**119,749,997**

a. The Company

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

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

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

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

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

b. PBI

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

The obligations under capital lease of PBI are secured by PBI's time deposits amounting to Rp479,000,000 in 2006 and Rp5,736,067,280 in 2005 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)

14. CAPITAL STOCK

The details of share ownership as of December 31, 2006 and 2005 are as follows:

	2006		
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**

	2005		
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
HeidelbergCement South-East Asia GmbH, Germany	2,397,980,863	65.14%	1,198,990,431,500
PT Mekar Perkasa	479,735,234	13.03	239,867,617,000
Public	803,515,602	21.83	401,757,801,000
Total	**3,681,231,699**	**100.00%**	**1,840,615,849,500**

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

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

15. ADDITIONAL PAID-IN CAPITAL

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

16. OTHER PAID-IN CAPITAL

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

17. CASH DIVIDENDS

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 2006. The unclaimed cash dividends amounting to Rp108,272,130 as of December 31, 2006 are presented as part of "Other Payables to Third Parties" in the 2006 consolidated balance sheet.

(Expressed in rupiah, unless otherwise stated)

18. RETAINED EARNINGS

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

19. SEGMENT INFORMATION

BUSINESS SEGMENTS

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

The main activities of each operating business are as follows:

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

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

2006	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	6,045,246,775,914	280,082,251,803	-	-	6,325,329,027,717
Inter-segment sales	118,536,077,082	-	-	(118,536,077,082)	-
Total Revenues	**6,163,782,852,996**	**280,082,251,803**	**-**	**(118,536,077,082)**	**6,325,329,027,717**
RESULTS					
Segment results	850,986,330,279	1,524,394,701	-	-	852,510,724,980
Equity in net earnings of associated companies	-	-	9,686,380,530	-	9,686,380,530
Corporate income tax expense					(269,395,088,735)
NET INCOME					**592,802,016,775**
ASSETS AND LIABILITIES					
Segment assets	9,780,996,336,869	129,040,784,143	1,107,548,400	(382,764,380,438)	9,528,380,288,974
Long-term investments and advances to associated companies - net	-	-	49,020,750,634	-	49,020,750,634
Net deferred tax assets and prepayments of income taxes	14,921,805,322	5,957,485,812	-	-	20,879,291,134
Total Assets	**9,795,918,142,191**	**134,998,269,955**	**50,128,299,034**	**(382,764,380,438)**	**9,598,280,330,742**
Segment liabilities	3,280,959,580,908	58,379,600,799	-	(387,262,628,588)	2,952,076,553,119
Net deferred tax liabilities	606,268,637,255	-	-	-	606,268,637,255
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**3,887,228,218,163**	**58,379,600,799**	**-**	**(387,262,628,588)**	**3,558,345,190,374**
Capital expenditures	386,621,035,655	7,721,110,585	-	-	394,342,146,240
Depreciation, amortization and depletion expenses	507,747,612,480	9,430,884,774	-	-	517,178,497,254
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for post-retirement benefits	30,772,849,680	1,579,721,220	-	-	32,352,570,900
Provisions for doubtful accounts and inventory losses	14,258,869,633	2,663,022,870	-	-	16,921,892,503
Provision for recultivation	6,108,869,043	-	-	-	6,108,869,043
Provision for healthcare benefits	3,394,620,000	-	-	-	3,394,620,000

(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2005	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	5,323,304,079,412	269,049,888,720	-	-	5,592,353,968,132
Inter-segment sales	115,698,327,590	-	-	(115,698,327,590)	-
Total Revenues	**5,439,002,407,002**	**269,049,888,720**	**-**	**(115,698,327,590)**	**5,592,353,968,132**
RESULTS					
Segment results	1,144,044,007,174	(933,589,670)	-	(83,344,855,160)	1,059,765,562,344
Equity in net earnings of associated companies	-	-	18,046,318,226	-	18,046,318,226
Corporate income tax expense					(338,126,002,942)
NET INCOME					**739,685,877,628**
ASSETS AND LIABILITIES					
Segment assets	10,704,099,246,168	147,681,193,686	1,107,548,400	(402,640,419,745)	10,450,247,568,509
Long-term investments and advances to associated companies - net	-	-	42,873,603,424	-	42,873,603,424
Net deferred tax assets and prepayments of income taxes	37,766,779,037	5,491,792,954	-	-	43,258,571,991
Total Assets	**10,741,866,025,205**	**153,172,986,640**	**43,981,151,824**	**(402,640,419,745)**	**10,536,379,743,924**
Segment liabilities	4,740,078,156,135	73,321,324,587	-	(409,855,476,542)	4,403,544,004,180
Net deferred tax liabilities	495,137,737,395	-	-	-	495,137,737,395
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**5,235,215,893,530**	**73,321,324,587**	**-**	**(409,855,476,542)**	**4,898,681,741,575**
Capital expenditures	186,426,785,277	4,379,815,179	-	-	190,806,600,456
Depreciation, amortization and depletion expenses	461,159,730,959	6,991,591,216	-	-	468,151,322,175
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for employee benefits	31,611,799,760	1,113,888,215	-	-	32,725,687,975
Provisions for doubtful accounts and inventory losses	1,273,518,770	6,221,878,034	-	-	7,495,396,804
Provision for post-retirement healthcare benefits	4,510,328,000	-	-	-	4,510,328,000
Provision for recultivation	3,884,443,057	-	-	-	3,884,443,057

