PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

Annual Report 2007

Expanding Capacity to Maintain Growth and Leadership Position

INDOCEMENT
HEIDELBERGCEMENT Group

Expanding Capacity to Maintain Growth
and Leadership Position.

With the recommissioning of Plant 8 at Citeureup (cover picture) in 2007, following a gradual revamping program, Indocement has the ability to increase production capacity of cement in significant volume with competitive investment outlay, to capitalize on growth opportunities over the next several years.

Contents

FINANCIAL HIGHLIGHTS

Billion Rupiah (unless stated otherwise)

	2007	2006	2005	2004	2003
Net Revenues	7,324	6,325	5,592	4,616	4,158
Gross Profit	2,754	2,148	2,020	1,523	1,396
Income from Operations	1,585	1,068	1,214	836	814
EBITDA (1)	2,143	1,585	1,682	1,322	1,278
Foreign Exchange Gain (Loss)	(29)	49	50	(498)	38
Net Income	984	593	740	116	670
Net Cash Provided by Operating Activities	1,403	1,213*	1,322	1,304	1,387
Total Assets	10,016	9,598	10,536	9,771	10,145
Total Liabilities	3,069	3,566	4,907	5,115	5,612
Net Shareholders' Equity	6,926	6,033	5,629	4,656	4,533
Net Working Capital	1,489	1,228	1,693	1,207	1,179
Net Borrowings (2)	1,099	2,217	3,064	4,058	4,616
Capital Employed	9,256	9,084	10,074	9,383	9,857
Capital Expenditures (3)	250	277	150	70	114
Market Capitalization as of 31 December	30,186	21,167	13,068	11,320	7,823
Issued Ordinary Shares (Million)	3,681	3,681	3,681	3,681	3,681
Per Share Data (Rp)					
• Primary Earnings per Share	267	161	201	32	182
• Dividend per Share	30	50	-	-	-
• Book Value per Share	1,881	1,639	1,529	1,265	1,232
Financial Ratio (%)					
Current Ratio	296	214	252	143	187
Net Gearing (4)	16	37	54	87	102
EBITDA to Net Interest Cover (Times)	11.9	5.8	7.1	7.9	6.0
Net Borrowing to Assets	11	23	29	42	45
Return on Assets (ROA)	10	6	7	1	7
Return on Capital Employed	11	6	8	1	7
Return on Shareholders' Equity (ROE)	15	10	14	3	15
Number of Employees	6,433	6,637	6,678	6,851	7,107

*** 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 AT A GLANCE

PT Indocement Tunggal Prakarsa Tbk. ("Indocement" or the "Company") 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 17.1 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 II and Type V, as well as 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 leading cement producer with 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.

In 2007, Indocement completed a major revamping of its Plant 8 in Citeureup, which provided the Company with an additional annual capacity of 600 thousand tons of cement.

As part of its corporate social responsibility programs, Indocement succeeded in developing a 30 hectare plantation of jatropha trees out of mined over limestone land. Indocement also initiated a successful community waste-collection program. The collected waste are used as biomass fuel to generate heat in the production of cement, and as compost.

Indocement's shares are listed at the Indonesia Stock Exchange with a market capitalization of Rp30,186 billion as at year-end 2007.

The Company employed 6,433 personnel in 2007.

OUR MISSION

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 VISION

Domestic quality market leader in cement.

OUR SLOGAN

Better shelter for a better life.

BUSINESS LINES

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	99.99%
PT Pionirbeton Industri*	Ready-Mix Concrete	99.99%
PT Dian Abadi Perkasa	Cement Trading	99.99%
PT Multi Bangun Galaxy*	Terminal-Land Operation	99.99%
PT Cibinong Center Industrial Estate	Industrial Estate	50.00%
PT Gunung Tua Mandiri	Aggregate Mining	51.00%
PT Pama Indo Mining	Mining	40.00%
Stillwater Shipping Corporation	Shipping	50.00%
PT Bahana Indonor*	Shipping	50.00%
Indocement (Cayman Island) Limited	Investment	100.00%

*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 Indonesia Stock Exchange (previously known as 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.
- 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.

2006
- Obtained refinancing facilities to replace the Master Facilities Agreement (MFA).
- Received the IMAC (Indonesian Most Admired Companies) 2006 Award for the best in building corporate image in the cement category.
- HeidelbergCement South-East Asia GmbH, the direct shareholder of Indocement was merged into HeidelbergCement AG, which then controlled 65.14% shares of Indocement.
- 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.
- 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.

HIGHLIGHTS OF 2007

JANUARY

- Gold Flag Award
  On 2 January, Indocement received the Gold Flag of Occupational Health and Safety Performance Award for its three factories from the Ministry of Manpower.

MAY

- SGS Quality Award
  On 21 May, Indocement received the SGS Quality Award 2007 for its effort in the innovation of using alternative materials in its production process.

JULY

- The Best Chief Financial Officer 2007
  On 11 July, Christian Kartawijaya, Indocement's Director, received the Best Chief Financial Officer Award from the Finance Asia Magazine, Hongkong.

- The Ten Best Managed Companies
  On 11 July, Indocement received the Ten Best Managed Companies Award from the Finance Asia Magazine, Hongkong.

- IMAC Award
  On 18 July, Indocement received the IMAC (Indonesian Most Admired Companies) 2007 Award for the best in building corporate image in the cement category from Business Week and Frontier Consulting Group.

- Jatropha Project
  On 20 July, Indocement conducted the initial socialization project of jatropha tree as the alternative fuel.

- Community Development
  On 23 July, Indocement commenced the inauguration of Indocement's high school building, located in Citeureup, Bogor.

- Acquisition of PT Gunung Tua Mandiri
  On 25 July, Indocement closed a transaction to acquire 51% shares of PT Gunung Tua Mandiri, a new developed aggregates quarry in Rumpin, West Java.

AUGUST

- Community Development
  On 1 August, Indocement handed over the building of SMP Negeri 1 Gempol, Cirebon to the Education Office of Cirebon Region.

- Business Review Awards
  On 15 August, Indocement received awards for several categories from Business Review Magazine.

- Top Brand 2007
  On 22 August, Indocement received a Top Brand Award 2007 from the Frontier Consulting Group & Marketing Magazine.

NOVEMBER

- Total Quality Control (TQC)
  On 27 November, Indocement's TQC received two gold and three silver medals on Indonesia TQC Convention 2007.

DECEMBER

- SWA100 Award
  On 17 December, Indocement received SWA100 Award from SWA Magazine and Stern Steward & Co as 100 Indonesia's Best Wealth Creators in 2007.

Daniel Gauthier
President Commissioner

Against the backdrop of improving macro-economic conditions in virtually every key aspect, cement consumption in Indonesia increased significantly by approximately 7.0% in 2007.

Dear Shareholders,

In our previous annual report, we spoke of how Indocement had turned a challenging year in 2006 into a springboard for future growth. In 2007, it would appear that Indocement has indeed positioned itself strategically to capitalize on opportunities offered by growing cement market.

Against the backdrop of improving macro-economic conditions in virtually every key aspect, cement consumption in Indonesia increased significantly by approximately 7.0% in 2007. Compared to a market growth of just 1.5% in 2006, the amount of growth in 2007 was a significant development that required the cement industry to dedicate more capacity to the domestic market. Fortunately for Indocement, we were in a favorable position to capture a considerable share of the growing cement consumption in 2007.

The encouraging development of the cement market in Indonesia is directly correlated with the relatively stable and improving Indonesian economy. Through prudent fiscal and economic policies, the Government of Indonesia has succeeded in curtailing both inflation and bank interest rates – two key economic indicators that are critical to cement consumption. Inflation was stable 6.60% in 2006 and 6.59% throughout 2007, whereas the Central Bank interest rate declined further from 9.75% to 8.0% over the same period, considered to be among the lowest rates in Indonesia in recent years.

Indonesia's Gross Domestic Product (GDP) registered a growth rate of 6.3% in 2007, higher than the 5.5% growth of 2006, and barring any unforeseen setback, is likely to maintain its steady course of growth in 2008.

As the Indonesian economy maintains its course over the next several years, we can infer that market demand for cement is likely to mirror the steady growth of the economy. In fact, we could say that this had already transpired in 2007. Markets in the outer islands outside of Java increased by 14.3% during the year, surpassing their 7.5% growth of the previous year. The market in Central Java and Yogyakarta increased healthily by 9.2%, although this may be related more to post-earthquake reconstruction than anything else. Whereas cement consumption in the DKI Jakarta, Banten and West Java, which had declined by an average of 7.4% in 2006, reduced its rate of decline to just 0.1% in 2007.

In the face of growing market opportunities, Indocement is confident it has the financial strength, the capacity to increase capacity at reasonable investment costs and the appropriate marketing and logistic strategies to supply competitively to all markets of Indonesia.

Financially, Indocement has been virtually free of external debts since 2006, except for US$150 million loan from HC Finance B.V. which is treated as related party loan. Indocement has further increased its shareholders' equity account in 2007 from the year's net income. We have continued to pursue a sound and prudent financial policy, despite having had to allocate a sizeable amount of capital expenditure in order to ramp up production capacity in 2007.

Production capacity will be increased at very competitive investment cost and fast enough to meet increased demand. In addition to production capacity, production efficiency has remained key to our constant efforts of shaping Indocement to being one of the lowest cost cement producers in the country. Over the course of several years, cost efficiency in production has been achieved from judicious fuel purchase policies and increasing production.

Stronger market demand has led to price increases which combined with good cost control have resulted in improved margins, despite a spectacular increase of coal and transport prices.

In a separate but equally encouraging development, I would like to comment briefly on the progress of Indocement's groundbreaking Clean Development Mechanism (CDM) projects under the Kyoto Protocol framework, namely the Alternative Fuels Project and Blended Cement Project. To be sure, the extremely rigorous and painstaking processes with which these two CDM projects have progressed in what is now close to their fifth year, are without precedent. Nevertheless, we are also very pleased at their outcome, with the issuance of the CER (Certified Emission Reduction) produced by alternative fuel project undertaken by Indocement during period of Year 2005 up to end of July 2007 by the United Nations Framework Convention on Climate Change (UNFCCC) on 14 and 27 March, 2008.

With this certification, Indocement becomes the first company in Indonesia to successfully complete a CDM project. Meanwhile, certification for the Blended Cement Project is still in process and is expected to be completed soon.

This will surely mark a key milestone in our sustainable cement production undertaking as well as in our well-entrenched philosophy for long-term, sustainable development that centers upon economic growth, social development and environmental protection.

The Board of Commissioners remains satisfied with the way Good Corporate Governance continues to be implemented and strengthened across the board at Indocement. Both the Board of Commissioners and Board of Directors maintain close and constant communications with one another. Simultaneously, the Board of Commissioners is kept fully apprised and updated by the Audit Committee on major issues affecting the management of Indocement. Our Compensation Committee has also been active since 2006 in the Company.

There were no changes in the composition of our Board of Commissioners in 2007. I am pleased to say that this composition complies with one of the requirements of the Indonesian capital market, which stipulates that more than 30% of the membership of the Board of Commissioners should comprise of Independent Commissioners.

Once again, on behalf of the Board of Commissioners, we thank the management and staff of Indocement for their hard work and dedication in achieving another stellar year for the Company. In our last annual report, we closed our message with the hope that the Indonesian economy will continue to strengthen, and with it, the resurgent demand for cement in the market in 2007. The year turned out exactly as we had hoped for. So, today, we remain highly confident in the future of our industry and the prospects of Indocement in 2008.

Jakarta, 31 March 2008

Daniel Gauthier
President Commissioner

BOARD OF COMISSIONERS

Daniel Gauthier
President Commissioner

Belgian citizen, age 51. 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 73. Vice President Commissioner/Independent Commissioner since 26 April 2001. He graduated from the State Administration Academy.

I Nyoman Tjager
Vice President Commissioner/ Independent Commissioner

Indonesian citizen, age 57. 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. He received his Doctorate degree in Business Law from University of Gajah Mada, Indonesia.

Sri Prakash
Independent Commissioner

Indonesian citizen, age 55. 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 47. Commissioner since 2 December 2004. He is concurrently a member of the Managing Board of HeidelbergCement Group, as Chief Financial Officer. He studied Business Administration at the Universities of Regensburg (German); 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 50. Commissioner since 23 February 2005. Currently, he is the Chairman of the Managing Board of HeidelbergCement Group, and Chairman of the Supervisory Board of Phoenix Pharmahandel AG & Co KG, Germany. He holds a Master's degree in Law (LLM) from Universities of Freiburg and Dijon.

Emir Adiguzel
Commissioner

Turkish citizen, age 48. Commissioner since 23 February 2005. Currently, he is the President and Chief Operating Officer of HC Trading and Chief Operation Officer of Mediterranean Basin and Middle East and one of the executive committee members in TEAM Area of HeidelbergCement Group. He holds a degree from Harvard Business School's Advanced Management Program.

Daniel Lavalle
President Director

With the increase of the demand for cement, Indocement had the capacity to increase its production and capture a larger share of that growth, while increasing its export volumes at the same time.

Dear Shareholders,

Improving macroeconomic conditions and the relatively steady course of the Indonesian economy in 2007 were beneficial to the construction sector, the single largest consumer of cement products. Lower mortgage rates have increased housing construction. While, rising global commodities prices have spurred construction activities related to mining and plantation operations in several regions outside Java, thereby in-turn creating more demand for cement.

These developments led to a 7.0% growth of cement consumption in Indonesia in 2007, better than our highest estimate. More encouragingly, growth was recorded throughout most of the Indonesian market.

Our sales to the Greater Jakarta area market were below expectations due to severe competition. On the other hand, we recorded good progress in other markets such as West and Central Java and Kalimantan, which in aggregate provided us with higher sales volume and market share in 2007 compared to those of the previous year. With the increase of the demand for cement, Indocement had the capacity to increase its production and capture a larger share of that growth, while increasing its export volumes at the same time.

Indocement posted a net income of Rp984 billion on total net revenues of Rp7,324 billion in 2007, compared to Rp593 billion and Rp6,325 billion, respectively, in 2006. Our domestic sales grew by 7.9% year-on-year, increasing our total share of the domestic cement market from 30.6% to 30.9% between 2006 and 2007. We also achieved record level in export sales volume, which had grown further from 3.2 million tons in 2006 to 3.8 million tons in 2007. If anything, our robust export growth over the past two years underlined the equally robust production capacity of Indocement to supply growing markets both at home and abroad.

The combined growth of our domestic and export sales in 2007 brought an increase in total sales volume of 10.6% during the year, compared to 9.1% in 2006. In addition to that, our profit margin improved in 2007 as a result of better pricing. A marked shift towards margin-oriented pricing during the year – as opposed to volume-driven price undercutting – meant that we were able to increase our average selling price in 2007. This compensates for our price reduction in 2006, easing the pressure on our profit margin considerably.

The sales of our Portland Composite Cement (PCC) product had improved dramatically, growing by 31.6% in 2007 and accounted for 83.7% of our cement deliveries during the year. This is a very strong indication that, since its introduction in 2005, PCC has been well accepted in the market and is likely to be Indocement's primary cement product for many years to come.

The cement production capacity of Indocement will be increased from the current 17.1 million tons per annum to approximately 20 million tons within a horizon of three years. The investments consist of revamping kilns and adding cement mills. As such, Indocement is well positioned to capture a larger share of growth of the market next year, as we did in 2007.

There were several other significant developments in 2007, the details of which are presented elsewhere in this annual report. Let me just share with you some of the highlights briefly, as follows:

- Our recently revamped Plant 8 kiln was successfully commissioned in 2nd half of 2007 and is now fully operational to provide Indocement with additional annual capacity of up to 600,000 tons of cement.
- Progress in the use of alternative fuels and raw materials in our cement production continued apace, positioning Indocement as a leading proponent of these and other sustainable development initiatives. This includes our jatropha plantation project which has successfully turned a previously barren ex-mined quarry area into productive land with the jatropha plants.
- Company's management continued to place strong emphases on Good Corporate Governance, strengthening our commitments and adherence to transparency, accountability, responsibility, fairness, independency and integrity in all of our external and internal conducts.
- Productivity is improving through increased production volume and streamlined organization.
- Our workforce was given greater challenges and responsibilities commensurate with their skills and training, which were also broadened and intensified. A total of 38 management trainees were recruited to our executive development program in 2007.

- In 2007, Indocement began to sow the seeds for the integration of our Corporate Social Responsibility (CSR) programs into the business of providing high-quality cement products in a way that promotes sustainable development. Thus, many of these programs today carry long-term sustainability goals instead of one-off charities and donations that often do not consider much less address the root of the problem.

- As at year-end 2007, we were on the verge of receiving final certifications on our pioneering Clean Development Mechanism projects under the UNFCCC and Kyoto Protocol framework. In March 2008, we received the first of our CER certifications in relation to our *alternative fuel* project. This, also marked the first CER certification in Indonesia.

There were no changes to the Board of Directors in 2007, and I thank my fellow Directors and senior managers for their leadership, as well as the personnel of Indocement for their efforts and determination. Because of these efforts, and the support of countless other stakeholders, Indocement has not only weathered some of the most challenging times in recent years, but emerged from this challenge stronger than ever. Our strength today arises from our capacity to increase the production capacity, maintain healthy operating margins and our ability to deliver our products to market fast and effectively.

On that note, our annual report theme this year: "Expanding Capacity to Maintain Growth and Leadership Position," aptly describes the position from which Indocement is poised to capitalize on future growth opportunities.

