PT INDOCEMENT TUNGGAL PRAKARSA Tbk.

excellence amidst challenges

annual report 2005

INDOCEMENT
HEIDELBERGCEMENT Group

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Excellence Amidst Challenges

The year 2005 was extremely challenging for the production and marketing of cement, in which Indocement had to contend with substantial increases in heat fuel and transportation costs. But like the dump truck making its way over a steep incline, Indocement has faced up to these challenges, and forged ahead with operational excellence.

indocement
in brief

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

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

In 2001, HeidelbergCement Group, based in Germany and the world's leader with cement 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 the HeidelbergCement Group, Indocement has refocused its activities on the core business of producing cement, with the ultimate goal of regaining its financial strength. In 2005, the Company achieved total sales value of more than Rp5,592 billion.

This focus has been rewarded and today the Company is in a sound financial condition, ready to undertake the required investments to cope up with the expansion of the Indonesian cement market.

In 2005, two of Indocement's cement factories received the Green and Blue Ratings for environmental management and the application for environmental management system as part of the Environmental Performance Rating Program (PROPER) of the Ministry of Environment of the Republic of Indonesia. Green represents manufacturing practices that exceed the requirements of environmental protection as well as community development, whereas Blue is for manufacturing practices that comply with prevailing laws and regulations.

Indocement's shares are listed on both the Jakarta Stock Exchange and Surabaya Stock Exchange with a market capitalization of Rp13,068 billion as at year-end 2005.

The Company employed more than 6,600 personnel in 2005.

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

Our Slogan
Better Shelter for a Better Life

financial highlights

Billion Rupiah (unless stated otherwise)

	2005	2004	2003	2002	2001
Net Revenues	5,592	4,616	4,158	3,948	3,453
Gross Profit	2,020	1,523	1,396	1,300	1,083
Income from Operations	1,214	836	814	930	672
EBITDA (1)	1,682	1,322	1,278	1,391	1,082
Foreign Exchange Gain (Loss)	50	(498)	38	849	(320)
Net Income (Loss)	740	116	670	1,041	(63)
Net Cash Provided by Operating Activities	1,361	1,304	1,387	1,257	618
Total Assets	10,536	9,771	10,145	11,438	11,930
Total Liabilities	4,907	5,115	5,612	7,629	9,167
Net Shareholders' Equity	5,629	4,656	4,533	3,808	2,763
Net Working Capital	1,693	1,207*	1,179	1,465	1,157
Net Borrowings (2)	3,064	4,058	4,616	6,237	8,069
Capital Employed	10,074	9,383*	9,857	11,125	11,559
Capital Expenditures (3)	150	70	114	206	143
Market Capitalization as of 31 December	13,068	11,320	7,823	2,485	2,577
Issued Ordinary Shares (Million)	3,681	3,681	3,681	3,681	3,681
Per Share Data (Rp)					
• Primary Earnings (Loss) per Share	201	32	182	283	(19)
• Dividend per Share	-	-	-	-	
• Book Value per Share	1,529	1,265	1,232	1,035	751
Financial Ratio (%)					
Current Ratio	252	143*	187	290	210
Net Gearing (4)	54	87	102	164	292
EBITDA to Net Interest Cover (Times)	7.1	7.9	6.0	4.3	2.2
Net Borrowing to Assets	29	42	45	55	68
Return on Assets (ROA)	7	1	7	9	(1)
Return on Capital Employed	8	1	7	9	(1)
Return on Shareholders' Equity (ROE)	14	3*	15	27	(2)
Number of Employees	6,678	6,851	7,107	7,414	7,326

* 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 percentage of shareholders' equity.

corporate structure

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 99.9%
(Ready-Mix Concrete)

PT Pionirbeton Industri* 99.9%
(Ready-Mix Concrete)

PT Dian Abadi Perkasa 99.9%
(Cement Trading)

PT Multi Bangun Galaxy* 99.9%
(Terminal-Land Operation)

PT Cibinong Center Industrial Estate 50.0%
(Industrial Estate)

PT Pama Indo Mining 40.0%
(Mining)

Stillwater Shipping Corporation* 50.0%
(Shipping)

Indocement (Cayman Island) Limited 99.9%
(Investment)

*Owned indirectly through a subsidiary

milestones

1985	1989	1991	1996	1999
Incorporated PT Indocement Tunggal Prakarsa following the merger of six companies owning the first eight cement plants	Public listing of Indocement shares with the Jakarta Stock Exchange and Surabaya Stock Exchange	• Acquired Plant 9 in Palimanan, Cirebon, West Java with an annual designed capacity of 1.2 million tons of clinker • Completed Surabaya Cement Terminal • Started Ready-Mix Concrete business	Completed Plant 10 in Palimanan, Cirebon, West Java with an annual designed capacity of 1.2 million tons of clinker	Completed Plant 11 in Citeureup, Bogor, West Java with an annual designed capacity of 2.4 million tons of clinker

significant events in 2005

February

Portland Composite Cement
Indocement diversified its product range by introducing Portland Composite Cement (PCC)

August

Joint Projects for the Community
On 4 August 2005, Indocement celebrated its 30th anniversary with a strong focus on the community, with a call to its partners, to raise funds in order to undertake a joint project to build schools and health facilities for the communities surrounding its factories in Citeureup, Cirebon and Tarjun. This program, which is called 'Joint Projects for the Community', reflects Indocement's appreciation for the continuous support of the communities. The program highlights the numerous projects already implemented by Indocement over the years, related to social and environmental issues under the Company's Community Development (CD) and Corporate Social Responsibility (CSR) programs

PROPER Rating
Indocement's Citeureup Factory achieved the Green Rating, while the Cirebon Factory achieved the Blue Rating from the Ministry of Environment as the result of its Industrial Environmental Performance Rating Program (PROPER) 2004 – 2005

2000

• Fully acquired via merger PT Indo Kodeco Cement (Plant 12) with an annual designed capacity of 2.4 million tons of clinker
• 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 protection and management (PROPER) from the Ministry of Environment of the Republic of Indonesia

September

Commencement of 'Joint Projects for the Community'
Groundbreaking for the construction of the schools as part of the 'Joint Projects for the Community' in the villages of Tajur, Gempol and Rampa in Citeureup, Cirebon and Tarjun, respectively. The total outlay for these projects amounted to approximately Rp5.0 billion as at year-end 2005

December

Tiga Roda Show
On 14 December 2005, Indocement launched the "Tiga Roda Show", a variety show on one of the leading TV stations, to enhance its brand awareness

message from the chairman

2005 was largely a difficult year for Indonesia, after experiencing a robust economic turnaround in 2004. The first six months of 2005 carried the momentum of 2004 when major key economic indicators such as Gross Domestic Product (GDP) growth, bank interest rates and inflation had pointed to a truly promising year. Growth in domestic cement consumption during the first half of the year was moving briskly, growing by 8.1% compared to the corresponding period of 2004.

However, a sustained upward pressure in the price of energy fuels from increased global consumption, especially driven by Asia's robust demand from China and India, was exacerbated further by decreasing energy supply as a result of natural disasters and conflicts around the world - pushing up oil prices to record levels in recent years.

Rising oil price in 2005 resulted in an increase of the state budget deficit. At the same time, the interest rate of the Rupiah was too low, it could not sustain a speculative attack on the Rupiah which culminated in July, resulting in the decline of the Rupiah. The government of Indonesia reacted quickly by cutting fuel subsidies in March, July and October of the year. Interest rates were also raised to defend the Rupiah.

Although the move succeeded in arresting the speculative run on the Rupiah, it nevertheless resulted in an increase of inflation, reducing purchasing power. This had a detrimental effect on cement consumption during the second half of 2005, with an unfavorable outlook for 2006.

This development had several negative consequences for the cement industry The doubling of retail fuel prices increased transportation expense substantially, affecting the cost of transporting raw materials to the kilns and the delivery of cement to market. Higher inflation and mortgage rate have reduced the purchasing power significantly, reducing the growth of cement consumption to just 4.3% in 2005, compared to 9.8% in 2004.

Despite these challenging conditions, but thanks to a very good first semester, Indocement performed remarkably well in 2005 to post significant returns and growth. The Company showed a 537.5% year-on-year net profit growth with returns on equity and assets of 14.4% and 7.3%, respectively. Indocement showed operating excellence amidst challenging conditions.

In 2004, Indocement had won praises for having finally regained financial sustainability since having been exposed to massive debts arising from the Asian financial crisis of the late nineties. The return to sustainability was attributed mainly to the Company's low-cost manufacturing strength and operational excellence amidst challenging conditions.

Dramatic cost increases in factors of production of as much as 40% or more, such as fuel for power generation, took place within the last quarter of 2005. That Indocement was able to perform under such extreme conditions underscores the Company's overall excellence amidst truly challenging conditions.

There were other noteworthy achievements besides financial returns and operational excellence. In 2005, Indocement reached an important milestone of its two Clean Development Mechanism (CDM) project proposals, which were performed under the Kyoto Protocol framework, when the National Committee on CDM of the Republic of Indonesia approved the projects in December 2005. The final validation process to enable Indocement in obtaining Certified Emission Reduction (CER) is currently still underway. It remains the first project of its kind undertaken by a company in Indonesia – highlighting Indocement's strong commitments towards sound and responsible environmental policies and practices.

On the occasion of Indocement's 30th anniversary in 2005, I would also like to take this opportunity to extend my warmest congratulations to all employees of Indocement who for the past three decades have dedicated themselves to making Indocement a respected and reputable corporation in Indonesia, and, today, a valued member of the HeidelbergCement Group.

If the past year is any indication, 2006 will be even more challenging for Indocement. However, time and time again, Indocement has been able to meet those challenges with characteristics strength and resolve. We are confident that Indocement will draw on this same strength and resolve to face up to future challenges as well.

Jakarta, 24 February 2006

Daniel Gauthier
President Commissioner

board of **commissioners**

Daniel Gauthier
President Commissioner

Belgian citizen, age 49. Commissioner on 23 June 2004 and subsequently President Commissioner on 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

Indonesian citizen, age 71. Vice President Commissioner / Independent Commissioner since 26 April 2001. Concurrently, advisor to the Board of First Pacific Company Ltd., Hong Kong. He graduated from the State Administration Academy.

I Nyoman Tjager
Vice President Commissioner

Indonesian citizen, age 55. Vice President Commissioner/ Independent Commissioner since 26 April 2001. Currently, he is an Advisor to the Minister of State Owned Enterprises. He holds a Master of Economics degree from Fordham University, New York.