GEOGRAPHICAL SEGMENTS

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

	2006	2005
REVENUES (based on sales area)		
Domestic		
Java	8,014,960,420,146	7,341,143,759,054
Outside Java	1,917,958,082,612	1,510,781,603,933
Export	835,741,067,587	676,927,892,610
Total	10,768,659,570,345	9,528,853,255,597
Elimination	(4,443,330,542,628)	(3,936,499,287,465)
Net	**6,325,329,027,717**	**5,592,353,968,132**

(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS (continued)

	2006	2005
ASSETS (based on location of assets)		
Domestic	**9,528,380,288,974**	**10,450,247,568,509**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**394,342,146,240**	**190,806,600,456**

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

Most of the Company's sales are coursed through DAP's sub-distributors. There were no aggregate sales to any individual customer/sub-distributor which exceeded 10% of net revenues in 2006 and 2005 (Note 24j).

20. COST OF REVENUES

The details of cost of revenues are as follows:

	2006	2005
Raw materials used	682,074,629,173	569,145,339,144
Direct labor	336,884,435,944	316,258,057,426
Fuel and power	1,894,949,018,717	1,590,501,145,662
Manufacturing overhead	937,422,881,784	880,281,762,085
Total Manufacturing Cost	3,851,330,965,618	3,356,186,304,317
Work in Process Inventory		
At beginning of year	108,997,225,500	75,301,148,375
At end of year	(113,362,558,381)	(108,997,225,500)
Cost of Goods Manufactured	3,846,965,632,737	3,322,490,227,192
Finished Goods Inventory		
At beginning of year	68,680,550,631	35,836,142,073
Others	1,089,989,504	(2,348,546,004)
At end of year	(66,209,610,931)	(68,680,550,631)
Cost of Goods Sold before Packing Cost	3,850,526,561,941	3,287,297,272,630
Packing Cost	327,006,956,063	285,157,362,997
Total Cost of Revenues	**4,177,533,518,004**	**3,572,454,635,627**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounting to Rp81,147,578,853 and Rp76,713,817,907 as of December 31, 2006 and 2005, 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.

(Expressed in rupiah, unless otherwise stated)

21. OPERATING EXPENSES

The details of operating expenses are as follows:

	2006	2005
Delivery and Selling Expenses		
Delivery, loading and transportation	766,681,154,927	524,162,267,123
Salaries, wages and employees' benefits (Note 22)	38,033,187,047	32,253,290,296
Advertising and promotion	34,750,391,388	13,475,309,224
Rental	9,893,836,323	9,738,195,677
Taxes and licenses	7,346,386,807	5,539,810,792
Professional fees	5,691,238,019	5,769,974,561
Depreciation	5,637,059,656	4,799,578,186
Research and testing	4,733,359,781	3,537,924,835
Repairs and maintenance	3,148,129,810	1,719,389,792
Electricity and water	2,652,014,457	2,677,467,090
Spare bags	1,454,638,046	740,234,439
Medical expense	1,325,343,464	2,198,689,406
Communication	1,309,076,980	1,188,587,389
Business travel	1,290,593,532	1,049,844,295
Fuel and transportation	1,002,936,553	652,717,820
Association and membership dues	18,437,500	2,395,946,530
Miscellaneous (each below Rp1 billion)	2,383,614,653	1,687,801,081
Total Delivery and Selling Expenses	887,351,398,943	613,587,028,536
General and Administrative Expenses		
Salaries, wages and employees' benefits (Note 22)	109,847,360,224	103,880,213,579
Rental	19,562,194,887	18,251,775,491
Professional fees	8,295,100,046	7,592,125,406
Training and seminars	7,766,696,020	8,633,803,327
Depreciation	6,453,989,074	7,062,002,754
Medical	5,944,606,363	7,026,855,418
Travelling and transportation	5,447,390,846	3,926,085,788
Donations	5,034,795,589	4,359,511,134
Repairs and maintenance	4,077,250,407	4,674,211,142
Communication	3,749,049,197	3,297,056,456
Public relations	3,017,732,488	3,600,593,616
Provision for doubtful accounts	2,663,022,870	6,682,663,190
Insurance	1,624,815,993	2,417,248,775
Publications and sponsorships	1,512,616,863	1,308,412,835
Taxes and licenses	1,391,435,497	1,234,073,929
Stationery and office supplies	1,090,374,559	1,231,366,812
Printing and photocopying	874,461,333	1,039,506,636
Anniversary cost	88,868,000	2,994,131,367
Miscellaneous (each below Rp1 billion)	4,326,453,102	3,145,821,126
Total General and Administrative Expenses	192,768,213,358	192,357,458,781
Total Operating Expenses	**1,080,119,612,301**	**805,944,487,317**

(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

a. Retirement Benefits

The Company has a defined contribution retirement plan covering its full-time employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings. Total contributions paid by the Company to the plan amounted to Rp24.2 billion in 2006 and Rp21.7 billion in 2005, 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 December 31, 2006 and 2005, the Plan assets totaled Rp480.4 billion and Rp395.7 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 for the years ended December 31, 2006 and 2005.