Jakarta, 31 March 2008

Daniel Lavalle
President Director

BOARD OF DIRECTORS




Daniel Lavalle
President Director

Belgian citizen, age 57. 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 56. 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 60. 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 45. 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

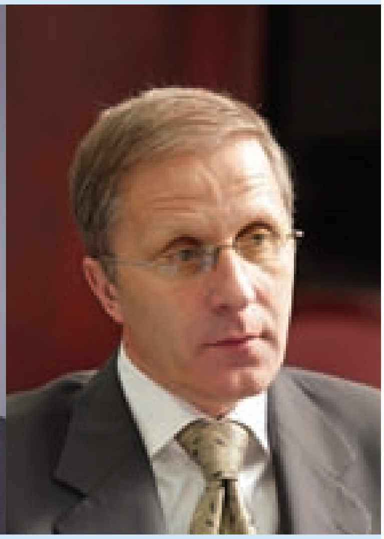
Indonesian citizen, age 49. Director since 15 June 1994. He graduated from the Department of Business Studies, Ngee Ann College, Singapore.

Christian Kartawijaya
Director

Indonesian citizen, age 41. 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 55. 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 49. Director since 28 June 2006. He is concurrently Director of Manufacturing and Engineering HC Technology Center for Central Asia, Benelux, Africa, Mediterranean Basin and Middle East, and Board Member Akçansa Cement, Turkey. He has a degree in Chemistry and Cement Production Technology from the University of Mining and Metallurgy, Krakow, Poland.

In addition to strong capacity growth, Indocement has recently made a strategic move to develop an aggregate business line.

Capitalizing Fully...

Indocement capitalized on strong production capacity in addition to well-established brand and distribution network to record significant sales growth in 2007. In fact, during the fourth quarter of the year, Indocement posted its highest monthly domestic sales record ever, amounting to 1.1 million tons of cement in the month of November alone.

...on a Robust Market Recovery

Indocement posted the highest total sales of cement and clinker amounting to 14.6 million tons in 2007 compared to 13.2 million tons in 2006. Sales revenue increased by 15.8% from Rp6,325 billion in 2006 to Rp7,324 billion in 2007.

Domestic Sales. Domestic sales volume increased by 7.9% to a total of 10.7 million tons in 2007. The increase came mainly as a result of robust market demand, which saw the cement market growing by 7.0% in 2007, compared to a growth of just 1.5% in 2006. Indocement's home markets, currently defined as markets with close proximity to the Company's existing factories – comprising the areas of Greater Jakarta (Jabodetabek) and the provinces of Banten, West Java, Central Java, and large parts of Kalimantan – enjoyed a fair share of the growth, fuelled primarily by the post-earthquake reconstruction of Yogyakarta and surrounding areas, as well as increased construction activities in the housing and infrastructure sectors in Jabodetabek and West Java. Growth in the outer islands outside of Java, including Kalimantan, was much higher than the national average.

Indocement also benefited from greater price flexibility in the market as demand increased significantly, inducing more rational pricing behavior from the major cement producers in the country. As a result of which Indocement was able to gradually increase the average price of its bagged and bulk cement by approximately 15% and 10%, respectively, throughout the course of 2007.

The domestic sales of Portland Composite Cement (PCC) continued their robust trend, increasing by 31.6% from 7.2 million tons in 2006 to 9.4 million tons in 2007. This accounts for roughly 88% of Indocement's total domestic cement sales during the year.

Export Sales. Indocement continued to use the export market as a lever to supplement total sales and maintain optimum utilization of capacity. With a robust domestic market, there was less cement available for the export market in 2007 than in the previous year. However, on account of the growing PCC production, Indocement was able to redirect excess clinker capacity to the export market, thereby maintaining healthy export sales. The total sales volume of export rose from 3.2 million tons in 2006 to 3.8 million tons in 2007.

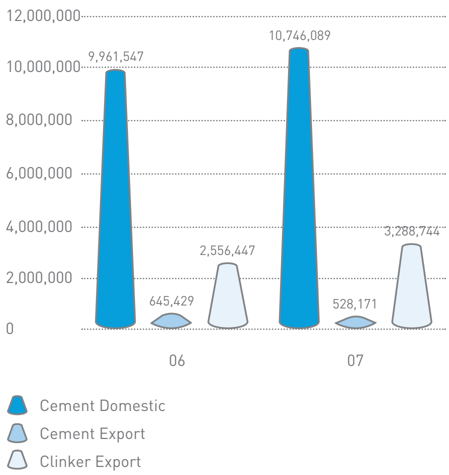
Sales Outlook. The stable and steady growth of the Indonesian economy has given a strong impetus for the recovery of the domestic cement market. This is expected to continue in the foreseeable future, with upcoming toll road construction and other major infrastructure developments.

How we fared in...

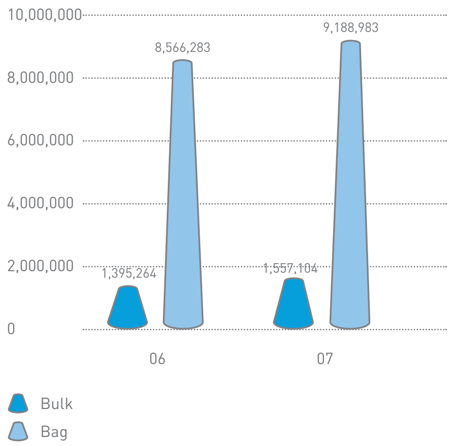
2004
Domestic sales increased to 9.2 million tons, while exports rose to 3.2 million tons on strong market demand at home and abroad. Net revenues increased to Rp4,616 billion, and Indocement took partial control of marine transportation to boost operating efficiency.

Indocement is well positioned to increase production capacity to meet strong demand over the next three years. In addition to strong capacity growth, Indocement has recently made a strategic move to develop an aggregate business line. In July 2007, Indocement acquired a 51% share of PT Gunung Tua Mandiri, with estimated aggregate reserves of 32 million tons and current annual production of approximately 1.5 million tons. On 18 December 2007, Indocement signed a conditional agreement on the Sale and Purchase and Transfer of Assets for the entire assets and aggregate mine located in Purwakarta, owned by PT Handi Perkasa. The mining area is 150 hectares with the average current production capacity of 1,500 tons per day and estimated reserves of approximately 100 million tons. From the above acquisitions, Indocement expects to build a 30% market share of aggregate supply in Jabodetabek and West Java. Indocement also entered an agreement with PT Drymix Indonesia and commissioned a dry mortar factory in Citeureup as a means to develop the dry mortar market in Java.

DOMESTIC VS EXPORT CEMENT & CLINKER SALES
(in tons)



DOMESTIC SALES BULK VS BAGGED CEMENT
(in tons)



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 began production of Portland Composite Cement (PCC) to provide a higher quality all purpose cement to the market, to make way for greater use of alternative materials and reduce CO_2 emissions.

2006
Domestic sales increased to 10.0 million tons, while export increased to 3.2 million tons, as Indocement used its well-established brand and distribution network to compete aggressively and successfully in the market. Net revenues increased to Rp6,325 billion in line with the rapid sales of PCC.


PORTLAND COMPOSITE CEMENT
- SUPER QUALITY -
PCC
SNI 15-7064-2004
TIGA RODA
INDOCEMENT
NETTO 50 kg

A major achievement in production during the year was the growth of Portland Composite Cement (PCC) production, which rose by approximately 40% from 6.7 million tons in 2006 to 9.3 million tons in 2007.

Improving Efficiency...

The rise in energy costs, notably for fuel and thermal coal, constitutes the single biggest challenge to Indocement's goal of being the lowest-cost cement producer in the country. Over the past years, rigorous cost-control measures have been integrated into all Indocement's production sites, and will continue to be a major factor behind the long-term goals of operational excellence.

...in Challenging Energy-Cost Environment

Indocement produced approximately 12.7 million tons of clinker and 11.3 million tons of cement in 2007 compared to 11.7 million tons and 10.6 million tons, respectively, in 2006. A major achievement in production during the year was the growth of Portland Composite Cement (PCC) production, which rose by approximately 40% from 6.7 million tons in 2006 to 9.3 million tons in 2007.

Fully Revamped Kiln. The commissioning of Plant 8 in the first semester of 2007, following a completely revamped kiln that is now equipped with the most advanced technology of its kind, not only provides Indocement with additional capacity of 600,000 tons of cement per annum, but will enable Indocement to utilize higher amounts of alternative materials and fuels in a kiln which is especially designed for such purposes. In today's highly challenging cost environment, technology has become ever more critical and central to operational efficiency which in turn leads to cost effectiveness. By relying on such advanced technology as well as other process improvements which were carried out in 2007, Indocement has faced up to the challenge of rising energy costs. The successful revamping of Plant 8 is just the beginning of similar initiatives that Indocement will undertake on other large kilns in the years to come.

Increasing Use of Alternative Materials and Fuels. The increasing use of alternative materials and fuels, and other cost-efficiency measures, are in the forefront of Indocement's strategy to mitigate the effects of rising energy costs. Indocement has recently been given permits to use alternative fuels in the operation of its kilns. The Company is by far the leading proponent of the use of alternative materials and fuels for cement production in Indonesia to date. Consider the following developments:

- The use of alternative fuels rose nearly three fold in 2007 compared to the previous year. Plant 9 in Cirebon managed to substitute in average 20% of total fuel consumption with alternative fuels.

- A major breakthrough in the use of alternative fuels was achieved following the successful burning of rice husk in Plant 9 and burning of biomass in Plant 8.

How we fared in...

2004
Production amounted to 10.5 million tons of cement, and 11.3 million tons of clinker. Indocement began to use alternative materials to save on production costs, and explore the use of more economical for clinker burning.

- A simplified alternative fuels project began in 2007 with the goal of installing practical storage and pre-treatment facilities for biomass fuel and oil sludge prior to burning.

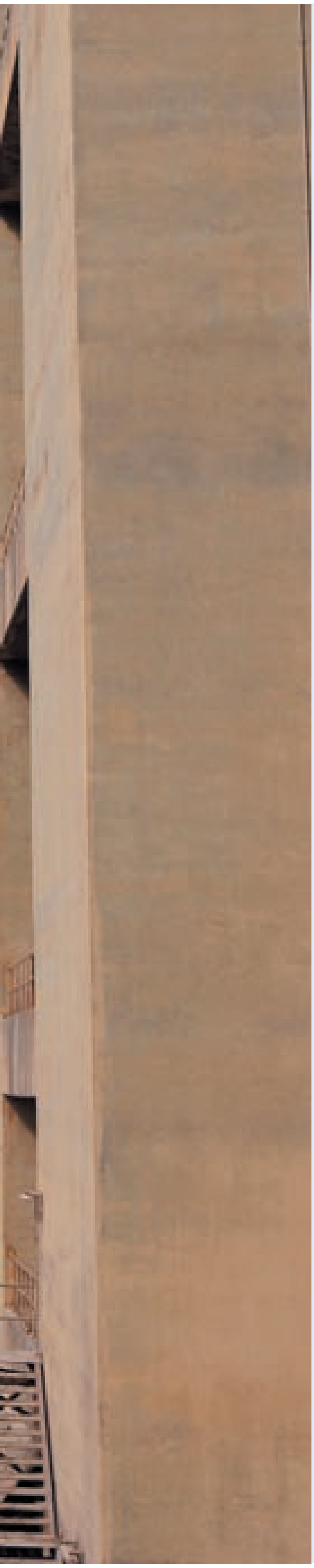
- Reduced clinker content in PCC product contributed to lower electric power consumption per ton of cement. Indocement uses selected high quality limestone and natural pozzolanic (trass) and fly-ash from power stations in its PCC.

- Oil-to-gas conversion of two diesel engines were undertaken during the year, with the aim of reducing the effects of rising oil prices.

Production Outlook. Indocement's production outlook is both positive and promising. It has ample spare production capacity to meet growing market needs for the next three years. This is based on the assumption that the market will continue to grow steadily at the current rate, while Indocement could produce up to 3 million tons of additional cement over that period. This excludes production of aggregates for ready-mix concrete for which Indocement has taken up a strategic position in aggregate business.

2005
Production of cement rose slightly to 10.9 million tons, while clinker declined slightly to 11.0 million tons. Indocement increased the use of alternative materials and fuels to the extent that they improved the competitiveness of the Company in the market.

2006
Total production of cement and clinker amounted to 10.6 million tons and 11.7 million tons, respectively. The use of alternative materials and fuels had become integral to Indocement's cement production.



Indocement successfully paid of the whole amount its syndicated refinancing loan, and only the US$150 million loan to HC Finance B.V. remains in the Company. Net gearing reached the lowest level of 16%.

Strong Cash Flows...

The year 2007 was favorable for Indocement financially, as strong cash flows provided Indocement with sufficient internal funds to finance all of its major development programs pertaining to capacity enhancement.

...Making Way for Greater Investments

Indocement posted consolidated net revenues amounting to Rp7,324 billion in 2007, an increase of 15.8% from Rp6,325 billion in 2006. The increase was attributed primarily to an increase in domestic sales volume and better average selling price, both of which were fuelled by the robust recovery of the domestic cement market during the year. As a result of the foregoing, Indocement improved its gross and operating profit margins in 2007 compared to those of the previous year (see "Management's Discussion and Analysis" for a more detailed assessment of these developments).

Cost Control Initiatives. Compared to other cement producers that take 100% electricity from the National Electricity Grid (PLN), Indocement operates its own power plant in Citeureup which makes us the highest energy consuming cement producer. Nevertheless, we remain the least-cost producer of cement in Indonesia due to our operational excellence. This is achieved by closely monitoring production cost against budgeted targets, while also seeking operating cost-saving measures aggressively across the board. They include:

- Fixing up to 50% of coal supplies for year 2007 and 2008 at a favorable price.

- Dispatchment of trucks transporting bagged cement that relies on Very Small Aperture Terminal (VSAT) and Global Positioning System (GPS) tracking systems for optimum routing.

- Outsourcing of bulk cement and coal transport operations as part of a major streamlining and cost-efficiency measures.

- Conversion of heating systems in domestic chartered ships that enable these ships to use Marine Fuel Oil (MFO), a lower-cost substitute to Marine Diesel Fuel (MDF).

- The success in increasing production of PCC (Portland Composite Cement) up to 9.3 million tons from 6.7 million tons in 2006.

How we fared in...

2004
At the beginning of 2004 Indocement had legacy debts from the Asian financial crisis of Rp5,290 billion, despite having retired some Rp2,007 billion of debts in the previous year. A further Rp681 billion of debts were repaid in 2004 and Indocement focused its efforts on regaining financial sustainability. In that year, shareholders' equity rose to Rp4,656 billion from a net income of Rp116 billion.

Capital Expenditures. In 2007, Indocement spent a total of Rp464 billion in capital expenditures, mainly for the modification of Plant 8, and also the down payment for cement mills in Cirebon Factory. Certain expenditures were also made on land acquisitions and special projects related to the capacity and improvement in the operation as well as logistic expansion and purchases of equipment for the use of alternative fuels and materials.

With its net gearing at its lowest level in more than a decade, and a strong revenue stream to boot, Indocement is poised to accelerate capital expenditure to support business and cement demand growth in the next several years.

Financial Outlook. Strong cash flows allowed Indocement to fully prepay the bank syndicated loan in 2007, which it took in 2006. After such prepayment, Indocement only retains US$150 million loan to HC Finance B.V. This will provide Indocement with a solid balance sheet, both to continue to reduce debts steadily and to finance all of its investments by using cash generated from operations going forward. Also, with growing market demand for cement, and its spare capacity to service the growth, Indocement can look ahead to even stronger cash flows in the near to medium-term future.

2005
Net income for the year increased to Rp740 billion on growing financial sustainability. Indocement reduced its debts further by Rp739 billion to a total of Rp3,870 billion, reducing net gearing to 54%. Shareholders' equity climbed to Rp5,629 billion.

2006
Indocement posted a net income of Rp593 billion, increasing shareholders' equity to Rp6,033 billion. A syndicated refinancing scheme of US$158 million plus internal funds amounting to US$40 million were used to further reduce debts, effectively taking Indocement out of the Master Facilities Agreement. By year's end, total debts were down to Rp2,271 billion, reducing net gearing to 37%.

Each and every individual in Indocement understands that whatever the Company decides to undertake, it has to be sustainable over the long-term.

More Attuned to Sustainable Development...

In 2007, employees of Indocement were made more aware of the concept of sustainable development. By being more conscious of the concept, each and every employee has a greater understanding of the Company's sustainability goals as they relate to the so-called triple bottom line results of economic performance, social progress and environmental preservation. Put quite simply, each and every individual in Indocement understands that whatever the Company decides to undertake, it has to be sustainable over the long-term.

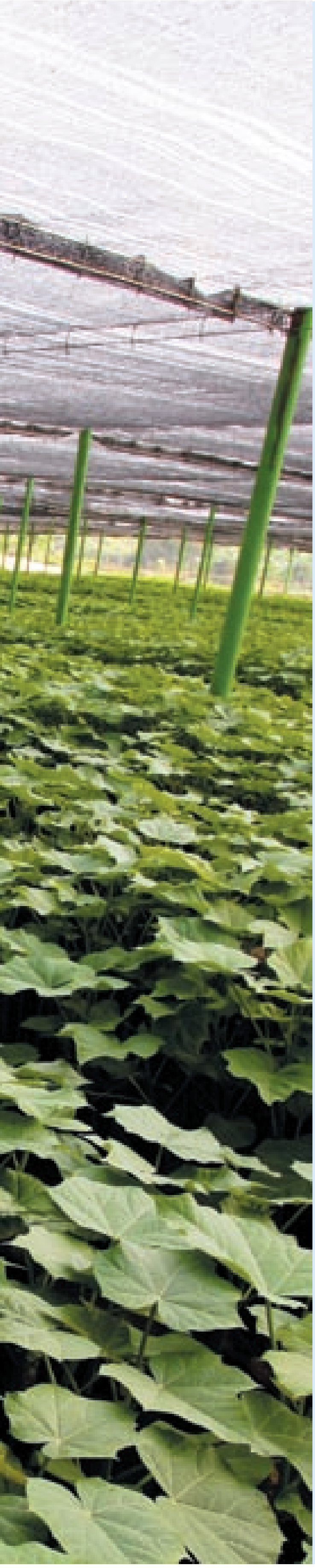
In business, it means constantly seeking for better ways to deliver the Company's products, services, messages and benefits to different stakeholders in more cost-effective ways. In human resources, it means creating a challenging working environment that appeals to high achievers, within a conducive setting that puts an onus on international best practices in Safety, Health and Environmental (SHE) concerns. While in Corporate Social Responsibility, sustainability means engaging the communities, which Indocement form a part of, in productive pursuits and enterprises that benefit both the Company and these communities.