Parikesit Suprapto
Commissioner

Indonesian citizen, age 54. Commissioner/ Independent Commissioner since 26 April 2001. Currently, he is an Advisor to the Minister of State Owned Enterprises. He holds a Doctorate degree in Economic Development from the University of Notre Dame, Indiana, USA.

The Board of Commissioners is responsible for the supervision and guidance of the Board of Directors to ensure that management by the Directors us consistent with the Company's Articles of Association and the policy guidelines mandated by the Board of Commissioners.

Dr. Lorenz Naeger
Commissioner

German citizen, age 45. Commissioner since 2 December 2004. He is concurrently a member of the Managing Board of HeidelbergCement Group, as Chief Financial Officer. He studied at the University of Regensburg (Germany), Swansea (UK), graduating in 1986 with a university degree in Business Administration (Mannheim University). He received his Doctorate and qualification as a Tax Advisor in 1991.

Dr. Bernd Scheifele
Commissioner

German citizen, age 48. Commissioner since 23 February 2005. Currently, he is the Chairman of the Managing Board of HeidelbergCement, and Chairman of Phoenix Pharmahandel AG & Co KG, Mannheim, Germany; He holds a master's degree in Law (LLM) from Universities of Freiburg and Dijon.

Emir Adiguzel
Commissioner

Turkish citizen, age 46. Commissioner since 23 February 2005. Currently, he is the President & COO of HC Trading, Chief Operating Officer for Mediterranean Basin, Middle East and Central Asia and one of the executive committee members in HeidelbergCement. He holds a degree from Harvard Business School's Advanced Management Program.

report to the shareholders

In our last annual report, I spoke of the challenges facing the cement industry in Indonesia at the time, and also of Indocement being well positioned in the market to face up to these challenges by leveraging on both our financial sustainability and operational excellence. For the cement industry, and Indocement in particular, the year 2004 had progressed much better than anyone had expected with total cement consumption rising by 9.8%; and with Indocement having just regained financial sustainability during the year, we had looked towards the year 2005 with great anticipation for an even more robust growth opportunities.

Based on that assumption, Indocement had prudently budgeted for a cement market growth of around 8%, or approximately 2.4 million tons in 2005 against the previous year's growth of 2.7 million tons.

Unfortunately, events during the second half of 2005 were to prove otherwise. In an attempt to relieve the burden on the state budget from rising crude oil price, the Government of Indonesia had to reduce fuel subsidies three times during the year:

- First, in March, on the price of diesel fuel consumed by certain industries, including cement, and the public; then,
- in July, on the price of diesel fuel consumed by all manufacturing sectors; and finally,
- in October, on the price of all fuels for public consumption.

The doubling of domestic fuel price raised transportation cost by as much as 23.3%, and set into motion inflationary pressure on the price of other goods and services, including those of construction materials.

At the same time, the higher crude oil price was also exerting heavy selling pressure on the Rupiah, reducing its value further in the market. Moving in defense of the Rupiah, Bank Indonesia had to increase bank interest rates substantially.

Higher interest rates and reduced purchasing power had an adverse impact on the construction sector in general. While the consumption of cement, which had begun to decline from the diesel fuel increase to industries in July, plummeted in October 2005. The negative trend continued throughout the remaining of the year, and well into 2006.

Cement is not the only sector to experience this market contraction, and the overall economy is slowing down. We believe that it will require the best efforts of the Government of Indonesia, and the utmost wisdom and farsightedness of Indonesian legislators, in order to bring the situation under control and return economic stability for markets and industries to flourish once again.

To summarize, 2005 showed three different phases for the cement industry: A buoyant first period until June, with a market growth of 8.1%, followed by a slight reduction from July to September, and then a sharp decline from October onwards. As a result, domestic cement consumption only increased by 4.3% in 2005, even below GDP rate, which registered 5.6% during the year.

Focusing on Competitiveness and Profitability

Indocement managed to sustain reasonable operating margin and market share, two pillars of operational excellence.

Competitiveness is derived from achieving equilibrium in operational excellence and cost focus, and Indocement was able to achieve both in 2005. Another factor worth mentioning was our financial prudence during the year, which resulted in the offset of a significant foreign exchange translation loss in 2004, by turning it into a modest gain in 2005. Indocement also undertook certain measures to further utilize the tax loss carry forward.

Sustaining Market Share

Our goal remains to maintain, if not increase, a market share of around 30%, which Indocement was able to sustain in 2005, despite 18% rise in the average domestic price.

Our strategy of aligning market share with that of our production capacity while also targeting reasonable operating margins - thus adapting our prices to the evolution of production costs - was particularly challenging to our sales force as costs had increased drastically throughout 2005. Due to our strong cost focus, we were able to limit the impact of rising cost for energy, raw materials and transport. In the cost of energy alone, for instance, marine fuel oil (MFO) increased by 130%, diesel fuel by 154%, and industrial diesel oil (IDO) by 153%.

This shows the extent to which Indocement was able to limit the impact of production cost increases, thanks to our production improvements and operational excellence.

Last but not least, our organizational enhancement programs have remained focused on increasing empowerment and encouraging greater personal initiatives towards teamwork and collective achievements. Because of this, Indocement has one of the most conducive and accommodative labor relations in the country, which has proved to be critical in these challenging times.

We owe a great debt of gratitude to the employees of Indocement whose steadfast commitment to excellence has enabled Indocement to increase its financial sustainability despite the extremely challenging conditions. We are aware that even greater challenges lie ahead in 2006, but on the other hand, with the support of our stakeholders, we are also confident of our strength and resoluteness more than ever.

Jakarta, 24 February 2006

Daniel Lavalle
President Director

board of **commissioners**

Daniel Gauthier

Sudwikatmono

I Nyoman Tjager

Parikesit Suprapto

Dr. Lorenz Naeger

Dr. Bernd Scheifele

Emir Adiguzel

board of **directors**

Daniel Lavalle

Tedy Djuhar

Thomas Kern

Oivind Hoidalen

Iwa Kartiwa

Nelson Borch

Benny S. Santoso

Christian Kartawijaya

Dr. Albert Scheuer

Remuneration: Total remuneration of the Board of Commissioners and the Board of Directors amounted to Rp28 billion in 2005.

board of **directors**





Daniel Lavalle
President Director

Belgian citizen, age 55. President Director since 26 April 2001. He holds a Master degree in Mining from Polytechnical Faculty of Mons, Belgium.

Tedy Djuhar
Vice President Director

Indonesian citizen, age 54. 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.

Thomas Kern
Director

German citizen, age 43. Director since 26 April 2001. Previously, he was Head of Group Industrial Controlling, HeidelbergCement Group. He is a Business Administration graduate from the University of Mannheim, Germany.

Oivind Hoidalen
Director

Norwegian citizen, age 58. Director since 26 April 2001. Previously, he was Director for Research & 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.

Iwa Kartiwa
Director

Indonesian citizen, age 64. Director since 1985. He graduated from Institut Teknologi Bandung with a degree in Mechanical Engineering.

The Board of Directors is primarily responsible for the management and operations of the Company. The shareholders elect members of the board for a fixed term ending on the 3rd Annual General Meeting of Shareholders from their appointment.

Nelson Borch
Director

Canadian citizen, age 43. 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.

Benny S. Santoso
Director

Indonesian citizen, age 47. Director since 15 June 1994. He graduated from the Department of Business Studies, Ngee Ann College, Singapore.

Christian Kartawijaya
Director

Indonesian citizen, age 39. 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 degree in Business Administration, major in Finance from San Diego State University, San Diego, California, USA.

Dr. Albert Scheuer
Director

German citizen, age 48. Director since 16 June 2005. He has a Doctorate degree from University of Clausthal, Germany.

operational excellence amidst rising cost

Sales & Marketing

Sales

The combined sales of cement and clinker totaled 12.1 million tons in 2005 compared to 12.5 million tons in 2004, whereas total revenues from sales increased by 21.2% from Rp4,616 billion in 2004 to Rp5,592 billion in 2005.

Domestic Sales

Indocement's domestic sales volume increased by 3.4% to 9.5 million tons in 2005, despite an average selling price that was approximately 18.1% higher than that of 2004. Although modest, the increase in domestic sales volume enabled the Company to maintain a market share of around 30% amidst fierce market competition, despite a significant rise in the average selling price of the Tiga Roda brand during the year.

In addition to the growth of our domestic sales volume, the introduction of Portland Composite Cement (PCC), for one, was a huge success in sales and marketing. PCC was launched in the market in early 2005. Packed in 40-kg and 50-kg bags, the sales of PCC amounted to 2.8 million tons in the domestic market.

Export Sales

Following the successful inaugural exports of Type II/V Cement to the US market in 2004, the export of this specific types of cement picked up pace in 2005, reaching a volume of more than 832 thousand tons. The volume doubled the initial target and reached approximately 80% higher than what had been achieved in 2004.

In 2005, Indocement had sufficient capacity left after domestic deliveries to export large quantities of its products. Since Indocement had initially expected a high domestic sales volume in 2005, it reduced export volume by 22% from that of 2004, to 2.5 million tons in 2005 compared to 3.2 million tons in 2004. Indocement's primary export destinations in 2005 continued to be its traditional

markets of West Africa, Mauritius, Bangladesh, Taiwan, Singapore and Tahiti, and new market of USA.

Prices in the export markets were at historic high throughout the year. However, the cost of transporting bulk cement over great distances remained significantly high, exacerbated by the rise in fuel cost - such that gains made on the higher market price were partly offset by the delivery cost.

Cement Distribution

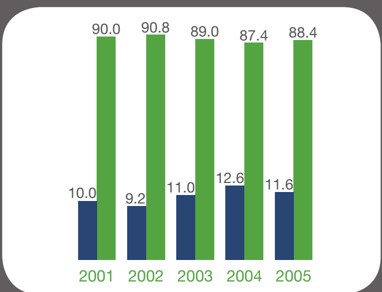
Indocement continued to reap the benefits of managing and taking greater direct control of the distribution of the Tiga Roda cement to the market. With the control of both land transportation and inter-island shipments in Indocement's hands since 2004, the Company was able to optimize logistics and transportation management, using advanced distribution system software program, to determine which shipment go to where, at what time, and with what modes of transportation. Over a period of time, All this has given Indocement a tremendous advantage not only in on-time delivery of its products to market, but also in the amount of savings to its transportation costs.