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

	Company	Subsidiaries
Discount rate	11% in 2006 and 2005	11% in 2006 and 2005
Wage and salary increase	9% in 2006 and 2005	9% in 2006 and 2005
Retirement age	55 years	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old	2% - 5% for employees with ages from 20 years old, 0% at age 45
Table of mortality	Commissioners Standard Ordinary 1980 (CSO '80)	Commissioners Standard Ordinary 1980 (CSO '80)
Disability	10% of the mortality rate	10% at the mortality rate

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

	2006	2005
Current service costs	7,149,230,000	9,922,838,000
Interest costs	16,590,033,000	14,727,976,000
Actuarial loss recognized	101,783,000	119,321,000
Amortization of past service costs	8,511,524,900	7,955,552,975
Total employee benefits expense	**32,352,570,900**	**32,725,687,975**

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

	2006	2005
Present value of defined benefit obligation	173,307,041,000	156,375,954,000
Unamortized balance of non-vested past service costs	(86,763,872,000)	(94,770,637,000)
Actuarial loss	(32,355,945,082)	(13,737,803,188)
Liability recognized in the consolidated balance sheets	**54,187,223,918**	**47,867,513,812**

(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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

	2006	2005
Balance at beginning of year	47,867,513,812	33,647,515,723
Provision during the year	32,352,570,900	32,725,687,975
Payments during the year	(26,032,860,794)	(18,505,689,886)
Balance at end of year (recorded as "Non-current Liabilities - Estimated Liability for Employee Benefits" account in the consolidated balance sheets)	**54,187,223,918**	**47,867,513,812**

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 11 - 15 years in 2006 and from 12.19 - 16.02 years in 2005.

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 for the years ended December 31, 2006 and 2005.

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

Discount rate	11% in 2006 and 2005
Claim cost trend	8% in 2006 and 9% in 2005
Retirement age	55
Mortality rate	CSO '80
Disability rate	10% of mortality rate
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old

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

	2006	2005
Current service cost	907,127,000	804,414,000
Interest cost	1,709,506,000	1,350,536,000
Vested past service cost and amortization of non-vested past service costs	777,987,000	2,355,378,000
Total post-retirement healthcare benefits	**3,394,620,000**	**4,510,328,000**

(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

b. Post-retirement Healthcare Benefits (continued)

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

	2006	2005
Present value of defined benefit obligation	14,957,332,000	15,717,066,000
Unamortized balance of non-vested past service costs	(10,533,941,000)	(11,311,928,000)
Actuarial gain	3,134,217,000	4,176,000
Liability recognized in the consolidated balance sheets	**7,557,608,000**	**4,409,314,000**

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

	2006	2005
Balance at beginning of year	4,409,314,000	-
Provision during the year	3,394,620,000	4,510,328,000
Payments during the year	(246,326,000)	(101,014,000)
Balance at end of year (recorded as "Non-current Liabilities - Estimated Liability for Post-retirement Healthcare Benefits" account in the consolidated balance sheets)	**7,557,608,000**	**4,409,314,000**

Non-vested past service costs are amortized over the remaining number of years of service of active employees, which is 13.84 years in 2006 and 14.61 years in 2005.

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

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

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2006	2005	2006	2005
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	35,942,984,396	47,897,758,168	0.37%	0.45%
Due from Related Parties				
Officers and employees	46,600,017,958	56,412,697,184	0.48%	0.54%
HC Trading	1,723,607,265	-	0.02	-
Others	1,638,320,941	811,880,849	0.02	0.01
Total	49,961,946,164	57,224,578,033	0.52%	0.55%
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	-	2,278,762,995	-	0.05%

(Expressed in rupiah, unless otherwise stated)

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2006	2005	2006	2005
Due to Related Party				
PT Pama Indo Mining	5,482,141,192	5,695,739,069	0.15%	0.12%
Long-term Investments in Associated Company				
Stillwater Shipping Corporation	21,215,648,850	16,739,664,280	0.22%	0.16%
PT Cibinong Center Industrial Estate	19,815,437,855	18,868,564,301	0.20	0.18
PT Pama Indo Mining	7,951,513,929	7,245,374,843	0.08	0.07
Total	48,982,600,634	42,853,603,424	0.50%	0.41%
Long-term Loans				
HC Finance B.V., Netherlands	1,353,000,000,000	1,474,500,000,000	37.95%	30.05%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	835,741,067,588	676,734,161,531	13.21%	12.10%
Cost of Revenues				
PT Pama Indo Mining	41,346,764,287	34,440,355,788	0.99%	0.96%
HCT Services Asia Pte., Ltd., Singapore	16,261,776,700	17,475,453,600	0.39	0.49
HeidelbergCement Technology Center GmbH	5,401,699,914	-	0.13	-
Total	63,010,240,901	51,915,809,388	1.51%	1.45%
Operating Expenses				
Stillwater Shipping Corporation (Note 24e)	17,351,864,000	27,912,394,000	1.60%	3.46%
PT Bahana Indonor	7,992,365,000	-	0.74	-
HeidelbergCement Technology Center GmbH	757,899,252	1,314,420,421	0.07	0.16
Total	26,102,128,252	29,226,814,421	2.41%	3.62%
Other Income (Expenses)				
PT Cibinong Center Industrial Estate	3,846,923,926	2,744,208,070	1.79%	1.78%
HC Finance B.V., Netherlands	(91,654,070,482)	(64,901,837,358)	(42.60)	(42.09)
HeildelbergCement AG	(2,038,393,265)	-	(0.95)	-
Net	(89,845,539,821)	(62,157,629,288)	(41.76%)	(40.31%)

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.	PT Cibinong Center Industrial Estate	Associated Company	Sale of water and electricity
6.	Stillwater Shipping Corporation	Associated Company	Transportation
7.	PT Pama Indo Mining	Associated Company	Mining service
8.	PT Bahana Indonor	Associated Company	Transportation
9.	Officers and employees	Employees	Loan

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

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

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

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

   As of December 31, 2006, 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 2006 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 December 31, 2006, the engines are still in the commissioning stage.