As Indocement Immerses Sustainability Goals into Employee Awareness

Meeting the Succession Challenge. Business sustainability includes the ability to plan for and execute succession programs for senior managers successfully without interruption. In 2006, as reported previously, Indocement had entered into a peculiar staffing condition stemming from the mandatory retirement of approximately 200 senior personnel, whose positions could not be readily assumed by their juniors, due to the fact that Indocement had gone through a five-year recruitment freeze following the Asian financial crisis. Indocement met this challenge in 2007 by retaining several Indocement retirees as advisors to the Company, assigning a number of key senior officers to multi-tasking duties, and accelerating the progression of middle managers through various executive leadership and development programs. It is confident that these initiatives will absolve the succession gap within the next two or three years.

Improved Working Conditions. The concept of sustainability overlaps naturally with SHE goals and considerations. Indocement devoted more resources for SHE training and development in 2007, paving the way for the greater emphasis and observance that had been placed on SHE issues by Indocement personnel previously. This contributed to a reduction in the number of accidents as well as 'near-miss incidents' in the work place in 2007, in addition to creating healthier and better working conditions for employees through greater individual and collective efforts to keep work places clean, manage wastes better, and reduce environmental pollution.

People Outlook. The previous culture of Indocement rewarded employees more on the basis of personal loyalty and commitment to the Company. Today, while loyalty remains a virtue and is appreciated by the Company, managers are evaluated more on the basis of achievement as a measure of success. As Indocement looks ahead to a highly prospective future, it is counting on a new breed of people who thrive on challenges, and understands that achievements and therefore recognition can come only from the constant pursuits of excellence in their respective fields.



A major breakthrough achieved by Indocement in 2007 when it integrated the interests of environmental conservation with alternative fuel sourcing and community development.

Integrating Sustainable Development...

The idea of sustainability is built into the Indocement vision of pursuing its business interests in a way that promotes sustainable development, wholesome communities and a friendly environment.

Because of that, sustainable development has become integral to our business in more ways than one. We are working on reducing greenhouse gas emissions through our Clean Development Mechanism initiatives. Our cost efficiency drive centers around the increasing use of alternative fuels and raw materials that reduces our reliance on fossil fuels, and therefore, contributes to further reduction of carbon dioxide emission. We continue to extend our health-safety-environmental systems further to improve working conditions. More importantly, we contribute to added value at our locations and are a recognized partner in the communities where our cement plants are located.

Into Our CSR Initiatives

There is a lot to be said of Indocement's Corporate Social Responsibility (CSR) activities that are closely aligned with our business of providing quality shelter, construction materials and related services at competitive prices, in a way that promotes sustainable development.

A major breakthrough was achieved by Indocement in 2007 when it integrated the interests of environmental conservation with alternative fuel sourcing and community development. In partnership with Indonesia's leading Bogor Institute of Agriculture, Indocement succeeded in cultivating a 30-hectare plantation of the jatropha trees, known for their oil-rich seeds.

What is significant about this development is the fact that the plantation is located on what used to be Indocement's limestone quarry. Our cultivation project has turned a totally barren land into what are now rows upon rows of green trees as far as the eye can see. The success of this project has caught the attention of scientists, environmentalists and various agencies throughout the world, drawing visitors to the site in increasing number. Today, there are 75,000 fully grown jatropha trees, with 90,000 additional seedlings planted on the site. A typical tree would hold up to 100 fruits, and each fruit bears three seeds, from which burning oil can be extracted.

By involving local communities in the project, Indocement is contributing to community development and economic empowerment. Indocement has trained local villagers in best-practice cultivation methods, and has them tend to the plantation, in return for the right to sell their harvests to Indocement at fair market value. Inter-farming can also be undertaken in between the jatropha rows. This maximizes the villagers' return from their cultivation, as they also provide valuable bio-fuel and bio-mass fuel sources for Indocement.

Along with the jatropha plantation initiative, Indocement has facilitated the collection of household wastes from various communities surrounding our cement plants. The waste collection program has been well received by various communities, who are more than happy to find their villages clean and their youth occupied with useful activities that also provide additional income. These wastes could be converted into biomass and compost. The compost is used for fertilizer, while the biomass is used as alternative fuel to generate heat for clinker production.

The jatropha and waste-collection initiatives mark the first occasion in which Indocement's CSR activities become truly sustainable because they serve the long-term interests of both the Company and communities. Over time, such activities will grow in both scope and scale as Indocement broadens the sourcing of its bio-mass fuel materials to include rice husk, palm-kernel shells and many others.

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 members of the Board 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 Services.
- 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 2007, the Board of Commissioners of the Company comprised of seven Commissioners including the President Commissioner, two Vice President Commissioners, and three Independent Commissioners. The profile of each Commissioner is 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 the management of the Company and 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 2007, 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 Board of Commissioners and Directors

In the course of their duties, the Directors meet internally on a regular basis or as needed from time to time. In 2007, the Board of Commissioners and the Board of Directors met twice a year respectively 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, BOD, Audit Committee and Compensation Committee meetings in 2007, and the level of attendance of each members.

Meeting of BOD, BOC, Audit Committee and Compensation Committee

Type of meetings	Total meetings (times)	Attendance (%)
Board of Commissioners' meeting	2	100
Board of Directors' meeting	2	100
Audit Committee's meeting	6	100
Compensation Committee's meeting	1	100

The Company also holds monthly Executive Committee meeting, which are attended by Directors, to discuss the Company's operational activities.

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. 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 affect 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 2007, 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, I Nyoman Tjager, is an Independent Commissioner.

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 2007.

Compensation to BOC and BOD

The total salaries and other compensation benefits paid to Board of Commissioners and Board of Directors amounted to Rp32 billion in 2007.

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 Services as well as external auditors.
- Recommend the enhancement of the internal control system and its implementation.
- Review the procedures for information release from the Company.
- Identify matters requiring the attention of the Commissioners.

There were a number of changes to the composition of the Audit Committee in 2007. Based on the resolution of the Board of Commissioners' meeting on 3 May 2007 and reported in the Annual General Meeting of Shareholders on the same date, the composition of the Audit Committee is as follows:

Chairman	:	I Nyoman Tjager
Members	:	Kanaka Puradiredja
		Pat Lisk

The profiles and expertise of each member of the Audit Committee as well as the Committee's Report for fiscal year 2007 are presented on page 43 in this annual report. The Committee met six times in 2007.

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 external auditors of the Company's financial statements for fiscal year of 2007. The external auditors perform their duties according to professional standards and ethics.

Internal Control

Indocement fully understands the importance of an effective internal control system. The Internal Audit Services supports the Directors in undertaking the supervisory role of the Company's operations. In 2007, the Internal Audit Services conducted audits on 29 business processes, resulting in more than 170 audit findings. These findings have been reported to the BOC, which selected and forwarded several pertinent findings to the BOD for further action.

Corporate Secretary

The Corporate Secretary reports directly to the President Director. She is responsible for corporate communications concerning the performance of Indocement to shareholders, as well as managing media relations.

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.

Dani Handayani, Indonesian citizen, age 38. Joined Indocement in 1993 and was appointed as Corporate Secretary in September 2007. She holds a Law degree from Universitas Diponegoro, Semarang.

Dissemination of Information

Indocement adheres to the principles of transparency and fairness in dissemination of material information about the Company to all stakeholders. Periodically, Indocement undertakes a public expose, press conferences, issues press releases, arranges site visits and publicizes the Company's results of operations in several national dailies. The Company also publishes and submits the annual report and periodical financial statements to the Capital Market authorities.

The public can also follow the development of the Company through the official website of Indocement at www.indocement.co.id.

Employee Ethics Policy

The Employee Ethics Policy was issued based on Directors' Decree No. 007/Kpts/Dir-ITP/V/2006 on 30 May 2006, in which the aim of this policy is to help employees understand and respect the ethical undertaking of duties and business conduct of Indocement, in order to uphold and respect the integrity of each individual both as a member of the Company and personally.

The Indocement Employee Ethics Policy represents a set of values, moral conduct and habits based on non discrimination by gender, race, religion, etc, and should be part of every individual and reflected in their attitude and professionalism in order to create added value for the Company and its stakeholders.

Pursuant to the implementation of the Employee Ethics Policy, each employee is required to sign a Statement Letter declaring their willingness to comply with the Employee Ethics Policy to the best of their ability, and a statement that ensures no conflict of interest exists with parties that have business ties with the Company.

Litigation Case

As at year-end 2007, Indocement was faced with one 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 53 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 Institutions Supervisory Board (BAPEPAM-LK) and the Indonesia Stock Exchange.

During 2007, the Audit Committee met for a total of six times, to discuss the following matters:

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

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. The Audit Committee conducted several reviews of the external audit works and concluded that both the financial reporting and audit were satisfactory and in compliance with Generally Accepted Accounting Principles in Indonesia and the audit was satisfactorily conducted. Furthermore, the Audit Committee was involved in the 2007 audit plan.

The Audit Committee reviewed Indocement's self assessment of corporate governance practices, based on a checklist provided by the Forum for Corporate Governance in Indonesia (FCGI). The Committee concluded that corporate governance practices within Indocement exceeded the national standards, and conformed to international standards with a total score of 84.6 out of 100. This, covers corporate governance practices (score of 23.5 from 30), disclosure policy and practices (17.5 from 20), shareholders' rights (15.6 from 20), audit practices (14.3 from 15) and corporate governance policy (13.7 from15). However, the Committee suggested that the methodology for self assessments be expanded to include random testing of corporate governance effectiveness conducted by Internal Audit Services.

The Audit Committee reviewed Indocement's key enterprise-wide risk identification, assessment and mitigation methodologies, process and management, based on the HeidelbergCement Group's risk management framework and local risk issues. The 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's flow of operations and their impact in upcoming years. The Audit Committee suggested, however, that identification of key operational risks be expanded through a bottom-up process, with additional categories of risks to include legal, compliance and reputational risks.

The Audit Committee also suggested that the effectiveness of the risk mitigation and management initiatives be periodically reviewed by the company's Internal Audit Services.

Indocement adopted a risk-based audit approach with the HeidelbergCement Group's Internal Audit guidelines. The Internal Audit Services had shown satisfactory achievement. Besides providing assessment on several critical risks, the Internal Audit Services had also developed audit plans to address control deficiencies and suggested three-year audit plans and re-evaluation of priority findings of 2007 audits.

The Audit Committee reviewed Indocement's ongoing key marketing and business strategies, and concluded that they are realistic in terms of international and domestic market factors that affect supply and demand, competitive focus and pricing.

The Audit Committee reviewed and concluded that "related-party transactions" during 2007 were made in accordance with prevailing policy and kept well below the approved limits. Furthermore, the Audit Committee will review any recurring transactions either those with affiliated or non-affiliated parties and provide its opinion to the Board of Commissioners, which will be reported further by the Board of Commissioners at the Annual General Meeting of Shareholders in May 2008.

The Audit Committee reviewed the Company's Employee Ethic Policies and it was appropriate.

AUDIT COMMITTEE MEMBERS

I Nyoman Tjager
Chairman of Audit Committee

Indonesian Citizen, age 57. 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. He received his Doctorate degree in Business Law from University of Gajah Mada, Indonesia in 2003.

Kanaka Puradiredja
Member of Audit Committee

Indonesian Citizen, age 63. Member of Audit Committee of Indocement since 3 May 2007. Former Senior Partner of the Public Accounting Firm of Kanaka Puradiredja, Robert Yogi, Suhartono. Former Managing Director and Chairman of KPMG Indonesia. Honorary Council Chairman of the Indonesian Accountant Association, Chairman of the Managing Board of the Audit Committee Association. Previously served as member of the Managing Board of International Transparency; Board member of the Agency for the Reconstruction and Rehabilitation of Nanggroe Aceh Darussalam (NAD) and Nias. He holds a Bachelor's in Economic degree from Padjadjaran University, Bandung.

Pat Lisk
Member of Audit Committee

Australian Citizen, age 66. Member of Audit Committee of Indocement since 3 May 2007. He is currently banking and risk management consultant and Chief Executive Officer of PT Lisk Van Lisk Indonesia. He holds a Bachelor of Science degree in Economics London (Honors), Upper Second.

OPERATIONAL REVIEW

Production

In 2007, Indocement produced approximately 12.7 million tons of clinker, an increase of 8.1% from that of 2006. It produced approximately 11.3 million tons of cement, which was 6.8% higher than that of 2006. The utilization rate of the installed capacity during 2007 was 81.1%, increasing from 76.1% in 2006. The capacity utilization of each plant site was respectively 77.1% for the Citeureup Factory, 86.9% for the Cirebon Factory, and 93.0% for the Tarjun Factory.

The table below sets forth the volume of production for cement and clinker at respective factories.

Sales and Revenues

In 2007, Indocement achieved the highest record in the level of sales volume for both domestic and export markets, totaling 14.6 million tons, an increase of 10.6% from 13.1 million tons in 2006.

The Company posted a 7.9% growth in domestic sales volume, higher than the national growth of 7.0%, thereby improving its domestic market share to 30,9%, from 30.6%. Domestic sales volumes rose to 10.7 million tons in 2007, from 10.0 million tons in 2006. In addition, export sales volume surged from 3.2 million tons to 3.8 million in 2007.

Such achievement was mainly attributed to the strong domestic demand outside Java due to increasing income from the booming prices of plantation commodities in Sumatra and mining commodities in Kalimantan, as well as the recovery of demand for cement in the Company's home market areas especially during the last quarter of 2007.

Demand for cement was also boosted by the post earthquake reconstruction in Yogyakarta and Central Java, as well as bumper crops in many parts of Java that resulted in growing income, triggering an increase of home construction activities.

Clinker and Cement Production (in tons)

Factory	2007	2006	Variance	
			Quantity	%
Clinker Production				
Citeureup	**8,348,195**	7,604,934	743,261	9.8%
Cirebon	**2,113,323**	2,091,964	21,359	1.0%
Tarjun	**2,232,642**	2,042,209	190,433	9.3%
Total	**12,694,160**	**11,739,107**	955,053	8.1%
Cement Production				
Citeureup	**7,279,702**	6,827,191	452,511	6.6%
Cirebon	**2,471,462**	2,416,175	55,287	2.3%
Tarjun	**1,548,093**	1,334,145	213,948	16.0%
Total	**11,299,257**	**10,577,511**	721,746	6.8%

To compensate for the dramatic energy cost increase, the Company raised its average domestic sales price by 7.2%, year-on-year. This, combined with the increasing sales volume during the year, resulted in a growth of 15.8% in net revenues from Rp6,325 billion in 2006 to Rp7,324 billion in 2007.

Bagged cement still accounted for the majority of sales, totalling 85.5% of the total domestic sales volume, while the remaining 14.5% of sales came in the form of bulk cement. The composition of bagged versus bulk cement remained largely the same as that of 2006.

The sales of cement constitute the largest revenue contributed for the Company, accounting for 96.0% of revenues. In addition to cement, Indocement also markets ready mix concrete and, since July 2007, has begun to mine aggregates. These two business segments contributed 4.0% of the Company's total revenues in 2007.

FINANCIAL REVIEW

Cost of revenues

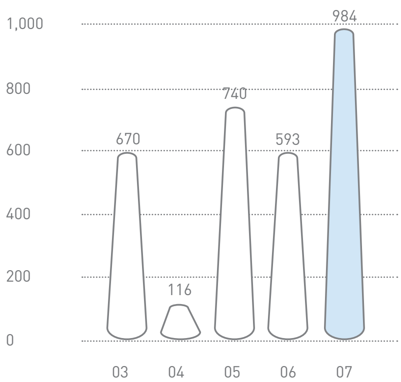
The cost of revenues increased by 9.4% from Rp4,178 billion in 2006 to Rp4,570 billion in 2007. As the increase of cost of revenues was lower than that of sales revenue, the ratio of cost of revenues to sales revenues declined from 66.0% in 2006 to 62.4% in 2007. The use of less clinker by way of the production increase of Portland Composite Cement (PCC), combined with the increase use of alternative fuel, capped the increase in fuel and power cost, to a manageable level of 3.5%.

Operating Expenses

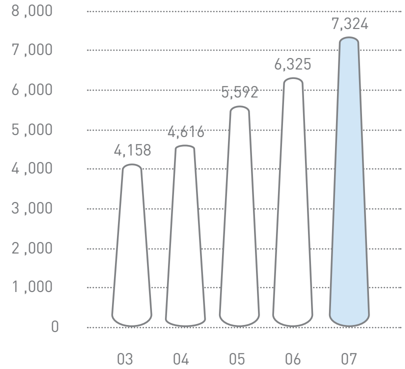
Delivery and selling expenses rose by 7.0%, while general and administrative expenses increased by 13.9%. The combined growth resulted in the increase of operating expenses by 8.2%.

Composition of Manufacturing Cost in 2007
(in %)

Net income
(in billion Rupiah)



Net revenues
(in billion Rupiah)



Profitability
The Company's gross profit margin improved from 34.0% in 2006 to 37.6% in 2007. This was attributable to the lower increase in cost of revenues compared to the increase in net revenues as referred to earlier.

Income from operations grew considerably by 48.4% to Rp1,585 billion compared with Rp1,068 billion in the previous year. Accordingly, operating margin also improved from 16.9% to 21.6%.