For instance, in inter-island shipments, some of the terms of the Company's sales had been changed from ex-plant to Cost-Insurance-and-Freight (CIF) since 2004. This enabled the Company to improve both the control over cement distribution and the support provided to distributors. The total volume of inter-island shipment that was handled by Indocement reached approximately 700,000 tons, representing more than half of the total volume of inter-island shipment using four chartered vessels as well as spot vessels.

Vessel tracking system using the Global Positioning Satellite (GPS) technology was implemented in all of the four chartered vessels, enabling Indocement to keep track of the vessels and make accurate planning and scheduling based on the current respective positions of the ships.

In land transportation, due to changes in the customer order to distributions of smaller consignments, as well as road and traffic constraints, Indocement saw a need to add the number of fleet of small trucks to serve the highly vibrant markets throughout the Greater Jakarta Area (Jabodetabek). Thus, by working

Domestic vs. Export Cement Sales
(in %)



Sales Volume
(in Tons)

Product	2005	2004	Variances Qty	Variances %
Clinker :				
Export	1,261,277	1,892,399	(631,122)	(33.4)
Cement :				
Domestic	9,554,225	9,238,225	316,000	3.4
Export	1,248,514	1,334,580	(86,066)	(6.4)
Total	12,064,016	12,465,204	(401,188)	(3.2)

closely with the Company's transportation service providers, Indocement was able to adopt a more cost-effective way in managing truck productivity, leading to the addition of 100 new small trucks which now carry the Tiga Roda cement to their destinations throughout Jabodetabek. Trial runs had also been carried out to equip these trucks with GPS technology to assert effective management control over delivery time and optimum productivity in truck utility.

Increasing Brand Awareness

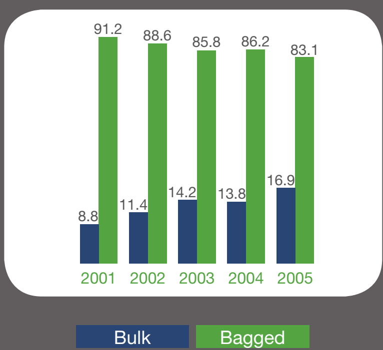
Amidst higher retail cement prices and increased competition in the market, brand awareness and brand loyalty become even more critical factors for companies to defend their market shares. In recognition of this fact, Indocement has stepped up its brand awareness marketing and promotional campaigns. In 2005, in addition to increased brand advertisements in selected media and target markets, Indocement bought TV air time and produced a variety show "The Tiga Roda Show", in one of Indonesia's leading private TV broadcasting stations to be aired for 52 consecutive weeks starting in December 2005.

Sales Outlook

Consumption of cement in the domestic market is expected to remain depressed at least for the first semester of 2006, with flat growth for the whole of 2006. A prolonged high interest rate environment in 2006 will continue to cast a shadow over the likely recovery of cement consumption to the levels of early 2005. Indocement has made plans to face a more challenging period in 2006, especially in defending its core market in Jakarta and West Java areas. It will continue to look for innovative ways to introduce better and more cost-effective cement products to the market, and use its export markets as a pivot to maintain the Company's production runs as well as overall productivity.

The lessons learned in 2005 have prepared Indocement better in facing future challenges, and in maintaining the Company's adequate market share.

Domestic Sales Bulk vs Bagged Cement
(in %)



prudent spending amidst curtailed production

Indocement produced a total of 11.0 million tons of clinker and 10.9 million tons of cement in 2005 compared to 11.3 million tons and 10.5 million tons, respectively, in 2004.

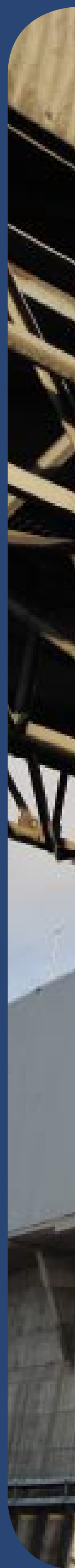
Indocement started the year with a low inventory stock level due to the exceptionally high sales volume in December 2004. This meant that Indocement had to ramp up its production in order to keep up with the momentum of sales which had remained high throughout the first half of 2005.

A Difficult Year for Production

Throughout this high pace of production, Indocement faced several technical problems that tested its capacity to perform at peak production level under challenging conditions. The first and biggest challenge came from the failures of the gear reducer at Plant 11 and a technical problem of another sort at Plant 12, both of which reduced the production of the Company's largest kilns. The unexpected and prolonged down time from the unforeseen mechanical failures to some of the biggest kilns in operations had forced Indocement to resort to older, less efficient kilns to take up the slack in production. The operations of these older less efficient kilns had a severe impact on the productions costs.

Production units had to face other difficulties, one of the most important of which involved the use of burning coal material that had high moisture content. Due to the high demand from foreign customers and the low offer for high quality coals, Indocement had to resort to buy cheaper coal but of lower quality. It turned out, however, that the high-moisture content of the coal prevented it from producing an optimum amount of heat for the kilns to work effectively.

Tarjun plant is not connected to the state electricity grid and therefore relies completely on its own power plant operation. This power plant experienced several problems in 2005, which required a major overhaul that took place in early 2006.



These setbacks placed the operating plants of Indocement under tremendous pressure in 2005. Nevertheless, Indocement was able to rise to the challenge to meet production schedule commitments of the Company's traditional cement products, as well as to come up with new product development.

Capacity Enhancements

Cement industry is a capital intensive industry therefore any decision on capacity increase has to be taken carefully. Priority is given to plant upgrades that will contribute to significantly increased production capacity and/or efficiency. In 2005, Indocement embarked on a limited capital expenditure program to revamp Plant 8 with new processing technology that would allow for the use of alternative fuels, which subsequently will increase capacity by 600,000 tons.

Product Initiatives

Indocement's dynamic push for new product development in the last two years can be viewed as a factor behind the Company's success in maintaining a sustainable profitability amidst fierce competition. The new type of cement PCC was well accepted by the market due to its superior characteristic. So overwhelmingly positive was the market acceptance of Indocement's PCC product that the Company's factory churned out some 2.7 million tons of this new type of cement in 2005, exceeding the initial production target of 2.1 million tons.

Meanwhile, Indocement also produced different types of clinker to meet the needs of various types of customers for special Type II/V Cement.

Clean Development Mechanism (CDM)

The development of PCC is part of Indocement's commitment towards clean and environmentally sustainable development. Indocement is in the final stage of validation process for the CDM project which it undertook as part of the greenhouse gas emission reduction program within the framework of the Kyoto Protocol that is now ratified by 141 countries across the world, including Indonesia. The CDM program qualifies Indocement to participate in the carbon-dioxide (CO_2) trading mechanism that would enable Indocement to trade its CO_2 savings (the amount of CO_2 that a company is able to reduce each year) for monetary value in future.

Clinker and Cement Production (in Tons)

Factory	2005	2004	Variances Qty	Variances %
Clinker Production				
Citeureup	7,150,925	7,301,084	-150,159	-2.1%
Cirebon	2,024,105	1,983,473	40,632	2.0%
Tarjun	1,780,916	2,019,250	-238,334	-11.8%
Total	10,955,946	11,303,807	-347,861	-3.1%
Cement Production				
Citeureup	7,312,717	6,913,498	399,219	5.8%
Cirebon	2,269,881	2,275,631	-5,750	-0.3%
Tarjun	1,291,573	1,294,707	-3,134	-0.2%
Total	10,874,171	10,483,836	390,335	3.7%

Management Information System (MIS)

Reliable management information systems are crucial to modern business operations, and Indocement is no exception. The MIS Unit of Indocement oversees information technology services and support covering six mission-critical areas. These are the Company Business Services (CBS), Enterprise Resource Planning (ERP) System, Computer Integrated Manufacturing (CIM), Company Internal Efficiency (CIE), Computer and Network Operations (CNO), and Resources Center.

There were a number of key MIS achievements by Indocement in 2005. In CBS, Indocement applied the e-payment systems for the Cirebon and Tarjun factories; provided Electronic Data Interchange links between Indocement and its contract-purchase suppliers; and provided SMS services to customers. In ERP, there were e-workflow systems for purchase order, goods received, human resources and general administration; developed a comprehensive online system for bulk-cement and coal transportation management.

In other areas of MIS, Indocement implemented CIM for a bagged cement packing control at Citeureup Plant and a cement loading monitoring system at the Tarjun and Tanjung Priok ports. CNO was responsible for the setting up of a computer system contingency plan and disaster recovery center as a backup for any major system failure.

financial review

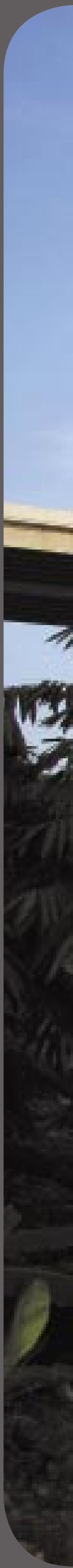
Consolidated financial statements are accounts of the Company and subsidiaries where the Company owns, directly or indirectly, more than 50% equity share. This includes PT Dian Abadi Perkasa and PT Indomix Perkasa (including the consolidated results of PT Pionirbeton Industri); whereas minority interest holdings and investments in affiliates are accounted for using the equity method. The Company derives its operating revenues solely from the sales of its cement products.

The Company incurs operating expenses mainly from the costs of production, storage and distribution of its cement products. In addition to these direct costs, the Company incurs selling and marketing, as well as general and administrative expenses which are common to any business enterprise. The following discussions describe the Company's results of operations for the year ending, and financial condition on 31 December 2005 compared to those of the previous year.

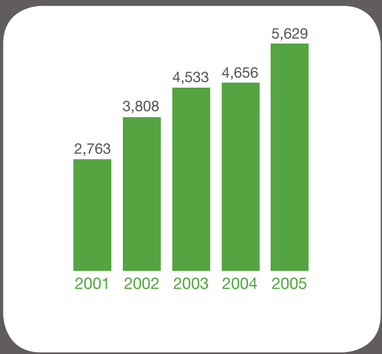
RESULTS OF OPERATIONS

Consolidated net revenues increased by 21.2% to Rp5,592 billion in 2005. The increase was attributable to the increase of export prices as well as the domestic volume and prices. The Company was able to increase its domestic average selling price by 18% and the domestic sales volume by about 300,000 tons in 2005. Gross profit rose 32.6% from Rp1,523 billion in 2004 to Rp2,020 billion in 2005. The continuous commitment to the cost efficiency has enabled the Company to minimize the impact of fuel price hike, such that the cost of revenues increased only by 15.5%. As a result, gross profit margin for the year increased from 33.0% to 36.1%.