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

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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.

Total purchases of natural gas from RGM amounted to US$1,040,290 (equivalent to Rp9,506,958,344) in 2006 and US$554,229 (equivalent to Rp5,544,447,706) in 2005, while total transportation fee incurred amounted to US$287,740 (equivalent to Rp2,631,457,343) in 2006 and US$153,297 (equivalent to Rp1,417,029,349) in 2005.

d. The Company has a three-year Coal supply agreement with PT Adaro Indonesia (Adaro) wherein Adaro agreed to supply 700,000 MT per year. The contract period is from January 1, 2005 until December 31, 2007. The agreement also stipulates, among others, the price and price adjustment formula, specifications for coal quality, and term for transfer of title and risk. Total purchases of coal from Adaro amounted to US$27,013,356 in 2006 and US$20,961,941 in 2005.

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. On November 30, 2004, the Company entered into two contracts with ABB Switzerland Ltd. (contractor) for the supply of Retrofit and automated laboratory system (autolab), and the supply of erection supervision services and commissioning of the autolab. The total value of these contracts amounted to EUR1,510,000. As of December 31, 2006, the equipment is still in the testing and commissioning stage.

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

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

- Introduction of new type of cement which contains a higher proportion of additive materials (Blended Cement Project)
- Use of alternative fuels in clinker burning (Alternative Fuel Project).

(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

Subject to the terms and conditions of the Agreement, the Company shall generate a minimum number of Greenhouse Gases (GHG) Reductions from the Project and transfer the Emission Reductions (ERs) corresponding to these GHG Reductions to the Trustee with a total volume of 3 million tons at the price as stipulated in the Agreement.

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

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

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

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

As of the independent auditors' report date, 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 2006 and 2005 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 Rp34,199,054,169 and Rp26,802,835,626 as of December 31, 2006 and 2005, respectively, are shown as part of "Other Payables to Third Parties" in the consolidated balance sheets.

j. On June 18, 2004, DAP entered into new distributorship agreements with several companies for the non-exclusive area distribution of the Company's bagged cement and bulk cement for the domestic market. The distributorship agreements provide for, among others, the specific distribution area or region for each sub-distributor, delivery requirements, obligations and responsibilities of the sub-distributors, responsibilities of DAP, terms and sales price, and restriction to transfer the distribution rights without prior consent from DAP. These agreements are effective from July 14, 2004 until December 31, 2008, and may be extended for an additional period of three (3) years upon written agreement by both parties.

Total gross sales by the Company and DAP to these sub-distributors in 2006 and 2005 are as follows:

	2006	2005
PT Bangunsukses Niagatama Nusantara	555,845,002,649	434,401,022,284
PT Royal Inti Mandiri Abadi	414,139,420,001	316,484,807,074
PT Intimegah Mitra Sejahtera	354,825,827,695	326,268,366,307
PT Samudera Tunggal Utama	351,468,194,867	347,366,805,778
PT Primasindo Cipta Sarana	338,132,751,835	269,690,699,412
PT Adikarya Maju Bersama	299,913,633,140	286,012,874,749
PT Saka Agung Abadi	297,235,327,604	212,338,351,444
PT Nusa Makmur Perdana	296,468,794,190	304,320,826,703

(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

	2006	2005
PT Kharisma Mulia Abadijaya	277,533,931,172	261,564,609,842
PT Kirana Semesta Niaga	269,218,603,388	226,763,016,291
PT Sumber Abadi Sukses	242,779,169,932	228,496,271,880
PT Angkasa Indah Mitra	236,560,550,372	250,082,226,212
PT Citrabaru Mitra Perkasa	225,456,596,872	221,240,180,271
PT Cipta Pratama Karyamandiri	221,414,042,195	185,636,022,123
Total	**4,380,991,845,912**	**3,870,666,080,370**

The total outstanding receivables from these sub-distributors amounting to Rp388,934,108,786 and Rp331,005,063,527 as of December 31, 2006 and 2005, 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, 2006. However, the lease period has been extended in accordance with Letter of Intent (LoI) dated November 15, 2006, which also stipulates new key terms and conditions. Rental expenses charged to current operations amounted to Rp11,069,679,151 in 2006 and Rp11,083,681,114 in 2005.

l. The Company has an exclusive export distribution agreement with HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, under the following terms and conditions (Note 19):

- HCT Services Asia Pte., Ltd. (HCT) will act as the Company's exclusive export distributor.
- The Company shall invoice HCT a net price equivalent to the U.S. dollar FOB sales price invoiced by HCT to its customers, less:
  - 5.5% on the first one million tons shipments per year.
  - 3.0% on shipments in excess of one million tons per year.
- The export distribution agreement is effective for twenty (20) years.

Total sales discounts granted to HCT amounted to approximately US$3.6 million in 2006 and US$2.9 million in 2005.