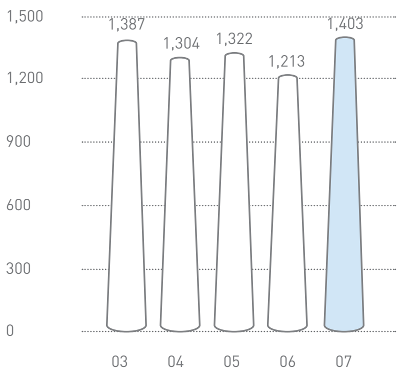
EBITDA increased by 35.2% from Rp1,585 billion to Rp2,143 billion, while net income jumped to Rp984 billion, a 65.9% increase from Rp593 billion posted in 2006. This increase was attributed to among other things the growth of operating income as described above, and the decrease in interest expense from Rp301 billion in 2006 to Rp196 billion in 2007.

Current Assets
Current assets rose by 29.1% to Rp2,249 billion in 2007 from Rp1,742 billion in 2006, mainly due to the significant increase in cash and cash equivalent from Rp43 billion to Rp308 billion, and amplified by the increase in trade receivables from Rp617 billion to Rp797billion. This was attributable to the strong sales increase. In addition, the total debt repayment in 2007 was less than that of 2006. As a result, the current ratio improved from 2.1 to 3.0.

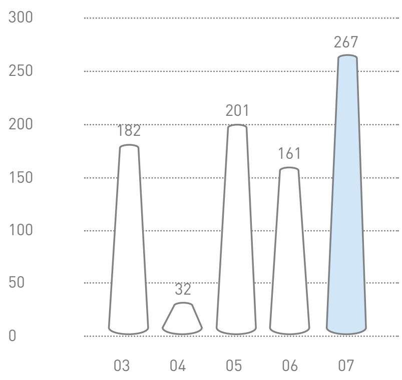
The average collection period in 2007 was 35 days compared to 33 days in 2006.

Non-Current Assets
Non-current assets decreased by 1.1% from Rp7,857 billion in 2006 to Rp7,767 billion in 2007. This was mainly due to the decrease in fixed assets from Rp7,679 billion in 2006 to Rp7,578 billion in 2007.

Cash Generated from Operations
(in billion Rupiah)



Earnings per Share
(in Rupiah)



Total Assets

As a result of the foregoing, total assets grew by 4.4% from Rp9,598 billion in 2006 to Rp10,016 billion in 2007.

Current Liabilities

Current liabilities declined by 6.5% from Rp812 billion in 2006 to Rp760 billion in 2007 as the Company fully prepaid the syndicated bank loan facility obtained in April 2006.

Non-Current Liabilities

Non-current liabilities shrank by 16.1% from Rp2,753 billion in 2006 to Rp2,309 billion in 2007, as the remaining debt of the Company was reduced to only that of the US$150 million loan to HC Finance B.V, which has been hedged by cross currency interest rate swap into Rupiah. As mentioned above, on December 14, 2007, the Company fully repaid its outstanding loan from the syndicated bank loan facility totaling Rp441 billion (consisting of US$17.8 million, JP¥1.1 billion and Rp180 billion).

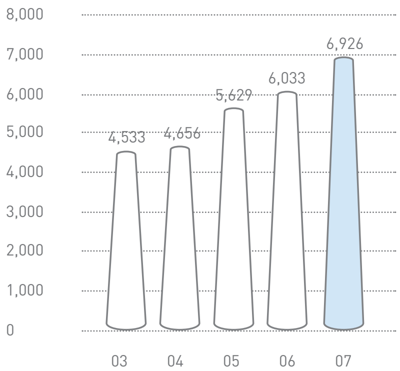
Total Liabilities

Correspondingly, total liabilities dropped by 13.9% from Rp3,566 billion in 2006 to Rp3,069 billion in 2007. Thus, net gearing declined from 37% to 16%, the lowest level in more than a decade. Net Debt to EBITDA was also reduced to 0.51 from 1.40 times. While EBITDA over Net Interest Cover doubled to 11.9 from 5.8 times in 2006.

Net Shareholders' Equity

Net shareholders' equity increased by 14.8% from Rp6,033 billion to Rp6,926 billion mainly due to significant increase of net income.

Net Shareholders' Equity
(in billion Rupiah)



Capital Expenditure

The Company's total capital expenditure in 2007 amounted to Rp464 billion, in which the major capital expenditures, in addition for the revamping of Plant 8, were used for the followings:

a. In relation to the Company's coal grinding project in Citeureup Factory, on 13 December 2007, the Company and Polysius AG, Germany, signed a Letter of Intent for the supply of equipment and engineering services for a total contract amount of EUR2,765,000, and supervisory services in the erection, installation, commissioning and testing of the equipment supplied for a total contract amount of approximately EUR282,000. As of 31 December 2007, the coal grinding project is in the initial preparation stage.

b. In relation to the Company's clinker grinding project in Cirebon Plant site, on 6 December 2007, the Company and Heibei Provincial Jidong Cement Group Ltd., China, signed a contract for the supply of equipment and engineering services for a total contract amount of US$9,978,284, and a contract for supervisory services in the erection and commissioning of the equipment for a total contract amount of approximately US$399,300. As of 31 December 2007, the cement mill project is in the initial preparation stage.

The funding for all of the Company's expenditures was from internal cash flow, while the risk associated with foreign exchange currency was managed internally.

Subsequent Events

The Company's Alternative Fuel Project and Blended Cement Project have been registered with the United Nations Frameworks Convention on Climate Change (UNFCCC) on 29 September 2006 and 27 October 2006, respectively.

As of 11 February 2008, such verifications of Certified Emission Reduction (CER) have been submitted to the UNFCCC for its final approval. On 14 and 27 March 2008, UNFCCC issued the CER to the Company related to Alternative Fuel Project during period from 2005 to July 2007, while CER for Blended Cement Project will be completed soon.

Dividends

In 2006, the Company paid its first dividends since 1998 amounting to Rp50 per share or 24.9% of net income for fiscal year 2005. In 2007, the Company distributed dividends of Rp30 per share or about 18.6 % of the Company's net income for year 2006.

Expansion into Aggregates Business

In July 2007, Indocement acquired a 51% share of PT Gunung Tua Mandiri, a newly developed aggregates quarry in Rumpin, West Java, with estimated aggregates reserves of 30 million tons and current annual production of approximately 1.5 million tons. The production has started since November 2007.

Indocement also signed a conditional agreement on the Sale and Purchase and Transfer of Assets for the entire assets and aggregate mine owned by PT Handi Perkasa, located in Purwakarta, on 18 December 2007. The mining area is 150 hectare and the estimated reserves of approximately 100 million tons.

Conflict of Interest Transaction

In 2007, the total amount of recurring transactions with HeidelbergCement AG and its affiliates which contain conflict of interest amounted to Rp25,872,234,391, well below the threshold value of 5% of the Company's net shareholders' equity, or Rp346,300,377,065, as at year-end 2007.

Outlook

With infrastructure projects as an additional driver, as well as a continuing low mortgage rates and stable macroeconomic conditions, the Company is confident that there will be a growth of at least 6% in domestic cement consumption in 2008.

With current installed production capacity of 17.1 million tons of cement per annum and the Company's plan to add production capacity to 20 million tons within the next three years, the Company is ready to supply domestic cement market demand.

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 the 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

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FINANCIAL REPORT

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Consolidated Financial Statements
With Independent Auditors' Report
Years Ended December 31, 2007 and 2006

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2007 AND 2006

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ERNST & YOUNG

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Jl. Jend. Sudirman Kav. 52 - 53
Jakarta 12190, Indonesia

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

This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-8342

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

We have audited the consolidated balance sheets of PT Indocement Tunggal Prakarsa Tbk. (the "Company") and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Indocement Tunggal Prakarsa Tbk. and Subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Sarwoko & Sandjaja

Benyanto Suherman
Public Accountant License No. 05.1.0973

February 11, 2008

The accompanying financial statements are not intended to present the consolidated 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, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	307,758,755,702	43,386,264,747
Time deposits	2c	5,912,495,280	8,786,299,848
Short-term investments	2d	-	1,300,650,000
Trade receivables	2e,4		
Related party	2f,23	23,265,368,983	35,942,984,396
Third parties - net of allowance for doubtful accounts of Rp12,664,975,199 in 2007 and Rp11,067,732,391 in 2006	24l	773,786,445,998	581,313,208,397
Other receivables from third parties - net of allowance for doubtful accounts of Rp6,083,100,875 in 2007 and Rp7,371,980,358 in 2006	2e,5,11	7,665,730,014	11,962,963,023
Derivative asset	2q,25	279,357,650	-
Inventories - net	2g,6	996,213,878,184	953,204,236,576
Advances and deposits	6,24a,24e	101,995,938,222	72,485,222,241
Prepaid taxes	11	18,497,151,738	14,984,540,549
Prepaid expenses	2h	13,214,375,049	18,336,034,367
TOTAL CURRENT ASSETS		2,248,589,496,820	1,741,702,404,144
NON-CURRENT ASSETS			
Due from related parties	2f,23	38,251,820,616	49,961,946,164
Deferred tax assets - net	2r,11	8,368,926,791	5,894,750,585
Long-term investments and advances to associated company - net of allowance for doubtful accounts of Rp13,720,944,026 in 2007 and 2006	2b,2f,7,23	49,897,260,036	49,020,750,634
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp4,852,990,747,503 in 2007 and Rp4,328,988,778,381 in 2006	2i,2j,2k, 2l,8	7,577,508,175,469	7,679,069,065,279
Restricted cash and time deposits	13	-	479,000,000
Other non-current assets	2h,2m,8	93,411,849,626	72,152,413,936
TOTAL NON-CURRENT ASSETS		7,767,438,032,538	7,856,577,926,598
TOTAL ASSETS		**10,016,027,529,358**	**9,598,280,330,742**

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, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term loan	9	-	45,100,000,000
Trade payables to third parties	10	191,867,623,897	139,479,645,891
Other payables to third parties	8,17,24k	139,286,999,761	115,383,815,567
Accrued expenses	20	162,480,424,735	183,463,901,989
Taxes payable	2r,11	220,833,316,914	69,089,659,782
Derivative liabilities - net	2q	-	3,738,655,113
Current maturities of long-term debts			
Loans from banks and financial institutions	2f,12,23	-	252,930,774,797
Obligations under capital lease	2k,8,13	45,144,609,831	2,993,554,562
TOTAL CURRENT LIABILITIES		759,612,975,138	812,180,007,701
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Loans from banks and financial institutions	2f,12,23	1,412,850,000,000	1,972,974,161,926
Obligations under capital lease	2k,8,13	78,269,142,728	5,912,495,283
Long-term derivative liability	2q,25	23,179,198,262	75,939,001,160
Due to related parties	2f,23	8,547,033,416	5,482,141,192
Deferred tax liabilities - net	2r,11	677,292,357,880	606,268,637,255
Estimated liability for employee benefits	2o,22	64,279,212,682	54,187,223,918
Estimated liability for post-retirement healthcare benefits	2o,22	10,252,037,620	7,557,608,000
Provision for recultivation	24s	28,252,796,827	17,843,913,938
Deferred gain on sale-and-leaseback transactions - net	2k	6,029,538,243	7,172,805,899
TOTAL NON-CURRENT LIABILITIES		2,308,951,317,658	2,753,337,988,571
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY	2b	21,455,695,267	-

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	14	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,15	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	16	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i	229,970,296,236	229,970,296,236
Differences arising from restructuring transactions among entities under common control	2b	1,165,715,376,569	1,165,715,376,569
Differences arising from changes in the equity of Subsidiaries	2b	20,967,649,981	973,936,686
Retained earnings			
Appropriated	18	175,000,000,000	150,000,000,000
Unappropriated		1,961,251,966,961	1,113,000,473,431
TOTAL SHAREHOLDERS' EQUITY		6,926,007,541,295	6,032,762,334,470
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,016,027,529,358**	**9,598,280,330,742**

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
NET REVENUES	2f,2n,19, 23,24l,24n	7,323,643,805,514	6,325,329,027,717
COST OF REVENUES	2f,2n,20,23, 24g,24o, 24p,24q	4,569,998,519,300	4,177,533,518,004
GROSS PROFIT		**2,753,645,286,214**	**2,147,795,509,713**
OPERATING EXPENSES	2f,2n,21,22, 23,24k,24m		
Delivery and selling		949,314,476,298	887,351,398,943
General and administrative		219,517,146,233	192,768,213,358
Total Operating Expenses		**1,168,831,622,531**	**1,080,119,612,301**
INCOME FROM OPERATIONS		**1,584,813,663,683**	**1,067,675,897,412**
OTHER INCOME (EXPENSES)			
Interest income		15,150,629,543	26,943,365,574
Interest expense and other financial charges	12,13,23	(195,648,740,269)	(301,027,932,756)
Foreign exchange gain (loss) - net	2p,2q,25	(28,816,408,979)	49,289,270,983
Others - net	2d,2f,2i,2m, 2n,23,24d	30,713,631,328	9,630,123,767
Other Expenses - Net		**(178,600,888,377)**	**(215,165,172,432)**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	11,478,935,011	9,686,380,530
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**1,417,691,710,317**	**862,197,105,510**
CORPORATE INCOME TAX EXPENSE	2r,11		
Current		372,187,036,200	158,754,697,800
Deferred		63,201,292,706	110,640,390,935
Total Corporate Income Tax Expense		**435,388,328,906**	**269,395,088,735**
INCOME BEFORE MINORITY INTEREST		**982,303,381,411**	**592,802,016,775**
MINORITY INTEREST	2b	583,968,274	-
NET LOSS OF SUBSIDIARY BEFORE ACQUISITION	2b	801,094,815	-
NET INCOME		**983,688,444,500**	**592,802,016,775**
BASIC EARNINGS PER SHARE	2u	**267.22**	**161.03**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2007 and 2006
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 15 and 16)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Retained Earnings – Appropriated	Retained Earnings – Unappropriated	Total Shareholders' Equity
Balance as of December 31, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**6,333,962,836**	**125,000,000,000**	**729,260,041,606**	**5,629,381,928,795**
Net income		-	-	-	-	-	-	592,802,016,775	592,802,016,775
Change 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)	-
Distribution of cash dividend	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**
Net income		-	-	-	-	-	-	983,688,444,500	983,688,444,500
Change in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	781,772,148	-	-	781,772,148
Appropriation of retained earnings for general reserve	18	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distribution of cash dividend	17	-	-	-	-	-	-	(110,436,950,970)	(110,436,950,970)
Change in the equity of a Subsidiary arising from the realization of loss for decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-	-	19,211,941,147	-	-	19,211,941,147
Balance as of December 31, 2007		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**20,967,649,981**	**175,000,000,000**	**1,961,251,966,961**	**6,926,007,541,295**

* including Other Paid–in Capital

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		7,790,624,949,924	6,811,980,979,629
Payments to suppliers and contractors, and for salaries and other employee benefits		(5,438,827,966,828)	(4,936,213,134,179)
Cash provided by operations		2,351,796,983,096	1,875,767,845,450
Receipts of interest income		12,514,596,530	22,924,457,557
Proceeds from claims for tax refund	11	8,277,619,958	18,852,275,968
Payment of taxes		(770,970,777,494)	(517,012,118,202)
Payment of interest expense and other financial charges		(223,305,433,001)	(207,888,924,625)
Net receipts from other operating activities		25,175,355,000	20,222,897,936
Net Cash Provided by Operating Activities		**1,403,488,344,089**	**1,212,866,434,084**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale-and-leaseback transactions		295,635,987,070	4,015,726,000
Cash dividends received	7	11,384,197,757	2,099,307,170
Proceeds from sale of fixed assets		8,426,380,000	1,933,553,401
Proceeds from sale of marketable securities		7,331,399,974	138,377,257
Net withdrawals (placement) of time deposits		2,873,804,568	(8,786,299,848)
Purchases of fixed assets		(250,110,218,026)	(277,126,849,133)
Advance to purchase aggregates quarry	24a	(11,663,243,908)	-
Advance to purchase shares of stock	24e	-	(1,800,000,000)
Investment in shares of stock		-	(18,150,000)
Net Cash Provided by (Used in) Investing Activities		**63,878,307,435**	**(279,544,335,153)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loan and long-term borrowings		90,720,000,000	352,164,804,781
Payment of short-term loan and long-term borrowings		(1,030,135,722,776)	(872,572,006,605)
Payment of obligations under capital lease		(172,569,952,913)	(11,956,542,200)
Payment of cash dividends	17	(110,397,385,591)	(183,953,312,820)
Net payment for derivative transactions		(3,647,390,000)	(53,724,729,500)
Net Cash Used in Financing Activities		**(1,226,030,451,280)**	**(770,041,786,344)**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		21,513,191,956	(5,199,415,065)
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		-	(612,705,016,407)

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2007 and 2006
(Expressed in rupiah)

	Notes	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**262,849,392,200**	**(454,624,118,885)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	43,386,264,747	498,010,383,632
CASH AND CASH EQUIVALENTS OF NEWLY ACQUIRED SUBSIDIARY		1,523,098,755	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**307,758,755,702**	**43,386,264,747**
Activities not affecting cash and cash equivalents:			
Tax assesments directly deducted from the proceeds of claims for tax refund	11	8,842,309,507	-
Transactions affecting restricted cash and time deposits account:			
Deposit of proceeds from long-term borrowings	12	-	1,141,479,940,019
Interest earned	12	-	1,559,750,096
Payment of bank loans	12	-	(1,943,252,376,230)
Payment of interest	12	-	(93,012,389,053)

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 227 of Ridwan Suselo, S.H. Its deed of incorporation was approved by the Ministry of Justice in its decision letter No. C2-2876HT.01.01.Th.85 dated May 17, 1985 and was published in Supplement No. 57 of State Gazette No. 946 dated July 16, 1985. The Company's articles of association has been amended from time to time, the latest amendment of which was covered by notarial deed No. 3 dated May 3, 2007 of Amrul Partomuan Pohan, S.H., LLM concerning, among others, the change in the limits of authority of the Company's board of directors. This amendment has been reported to and recorded in the database of the Legal Entity Administration System (SISMINBAKUM) of the Department of Laws and Human Rights of the Republic of Indonesia under registration No. W7-HT.01.04-7590 dated May 29, 2007.