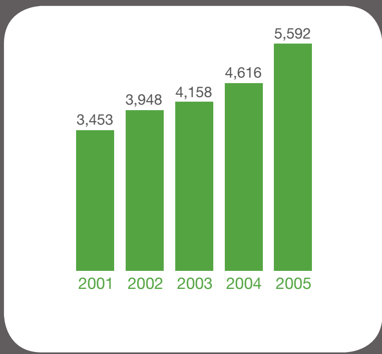
The 17.8% increase in delivery and selling expenses mainly resulted from the fuel price increase. However, the Company was able to limit the growth of general and administrative expenses to just 15.8%, below the average annual inflation rate of 17.1%. As a result, income from operations rose 45.2% to Rp1,214 billion in 2005, with operating margin improving to 21.7% from 18.1%.



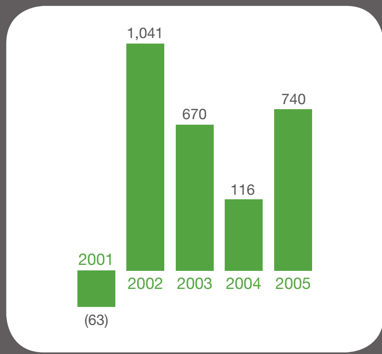
Net Shareholder's Equity
(in billion Rupiah)



Net Revenues
(in billion Rupiah)



Net Income (Loss)
(in billion Rupiah)



In 2005, the Company recorded a foreign exchange gain of Rp50 billion compared to a foreign exchange loss in 2004 of Rp498 billion. The gain mainly resulted from the derivative transactions to hedge the Company's foreign exchange risk under the Cross Currency Interest Rate Swap of US$150 million as of 8 March 2005 and from the weakening of Japanese Yen against Rupiah. During the year under review, the Rupiah exchange rate opened at Rp90.42 and closed at Rp.83.42 against the Japanese Yen.

In view of that, the Company posted a net income after tax of Rp740 billion that is significantly higher than Rp116 billion achieved last year. Accordingly, earnings per share improved to Rp201 in 2005 from Rp32 in 2004.

FINANCIAL CONDITION

Consolidated assets grew by 7.8% to Rp10,536 billion in 2005 from Rp9,771 billion in 2004. The Company's current assets rose by 35.2% to Rp2,156 billion as at year end 2005, mainly owing to the increase in cash and cash equivalents, inventories and trade receivables due to higher domestic and export sales. Conversely, current liabilities decreased by 23.4% to Rp856 billion, which was for the most part resulted from the lower portion of the current maturities of long-term liabilities to banks and financial institutions due to the reprofiling of mandatory repayment schedule in March 2005. As a result, the Company's current ratio increased sharply from 1.4 times to 2.5.

The net fixed assets value as at year end 2005 stood at Rp7,812 billion, increasing by Rp51 billion from that of the previous year, which mainly resulted from the increment in the revaluation of certain fixed assets. During the year, restricted cash and time deposits also rose by 27.0% to Rp303 billion from Rp238 billion in 2004.

Consolidated liabilities amounted to Rp4,907 billion in 2005, a 4.1% decrease from Rp5,115 billion in 2004. Borrowings from banks and financial institutions still accounted for a majority portion or 78.9% of total liabilities, albeit a decline from 90.1% in 2004. The Company's outstanding debts to banks and financial institutions stood at Rp3,870 billion as at year-end 2005. This reduced net gearing from 87.2% to 54.4%.

During the year, the Company was able to repay around US$78 million of its debts. The payment consisted of (i) US$46.25 million as mandatory repayment under the Post HZ Entry

Master Facilities Agreement (HZMFA) which the Company had entered into with all of its creditors in 2000; (ii) prepayments of US$25.3 million and; (iii) debt buy backs of JP¥700 million or equivalent to US$6.3 million, which were purchased from creditors. As most of the loan balances are denominated in US Dollar and Japanese Yen, exchange rate fluctuations influence their equivalent value in terms of Indonesian Rupiah.

On 8 March 2005, HeidelbergCement Finance B.V., a subsidiary of HeidelbergCement AG, purchased a portion of the restructured debt under the HZMFA, amounting US$150 million. The term of the HC Finance B.V. loan is four years and will be repaid in the bullet payment on 8 March 2009. To reduce its exposure to exchange-rate fluctuations, with a Comfort Letter issued by HeidelbergCement AG as collateral, the Company simultaneously entered into a hedging transaction with Standard Chartered Bank Jakarta, using the Cross Currency Interest Rate Swap with the conversion rate at 9,358 US$/Rupiah and an interest rate of Certificate of Bank Indonesia (SBI) +1.99%, which has the same tenor with the HC Finance B.V. loan.

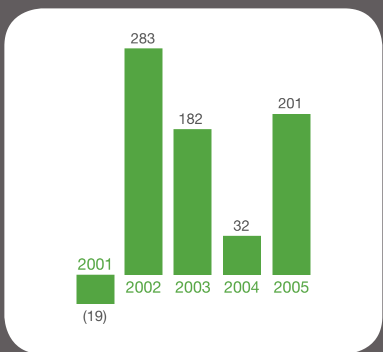
Net shareholders' equity grew by 20.9% from Rp4,656 billion in 2004 to Rp5,629 billion in 2005, primarily as an evidence of the increase in the Company's retained earnings, as well as the increment from revaluation of certain fixed assets. The revaluation of fixed assets in Cirebon Plant amounting to Rp431 billion was conducted to utilize the tax loss carry-forward of Rp1.2 trillion due by end of 2005.

The majority shareholding of the Company, to the extent of 65.1%, remained under the controlling ownership of the HeidelbergCement Group through HC South-East Asia GmbH, a company incorporated in Germany. The Company's total number of shares issued and fully paid for as at year end 2005 has remained at 3,681,231,699 shares, all of which are listed on both the Jakarta Stock Exchange and Surabaya Stock Exchange.

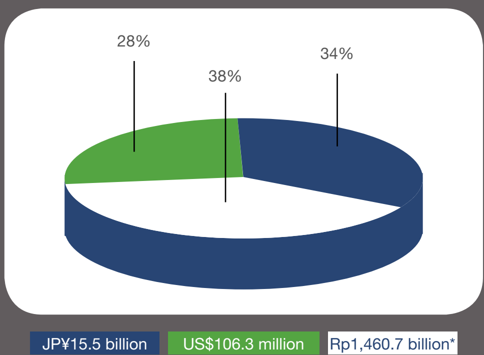
Indocement stock performed reasonably well in 2005 with a closing price that was 15.5% higher than at the beginning of the year and a market capitalization which grew from Rp11,320 billion to Rp13,068 billion as at year-end 2005. It performed slightly below the Jakarta Composite Index which grew by 16.2% in 2005.

Cash Generated from Operations
(in billion Rupiah)

Earnings (Loss) per Share
(in Rupiah)



Debt Composition
as of 31 December 2005
(%)



* includes an amount of US$150 million that has been hedged by Cross Currency Interest Rate Swap into Rupiah

resilience amidst challenging times

During the past five years, Indocement has devoted substantial resources and efforts to shape a performance-driven and result-oriented organization that is meant to achieving excellence in all of its business activities. It started with the Quantum Challenge Program, then progressed into establishing the Key Performance Indicators (KPI) for every single measurable activity of the Company and finally to putting it all into practice through a pay-for-performance based meritocracy that rewards and promotes people on the basis of their competency, leadership and contributions to the Company's goals achievement. The pay-for-performance system was implemented in 2005, starting from first-tier echelons and to eventually cascade to lower echelons in a gradual phase.

In 2005, the value and strength of such an organization was clearly evident as Indocement rose to the challenge of sustaining growth and value creation amidst seemingly impossible odds. Through these challenging conditions, the organization of Indocement was able to focus singularly on the Company's goal of being the leading, low-cost producer of consistently high-quality cement in the Indonesian market.

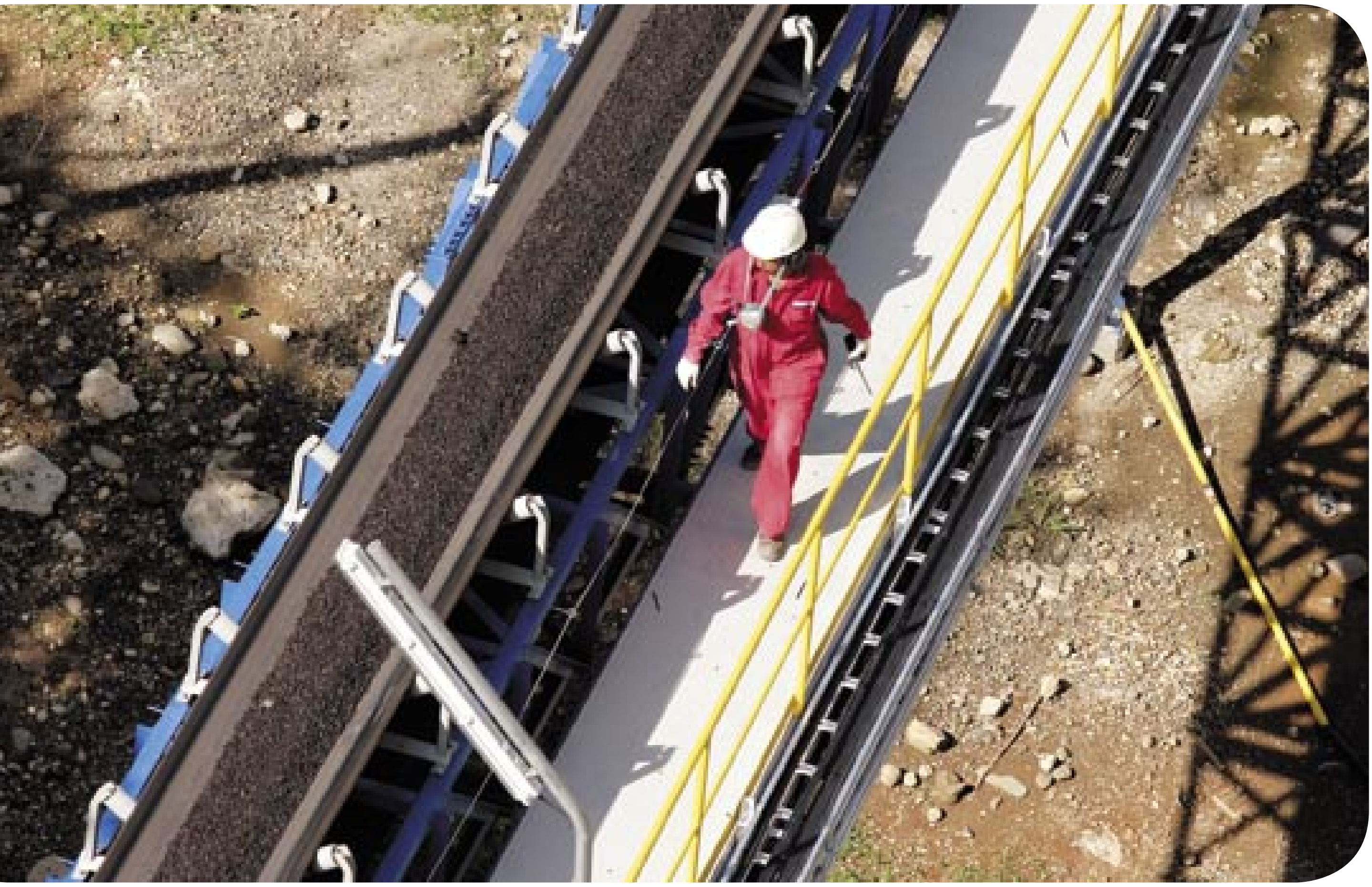
As part of the Company's attention towards the the enhancement of employee's competence and the development of a team-playership culture, Indocement continues to undertake training programs, such as the Executive Leadership Development Program for first and second-tier echelons, Responsibility Awareness Program for mid-managerial levels, and Outbound Training for entry-level and junior management staff.