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 December 31, 2006, total cumulative payments starting from January 1, 2005 for the gas transportation fee amounted to US$2,646,184.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

In addition, the addendum declares that there is no claim over past obligations according to the original agreement (prior to addendum) except for US$900,000 which will be paid by the Company in installments until January 2006. The gain arising from this settlement amounting to Rp23,808,349,379 is presented as part of "Other Income (Expenses) - Others - Net" in the 2005 consolidated statement of income. The agreement will expire in 2014 or may be terminated if the total volume of natural gas consumed reaches the contractual volume as stipulated in the agreement. Total transportation fee and technical fee paid to Rabana amounted to US$1,597,630 in 2006 and US$1,269,757 in 2005.

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 amounted to Rp102,065,807,916 in 2006 and Rp102,600,461,945 in 2005.

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 Rp353 billion in 2006 and Rp284 billion in 2005.

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 Rp17,843,913,938 and Rp12,716,256,641 as of December 31, 2006 and 2005, respectively, which is presented as part of "Non-current Liabilities - Provision for Recultivation" in the consolidated balance sheets.

r. 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) FL Smith, for equipment supply for Preheater and Calciner Upgrade with amount of EUR2,154,200.

   As of December 31, 2006, the kiln modification project is still in the commissioning stage.

25. DERIVATIVE INSTRUMENTS

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

As of December 31, 2006, the Company has outstanding derivative instruments as follows:

a. Cross Currency Interest Rate Swap

The Company has entered into 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 December 31, 2006, the Company recognized the net liabilities on the CCIRS contract at fair value of Rp75,939,001,160, which is presented as "Long-term Derivative Liabilities" in the 2006 consolidated balance sheet. As of December 31, 2005, the Company recognized the net assets on the CCIRS contract at fair value of Rp84,171,508,110, which is presented as "Long-term Derivative Assets" in the 2005 consolidated balance sheet.

The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the loss arising from the changes in the fair value of the CCIRS amounting to Rp160,110,509,270 were recorded as part of "Foreign Exchange Gain - Net" presented in the 2006 consolidated statement of income.

b. Forward exchange contracts with Standard Chartered Bank, Jakarta Branch entered into on February 20, 2006 and August 22, 2006, with notional amounts aggregating to JP¥250 million and US$1 million which will mature on various dates in 2007, at fixed exchange rates ranging from Rp81.85 to Rp87.75 for every JP¥1 and from Rp9,320 to Rp9,360 for every US$1.

c. Structured currency option contracts with ABN-AMRO Bank N.V., Jakarta Branch, entered into on May 1, 2006, for the purchase of a total of JP¥350 million with the following terms:

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

These contracts have no premium and will be settled on various dates in 2007.

The derivative instruments as mentioned in items *b* and *c* 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.

25. DERIVATIVE INSTRUMENTS (continued)

As of December 31, 2006 and 2005, the Company recognized the net liabilities on the above derivative instruments at fair value of Rp3,738,655,113 and Rp14,030,194,787, respectively, which are presented as "Derivative Liabilities - Net" in the consolidated balance sheets.

The loss arising from the derivative transactions during the year amounting to Rp43,433,189,826 was recorded as part of "Foreign Exchange Gain - Net" presented in the 2006 consolidated statement of income.

26. LITIGATION

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

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

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

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 January 22, 2007 (the independent auditors' report date), the Supreme Court has not rendered its decision on the case.

27. ECONOMIC CONDITIONS

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

28. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2006, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

(Expressed in rupiah, unless otherwise stated)

28. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

	Foreign Currency		Equivalent in Rupiah: December 31, 2006 (Balance Sheet Date)	Equivalent in Rupiah: January 22, 2007 (Auditors' Report Date)
Assets				
Related parties	US$	4,168,611	37,600,868,201	37,809,301,770
Third parties	US$	1,358,196	12,250,927,649	12,318,837,720
	EUR	86,592	1,026,820,925	1,019,004,265
	JP¥	9,805,537	743,213,619	733,042,335
Total			51,621,830,394	51,880,186,090
Liabilities				
Related parties	US$	152,392,750	1,374,582,136,851	1,382,202,242,500
Third parties	US$	42,236,760	380,975,572,765	383,087,413,200
	JP¥	3,220,761,342	244,118,561,162	240,777,676,405
	EUR	1,971,880	23,382,844,672	23,204,847,214
Total			2,023,059,115,450	2,029,272,179,319
Net liabilities			**1,971,437,285,056**	**1,977,391,993,229**

The rupiah currency has changed in value based on the middle rates of exchange published by Bank Indonesia as shown below:

Foreign Currency	December 31, 2006	January 22, 2007
Euro (EUR1)	11,858.15	11,767.88
U.S. dollar (US$1)	9,020.00	9,070.00
Japanese yen (JP¥100)	7,579.53	7,475.80

Had the assets and liabilities denominated in foreign currencies as of December 31, 2006 been reflected using the above middle rates of exchange as of January 22, 2007 (the independent auditors' report date), the net foreign currency denominated liabilities, as presented above, would have increased by approximately Rp5.95 billion in terms of rupiah (before considering the fair value of derivative instruments).

29. SUBSEQUENT EVENTS

a. On January 22, 2007, the Company paid the installments on its long-term loan from banks and financial institutions amounting to US$1,842,105, JP¥372,000,000 and Rp18,421,052,632 and its obligations for interest and other financial charges covering the period July 20, 2006 to January 22, 2007 amounting to US$3,649,671, JP¥25,777,288 and Rp10,873,779,000 (Note 12).

b. On January 22, 2007, the Company re-borrowed from the revolving loan facility of US$5,000,000 (Note 9). The loan bears interest at the annual rate of 6.22% and will be due on February 22, 2007. The proceeds of the loan are used for the repayment of the principal revolving loan. The Company also paid its obligation for interest and other financial charges covering the period December 20, 2006 to January 22, 2007 amounting to US$29,562.

c. In January 2007, the management of the Company announced its plan to close the bulk cement and coal transportation division (BCTD). As of the independent auditors' report date, the Company is in the tender process by inviting transporter companies to handle the delivery of bulk cement and coal.