The Company started its commercial operations in 1985.

As stated in Article 3 of the Company's articles of association, the scope of its activities comprises, among others, the manufacture of cement and 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, and aggregates quarrying.

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 17.1 million tons of cement. The manufacture of ready mix concrete and aggregates quarrying businesses comprise the operations of the Company's three 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 59,888,100 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 Warrants 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 Warrants C totaled 8,180 shares.

As of December 31, 2007 and 2006, the members of the Company's boards of commissioners and directors are as follows:

<u>Board of Commissioners</u>	
President	Daniel Hugues Jules Gauthier
Vice President	Sudwikatmono
Vice President	I Nyoman Tjager
Independent Commissioner	Sri Prakash
Commissioner	Lorenz Naeger
Commissioner	Bernhard Scheifele
Commissioner	Ali Emir Adiguzel
<u>Board of Directors</u>	
President	Daniel Eugene Antoine Lavalle
Vice President	Tedy Djuhar
Director	Hans Oivind Hoidalen
Director	Nelson G. D. Borch
Director	Christian Kartawijaya
Director	Kuky Permana Kumalaputra
Director	Benny Setiawan Santoso
Director	Ernest Gerard Jelito

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp32 billion and Rp28 billion for the years ended December 31, 2007 and 2006, respectively. As of December 31, 2007 and 2006, the Company and Subsidiaries have a total of 6,433 and 6,637 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 and Financial Institutions Supervisory Agency's (BAPEPAM-LK) regulations, and Guidelines for Financial Statements Presentation and Disclosures for publicly listed companies issued by the BAPEPAM-LK 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, 2007	Effective Percentage of Ownership (%) as of December 31, 2007
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	635,411,796,878	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	71,448,852,185	99.99
Indocement (Cayman Islands) Limited	Investment in associated company	Cayman Islands	1991/1991	55,759,038,469	100.00
PT Gunung Tua Mandiri (GTM)	Aggregates quarrying	Indonesia	2006/2007	49,691,218,941	51.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	92,862,188,327	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,458,101,806	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, 2007, MBG has not yet started its commercial operations.

On July 25, 2007, the Company acquired 51% ownership in GTM through the subscription of 3,060 new shares of GTM with par value of Rp1,000,000 per share at the total acquisition cost of Rp42,840,000,000.

The details of the shares acquisition from GTM are as follows:

Acquisition cost	42,840,000,000
Fair value of net assets	40,766,747,355
Difference between the acquisition cost and fair value of net assets	**2,073,252,645**

Since the difference between the acquisition cost and fair value of net assets of GTM is considered immaterial, the management of the Company decided to charge the difference to current period operations.

Net loss of GTM prior to the Company's acquisition amounting to Rp801,094,815 is presented as "Net Loss of Subsidiary before Acquisition" in the 2007 consolidated statement of income.

GTM started its commercial operations in November 2007.

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, 2007
PT Bhakti Sari Perkasa Abadi	1998	Indonesia	5,000,000
PT Lentera Abadi Sejahtera	1998	Indonesia	5,000,000
PT Mandiri Sejahtera Sentra	1998	Indonesia	5,000,000
PT Sari Bhakti Sejati	1998	Indonesia	5,000,000
PT Makmur Abadi Perkasa Mandiri	1998	Indonesia	-

All significant intercompany accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

The proportionate share of the minority shareholder in the equity of GTM is presented as “Minority Interest in Net Assets of Subsidiary” in the consolidated balance sheets. When cumulative losses applicable to minority interest exceed the minority shareholder’s interest in the Subsidiary’s equity, the excess is charged against the majority shareholder’s interest and is not reflected as an asset, except in rare cases when the minority shareholder has a binding obligation to make good in such losses. Subsequent profits earned by the Subsidiary under such circumstances that are applicable to the minority interest shall be allocated to the majority interest to the extent minority losses have been previously absorbed.

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

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

All other investments are carried at cost.

In compliance with PSAK No. 38 (Revised 2004), “Accounting for Restructuring of Entities under Common Control”, the differences between the cost 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 operations 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 as part of this account (see item *d* below).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Cash Equivalents

Time deposits with maturities of three months or less at the time of placement 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 under terms and conditions similar to those granted to third parties, are disclosed in Note 23.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed Assets

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

	Years
Land improvements; quarry; and buildings and structures	8 - 30
Machinery and equipment	5 - 15
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.

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 on the basis of 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 method and useful lives as mentioned above for depreciation.

Obligations under capital lease are presented at the present value of the remaining lease payments to be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Capitalization of Borrowing Costs

In accordance with revised PSAK No. 26, “Borrowing Costs”, interest charges and foreign exchange differences incurred on borrowings and other related costs to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is completed and the related asset is ready for its intended use. In 2007 and 2006, no borrowing costs were capitalized.

m. Deferred Charges

In accordance with PSAK No. 47, “Accounting for Land”, costs incurred in connection with the acquisition/renewal of landrights, such as legal fees, land remeasurement fees, notarial fees and taxes, 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. Costs and expenses are generally recognized and charged to operations when they are incurred.

o. Provision for Employee Benefits

The Company has a defined contribution retirement plan (Pension Plan) covering all of its qualified permanent employees and an unfunded employee benefit liability 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 employer 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 Company also provided post-retirement healthcare benefits wherein employees who reach normal retirement age as of January 1, 2003 and 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.

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”).

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under the CLA/Law/post-retirement healthcare benefits are 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 benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah at the middle rates of exchange prevailing at 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 any capitalization made under PSAK No. 26 (Note 2l).

As of December 31, 2007 and 2006, the rates of exchange used are as follows:

	2007	2006
Euro (EUR1)	13,759.76	11,858.15
U.S. dollar (US$1)	9,419.00	9,020.00
Japanese yen (JP¥100)	8,306.74	7,579.53

Transactions in other foreign currencies are insignificant.

q. Derivative Instruments

PSAK No. 55, “Accounting for Derivative Instruments and Hedging Activities”, established the accounting and reporting standards which require that every derivative instrument (including certain derivatives embedded in other contracts) be recorded in the balance sheets as either an asset or a liability measured at its fair value. PSAK No. 55 requires that changes in the derivative’s fair value be recognized currently in earnings unless specific hedges allow a derivative’s gain or loss to offset related results on the hedged item in the statements of income. PSAK No. 55 also requires that an entity formally document, designate and assess the effectiveness of transactions that are accounted for under the hedge accounting treatment.

The accounting for changes in the fair value of a derivative depends on the documented use of the derivative and the resulting designation. The Company has entered into forward currency contract and 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.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Segment Reporting

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and aggregates quarry, and other businesses. Financial information on business segments is presented in Note 19.

t. Stock Issuance Costs

All costs related to the issuance of equity securities are offset against additional paid-in capital.

u. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2007 and 2006.

v. Use of Estimates

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

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2007	2006
Cash on hand	1,054,452,209	945,527,897
Cash in banks		
PT Bank Central Asia Tbk		
Rupiah	19,631,684,681	18,398,346,973
Euro (EUR229,554 in 2007 and EUR5,139 in 2006)	3,158,612,213	60,942,827
U.S. dollar (US$213,829 in 2007 and US$60,855 in 2006)	2,014,059,119	548,909,304
PT Bank Mandiri (Persero) Tbk		
Rupiah	18,657,338,774	5,268,311,427
U.S. dollar (US$82,757 in 2007 and US$323,021 in 2006)	779,485,828	2,913,650,322
Euro (EUR33,271 in 2007 and EUR52,531 in 2006)	457,794,645	622,925,577
ABN-AMRO Bank N.V.		
Euro (EUR213,975 in 2007 and EUR28,921 in 2006)	2,944,248,086	342,952,521
Rupiah	2,198,561,260	1,649,410,336
U.S. dollar (US$140,665 in 2007 and US$259,970 in 2006)	1,324,927,685	2,344,926,784
Japanese yen (JP¥9,215,014 in 2007 and JP¥9,805,537 in 2006)	766,347,270	743,213,619

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

	2007	2006
Standard Chartered Bank		
U.S. dollar (US$271,452 in 2007 and US$27,714 in 2006)	2,556,802,338	249,980,460
Rupiah	220,417,082	53,986,239
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	300,015,593	3,614,520,665
Others		
Rupiah	1,952,039,171	3,646,208,951
U.S. dollar (US$53,718 in 2007 and US$53,487 in 2006)	505,969,748	482,450,845
Rupiah time deposits		
ABN-AMRO Bank N.V.	139,000,000,000	-
PT Bank Central Asia Tbk	81,500,000,000	1,500,000,000
PT Bank NISP Tbk	479,000,000	-
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US$3,000,000)	28,257,000,000	-
Total	**307,758,755,702**	**43,386,264,747**

Ranges of interest rates per annum:

	2007	2006
Rupiah time deposits	6.25% - 9.00%	8.25% - 13.00%
U.S. dollar time deposits	4.20% - 5.15%	3.70% - 5.10%

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2007	2006
Related Party (Note 23)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$2,470,047 in 2007 and US$3,984,810 in 2006)	**23,265,368,983**	**35,942,984,396**
Third Parties		
Cement business		
Rupiah	704,421,842,573	511,187,209,753
U.S. dollar (US$995,983 in 2007 and US$623,050 in 2006)	9,381,163,972	5,619,907,933
Ready mix conrete and aggregates quarry businesses	72,648,414,652	75,573,823,102
Allowance for doubtful accounts	(12,664,975,199)	(11,067,732,391)
Net	**773,786,445,998**	**581,313,208,397**

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	2007	2006
Balance at beginning of year	11,067,732,391	13,835,340,496
Provision during the year	1,597,242,808	2,663,022,870
Receivables written off during the year	-	(5,430,630,975)
Balance at end of year	**12,664,975,199**	**11,067,732,391**

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

The aging of trade receivables based on their currency denominations as of December 31, 2007 and 2006 is as follows:

	2007		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	703,981,853,153	18,609,446,988	722,591,300,141
Overdue:			
1 - 30 days	35,517,720,377	13,578,101,865	49,095,822,242
31 - 60 days	9,906,666,343	458,984,102	10,365,650,445
61 - 90 days	7,685,920,481	-	7,685,920,481
Over 90 days	19,978,096,871	-	19,978,096,871
Total	**777,070,257,225**	**32,646,532,955**	**809,716,790,180**

	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**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2007	2006
Payments for tax assessments being contested	5,502,658,681	5,502,658,681
Claim for tax refund (Note 11)	-	5,849,231,775
Others	8,246,172,208	7,983,052,925
Total	13,748,830,889	19,334,943,381
Allowance for doubtful accounts	(6,083,100,875)	(7,371,980,358)
Net	**7,665,730,014**	**11,962,963,023**

The movements of allowance for doubtful accounts are as follows:

	2007	2006
Balance at beginning of year	7,371,980,358	7,371,980,358
Receivables written off during the year	(938,879,483)	-
Reversal of allowance on doubtful accounts collected during the year	(350,000,000)	-
Balance at end of year	**6,083,100,875**	**7,371,980,358**

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

6. INVENTORIES

Inventories consist of:

	2007	2006
Finished goods	71,194,385,497	66,209,610,931
Work in process	99,827,261,175	113,362,558,381
Raw materials	213,267,610,499	215,808,190,887
Fuel and lubricants	146,739,752,063	163,152,907,815
Spare parts	511,099,755,806	445,332,570,557
Total	1,042,128,765,040	1,003,865,838,571
Allowance for losses	(45,914,886,856)	(50,661,601,995)
Net	**996,213,878,184**	**953,204,236,576**

With the exception of inventories owned by Indomix, PBI and GTM amounting to Rp11.15 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (Note 8).

(Expressed in rupiah, unless otherwise stated)

6. INVENTORIES (continued)

The movements of allowance for inventory losses are as follows:

	2007	2006
Balance at beginning of year	50,661,601,995	38,184,113,445
Provisions during the year	-	14,258,869,633
Reversals during the year	(3,943,885,995)	(1,781,381,083)
Inventories written off during the year	(802,829,144)	-
Balance at end of year	**45,914,886,856**	**50,661,601,995**

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, 2007 and 2006 amounting to Rp42,115,621,149 and Rp35,359,059,771, respectively, are presented as part of "Advances and Deposits" in the consolidated balance sheets.

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANY

The details of this account are as follows:

	2007			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. Equity Method				
PT Cibinong Center Industrial Estate	50.00	30,024,000,000	(7,295,127,141)	22,728,872,859
Stillwater Shipping Corporation	50.00	105,500,000	18,132,990,069	18,238,490,069
PT Pama Indo Mining	40.00	1,200,000,000	7,691,747,108	8,891,747,108
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	18,064,822,536	49,897,260,036
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**49,897,260,036**

(Expressed in rupiah, unless otherwise stated)

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

	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**

The principal activities of the above investees are as follows:

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

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Stillwater Shipping Corporation	5,344,069,070	5,934,060,720
PT Pama Indo Mining	3,221,430,937	2,805,446,256
PT Cibinong Center Industrial Estate	2,913,435,004	946,873,554
Total	**11,478,935,011**	**9,686,380,530**

The Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp2,281,197,757 in 2007 and Rp2,099,307,170 in 2006, and from Stillwater Shipping Corporation amounting to US$1,000,000 (equivalent to Rp9,103,000,000) in 2007.

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, 2007, the liquidation process of ICSC is still ongoing. The additional equity in net losses of ICSC after 2002 has not been recognized in the consolidated financial statements since ICSC has ceased operations and the effects of the additional equity are immaterial to the consolidated financial statements.

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS

Fixed assets consist of:

	Balance as of December 31, 2006	Additions/ Reclassifications*	Disposals/ Reclassifications	Balance as of December 31, 2007
2007 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	225,592,282,841	3,799,456,421	4,100,000,000	225,291,739,262
Leasehold improvements	3,104,184,761	6,861,000	-	3,111,045,761
Quarry	75,196,165,196	23,175,757,423	-	98,371,922,619
Buildings and structures	2,884,173,419,302	28,722,042,973	-	2,912,895,462,275
Machinery and equipment	7,724,448,530,774	232,618,749,846	5,524,386,484	7,951,542,894,136
Transportation equipment	449,912,014,588	10,696,400,694	29,632,222,299	430,976,192,983
Furniture, fixtures and office equipment	237,761,538,141	25,614,738,818	2,003,175,215	261,373,101,744
Tools and other equipment	90,212,774,791	15,615,882,764	163,801,669	105,664,855,886
Sub-total	11,690,400,910,394	340,249,889,939	41,423,585,667	11,989,227,214,666
Assets under Capital Lease				
Machinery and equipment	-	253,252,365,107	-	253,252,365,107
Transportation equipment	19,244,164,620	33,354,279,102	480,000,000	52,118,443,722
Sub-total	19,244,164,620	286,606,644,209	480,000,000	305,370,808,829
Construction in progress	298,412,768,646	106,183,150,585	268,695,019,754	135,900,899,477
Total Carrying Value	12,008,057,843,660	733,039,684,733	310,598,605,421	12,430,498,922,972
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	25,367,203,600	2,353,977,471	-	27,721,181,071
Leasehold improvements	2,848,932,256	149,187,941	-	2,998,120,197
Quarry	19,310,196,578	2,007,018,596	-	21,317,215,174
Buildings and structures	816,931,175,051	95,550,216,120	-	912,481,391,171
Machinery and equipment	2,898,009,407,456	376,928,193,906	4,604,868,734	3,270,332,732,628
Transportation equipment	327,384,712,111	40,040,644,636	27,013,521,158	340,411,835,589
Furniture, fixtures and office equipment	185,179,642,028	21,722,920,637	1,939,535,864	204,963,026,801
Tools and other equipment	53,626,159,974	11,182,257,559	154,429,669	64,653,987,864
Sub-total	4,328,657,429,054	549,934,416,866	33,712,355,425	4,844,879,490,495
Assets under Capital Lease				
Machinery and equipment	-	2,329,464,778	-	2,329,464,778
Transportation equipment	331,349,327	5,625,442,903	175,000,000	5,781,792,230
Sub-total	331,349,327	7,954,907,681	175,000,000	8,111,257,008
Total Accumulated Depreciation, Amortization and Depletion	4,328,988,778,381	557,889,324,547	33,887,355,425	4,852,990,747,503
Net Book Value	**7,679,069,065,279**			**7,577,508,175,469**

* including GTM's fixed assets as of July 25, 2007 with a total fair value of Rp58,521,235,333

(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
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
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**

Construction in progress consists of:

	2007	2006
Machineries under installation	106,394,820,584	274,629,534,016
Buildings and structures under construction	5,630,173,435	10,633,153,059
Others	23,875,905,458	13,150,081,571
Total	**135,900,899,477**	**298,412,768,646**

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

Below are the percentages of completion and estimated completion periods of the construction in progress as of December 31, 2007:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	10 - 90%	1 to 12 months
Buildings and structures under construction	10 - 90	1 to 12 months
Others	30 - 95	1 to 18 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp23,106,619,824 and Rp33,101,458,564 as of December 31, 2007 and 2006, respectively, are presented as part of “Other Payables to Third Parties” in the consolidated balance sheets.

Depreciation, amortization and depletion charges amounted to Rp557,889,324,547 in 2007 and Rp517,178,497,254 in 2006.

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 Rp99,591,512,500, US$1,921,235,854, EUR521,325,682 and JP¥60,930,000 as of December 31, 2007. In management’s opinion, the above insurance coverage is adequate to cover any possible losses that may arise from such risks.