As in previous years, the Company ensures that the welfare of its employees receives management attention and is reviewed periodically. In fact, Indocement is still concerned with the welfare of its retirees by providing hospitalization benefits for up to five years from the date of retirement.

In certain conditions, within the means of the Company, management will consider to take measures to alleviate the burden caused by the the unfavorable economic conditions, particularly for the Company's workers and helpers, as was the case at the end of 2005. However, the Company also expected its employees to respond positively to hard times.

From July to August 2005, Indocement conducted an Employee Opinion Survey covering both employee satisfaction and corporate values. The survey drew a total participation of 1,798 employees and confirmed that Indocement employees are generally satisfied with their jobs and their working environment and, more importantly, share the values that have made them into a cohesive and responsive workforce.

Indocement employed 6,678 people as at year-end 2005, 173 less than in 2004.




TADANO

caring and sharing amidst hard times

Sustainable Cement Production

Indocement is committed to the idea of a sustainable cement industry which centers around economic growth, ecological balance and social progress. Economic benefits are felt among other things through the multiplier effect that a company such as Indocement creates on the national and regional economies. Ecological balance is met through the Company's rigorously applied policies on the conservation of natural resources, health and safety practices, and efforts to minimize the impact of cement manufacturing to the surrounding environment especially with regard to emission of dust and greenhouse gas.

The principles of a sustainable cement industry are inherent in Indocement's vision to undertake its business in ways that promote sustainable development, wholesome communities and a friendly environment.

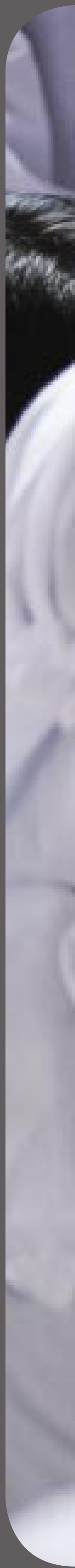
Monitoring of Dust Emission

In order to reduce dust emission inherent in any cement manufacturing process, Indocement has installed a filter bag and electrostatic precipitator on every smoke stack. A Continuous Particle Monitoring (CPM) equipment is also mounted on each stack for a round-the-clock monitoring of emissions through a control panel.

The continuous monitoring of all three plant sites in 2005 showed that dust particle emission were well below the allowable national limit of 80mg/m3. This was also confirmed by emission tests conducted by leading independent laboratories.

Monitoring Noise Emission

Indocement also monitors sound level and constantly seeks to reduce the decibel level of noise that emits from its operating plants. Particularly noisy operations such as the movement of conveyor belts are completely enclosed by sound-proved coverings or walls, while the motions of sound waves are further hindered by the lush canopies of trees that are planted near the source of noise as well as throughout the plant's fence perimeter.



Indocement has undertaken a noise mapping exercise in and surrounding its plants and conveyor belts, the results of which have been submitted to local authorities of the regional government for the purpose of future urban space planning.

Monitoring Greenhouse Gas Emission

In adopting the Clean Development Mechanism program of the Kyoto Protocol, the monitoring of greenhouse gas emission is at the top of Indocement's priority. Gas emissions including CO_2, SO_2, SOx and NOx are not only monitored mechanically via the Continuous Emission Monitoring (CEM) equipment that is mounted on every smoke stack, but are subject to periodical internal audits by the Quality System Management whose results are evaluated by a management committee headed by a Director. Indocement's greenhouse gas emission levels are well below international requirement standards, a fact which has been underscored by the ISO 14001 Certification that Indocement has been awarded for all of its plant operations.

Meeting PROPER Standards

Another environmental standard to which Indocement has complied with is PROPER, a government environmental audit program of Indonesian corporations to determine their level of care and commitments towards environmental protection and conservation. With five ratings from Gold to Green, Blue, Red and Black; ranging from exceptional environmental protection (Gold) to non-compliance of basic environmental care requirements (Black), Indocement's Citeureup and Cirebon plants were audited in 2004 and 2005, and received a rating of Green and Blue, respectively.

A Green Rating is given to businesses that have exercised due care and proper environmental protection that exceed the required standards, whereas a Blue Rating signifies environmental protection efforts that meet the required standards. To date, Green is the highest rating ever given by the Ministry of Environment to any company in Indonesia.





Occupational Health and Safety

Indocement's commitment to occupational health and safety issues as a key priority in creating a working environment that is safe and healthy, is reflected by the achievement of "Golden Flag" Certificate and the Occupational Health and Safety Management System (SMK3), issued by the Government of Indonesia in recognition of companies that have consistently applied the SMK3. The Company also received the OHSAS 18001:1999 Certificate on occupational health and safety management system as the similar normative standard for SMK3 adopted by the International Labor Organization.

Moreover, in order to enhance the Company's safety culture and discipline, Indocement has engaged a world-class consultant on industrial safety issues, to undertake a comprehensive evaluation and assessment of the Company's occupational health and safety standards and practices.

good governance amidst sustainable development

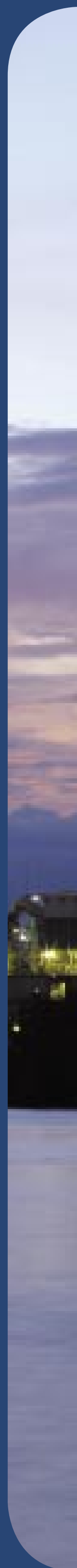
Indocement continues to place a strong emphasis on best-practice Corporate Governance as an effective tool for transparency, accountability, responsibility, fairness and independence in the day-to-day conduct and business operations of the Company.

Indocement employs 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 levels.

The key points of our corporate governance policies and implementation remain as follows:

- Clear and segregated roles and responsibilities of Commissioners and Directors
- Focus on strategic direction and business plan
- Proper business conduct
- Transparent and fair dealings with stakeholders
- Protection of minority shareholders' rights
- Emphasis on risk management and risk aversion
- Enhanced operational oversight and control through the Audit Committee and the Internal Audit Unit
- Effective management information system for informed decisions
- Timely and accurate information disclosure and dissemination, and
- Responsibility to social, environmental and developmental issues

These guidelines have enabled Indocement to ensure sound management and control of the Company's assets and shareholders' equity. Thus, we continue to rely on sound corporate governance tenets in order to ensure sustainable development and to build and enhance long-term stakeholders' value.



In compliance with one of the Jakarta Stock Exchange's (JSX) rulings on Good Corporate Governance, the Board of Commissioners confirms the appointment of the following individuals as Independent Commissioners, making up two-thirds of the composition of the Board of Commissioners as at year-end 2005:

- Sudwikatmono
- I Nyoman Tjager
- Parikesit Suprapto

In addition, the Board of Commissioners has formed an Audit Committee consisting of independent professionals, whose members as at year-end 2005 were as follows:

- I Nyoman Tjager
- F. Antonius Alijoyo
- Phil Leifermann

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 2005

The Audit Committee report has been prepared in accordance with the applicable regulations of Capital Market Supervisory Agency (Bapepam) No. IX.I.5 concerning The Formation and Guidance for Audit Committee and the regulation of the Jakarta Stock Exchange (KEP-305/BEJ/07-2004) No.IA concerning General Provision on the Listing of Shares (Stock) Equity-Type Securities at the Exchange.

For the financial period ended 31 December 2005, the Audit Committee met five times, to fulfill their roles and responsibilities in the following areas:

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

Besides those five Audit Committee meetings, there were two meetings held between the Audit Committee and full Board of Commissioners to report the Audit Committee activities and coverage.

In relation to financial reporting and audit, the Audit Committee was involved in the selection and appointment of the public accounting firm to act as the external auditors. In this regard, the Audit Committee considered the scope and methodology of the audit, as well as the independence, objectivity and qualifications of the auditors themselves. In addition, the Audit Committee conducted regular reviews of the external audit process during the audit, focusing on the audit planning and reporting aspects. The Audit Committee concluded that the financial reporting and audit were satisfactory, in compliance with Generally Accepted Accounting Principles in Indonesia.

In relation to corporate governance, the Audit Committee conducted a review of Indocement's self-assessment of corporate governance practices, based on the checklist developed by the Forum for Corporate Governance in Indonesia (FCGI). The Audit Committee concluded that corporate governance practices were satisfactory. As management recognized the importance of responsible corporate governance, and while current corporate governance practices are already above national standards, further enhancements to corporate governance practices were still required to achieve international standards. One of the initiatives was the development of new Indocement's work ethics which will be further endorsed in effect by 2006.