30. RECLASSIFICATION OF ACCOUNT

"Other Current Liabilities" amounting to Rp7,726,910,783 have been reclassified to "Other Payables to Third Party" to conform with the presentation of accounts in the 2006 consolidated financial statements.

31. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that were completed on January 22, 2007.

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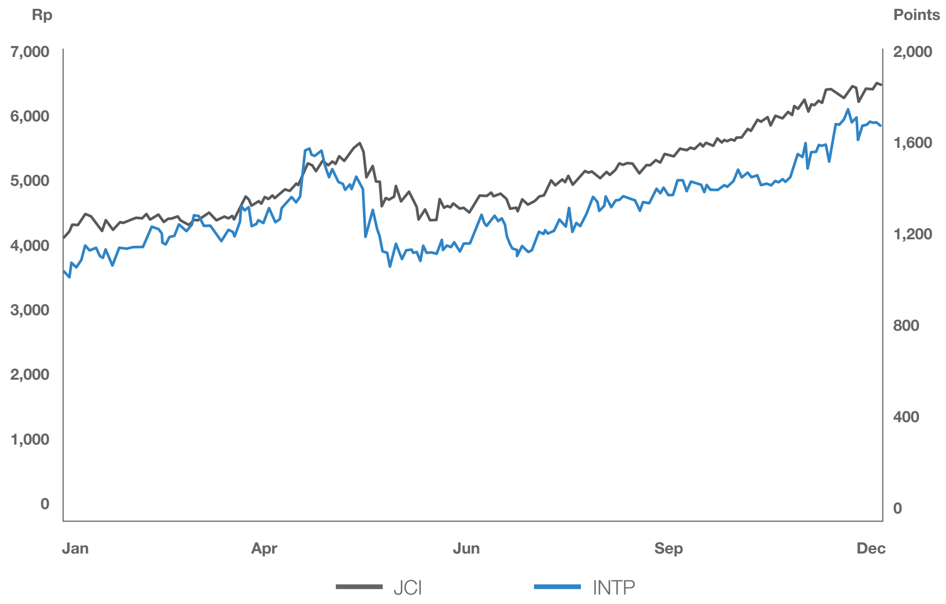
Corporate Data

Stock Market Information

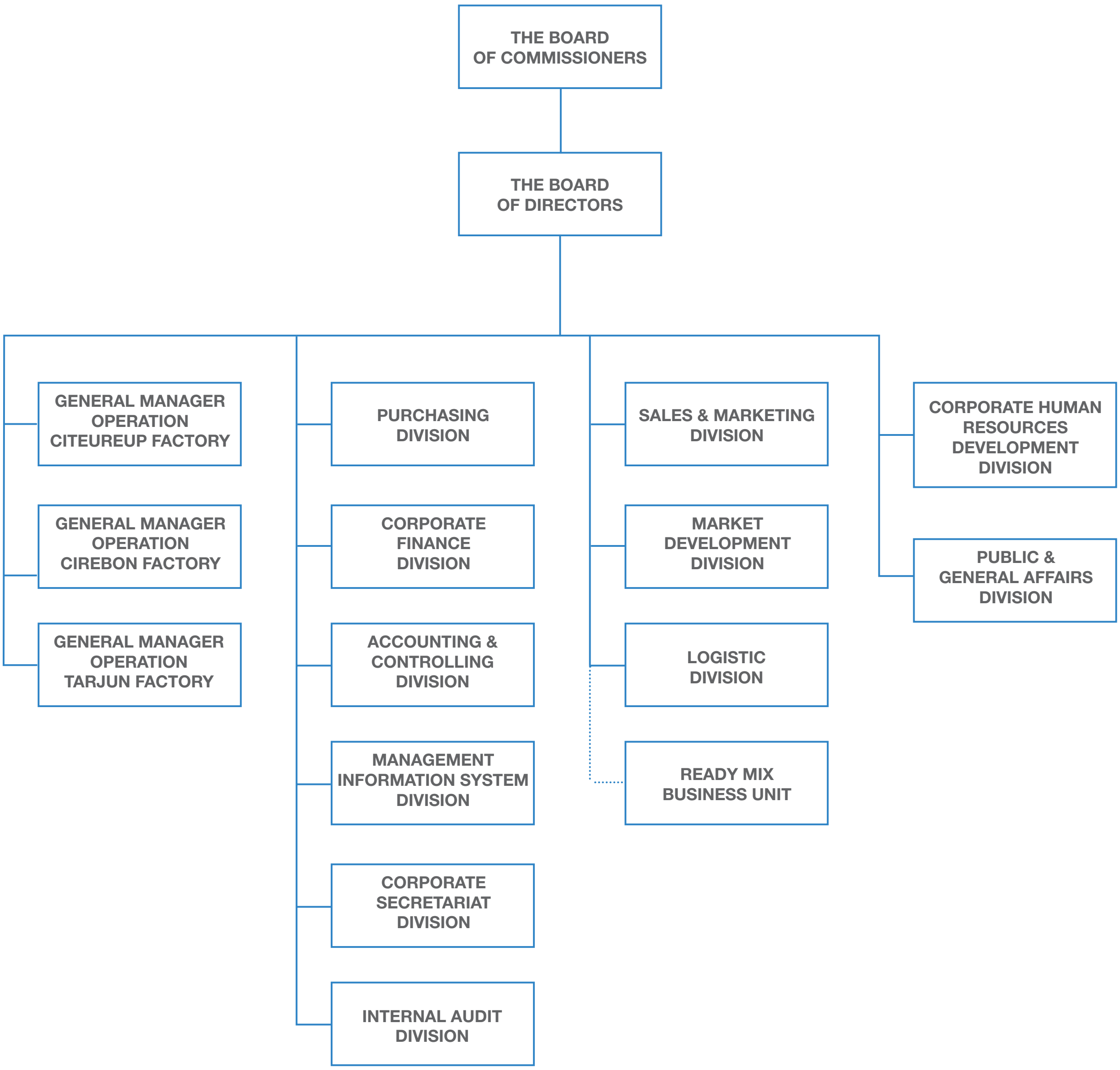
Share Price - Indocement (INTP) vs JCI in 2006