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

The Company and Subsidiaries own building/construction rights or “Hak Guna Bangunan” (HGB), land use rights or “Hak Pakai” (HP) and land ownership rights or “Hak Milik” (HM) over land covering approximately 3,241.69 hectares, and local mining rights or “Surat Izin Penambangan Daerah” (SIPD) covering approximately 10,581.40 hectares at several locations in Indonesia, with legal terms ranging from 5 to 30 years. Management believes that such rights can be extended upon their expiration.

As of December 31, 2007, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 287,356 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 2,545,695 square meters. The total expenditures amounting to Rp38,654,054,935 as of December 31, 2007 incurred in relation to the above land rights acquisition process are recorded as part of “Other Non-current Assets” in the consolidated balance sheets.

The Company made advance payments for the purchase of certain machinery, equipment and spare parts from several suppliers. The outstanding balances of the purchase advances as of December 31, 2007 and 2006 amounting to Rp14,482,002,788 and Rp7,524,902,055, respectively, are presented as part of “Other Non-current Assets” in the consolidated balance sheets.

The assets under capital lease are collateralized to the related obligations under capital lease (Note 13).

(Expressed in rupiah, unless otherwise stated)

9. SHORT-TERM LOAN

This account represents the outstanding loan balance drawn from a revolving loan facility in 2006 amounting to US$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 bore interest at the annual rate of 6.25% and was due on January 22, 2007. The loan was guaranteed by a corporate guarantee of HeidelbergCement AG, the Company's majority shareholder. The loan was fully repaid upon the due date.

10. TRADE PAYABLES TO THIRD PARTIES

This account consists of the following:

	2007	2006
Cement business		
Rupiah	147,589,113,063	106,677,430,432
U.S. dollar (US$1,750,946 in 2007 and US$1,184,111 in 2006)	16,492,157,766	10,680,678,063
Euro (EUR996,188 in 2007 and EUR581,653 in 2006)	13,707,305,043	6,897,330,539
Other foreign currencies	885,977,696	113,282,825
Ready mix concrete and aggregates quarry businesses		
Rupiah	13,193,070,329	15,110,924,032
Total Trade Payables to Third Parties	**191,867,623,897**	**139,479,645,891**

The aging analysis of trade payables based on their currency denomination as of December 31, 2007 and 2006 is as follows:

	2007		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	102,773,366,511	4,432,102,193	107,205,468,704
Overdue:			
1 - 30 days	42,170,704,428	18,794,310,681	60,965,015,109
31 - 60 days	1,138,505,053	1,465,309,686	2,603,814,739
61 - 90 days	715,335,647	8,904,032	724,239,679
Over 90 days	13,984,271,753	6,384,813,913	20,369,085,666
Total	**160,782,183,392**	**31,085,440,505**	**191,867,623,897**

	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**

(Expressed in rupiah, unless otherwise stated)

10. TRADE PAYABLES TO THIRD PARTIES (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 Baramulti Sugih Sentosa	Coal
PT Masa Jaya Perkasa	Coal
PT Trubaindo Coal Mining	Coal
PT Arutmin Indonesia	Coal
PT Politama Pakindo	Woven paper
Fujian Qingshan Paper Industry Co., Ltd.	Kraft paper
Itochu Co.	Gypsum

11. TAXATION

a. Taxes Payable

	2007	2006
Income taxes		
Article 21	13,797,645,131	3,810,792,661
Article 22	1,472,393,925	1,050,542,171
Article 23	1,358,137,786	2,110,211,050
Article 25	19,965,288,998	13,826,970,672
Article 26	618,395,203	782,704,606
Article 29	149,125,150,272	68,075,741
Value added tax	34,422,597,284	47,440,362,881
Others	73,708,315	-
Total	**220,833,316,914**	**69,089,659,782**

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, 2007 and 2006 is as follows:

	2007	2006
Income before corporate income tax expense per consolidated statements of income	1,417,691,710,317	862,197,105,510
Income of Subsidiaries before corporate income tax expense - net	(20,605,992,095)	(27,364,594,469)
Reversal of inter-company eliminating entries during consolidation	5,878,187,252	(5,933,687,695)
Income before corporate income tax expense attributable to the Company	1,402,963,905,474	828,898,823,346

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	2007	2006
Add (deduct):		
Temporary differences		
Provision for recultivation - net (Note 24s)	10,408,882,889	5,127,657,297
Provision for employee benefits - net	8,404,178,551	4,138,525,150
Provision for post-retirement healthcare benefits - net	2,694,429,890	3,148,293,735
Payments of obligations under capital lease	(171,980,741,105)	(10,044,519,772)
Depreciation of fixed assets (including leased assets)	(63,230,400,727)	(128,420,128,570)
Provisions for doubtful accounts and inventory losses (write-off of accounts and inventories against allowance) - net	(6,035,594,622)	12,477,488,550
	(219,739,245,124)	(113,572,683,610)
Permanent differences		
Non-deductible expenses		
Employee benefits	23,997,566,613	50,202,292,026
Public relations	4,732,613,071	3,516,640,788
Donations	2,745,778,681	5,690,585,022
Others	2,525,911,294	1,366,964,286
Income already subjected to final tax	(9,429,196,719)	(20,404,361,731)
Equity in net earnings of associated companies - net	(6,134,865,940)	(3,752,319,810)
	18,437,807,000	36,619,800,581
Estimated taxable income of the Company	1,201,662,467,350	751,945,940,317
Estimated tax loss carry-forward at beginning of year	-	(256,930,304,261)
Correction by the Tax Office	-	6,359,790,385
Estimated taxable income	**1,201,662,467,350**	**501,375,426,441**

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

As of February 11, 2008, the Company has not yet submitted its 2007 corporate income tax return to the Tax Office, however, management represents that the Company's 2007 corporate income tax return will be prepared based on the computation as stated above.

The Company's estimated taxable income for 2006, as stated above, was lower by Rp3,286,196,137 than the amount reported in its 2006 corporate income tax return. As a result, the Company reported corporate income tax payable amounting to Rp729,054,387 in its 2006 corporate income tax return and paid this amount, instead of reporting the estimated claim for income tax refund amounting to Rp199,303,533, as shown below. The amount paid and the estimated claim of Rp199,303,533 were charged to the 2007 operations.

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

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

	2007	2006
Current		
Company	360,481,240,100	150,395,127,800
Subsidiaries	11,705,796,100	8,359,570,000
	372,187,036,200	158,754,697,800
Deferred		
Company	65,675,468,912	111,130,899,860
Subsidiaries	(2,474,176,206)	(490,508,925)
	63,201,292,706	110,640,390,935
Total	**435,388,328,906**	**269,395,088,735**

d. The calculation of estimated corporate income tax payable (claims for income tax refund) is as follows:

	2007	2006
Current income tax expense		
Company	360,481,240,100	150,395,127,800
Subsidiaries	11,705,796,100	8,359,570,000
Total	372,187,036,200	158,754,697,800
Prepayments of income tax		
Company	212,349,219,342	150,594,431,333
Subsidiaries	13,177,141,675	12,063,244,858
Total	225,526,361,017	162,657,676,191
Estimated corporate income tax payable		
Company	148,132,020,758	-
Subsidiaries	993,129,514	68,075,741
Total	**149,125,150,272**	**68,075,741**
Estimated claims for income tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	-	199,303,533
Subsidiaries	2,464,475,089	3,771,750,599
Total for the current year	2,464,475,089	3,971,054,132
Claims for income tax refund from prior years:		
Company		
2005	-	10,414,347,319
Subsidiaries	3,768,434,243	361,252,286
Total	**6,232,909,332**	**14,746,653,737**

11. TAXATION (continued)

On March 26, 2007, the Company received tax assessment letter from the Tax Office for the overpayment of income tax article 29 for the fiscal year 2005 amounting to Rp10,414,347,319 and increase in the 2005 taxable income to Rp943,166,022,464. The difference 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 carry-forward. The Company also received tax assessment letter from the Tax Office for the underpayment of income tax article 26 and value added tax for the fiscal year 2005 amounting to Rp8,842,309,507 and Rp74,369,322, respectively.

On April 16, 2007, the Company received a decision letter from the Tax Office wherein the Tax Office approved to refund the Company's overpayment of income tax article 29 for the fiscal year 2005 amounting to Rp10,414,347,319. This overpayment was offset against the outstanding assessments for the underpayment of income tax article 26 and value added tax for the fiscal year 2005 amounting to Rp8,842,309,507 and Rp74,369,322, respectively. The Company received the refund on April 27, 2007 amounting to Rp1,497,668,490.

On April 26, 2007, the Company filed an objection to the Tax Office for corrections made to the 2005 taxable income totaling Rp5,292,461,212 out of the total corrections of Rp16,328,657,367. As of February 11, 2008, the Tax Office has not rendered any decision on the matter.

On May 1, 2007, the Company also filed an objection to the assessment for underpayment of income tax article 26 and value added tax for the fiscal year 2005 as stated above. On October 8, 2007, the Company received a decision letter from the Directorate General of Taxation wherein it rejected the Company's objection relating to income tax article 26. In November 2007, the Company submitted an appeal to the Tax Court. As of February 11, 2008, the Tax Court has not rendered any decision on the matter.

In October 2007, the Company received a decision letter from the Tax Office wherein the Tax Office approved the Company's objection relating to the 2005 value added tax assessment and reduced the assessment for underpayment of value added tax from Rp74,369,322 to Rp4,727,226. The refund was received by the Company in November 2007.

In March 2006, the Company received tax assessment letter from the Tax Office wherein the Tax Office approved to refund the claim for 2004 income tax amounted to Rp 8,328,177,255 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 carry-forward in 2006.

In December 2006, DAP received tax assessment 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 which is presented as part of "Other Receivables from Third Parties" in the 2006 consolidated balance sheet. The refund was received by DAP in February 2007.

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 and the refund was received by DAP in June 2006.

In March 2006, DAP received tax assessment 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, and the refund was received by DAP in May 2006.

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

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 contested the result of the tax assessment and the disapproved portion of the claim remained as part of "Prepaid Taxes" in the 2005 consolidated balance sheet. 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 February 11, 2008, 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, 2007 and 2006 is as follows:

	2007	2006
Income before corporate income tax expense	1,417,691,710,317	862,197,105,510
Reversal of inter-company eliminating entries during consolidation	5,878,187,252	(5,933,687,695)
Combined income, net of loss, before income tax of the Company and Subsidiaries	1,423,569,897,569	856,263,417,815
Tax expense at the applicable tax rate	427,087,486,067	256,826,525,024
Tax effects on permanent differences:		
Non-deductible expenses	14,203,507,997	19,007,464,625
Income already subjected to final tax	(3,838,099,647)	(7,216,463,107)
Equity in net earnings of associated companies - net	(1,840,459,782)	(1,125,695,943)
Others	(224,105,729)	(27,820,259)
Tax corrections	-	1,931,078,395
Corporate income tax expense per consolidated statements of income	**435,388,328,906**	**269,395,088,735**

f. Deferred tax assets (liabilities) consist of:

	December 31, 2006	Deferred Tax Benefit (Expense) Credited (Charged) to 2007 Profit and Loss	December 31, 2007
Deferred Tax Assets:			
Company			
Estimated liability for employee benefits	14,398,065,929	2,521,253,565	16,919,319,494
Allowance for doubtful accounts and inventory losses	13,156,064,068	(1,810,678,387)	11,345,385,681
Reserve for recultivation	5,353,174,181	3,122,664,867	8,475,839,048
Obligation under capital lease	2,635,889,954	33,629,075,557	36,264,965,511
Estimated liability for post-retirement healthcare benefits	2,267,282,321	808,328,967	3,075,611,288
Others	833,851,800	-	833,851,800
Sub-total	38,644,328,253	38,270,644,569	76,914,972,822
Subsidiaries	7,642,479,221	1,742,455,890	9,384,935,111
Total	**46,286,807,474**	**40,013,100,459**	**86,299,907,933**

(Expressed in rupiah, unless otherwise stated)

11. TAXATION (continued)

	December 31, 2006	Deferred Tax Benefit (Expense) Credited (Charged) to 2007 Profit and Loss	December 31, 2007
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(639,347,120,920)	(21,318,155,022)	(660,665,275,942)
Net book value of assets under capital lease	(5,565,844,588)	(82,627,958,459)	(88,193,803,047)
Sub-total	(644,912,965,508)	(103,946,113,481)	(748,859,078,989)
Fair value adjustment on acquisition	-	-	(5,348,251,713)
Subsidiaries	(1,747,728,636)	731,720,316	(1,016,008,320)
Total	**(646,660,694,144)**	**(103,214,393,165)**	**(755,223,339,022)**
Net Deferred Tax Assets:			
Subsidiaries	**5,894,750,585**	**2,474,176,206**	**8,368,926,791**
Net Deferred Tax Liabilities:			
Company	**(606,268,637,255)**	**(65,675,468,912)**	**(677,292,357,880)**

	December 31, 2005	Deferred Tax Benefit (Expense) Credited (Charged) to 2006 Profit and Loss	December 31, 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 carry-forward	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)**

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

(Expressed in rupiah, unless otherwise stated)

12. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2007	2006
Related party (Note 23)		
U.S. dollar	1,412,850,000,000	1,353,000,000,000
Third parties		
Rupiah	-	331,578,947,368
U.S. dollar	-	299,084,210,555
Japanese yen	-	242,241,778,800
Sub-total	-	872,904,936,723
Total	1,412,850,000,000	2,225,904,936,723
Less current maturities	-	252,930,774,797
Long-term maturities	**1,412,850,000,000**	**1,972,974,161,926**

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

	2007	2006
U.S. dollar		
Related party		
HC Finance B.V.	US$ 150,000,000	US$ 150,000,000
Third parties		
ABN-AMRO Bank N.V., Jakarta	-	16,578,947
Standard Chartered Bank, Jakarta	-	16,578,947
Total U.S dollar loans	**US$ 150,000,000**	**US$ 183,157,894**
Rupiah		
Third parties		
PT Bank Central Asia Tbk	-	331,578,947,368
Total rupiah loans	**-**	**331,578,947,368**
Japanese yen		
Third parties		
ABN-AMRO Bank N.V., Jakarta	-	JP¥ 1,598,000,000
Calyon Deutschland, Germany	-	1,598,000,000
Total Japanese yen loans	**-**	**JP¥ 3,196,000,000**

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

	2007	2006
Japanese yen	1.38% - 1.87%	1.01% - 3.80%
U.S. dollar	6.08% - 6.56%	5.25% - 6.88%
Rupiah	8.83% - 12.36%	10.75% - 13.65%

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

Prior to their refinancing in April 2006, the Company's debts as described below represented restructured debts under a Post HZ Entry Master Facility Agreement (HZMFA) dated December 29, 2000.

In compliance with the requirements as stipulated in the HZMFA, the Company opened and maintained eleven (11) escrow accounts with JPMorgan Chase Bank, N.A.

On March 8, 2005, HeidelbergCement (HC) Finance B.V., a related party, purchased a portion amounting to US$150,000,000 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).

On March 29, 2006, the Company obtained the approval of independent shareholders to obtain a corporate guarantee from HeidelbergCement AG (HC), a majority shareholder, 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), and with 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) which is recorded as part of "Other Income (Expenses) - Interest Expense and Other Financial Charges" in the 2006 consolidated statement of income. The Facility consists of the following:

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

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

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

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.

On July 5, 2007, the agreement was amended concerning, among others, the minimum amount of the outstanding financial indebtedness in which cross default may occur, which was increased from US$25,000,000 to US$50,000,000.

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 were guaranteed by Marubeni Corporation. However, the loan from the Marubeni Contractor Facility was fully paid in October 2006 and from the JBIC P11 Guarantee Facility was fully paid in December 2006.

The bilateral loan bore 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 were secured by the Corporate Guarantee of HC. The Company paid 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 from the Facility as stated above and the Company's cash through the escrow accounts which were required to be maintained under the HZMFA.

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".

On December 14, 2007, the Company fully repaid its outstanding loan from the Facility totaling Rp441,049,280,051 (consisting of US$17,789,474, JP¥1,108,000,000 and Rp 179,894,736,840).

(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, 2007 and 2006 are as follows:

Years	2007	2006
2007	-	3,778,240,875
2008	54,767,027,321	3,412,955,776
2009	48,288,264,350	3,208,944,509
2010	35,093,325,831	-
Total	138,148,617,502	10,400,141,160
Add residual value	2,153,609,000	50,000,000
Less amounts applicable to interest	16,888,473,943	1,544,091,315
Present value of minimum lease payments	123,413,752,559	8,906,049,845
Current maturities	45,144,609,831	2,993,554,562
Long-term maturities	**78,269,142,728**	**5,912,495,283**

a. The Company

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

In December 2006, the Company entered into a sale-and-leaseback transaction with AAFI for the sale-and-leaseback of transportation equipment units for a total leaseback value of Rp3,650,660,000. The lease period is 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.

In July 2007, the Company entered into a finance lease transaction with AAFI covering certain transportation equipment units for a total amount of US$1,580,923 (equivalent to Rp14,761,401,186). The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of US$1,000 for each equipment at the end of the lease period.

In July 2007, the Company entered into a sale-and-leaseback transaction with AAFI for the sale and leaseback of certain machinery and transportation equipment units for a total leaseback value of US$5,213,754 (equivalent to Rp48,222,913,116). The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of US$1,000 for each equipment at the end of the lease period.

In August 2007 and October 2007, the Company entered into sale-and-leaseback transactions with AAFI for the sale-and-leaseback of certain machinery equipment units for a total leaseback value of Rp220,272,329,907. The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of Rp1,000,000,000 for each equipment at the end of the lease period.

Based on the lease agreements, the Company will not sell, assign or transfer any right or obligation under the lease agreements, 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 (Note 8).

(Expressed in rupiah, unless otherwise stated)

13. OBLIGATIONS UNDER CAPITAL LEASE (Continued)

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 which are placed in PT Bank NISP Tbk (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.