In relation to risk management, the Audit Committee conducted a review of Indocement's enterprise risk management approach, based on the HeidelbergCement Group risk management framework. The Audit Committee concluded that risk management was satisfactory, as management had developed the structured and well defined risk categories, and also had identified the major risk affecting Indocement, including both financial and operational risks.

In relation to internal audit, the Audit Committee conducted a review of newly adopted Indocement's risk-based internal audit approach, based on the best practices developed by the Institute of Internal Auditors and in reference with the HeidelbergCement Group Internal Audit guideline. The Audit Committee concluded that internal audit was satisfactory, as management had made a clear and distinct relationship between the risk-based internal audit and enterprise risk management approaches, and had assessed and mitigated the major risks affecting Indocement, including the establishment of adequate internal controls.

In relation to business planning, the Audit Committee conducted a high-level review of business plans through discussions with senior management. The Audit Committee concluded that business planning was satisfactory, as management understood the challenges faced by Indocement and had applied sufficient measures and actions in meeting its corporate goals and objectives, including a corporate action to exercise a refinancing program toward a more efficient financing cost.

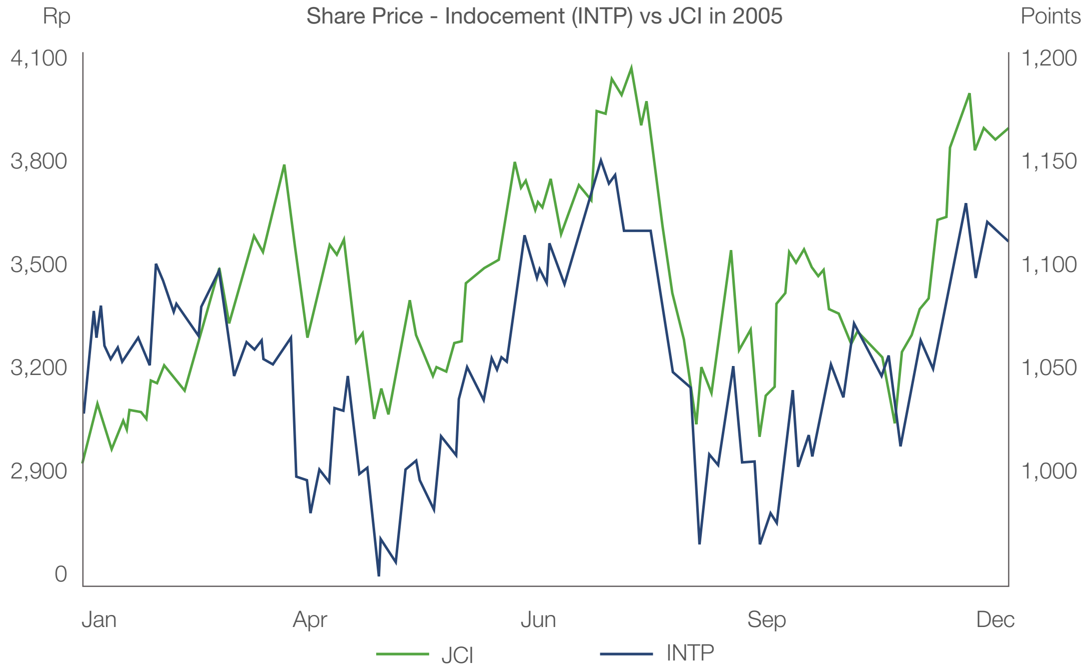
Finally, following the independent shareholders' approval during the Extraordinary General Meeting of Shareholders on 23rd February 2005 of the Company's transactions with related companies, the Audit Committee conducted regular review on all "related-party transactions" commencing 1 January 2005 until 31 December 2005. The Audit Committee concluded that all "related-party transactions" were made in accordance with the guidelines as per shareholders' approval and kept well below the agreed limit.

I Nyoman Tjager Chairman of Audit Committee
Indonesian citizen, age 55. Chairman of Audit Committee since 6 December 2001. Currently, he is an Advisor to the Minister of State Owned Enterprises. He holds a Master of Economics degree from Fordham University, New York.

F. Antonius Alijoyo Member of Audit Committee
Indonesian citizen, age 42. Member of Audit Committee of Indocement since 6 December 2001. He was a Senior Partner of AAJ Associates/RSM International, and currently a member of International Board of Professional Risk Managers' International Association (PRMIA). He holds a Bachelor's degree from Parahyangan Catholic University, a Master of Business Administration from IPPM, and a candidate doctor in economics from Parahyangan Catholic University, Bandung.

Phil Leifermann Member of Audit Committee
Australian citizen, age 43. Member of Audit Committee of Indocement since 5 March 2002. Currently, he is the President Director of Insight Consulting. He holds a Master of Business Administration degree from the University of Western Australia, Perth.

stock market information



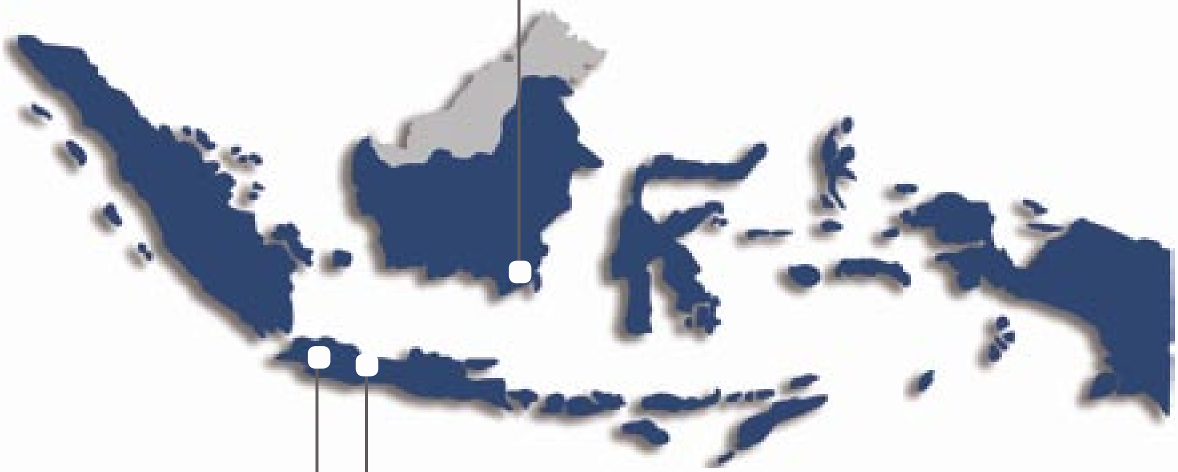
"The Company's share price increased by 15.5% in 2005, reflecting the growing confidence of investors in the Company."

- Indocement had a total of 3,681,231,699 shares listed on the stock exchanges of Jakarta and Surabaya with the market capitalization of Rp13,068 billion as at year-end 2005
- Total traded volume of Indocement shares in 2005 reached 1,299,751,258 shares
- These shares were traded at Rp3,075 per share on 3 January 2005 and Rp3,550 per share on 29 December 2005, an increase of 15.5%
- In 2005, the Jakarta Composite Index (JCI) opened at 1,000.23 and closed at 1,162.64, an increase of 16.2%
- The number of registered Indocement shareholders was 1,820 as at 31 December 2005

Share Price	2005		2004	in Rupiah
	Highest	Lowest	Highest	Lowest
First Quarter	3,500	2,750	2,525	1,900
Second Quarter	3,575	2,575	2,050	1,275
Third Quarter	3,800	2,600	2,025	1,450
Fourth Quarter	3,675	2,900	3,075	1,825

factory locations

Tarjun Factory,
South Kalimantan
Plant 12



Citeureup Factory,
West Java
Plant 1-8 & 11

Cirebon Factory,
West Java
Plant 9 & 10

subsidiaries and other investments

Revenues	2005	2004
		Billion Rupiah
Subsidiaries		
PT Indomix Perkasa	67.2	44.5
PT Pionirbeton Industri	201.8	137.2
PT Dian Abadi Perkasa	3,844.1	2,917.7
Other Investments		
PT Cibinong Center Industrial Estate	5.3	3.2*
PT Pama Indo Mining	37.0	35.5
Stillwater Shipping Corporation	28.3	24.4*

* Restated

PT Indomix Perkasa
Produces and sells ready-mix concrete

PT Pionirbeton Industri
Produces and sells ready-mix concrete

PT Dian Abadi Perkasa
Domestic distributor of cement

PT Multi Bangun Galaxy
Terminal-Land Operation

PT Indo Clean Set Cement
(under liquidation)
Produced clean set cement

PT Cibinong Center Industrial Estate
Owns an industrial park situated in the vicinity of Citeureup Factory

PT Pama Indo Mining
Engages in clay and limestone mining services

Indocement (Cayman Island) Limited
Investment

Stillwater Shipping Corporation
Owns and operates “MV Tiga Roda” and floating terminal “Quantum I”

consolidated **financial statements**

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-4911

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, 2005 and 2004, 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 did not audit the financial statements of all associated companies, the investments in which are accounted for in the consolidated financial statements using the equity method. The carrying values of these investments represent approximately 0.41% and 0.44% of the total consolidated assets as of December 31, 2005 and 2004, respectively, while the related equity in net earnings of these associated companies amounted to Rp18,046,318,226 in 2005 and Rp13,342,851,763 in 2004.

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, 2005 and 2004, 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.

As discussed in Note 2b to the consolidated financial statements, starting January 1, 2005, the Company and its Subsidiaries retroactively adopted the provisions of revised Statement of Financial Accounting Standards (PSAK) No. 38 (Revised 2004), "Accounting for Restructuring Transactions among Entities under Common Control". The consolidated financial statements as of and for the year ended December 31, 2004 have been restated to reflect the retroactive effects of the said revision in accounting principle.