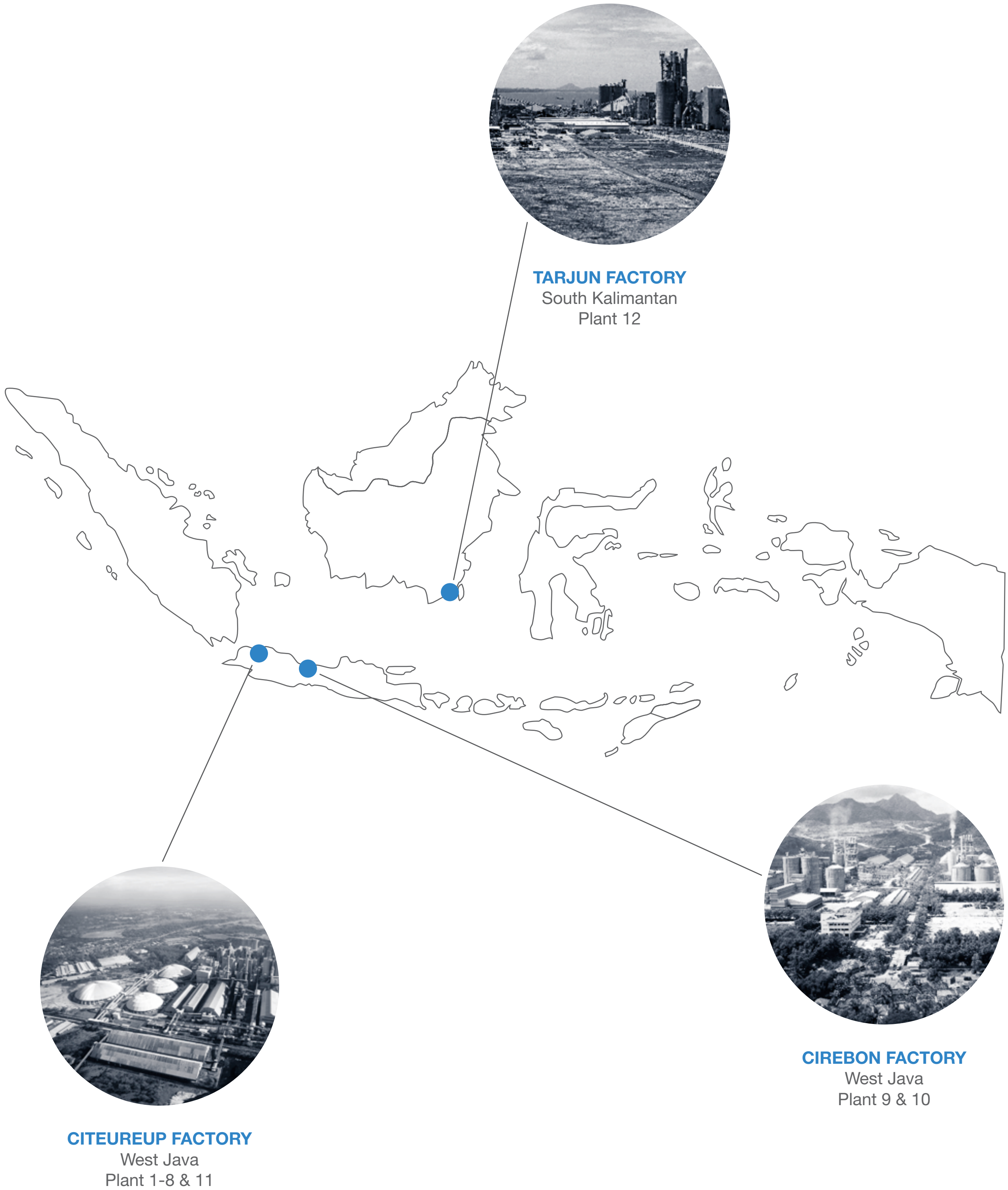
- Total of 3,681,231,699 shares listed on the Jakarta Stock Exchange and Surabaya Stock Exchange
- Total traded volume of Indocement shares in 2006 reached 785,587,000,000 shares
- These shares were traded at Rp3,550 per share on 2 January 2006 and Rp5,750 per share on 28 December 2006, an increase of 62.0%
- Market capitalization of Indocement was Rp21,167 billion, an 62.0% increase from 2005
- In 2006, the Jakarta Composite Index opened at 1,162.64 and closed at 1,805.52, an increase of 55.3%
- The number of registered Indocement shareholders was 1,428 as at 31 December 2006