The above lease obligations were fully repaid on their due dates.

c. GTM

In October 2007, GTM entered into a finance lease transaction with PT Tifa Finance covering certain machinery and equipment units for a total amount of Rp3,350,000,000. The lease period is for 36 months and GTM has an option to purchase the leased assets by payment of the residual value of Rp350,000,000 for all the equipment units at the end of the lease period.

The above obligations under capital lease are secured by the related leased assets. Based on the lease agreement, GTM is not permitted to sell or transfer its leased assets to other parties.

14. CAPITAL STOCK

The details of share ownership as of December 31, 2007 and 2006 are as follows:

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

The Company's shares are listed on the Indonesia Stock Exchange (formerly Jakarta Stock Exchange and Surabaya Stock Exchange).

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.

(Expressed in rupiah, unless otherwise stated)

17. CASH DIVIDENDS

Based on the minutes of the shareholders' annual general meetings held on May 3, 2007 and June 28, 2006, the shareholders agreed to distribute cash dividends amounting to Rp110,436,950,970 and Rp184,061,584,950 to be taken from the Company's retained earnings as of December 31, 2006 and 2005, respectively. The cash dividends were paid in 2007 and 2006. The unclaimed cash dividends amounting to Rp147,837,509 and Rp108,272,130 as of December 31, 2007 and 2006, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

18. RETAINED EARNINGS

In compliance with Corporation Law No. 1 of 1995 dated March 7, 1995, which requires companies to set aside, on a gradual basis, an amount equivalent to at least 20% of their subscribed capital as general reserve, the shareholders approved the partial appropriation of the Company's retained earnings as general reserve during their annual general meetings held on May 3, 2007, June 28, 2006, June 16, 2005, June 23, 2004, June 26, 2003, June 24, 1997 and June 25, 1996 in the amount of Rp25 billion each.

19. SEGMENT INFORMATION

BUSINESS SEGMENTS

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

The main activities of each operating business are as follows:

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

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

2007	**Cement**	**Ready Mix Concrete and Aggregates Quarry***	**Other Business**	**Elimination**	**Consolidation**
REVENUES					
Sales to external customers	7,028,236,045,370	295,407,760,144	-	-	7,323,643,805,514
Inter-segment sales	130,017,831,562	2,075,670,995	-	(132,093,502,557)	-
Total Revenues	**7,158,253,876,932**	**297,483,431,139**	**-**	**(132,093,502,557)**	**7,323,643,805,514**
RESULTS					
Segment results	1,433,785,192,831	(16,396,164,880)	-	(11,176,252,645)	1,406,212,775,306
Equity in net earnings of associated companies - net	-	-	11,478,935,011	-	11,478,935,011
Corporate income tax expense					(435,388,328,906)
INCOME BEFORE MINORITY INTEREST					**982,303,381,411**
MINORITY INTEREST					583,968,274
NET LOSS OF SUBSIDIARY BEFORE ACQUISITION					801,094,815
NET INCOME					**983,688,444,500**

(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2007	**Cement**	**Ready Mix Concrete and Aggregates Quarry**	**Other Business**	**Elimination**	**Consolidation**
ASSETS AND LIABILITIES					
Segment assets	10,356,400,217,054	207,726,610,961	1,107,548,400	(625,970,185,622)	9,939,264,190,793
Long-term investments and advances to associated company - net	-	-	49,897,260,036	-	49,897,260,036
Net deferred tax assets and prepayments of income taxes	15,485,648,942	11,380,429,587	-	-	26,866,078,529
Total Assets	**10,371,885,865,996**	**219,107,040,548**	**51,004,808,436**	**(625,970,185,622)**	**10,016,027,529,358**
Segment liabilities	2,950,331,204,790	69,209,923,761	-	(634,298,731,878)	2,385,242,396,673
Net deferred tax liabilities	677,292,357,880	-	-	-	677,292,357,880
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**3,627,623,562,670**	**69,209,923,761**	**-**	**(634,298,731,878)**	**3,062,534,754,553**
Capital expenditures	396,777,562,167	67,567,102,812	-	-	464,344,664,979
Depreciation, amortization and depletion expenses	549,990,339,650	7,898,984,897	-	-	557,889,324,547
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for post-retirement benefits	39,796,660,112	1,355,806,992	-	-	41,152,467,104
Provision for doubtful accounts	-	1,597,242,808	-	-	1,597,242,808
Provision for recultivation	11,037,548,039	-	-	-	11,037,548,039
Provision for healthcare benefits	3,071,751,000	-	-	-	3,071,751,000

* The aggregates quarry business is the business of GTM which was acquired only in 2007.

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 - net	-	-	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 company - 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	3,280,959,580,907	58,379,600,799	-	(387,262,628,588)	2,952,076,553,118
Net deferred tax liabilities	606,268,637,255	-	-	-	606,268,637,255
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**3,887,228,218,162**	**58,379,600,799**	**-**	**(387,262,628,588)**	**3,558,345,190,373**

(Expressed in rupiah, unless otherwise stated)

19. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

2006	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
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

GEOGRAPHICAL SEGMENTS

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

	2007	2006
REVENUES (based on sales area)		
Domestic		
Java	8,987,423,483,482	8,014,960,420,146
Outside Java	2,497,728,154,762	1,917,958,082,612
Export	995,144,587,894	835,741,067,587
Total	12,480,296,226,138	10,768,659,570,345
Elimination	(5,156,652,420,624)	(4,443,330,542,628)
Net	**7,323,643,805,514**	**6,325,329,027,717**
ASSETS (based on location of assets)		
Domestic	**9,939,264,190,793**	**9,528,380,288,974**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**464,344,664,979**	**394,342,146,240**

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

Most of the Company's sales are coursed through DAP's sub-distributors. There were no aggregate sales to any individual customer/sub-distributor which exceeded 10% of net revenues in 2007 and 2006 (Note 24l).

(Expressed in rupiah, unless otherwise stated)

20. COST OF REVENUES

The details of cost of revenues are as follows:

	2007	2006
Raw materials used	740,055,230,750	682,074,629,173
Direct labor	390,465,275,416	336,884,435,944
Fuel and power	1,961,817,765,774	1,894,949,018,717
Manufacturing overhead	1,078,590,815,178	937,422,881,784
Total Manufacturing Cost	4,170,929,087,118	3,851,330,965,618
Work in Process Inventory		
At beginning of year	113,362,558,381	108,997,225,500
At end of year	(99,827,261,175)	(113,362,558,381)
Cost of Goods Manufactured	4,184,464,384,324	3,846,965,632,737
Finished Goods Inventory		
At beginning of year	66,209,610,931	68,680,550,631
Others	5,244,202,533	1,089,989,504
At end of year	(71,194,385,497)	(66,209,610,931)
Cost of Goods Sold before Packing Cost	4,184,723,812,291	3,850,526,561,941
Packing Cost	385,274,707,009	327,006,956,063
Total Cost of Revenues	**4,569,998,519,300**	**4,177,533,518,004**

Liabilities related to manufacturing cost which had been incurred but not yet billed to the Company and Subsidiaries amounting to Rp81,565,953,138 and Rp81,147,578,853 as of December 31, 2007 and 2006, respectively, are presented as part of “Accrued Expenses” in the consolidated balance sheets.

There are no aggregate purchases from any individual supplier which exceeded 10% of consolidated revenues.

21. OPERATING EXPENSES

The details of operating expenses are as follows:

	2007	2006
Delivery and Selling Expenses		
Delivery, loading and transportation	834,464,412,772	766,681,154,927
Salaries, wages and employee benefits (Note 22)	43,660,365,722	38,033,187,047
Advertising and promotion	22,681,276,798	34,750,391,388
Rental	9,400,963,148	9,893,836,323
Taxes and licenses	7,500,881,153	7,346,386,807
Professional fees	7,486,044,408	5,691,238,019
Depreciation	5,669,176,352	5,637,059,656
Research and testing	4,874,412,942	4,733,359,781
Repairs and maintenance	3,606,789,590	3,148,129,810
Electricity and water	2,235,746,070	2,652,014,457
Medical expense	1,561,592,536	1,325,343,464
Spare bags	1,551,917,088	1,454,638,046
Communication	1,215,107,684	1,309,076,980

(Expressed in rupiah, unless otherwise stated)

21. OPERATING EXPENSES (continued)

	2007	2006
Business travel	1,108,225,195	1,290,593,532
Fuel and transportation	995,589,882	1,002,936,553
Miscellaneous (each below Rp1 billion)	1,301,974,958	2,402,052,153
Total Delivery and Selling Expenses	949,314,476,298	887,351,398,943
<u>General and Administrative Expenses</u>		
Salaries, wages and employee benefits (Note 22)	121,045,299,820	109,847,360,224
Rental	17,256,174,157	19,562,194,887
Donations	8,427,704,903	5,034,795,589
Taxes and licenses	8,278,253,802	1,391,435,497
Depreciation	6,865,485,902	6,453,989,074
Training and seminars	6,739,873,873	7,766,696,020
Repairs and maintenance	6,592,071,882	4,077,250,407
Travelling and transportation	6,127,952,386	5,447,390,846
Professional fees	6,031,278,720	8,295,100,046
Medical	5,663,795,044	5,944,606,363
Communication	4,649,286,735	3,749,049,197
Public relations	4,320,717,721	3,017,732,488
Publications and sponsorships	1,618,747,267	1,512,616,863
Provision for doubtful accounts	1,597,242,808	2,663,022,870
Stationery and office supplies	1,487,482,359	1,090,374,559
Insurance	1,391,910,877	1,624,815,993
Printing and photocopying	1,039,135,415	874,461,333
Miscellaneous (each below Rp1 billion)	10,384,732,562	4,415,321,102
Total General and Administrative Expenses	219,517,146,233	192,768,213,358
Total Operating Expenses	**1,168,831,622,531**	**1,080,119,612,301**

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 Rp25.2 billion in 2007 and Rp24.2 billion in 2006, 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, 2007 and 2006, the Plan assets totaled Rp544.70 billion and Rp481.05 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 their qualified permanent employees for the years ended December 31, 2007 and 2006.

(Expressed in rupiah, unless otherwise stated)

22. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

The actuarial valuation was determined using the projected-unit-credit method which considered the following assumptions:

	Company	**Subsidiaries**
Discount rate	10.10% in 2007 and 11% in 2006	10.10% in 2007 and 11% in 2006
Wage and salary increase	8% in 2007 and 9% in 2006	8% in 2007 and 9% in 2006
Retirement age	55 years	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old	2% - 5% for employees with ages from 20 years old, decreasing linearly to 0% at age 45
Table of mortality	Indonesian Mortality Table 1999 (TMI ’99) in 2007 and Commissioners Standard Ordinary 1980 (CSO ’80) in 2006	Indonesian Mortality Table 1999 (TMI ’99) in 2007 and Commissioners Standard Ordinary 1980 (CSO ’80) in 2006
Disability	10% of the mortality rate	10% at the mortality rate

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

	2007	**2006**
Current service costs	10,264,755,000	7,149,230,000
Interest costs	18,301,719,000	16,590,033,000
Actuarial loss recognized	1,315,368,000	101,783,000
Amortization of past service costs	7,944,491,104	8,511,524,900
Curtailment or settlement loss	3,326,134,000	-
Total employee benefits expense	**41,152,467,104**	**32,352,570,900**

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

	2007	**2006**
Present value of defined benefit obligation	160,533,914,000	173,307,041,000
Unamortized balance of non-vested past service costs	(76,025,496,000)	(86,763,872,000)
Actuarial loss	(20,229,205,318)	(32,355,945,082)
Liability recognized in the consolidated balance sheets	**64,279,212,682**	**54,187,223,918**

(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:

	2007	2006
Balance at beginning of year	54,187,223,918	47,867,513,812
Provision during the year	41,152,467,104	32,352,570,900
Payments during the year	(31,060,478,340)	(26,032,860,794)
Balance at end of year (presented as "Non-current Liabilities - Estimated Liability for Employee Benefits" in the consolidated balance sheets)	**64,279,212,682**	**54,187,223,918**

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 10 - 18 years in 2007 and from 11 - 18 years in 2006.

b. Post-retirement Healthcare Benefits

Effective March 2005, the Company started to provide post-retirement healthcare benefits (the "Plan") to all of its qualified permanent employees. The plan is not funded. The Company has appointed PT Watson Wyatt Purbajaga, an independent actuary, to calculate the expected obligations for the post-retirement healthcare benefits for the years ended December 31, 2007 and 2006.

The actuarial valuation was determined using the projected-unit-credit method which considered the following assumptions:

Discount rate	: 10.10% in 2007 and 11.00% in 2006
Claim cost trend	: 8% in 2007 and 2006
Retirement age	: 55 years
Mortality rate	: TMI '99 in 2007 and CSO '80 in 2006
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:

	2007	2006
Current service costs	794,664,000	907,127,000
Interest costs	1,617,488,000	1,709,506,000
Actuarial gains	(118,388,000)	-
Vested past service costs and amortization of non-vested past service costs	777,987,000	777,987,000
Total post-retirement healthcare benefits	**3,071,751,000**	**3,394,620,000**

(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 healthcare benefits is as follows:

	2007	2006
Present value of defined benefit obligation	16,248,468,000	14,957,332,000
Unamortized balance of non-vested past service costs	(9,755,954,000)	(10,533,941,000)
Actuarial gains	3,759,523,620	3,134,217,000
Liability recognized in the consolidated balance sheets	**10,252,037,620**	**7,557,608,000**

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

	2007	2006
Balance at beginning of year	7,557,608,000	4,409,314,000
Provision during the year	3,071,751,000	3,394,620,000
Payments during the year	(377,321,380)	(246,326,000)
Balance at end of year (presented as "Non-current Liabilities - Estimated Liability for Post-retirement Healthcare Benefits" in the consolidated balance sheets)	**10,252,037,620**	**7,557,608,000**

Non-vested past service costs are amortized over the remaining number of years of service of active employees, which is 13.66 years in 2007 and 13.84 years in 2006.

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

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

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2007	2006	2007	2006
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	23,265,368,983	35,942,984,396	0.23%	0.37%
Due from Related Parties				
Officers and employees	36,167,583,590	46,600,017,958	0.36%	0.48%
PT Cibinong Center Industrial Estate	2,084,237,026	1,638,320,941	0.02	0.02
HC Trading	-	1,723,607,265	-	0.02
Total	38,251,820,616	49,961,946,164	0.38%	0.52%

(Expressed in rupiah, unless otherwise stated)

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2007	**2006**	**2007**	**2006**
Long-term Investments in Associated Companies				
PT Cibinong Center Industrial Estate	22,728,872,859	19,815,437,855	0.23%	0.21%
Stillwater Shipping Corporation	18,238,490,069	21,215,648,850	0.18	0.22
PT Pama Indo Mining	8,891,747,108	7,951,513,929	0.09	0.08
Total	49,859,110,036	48,982,600,634	0.50%	0.51%
Due to Related Parties				
PT Pama Indo Mining	8,174,008,928	5,482,141,192	0.27%	0.15%
Others	373,024,488	-	0.01	-
Total	8,547,033,416	5,482,141,192	0.28%	0.15%
Long-term Loans				
HC Finance B.V., Netherlands	1,412,850,000,000	1,353,000,000,000	46.04%	37.95%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	995,144,587,894	835,741,067,587	13.59%	13.21%
Cost of Revenues				
PT Pama Indo Mining	45,121,304,689	41,346,764,287	0.99%	0.99%
HCT Services Asia Pte., Ltd., Singapore	16,294,969,180	16,261,776,700	0.36	0.39
HeidelbergCement Technology Center GmbH	9,040,854,774	5,401,699,914	0.20	0.13
Total	70,457,128,643	63,010,240,901	1.55%	1.51%
Operating Expenses				
PT Bahana Indonor (Note 24h)	20,159,103,999	7,992,365,000	1.72%	0.74%
Stillwater Shipping Corporation (Note 24h)	1,307,781,450	17,351,864,000	0.11	1.61
HeidelbergCement Fuels	536,410,437	554,583,332	0.05	0.05
PT Cibinong Center Industrial Estate	222,709,792	437,700,096	0.02	0.04
HeidelbergCement Technology Center GmbH	-	757,899,252	-	0.07
Total	22,226,005,678	27,094,411,680	1.90%	2.51%
Other Income (Expenses)				
PT Cibinong Center Industrial Estate	7,124,785,901	3,846,923,926	3.99%	1.79%
HC Finance B.V., Netherlands	(89,922,326,176)	(91,654,070,482)	(50.35)	(42.60)
HeildelbergCement AG	(1,428,769,960)	(2,038,393,265)	(0.80)	(0.95)
Net	(84,226,310,235)	(89,845,539,821)	(47.16%)	(41.76%)

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.	Heidelberg Cement Fuels	Under common control	Professional fee
6.	PT Cibinong Center Industrial Estate	Associated company	Warehouse rental and sale of water and electricity

(Expressed in rupiah, unless otherwise stated)

23. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

No.	Related Parties	Nature of Relationship	Type of Transaction
7.	Stillwater Shipping Corporation	Associated company	Transportation fee
8.	PT Pama Indo Mining	Associated company	Mining service fee
9.	PT Bahana Indonor	Associated company	Transportation
10.	Officers and employees	Employees	Loan

In the EGMS held on February 23, 2005, the independent shareholders approved the proposals for recurring transactions (mainly purchase of raw materials) with HC Fuel Limited, HCT Services Asia Pte. Ltd., and HeidelbergCement Technology Center GmbH, the Company's related parties. Each of the transactions should be conducted on an arm's length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company's shareholders' 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, namely Scancem Energy and Recovery AB (SEAR), as a new party for recurring transactions. SEAR is a company doing business in consultancy and management services, particularly on alternative energy technology. 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 shareholders' equity based on the latest audited consolidated financial statements.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. On December 18, 2007, the Company entered into a "Conditional Sale and Purchase Agreement and Assignment Right on the Assets" (Agreement) with PT Handi Perkasa (HP), whereby the Company agreed to purchase the aggregates quarry owned by HP located in West Java, covering a total area of not less than 125 hectares; local mining rights, mining license, land-use permit and other related rights over the above land; buildings and infrastructures; and machineries, as described in the Agreement.