Prasetio, Sarwoko & Sandjaja

Drs. Soemarso S. Rahardjo, ME
Public Accountant License No. 98.1.0064

January 20, 2006

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004
(Expressed in rupiah)

ASSETS	Notes	2005	2004 (As restated - Note 2b)
CURRENT ASSETS			
Cash and cash equivalents	2c,3	498,010,383,632	307,432,518,403
Short-term investments	2d	5,428,752,650	5,969,712,650
Trade receivables	2e,4,11		
Related party	2f,21	47,897,758,168	30,985,951,840
Third parties - net of allowance for doubtful accounts of Rp13,835,340,496 in 2005 and Rp13,822,091,743 in 2004	22i	505,963,586,184	411,847,154,062
Other receivables from third parties - net of allowance for doubtful accounts of Rp7,371,980,358 in 2005 and Rp8,503,980,725 in 2004	2e,5,28	5,448,888,761	2,832,605,669
Derivative assets - net	2q,23,28	-	11,541,667,148
Inventories - net	2g,6,11	911,291,789,489	711,899,494,405
Advances and deposits	6	119,605,903,683	54,940,907,583
Prepaid taxes	10	37,854,330,331	43,529,803,250
Prepaid expenses	2h	24,263,350,909	13,739,936,494
TOTAL CURRENT ASSETS		2,155,764,743,807	1,594,719,751,504
NON-CURRENT ASSETS			
Long-term derivative assets - net	2q,23	84,171,508,110	-
Due from related parties	2f,21	57,224,578,033	67,104,149,319
Deferred tax assets - net	2r,10	5,404,241,660	4,193,566,217
Long-term investments and advances to associated companies - net of allowance for doubtful accounts of Rp13,720,944,026 in 2005 and 2004	2b,2f,7	42,873,603,424	42,595,860,242
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp3,848,727,414,347 in 2005 and Rp3,390,873,271,384 in 2004	2i,2j,2k, 2l,8,11	7,811,938,786,956	7,761,254,118,072
Restricted cash and time deposits	11,12	302,771,129,921	238,423,284,643
Other non-current assets	2h,2m,8	76,231,152,013	62,721,088,443
TOTAL NON-CURRENT ASSETS		8,380,615,000,117	8,176,292,066,936
TOTAL ASSETS		**10,536,379,743,924**	**9,771,011,818,440**

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, 2005 and 2004
(Expressed in rupiah)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2005	2004 (As restated - Note 2b)
CURRENT LIABILITIES			
Trade payables	9		
Third parties	22m	168,495,389,817	187,310,122,104
Related party	2f,21	2,278,762,995	-
Other payables to third parties	8,22h	76,432,251,930	51,057,320,380
Accrued expenses	2f,11,18,22f	157,216,319,564	91,436,981,678
Taxes payable	10	34,552,510,560	48,275,070,877
Derivative liabilities - net	2q,23	14,030,194,787	-
Other current liabilities		7,726,910,783	7,757,166,956
Current maturities of long-term liabilities			
Loans from banks and financial institutions	2f,11,21	393,200,000,000	729,265,000,000
Obligations under capital lease	2k,8,12	1,912,022,428	2,350,111,368
TOTAL CURRENT LIABILITIES		855,844,362,864	1,117,451,773,363
NON-CURRENT LIABILITIES			
Due to related parties	2f,21	5,695,739,069	1,805,083,198
Deferred tax liabilities - net	2r,10	495,137,737,395	61,494,499,224
Long-term liabilities - net of current maturities			
Loans from banks and financial institutions	2f,11,21	3,476,891,067,797	3,880,090,365,405
Obligations under capital lease	2k,8,12	119,749,997	1,593,683,485
Others	2o,20,22p	64,993,084,453	43,323,862,455
Deferred gain on sale-and-leaseback transactions - net	2k	8,316,073,554	9,459,341,210
TOTAL NON-CURRENT LIABILITIES		4,051,153,452,265	3,997,766,834,977
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	13	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,14	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	15	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i,8,10	229,970,296,236	-
Differences arising from restructuring transactions among entities under common control	2b	1,165,715,376,569	1,165,715,376,569
Differences arising from changes in the equity of Subsidiaries	2b	6,333,962,836	5,447,335,825
Unrealized losses on available-for-sale securities - net	2d	-	(3,045,917,820)
Retained earnings			
Appropriated	16	125,000,000,000	100,000,000,000
Unappropriated		729,260,041,606	14,574,163,978
NET SHAREHOLDERS' EQUITY		5,629,381,928,795	4,655,793,210,100
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,536,379,743,924**	**9,771,011,818,440**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
NET REVENUES	2f,2n,17, 21,22i,22k	5,592,353,968,132	4,615,507,373,678
COST OF REVENUES	2f,2n,18,20, 21,22a,22b, 22l,22m,22n	3,572,454,635,627	3,092,419,178,929
GROSS PROFIT		**2,019,899,332,505**	**1,523,088,194,749**
OPERATING EXPENSES	2f,2n,19,20, 21,22h,22j		
Delivery and selling		613,587,028,536	520,806,841,198
General and administrative		192,357,458,781	166,044,812,687
Total Operating Expenses		**805,944,487,317**	**686,851,653,885**
INCOME FROM OPERATIONS		**1,213,954,845,188**	**836,236,540,864**
OTHER INCOME (EXPENSES)			
Interest income		24,944,082,851	18,532,478,876
Foreign exchange gain (loss) - net	2p,2q,23	49,959,182,624	(498,186,881,680)
Interest expense	11	(263,474,390,735)	(185,488,392,919)
Others - net	2d,2i, 2m, 11,21,22l	34,381,842,416	133,451,716
Other Expenses - Net		**154,189,282,844**	**665,009,344,007**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (continued)

Years ended December 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	**18,046,318,226**	**13,342,851,763**
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**1,077,811,880,570**	**184,570,048,620**
CORPORATE INCOME TAX EXPENSES	2r,10		
Current		4,252,138,600	4,258,021,844
Deferred		333,873,864,342	64,288,600,218
Total Corporate Income Tax Expense		**338,126,002,942**	**68,546,622,062**
NET INCOME		**739,685,877,628**	**116,023,426,558**
BASIC EARNINGS PER SHARE	2u	**200.93**	**31.52**

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, 2005 and 2004
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 14 and 15)	Revolution Increment in Fixed Assets
Balance as of December 31, 2003 (as previously reported)		**1,840,615,849,500**	**1,532,486,402,048**	**-**
Adjustment arising from adoption of PSAK No. 38 (Revised 2004)	2b	-	-	-
Balance as of December 31, 2003 (as restated)		**1,840,615,849,500**	**1,532,486,402,048**	**-**
Net income		-	-	-
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-
Appropriation of retained earnings for general reserve	16	-	-	-
Changes in the equity of a Subsidiary arising from the recovery from decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-
Balance as of December 31, 2004 (as restated)		**1,840,615,849,500**	**1,532,486,402,048**	**-**
Net income		-	-	-
Changes in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-
Realized loss on sale of investments in available-for-sale securities	2b,2d	-	-	-
Recovery from decline in market values of investments in available-for-sale securities	2d	-	-	-
Write-off of investments in available-for-sale securities with permanent decline in market value	2b,2d	-	-	-
Appropriation of retained earnings for general reserve	16	-	-	-
Changes in the equity of a Subsidiary arising from the decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-
Revaluation increment in fixed assets	8	-	-	229,970,296,236
Balance as of December 31, 2005		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**

* Including Other Paid-in Capital

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

Years ended December 31, 2005 and 2004
(Expressed in rupiah)

Differences Arising from Restructuring Transactions Among Entities Under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Unrealized Losses on Available-for-Sale Securities - Net	Retained Earnings (Deficit)		Net Shareholders' Equity
			Appropriated	Unappropriated	
(330,799,198,508)	**(841,391,078)**	**(3,069,178,320)**	**75,000,000,000**	**1,420,065,312,497**	**4,533,457,796,139**
1,496,514,575,077	-	-	-	(1,496,514,575,077)	-
1,165,715,376,569	**(841,391,078)**	**(3,069,178,320)**	**75,000,000,000**	**(76,449,262,580)**	**4,533,457,796,139**
-	-	-	-	116,023,426,558	116,023,426,558
-	6,278,731,152	-	-	-	6,278,731,152
-	-	23,260,500	-	-	23,260,500
-	-	-	25,000,000,000	(25,000,000,000)	-
-	9,995,751	-	-	-	9,995,751
1,165,715,376,569	**5,447,335,825**	**(3,045,917,820)**	**100,000,000,000**	**14,574,163,978**	**4,655,793,210,100**
-	-	-	-	739,685,877,628	739,685,877,628
-	1,339,027,011	-	-	-	1,339,027,011
-	-	166,314,209	-	-	166,314,209
-	-	554,910,000	-	-	554,910,000
-	-	2,324,693,611	-	-	2,324,693,611
-	-	-	25,000,000,000	(25,000,000,000)	-
-	(452,400,000)	-	-	-	(452,400,000)
-	-	-	-	-	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**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		5,950,081,359,459	4,911,529,233,595
Payments to suppliers and contractors, and for salaries and other employees' benefits		(4,240,613,316,254)	(3,344,350,056,027)
Cash provided by operations		1,709,468,043,205	1,567,179,177,568
Proceeds from claims for tax refund	10	22,644,517,528	15,872,718,682
Receipts of interest income		16,126,669,839	13,345,976,519
Payments of taxes		(388,306,921,298)	(317,521,602,112)
Net receipts from other operating activities		870,572,669	25,090,069,938
Net Cash Provided by Operating Activities		**1,360,802,881,943**	**1,303,966,340,595**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received	7	12,577,602,055	1,601,788,549
Refund of investment in associated company	7	6,600,000,000	-
Proceeds from sale of fixed assets	8	551,172,068	105,700,000
Proceeds from sale of marketable securities		103,377,617	-
Purchases of fixed assets		(150,274,790,566)	(69,633,378,368)
Acquisition of a subsidiary	2b	-	(1,000,000,000)
Net Cash Used in Investing Activities		**(130,442,638,826)**	**(68,925,889,819)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payment for cross currency interest rate swap transaction		(39,037,547,060)	-
Net proceeds from (payment for) derivative transactions		(3,211,404,898)	7,270,772,250
Payment of obligations under capital lease	12	(2,245,547,785)	(2,186,013,733)
Net Cash Provided by (Used in) Financing Activities		**(44,494,499,743)**	**5,084,758,517**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		1,590,627,958	19,827,774,102
NET RECLASSIFICATION OF CASH AND CASH EQUIVALENTS TO OTHER ASSETS (RESTRICTED CASH AND TIME DEPOSITS)		(996,878,506,103)	(1,252,605,219,445)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**190,577,865,229**	**7,347,763,950**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	**307,432,518,403**	**300,084,754,453**
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**498,010,383,632**	**307,432,518,403**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2005 and 2004
(Expressed in rupiah)

	Notes	2005	2004
Activities not affecting cash and cash equivalents:			
Payment of bank loans from restricted cash accounts (including debt buy-back of Rp64,477,910,000 in 2005 and Rp355,904,265,452 in 2004)	11	767,339,804,256	1,238,168,011,605
Recognition of revaluation increment in fixed assets	8	328,528,994,621	-
Payment of interest using restricted cash accounts	11	182,047,495,964	174,098,391,477
Interest earned on restricted cash accounts	11	4,882,240,714	2,277,442,403
Payments to facility and security agents using restricted cash accounts	11	2,608,875,000	-
Acquisitions of fixed assets under capital lease arrangements	8,12	-	480,000,000

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

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 27 of Ridwan Suselo, S.H. Its deed of incorporation was approved by the Ministry of Justice in its decision letter No. C2-2876HT.01.01.Th.85 dated May 17, 1985 and was published in Supplement No. 57 of State Gazette No. 946 dated July 16, 1985. The Company's articles of association has been amended from time to time, the latest amendment of which was covered by notarial deed No. 24 dated June 16, 2005 of Amrul Partomuan Pohan, S.H., LLM. concerning, among others, the change in the members of the Company's boards of commissioners and directors. Such amendments were registered with the Ministry of Justice and Human Rights on June 23, 2005.