	Share Price in Rupiah			
	2006		2005	
	Highest	Lowest	Highest	Lowest
First Quarter	**4,525**	**3,550**	3,500	2,750
Second Quarter	**5,400**	**3,750**	3,575	2,575
Third Quarter	**4,950**	**3,875**	3,800	2,600
Fourth Quarter	**5,950**	**4,800**	3,675	2,900

Organizational Structure



Factory Locations



Other Investments

Billion Rupiah

Revenues	2006	2005
Subsidiaries		
PT Indomix Perkasa	70.6	67.2
PT Pionirbeton Industri	209.5	201.8
PT Dian Abadi Perkasa	4,356.9	3,844.1
Other Investments		
PT Cibinong Center Industrial Estate	5.8	4.5*
PT Pama Indo Mining	42.8	37.0
Stillwater Shipping Corporation	28.2	28.3

* Restated

PT Indomix Perkasa
Produces and sells ready-mix concrete
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70-71, Jakarta 12910
Tel. : (+6221) 2512121, 2522121 (ext. 2431)
Fax. : (+6221) 2512129

PT Pionirbeton Indonesia
Produces and sells ready-mix concrete
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70-71, Jakarta 12910
Tel. : (+6221) 2512121, 2522121 (ext. 2431)
Fax. : (+6221) 2512129

PT Dian Abadi Perkasa
Domestic cement distributor
Wisma Indocement, Level 15
Jl. Jenderal Sudirman Kav. 70-71, Jakarta 12910
Tel. : (+6221) 2512121 ext. 3533
Fax. : (+6221) 2510130

PT Multi Bangun Galaxy
Terminal-Land Operation
Lembar Port - Lombok

PT Indo Clean Set Cement
(under liquidation)
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70-71, Jakarta 12910
Tel. : (+6221) 2512121
Fax. : (+6221) 2510066

PT Cibinong Center Industrial Estate
Owns an industrial park situated in the vicinity of Citeureup Factory
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70-71, Jakarta 12910
Tel. : (+6221) 8754129
Fax. : (+6221) 8754380

PT Pama Indo Mining
Engages in clay and limestone mining services
Jl. Rawa Gelam I No. 9
Kawasan Industri Pulogadung, Jakarta Timur
Tel. : (+6221) 4602015
Fax. : (+6221) 4601916

Indocement (Cayman Island) Limited
Investment
5th floor, Butterfield house, P.O.Box 219, George Town, Grand Cayman Islands
Tel. : (+345)-9148677
Fax. : (+345)-9494590

Stillwater Shipping Corporation
Shipping & Shipping-related Services
14 Par La Ville Road Hamilton, HM JX Bermuda
Wisma 46 – Kota BNI, Level 15, Suite 15.05
Jl. Jenderal Sudirman Kav. 1, Jakarta 10220
Tel. : (+6221) 5742179, 5742182
Fax. : (+6221) 5742177

PT Bahana Indonor
Owns and operates “MV Tiga Roda” and floating terminal “Quantum I”
Wisma 46, Kota BNI, Level 15, Suite 15.05
Jl. Jenderal Sudirman Kav. 1, Jakarta 10220
Tel. : (+6221) 2515277
Fax. : (+6221) 2515276

Corporate Information

Condensed List of Shareholders	(%)
HeidelbergCement AG	65.14
PT Mekar Perkasa	13.03
Public	21.83

All shares are listed in the Jakarta Stock Exchange and Surabaya Stock Exchange – Reuters INTPJK

Corporate Address

PT Indocement Tunggal Prakarsa Tbk.
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70 - 71
Jakarta 12910, Indonesia
Phone : (+6221) 251 2121
Facsimile : (+6221) 251 0066
http://www.indocement.co.id

SHAREHOLDERS' INFORMATION

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will be held on **Thursday, 3 May 2007**

For further information, please contact:

Corporate Secretariat Division
Phone: (+6221) 251 2121 ext. 2817, 2840
Facsimile: (+6221) 251 0066
E-mail : corpsec@indocement.co.id

Investor Inquiries

Investor inquiries may be directed to:

Corporate Secretariat Division
Phone: (+6221) 251 2121 ext. 2837, 2841
Facsimile: (+6221) 251 0066
E-mail : investor_relations@indocement.co.id

PROFESSIONALS AND MAJOR BANKERS

Auditor

Purwantono, Sarwoko & Sandjaja
(A member firm of Ernst & Young Global)
Jakarta Stock Exchange Building, Tower II, Level 7
Jl. Jenderal Sudirman Kav. 52 - 53
Jakarta 12190, Indonesia

Shares Registrar

PT Raya Saham Registra
Plaza Sentral Building, Level 4
Jl. Jenderal Sudirman Kav. 47 - 48
Jakarta 12930, Indonesia

Major Bankers

ABN AMRO Bank N.V., Cabang Jakarta
PT Bank Central Asia Tbk.
Standard Chartered Bank
Calyon Deutschland

Printed on environmentally friendly chlorine free bleached paper quality

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

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Jl. Jenderal Sudirman Kav. 70 - 71 Jakarta 12910, Indonesia
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