   As of December 31, 2007, the Company has paid the down payment amounting to US$1,250,000, which is recorded and presented as part of "Advances and Deposits" in the 2007 consolidated balance sheet. Final acquisition amount and other term of payments are subject to certain terms and conditions to be fulfilled by HP.

b. In relation to the Company's coal grinding project in Citeureup Plantsite, on December 13, 2007, the Company and Polysius AG, Germany, signed a Letter of Intent for the supply of equipment and engineering services for a total contract amount of EUR2,765,000, and supervisory services in the erection, installation, commissioning and testing of the equipment supplied for a total contract amount of approximately EUR282,000. As of December 31, 2007, the coal grinding project is in the initial commissioning stage.

c. In relation to the Company's clinker grinding project in Cirebon Plantsite, on December 6, 2007, the Company and Heibei Provincial Jidong Cement Group Ltd., China, signed a contract for the supply of equipment and engineering services for a total contract amount of US$9,978,284, and a contract for supervisory services in the erection and commissioning of the equipment for a total contract amount of approximately US$399,300. As of December 31, 2007, the clinker grinding project is in the initial commissioning stage.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. On July 21, 2006, the Company and PT Drymix Indonesia (DI) entered into a cooperation agreement for producing skim coat mortar. Based on this agreement, the Company will modify its existing Plant 6 at its own cost for the manufacture of white skim coat products with monitoring and approval from DI, while DI shall provide the chemical formula and sell the products in the domestic market. This agreement is valid for six (6) years commencing from the date of the first commercial production of the products. The Company will receive manufacturing fee, investment fee and commission fee as compensation as defined in the agreement.

   On July 9, 2007, both parties signed a statement of commencement of commercial production of skim coat mortar. Total manufacturing fee, investment fee and commission fee received under the agreement in 2007 amounted to Rp51,686,040, Rp30,765,500 and Rp16,236,000, respectively, and are recorded as part of “Other Income (Expenses) - Others - Net” in the 2007 consolidated statement of income.

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

   As of December 31, 2007, certain conditions stated above have not yet been fulfilled. Therefore, the Company recorded the amount paid for the conditional purchase of the shares as part of “Advances and Deposits” in the consolidated balance sheets.

f. 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, for a contract amount of EUR144,000. As of December 31, 2007, one engine is still in the finishing stage, and the other will be initiated in 2008.

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

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

   Total purchases of natural gas from RGM amounted to US$1,054,838 (equivalent to Rp9,678,303,447) in 2007 and US$1,040,290 (equivalent to Rp9,506,958,344) in 2006, while total transportation fee incurred amounted to US$291,764 (equivalent to Rp2,676,977,503) in 2007 and US$287,740 (equivalent to Rp2,631,457,343) in 2006.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

h. 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 (Note 23).

i. 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.

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

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

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

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

   The Project was agreed to 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 has already been effective since the following conditions precedent had been fulfilled:

   - Indonesia has ratified the Kyoto Protocol on July 28, 2004.
   - Receipt by the Trustee of a Letter of Approval for the Project on December 23, 2005, 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.

(Expressed in rupiah, unless otherwise stated)

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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 years 2006 and 2005 had been finalized by the designated operational entity TUEV SUED, Germany. As of February 11, 2008, such verifications of CER's have been submitted to the UNFCCC for its final approval.

k. 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 Rp49,483,593,348 and Rp34,199,054,169 as of December 31, 2007 and 2006, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

l. 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 2007 and 2006 are as follows:

	2007	2006
PT Bangunsukses Niagatama Nusantara	651,364,364,765	555,845,002,649
PT Royal Inti Mandiri Abadi	449,642,530,242	414,139,420,001
PT Primasindo Cipta Sarana	445,696,979,370	338,132,751,835
PT Intimegah Mitra Sejahtera	422,924,358,968	354,825,827,695
PT Samudera Tunggal Utama	390,172,906,751	351,468,194,867
PT Saka Agung Abadi	361,093,348,856	297,235,327,604
PT Adikarya Maju Bersama	353,379,176,127	299,913,633,140
PT Kirana Semesta Niaga	321,513,291,450	269,218,603,388
PT Kharisma Mulia Abadijaya	313,953,337,600	277,533,931,172
PT Nusa Makmur Perdana	309,828,717,450	296,468,794,190
PT Citrabaru Mitra Perkasa	289,666,525,600	225,456,596,872
PT Angkasa Indah Mitra	281,648,714,800	236,560,550,372
PT Sumber Abadi Sukses	248,271,287,600	242,779,169,932
PT Cipta Pratama Karyamandiri	235,542,423,510	221,414,042,195
Total	**5,074,697,963,089**	**4,380,991,845,912**

The total outstanding receivables from these sub-distributors amounting to Rp538,940,500,600 and Rp388,934,108,786 as of December 31, 2007 and 2006, respectively, are presented as part of "Trade Receivables - Third Parties" in the consolidated balance sheets.

m. 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 will expire on November 16, 2009. Rental expenses charged to current operations amounted to Rp10,503,584,611 in 2007 and Rp11,069,679,151 in 2006.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

n. 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 discount of:
  - 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$4.1 million in 2007 and US$3.6 million in 2006.

o. 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 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$1,772,095 in 2007 and US$1,597,630 in 2006.

p. 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 Rp107,254,739,416 in 2007 and Rp102,065,807,916 in 2006.

q. 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 and will follow terms and conditions as governed in amendments to the agreement to be made from time to time.

Total electricity purchased under the agreements amounted to Rp354 billion in 2007 and Rp353 billion in 2006.

r. 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.

25. DERIVATIVE INSTRUMENTS (continued)

The above derivative instrument can not be designated as hedge for accounting purposes and accordingly, the change in the fair value of such instrument is recorded directly to earnings.

The net gain arising from the derivative transactions in 2007 amounting to Rp370,622,763 is presented as part of “Foreign Exchange Gain (Loss) - Net” in the 2007 consolidated statement of income. The net loss arising from the derivative transactions in 2006 amounting to Rp43,433,189,826 is presented as part of “Foreign Exchange Gain (Loss) - Net” 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 properties with a total 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 properties with a total 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 February 11, 2008, the Supreme Court has not rendered its decision on the case.

27. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which were recently issued by the Indonesian Institute of Accountants:

a. PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures”, contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity’s future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, “Accounting for Certain Investments in Securities”, and is applied prospectively for the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

27. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)

b. PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009. Earlier application is permitted and should be disclosed.

c. PSAK No. 16 (Revised 2007), "Fixed Assets", prescribes the accounting treatment for property, plant and equipment to enable the financial statements users to discern information about an entity's investment in its property, plant and equipment and the changes in such investment. This standard provides for, among others, the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets", and PSAK No. 17 (1994), "Accounting for Depreciation", and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008.

d. PSAK No. 30 (Revised 2007), "Leases", prescribes for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. This standard provides for the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee, and the substance of the transaction rather than the form of the contract. This revised standard supersedes PSAK No. 30 (1990), "Accounting for Leases", and is effective for financial statements beginning on or after January 1, 2008.

e. PSAK No. 13 (Revised 2007), "Investment Property", shall be applied in the recognition, measurement and disclosure of investment property. Among others, this standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. This standard permits the entity to choose between the cost model and fair value model to all its investment property. This revised standard supersedes PSAK No. 13 (1994), "Accounting for Investments", and is effective for financial statements covering the periods beginning on or after January 1, 2008.

The Company and Subsidiaries are presently evaluating and has not determined the effects of the above revised PSAKs "a"-"d" on the consolidated financial statements. The Company and Subsidiaries, however, believe that there will be no significant effects of revised PSAK "e" on the consolidated financial statements.

28. 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 increase in coal and fuel prices that is related to increase in world crude oil price, and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors, such as fiscal and monetary actions being undertaken by the Government and others, actions that are beyond the control of the Company and its Subsidiaries.

24. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

s. 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 Rp28,252,796,827 and Rp17,843,913,938 as of December 31, 2007 and 2006, respectively, which is presented as part of “Non-current Liabilities - Provision for Recultivation” in the consolidated balance sheets.

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

a. Cross Currency Interest Rate Swap

   On March 8, 2005, 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, 2007 and 2006, the Company recognized the net liability on the CCIRS contract at fair value of Rp23,179,198,262 and Rp75,939,001,160, respectively, which is presented as “Long-term Derivative Liability” in the consolidated balance sheets.

   The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the gain (loss) arising from the changes in the fair value of the CCIRS amounting to Rp52,759,802,898 in 2007 and (Rp160,110,509,270) in 2006, is presented as part of “Foreign Exchange Gain (Loss) - Net” in the consolidated statements of income.

b. Forward exchange contract with Standard Chartered Bank, Jakarta Branch entered into on May 22, 2007, with notional amount of US$500,000 which will mature on January 10, 2008 at the fixed exchange rate of Rp8,835 for every US$1.

   As of December 31, 2007, the Company recognized the net asset on the above derivative instrument at fair value of Rp279,357,650, which is presented as “Derivative Asset” in the 2007 consolidated balance sheet.

(Expressed in rupiah, unless otherwise stated)

29. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2007, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah: December 31, 2007 (Balance Sheet Date)	Equivalent in Rupiah: February 11, 2008 (Auditors' Report Date)
Assets				
Related parties	US$	2,470,047	23,265,368,983	22,825,700,687
Third parties	US$	4,714,786	44,408,570,841	43,569,338,905
	EUR	476,800	6,560,654,944	6,401,642,111
	JP¥	9,215,014	766,347,270	792,959,769
Total			75,000,942,038	73,589,641,472
Liabilities				
Related parties	US$	152,231,404	1,433,867,595,783	1,406,770,405,843
	JP¥	326,244	27,100,241	28,073,574
Third parties	US$	5,158,112	48,584,253,473	47,666,109,603
	EUR	2,273,169	31,278,256,715	30,520,154,930
	JP¥	9,674,320	803,549,027	832,483,467
Total			1,514,560,755,239	1,485,817,227,417
Net liabilities			**1,439,559,813,201**	**1,412,227,585,945**

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, 2007	February 11, 2008
Euro (EUR1)	13,759.76	13,426.26
U.S. dollar (US$1)	9,419.00	9,241.00
Japanese yen (JP¥100)	8,306.74	8,605.09

Had the assets and liabilities denominated in foreign currencies as of December 31, 2007 been reflected using the above middle rates of exchange as of February 11, 2008, the net foreign currency denominated liabilities, as presented above, would have decreased by approximately Rp27.33 billion in terms of rupiah (before considering the fair value of derivative instruments).

30. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that were completed on February 11, 2008.

CORPORATE DATA

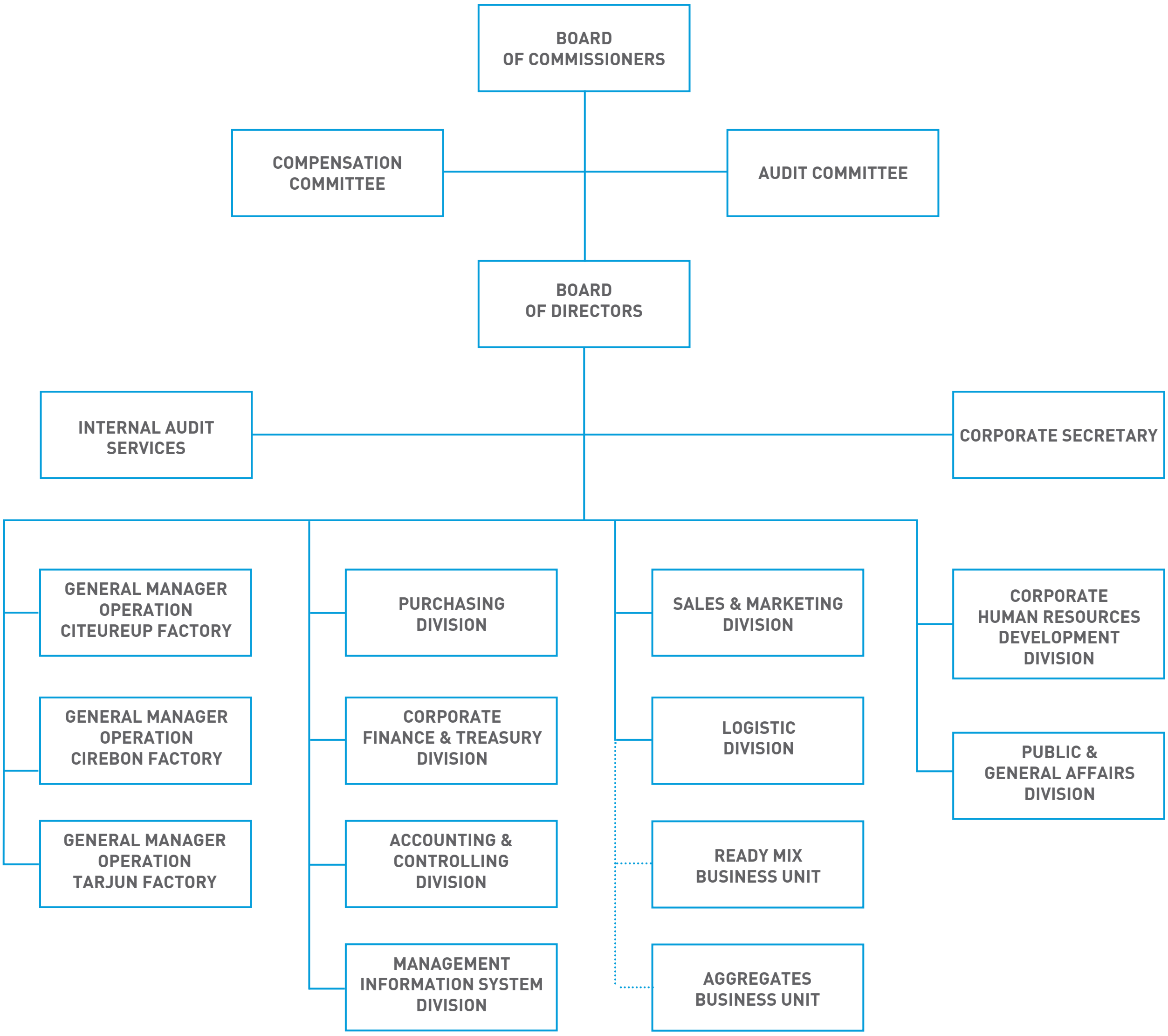
STOCK MARKET INFORMATION

Share Price - Indocement (INTP) vs JCI in 2007

- Market capitalization of Indocement's shares as of December 28, 2007 Rp30,186 billion, an increase of 42.61% from Rp21,167 billion in 2006
- Total of 3,681,231,699 shares listed on the Indonesia Stock Exchange
- Total traded volume of Indocement shares in 2007 reached 486,859,500 shares
- These shares were traded at Rp5,750 per share on 2 January 2007 and Rp8,200 per share on 28 December 2007, an increase of 42.61%
- In 2007, the Jakarta Composite Index (JCI) opened at 1,805.52 and closed at 2,745.83, an increase of 52.08%
- The number of registered Indocement shareholders was 1,387 as at 31 December 2007

	Share Price in Rupiah			
	2007		2006	
	Highest	Lowest	Highest	Lowest
First Quarter	5,800	4,950	4,525	3,550
Second Quarter	6,700	5,150	5,400	3,750
Third Quarter	7,250	5,500	4,950	3,875
Fourth Quarter	8,800	6,250	5,950	4,800

ORGANIZATIONAL STRUCTURE



FACTORY LOCATIONS

OTHER INVESTMENTS

in billion Rupiah

Revenues	2007	2006
Subsidiaries		
PT Indomix Perkasa	63.7	70.6
PT Pionirbeton Industri	231.5	209.5
PT Dian Abadi Perkasa	5,065.9	4,356.9
PT Gunung Tua Mandiri	2.3	-
PT Multi Bangun Galaxy	0.4	-
Other Investments		
PT Cibinong Center Industrial Estate	7.6	5.3*
PT Pama Indo Mining	48.5	42.8
Stillwater Shipping Corporation	25.2	20.8*

* 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
Operates cement terminal
Jl. Pelabuhan No.5
Lembar Port - Lombok
Tel. : [+62370] 681260
Fax. : [+62370] 681011

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 Gunung Tua Mandiri
Engages in aggregates business
Jl. Rawa Sumur IV Blok BB/9
Kawasan Industri Pulogadung,
Jakarta Timur
Tel. : [+6221] 46836344
Fax. : [+6221] 46836351

PT Cibinong Center Industrial Estate
Owns an industrial park situated in the vicinity of Citeureup Factory
Klapanunggal, Bogor 16820
Tel. : (+6221) 8754128, 8754130
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, 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 One"
Wisma 46, Kota BNI, Level 15, Suite 15-16
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 Indonesia Stock Exchange – Reuters (code: INTPJK)

Corporate Address

PT Indocement Tunggal Prakarsa Tbk.
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70 - 71
Jakarta 12910, Indonesia
Tel. : (+6221) 251 2121
Fax. : (+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 **Wednesday, 14 May 2008**

For further information, please contact:

Corporate Secretariat Division
Tel. : (+6221) 251 2121 [ext. 2817]
Fax. : (+6221) 251 0066
E-mail : corpsec@indocement.co.id

Investor Inquiries

Investor inquiries may be directed to:
Corporate Finance & Treasury Division
Tel. : (+6221) 251 2121 [ext. 3741]
Fax. : (+6221) 251 2076
E-mail : investor_relations@indocement.co.id

PROFESSIONALS AND MAJOR BANKERS

Auditor

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

Shares Registrar

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

Major Bankers

ABN AMRO Bank N.V.
PT Bank Central Asia Tbk.
Standard Chartered Bank

Annual Report 2007

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70 - 71
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