The Company started its commercial operations in 1985.

As stated in Article 3 of the Company's articles of association, the scope of its activities comprises, among others, the manufacture of cement, building materials, construction and trading. Currently, the Company and Subsidiaries are involved in several businesses consisting of the manufacture and sale of cement (as core business) and ready mix concrete.

The Company's head office is located at Wisma Indocement 8th Floor, Jl. Jend. Sudirman Kav. 70-71, Jakarta. Its factories are located in Citeureup - West Java, Cirebon - West Java and Tarjun - South Kalimantan.

The cement business includes the operations of the Company's twelve (12) plants located in three different sites: nine at the Citeureup - Bogor site, two at the Palimanan - Cirebon site and one at the Tarjun - South Kalimantan site, with a total combined annual production capacity of approximately 15.4 million tons of clinker. The ready mix concrete manufacturing business comprises the operation of the Company's two subsidiaries.

Based on the minutes of the extraordinary general meeting of the Company's shareholders (EGMS) held on October 2, 1989, which were covered by notarial deed No. 4 of Amrul Partomuan Pohan, S.H., LLM., the shareholders approved, among others, the offering of 598,881,000 shares to the public. Based on the minutes of the EGMS held on March 18, 1991, which were covered by notarial deed No. 53 of the same notary, the shareholders approved the issuance of convertible bonds with a total nominal value of US$75 million. On June 20, 1991, in accordance with the above-mentioned shareholders' approval, the Company issued and listed US$75 million worth of 6.75% Euro Convertible Bonds (the "Euro Bonds") on the Luxembourg Stock Exchange at 100% issue price, with an original maturity in 2001. The Euro Bonds were convertible into common shares starting August 1, 1991 up to May 20, 2001 at the option of the bondholders at the initial conversion price of Rp14,450 per share, with a fixed rate of exchange upon conversion of US$1 to Rp1,946.

In 1994, the Company issued 8,555,640 shares on the partial conversion of the Euro Bonds worth US$35,140,000. Accordingly, the Company transferred and reclassified the corresponding portion of the related bonds payable amounting to Rp8,555,640,000 to capital stock and Rp67,320,100,000 to additional paid-in capital. The remaining balance of the Euro Bonds with total nominal value of US$39,860,000 was fully redeemed and settled in 1994.

In the EGMS held on June 15, 1994, the shareholders approved the increase in the Company's authorized capital stock from Rp750 billion to Rp2,000 billion, and the issuance of one bonus share for every share held by the shareholders as of August 23, 1994, or a total of 599,790,020 bonus shares.

In the EGMS held on June 26, 1996, the shareholders resolved to split the par value of the Company's shares from Rp1,000 per share to Rp500 per share. Accordingly, the number of issued and fully paid capital stock was also increased from 1,207,226,660 shares to 2,414,453,320 shares. This shareholders' resolution was approved by the Ministry of Justice in its decision letter No. C2-HT.01.04.A.4465 dated July 29, 1996.

On December 29, 2000, the Company issued 69,863,127 shares to Marubeni Corporation as a result of the conversion into equity of the latter's receivable from the Company (debt-to-equity swap).

(Expressed in rupiah, unless otherwise stated)

In the EGMS held on March 29, 2001, the shareholders approved the rights issue offering with pre-emptive rights to purchase new shares at Rp1,200 per share. The total number of shares allocated for the rights issue was 1,895,752,069 shares with an option to receive Warrant C if the shareholders did not exercise their rights under certain terms and conditions.

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

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

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

As of December 31, 2005 and 2004, the members of the Company's boards of commissioners and directors are as follows:

	2005	2004
Board of Commissioners		
President	Daniel Hugues Jules Gauthier	Jean-Claude Thierry A. Dosogne
Vice President	Sudwikatmono	Sudwikatmono
Vice President	I Nyoman Tjager	I Nyoman Tjager
Commissioner	Parikesit Suprapto	Parikesit Suprapto
Commissioner	Lorenz Naeger	Lorenz Naeger
Commissioner	Bernhard Scheifele	Hans Erwin Bauer
Commissioner	Ali Emir Adiguzel	Daniel Hugues Jules Gauthier
Board of Directors		
President	Daniel Eugene Antoine Lavalle	Daniel Eugene Antoine Lavalle
Vice President	Tedy Djuhar	Tedy Djuhar
Director	Thomas Willi Kern	Thomas Willi Kern
Director	Hans Oivind Hoidalen	Hans Oivind Hoidalen
Director	Iwa Kartiwa	Iwa Kartiwa
Director	Nelson G. D. Borch	Nelson G. D. Borch
Director	Benny Setiawan Santoso	Benny Setiawan Santoso
Director	Christian Kartawijaya	Christian Kartawijaya
Director	Albert Scheuer	Philippe Albert Kaplan

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp28 billion and Rp26 billion for the years ended December 31, 2005 and 2004, respectively. As of December 31, 2005 and 2004, the Company and Subsidiaries have a total of 6,678 and 6,851 permanent employees, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

(Expressed in rupiah, unless otherwise stated)

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, 2005	Effective Percentage of Ownership (%)
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	388,916,860,320	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	73,391,182,749	99.99
Indocement (Cayman Islands) Limited	Investing	Cayman Islands	1991/1991	45,157,212,680	100.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	97,820,577,644	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,688,531,689	99.99

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

On July 9, 2004, DAP and Indomix, subsidiaries, acquired 1,000 shares of MBG at book value, representing 100% ownership from PT Total Galaxy and Mr. Freddysun, third parties. MBG is a company which has obtained the right to use ("hak pengelolaan") the Lembar port in Lombok (where the Company built its terminal), for a period of 20 years from PT (PERSERO) Pelabuhan Indonesia III starting January 1, 2001.

As of December 31, 2005, MBG has not yet started its commercial operations.

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

(Expressed in rupiah, unless otherwise stated)

	Year of Incorporation	Country of Domicile	Total Assets as of December 31, 2005
PT Bhakti Sari Perkasa Abadi	1998	Indonesia	5,000,000
PT Lentera Abadi Sejahtera	1998	Indonesia	5,000,000
PT Mandiri Sejahtera Sentra	1998	Indonesia	5,000,000
PT Sari Bhakti Sejati	1998	Indonesia	5,000,000
PT Makmur Abadi Perkasa Mandiri	1998	Indonesia	-

All significant intercompany accounts and transactions have been eliminated.

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

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

All other investments are carried at cost.

Effective January 1, 2005, the Company adopted PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control" on a retrospective basis. This PSAK provides for the realization of the restructuring differences to gain or loss if the conditions stated in the PSAK are fulfilled. The consolidated financial statements for the year ended December 31, 2004 have been restated for the retrospective recognition of the restructuring differences totaling Rp1,496,514,575,077 which were recognized on the acquisition of the shares of stock of PT Indofood Sukses Makmur Tbk. (ISM) and its subsidiaries, sale of Bogasari's net assets to ISM, acquisition of PT Indominco Mandiri and others. As of December 31, 2005 and 2004, the Company and the above companies are no longer under common control, and the related investments in the above companies have already been disposed. Therefore, in compliance with PSAK No. 38 (Revised 2004), the balances of the "Differences Arising from Restructuring Transactions among Entities under Common Control" account as shown under the Shareholders' Equity section of the consolidated balance sheets and consolidated statements of changes in shareholders' equity in the 2004 and 2003 financial statements have been restated as follows:

	2004	2003
Differences Arising from Restructuring Transactions among Entities under Common Control		
As previously reported	(330,799,198,508)	(330,799,198,508)
Adjustment arising from adoption of PSAK No. 38 (Revised 2004)	1,496,514,575,077	1,496,514,575,077
As restated	**1,165,715,376,569**	**1,165,715,376,569**

(Expressed in rupiah, unless otherwise stated)

	2004	2003
Retained Earnings - Unappropriated		
As previously reported	1,511,088,739,055	1,420,065,312,497
Adjustment arising from adoption of PSAK No. 38 (Revised 2004)	(1,496,514,575,077)	(1,496,514,575,077)
As restated	**14,574,163,978**	**(76,449,262,580)**

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

c. Cash Equivalents

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

d. Short-term Investments

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

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

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

e. Allowance for Doubtful Accounts

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

f. Transactions with Related Parties

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

All significant transactions and balances with related parties, whether or not conducted using terms and conditions similar to those granted to third parties, are disclosed in Note 21.

g. Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

h. Prepaid Expenses

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

i. Fixed Assets

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

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

Land is stated at cost and is not depreciated.

Construction in progress is stated at cost (including capitalized interest - see following item "l"). Cost is reduced by the amount of revenue generated from the sale of finished products during the trial production run less the related cost of production. The accumulated cost will be reclassified to the appropriate fixed assets account when the construction is substantially completed and the constructed asset is ready for its intended use.

The costs of maintenance and repairs are charged to operations as incurred; significant renewals and betterments which meet the capitalization criteria under PSAK No. 16, "Fixed Assets", are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation, amortization or depletion are removed from the accounts, and any resulting gains or losses are credited or charged to current operations.

j. Impairment of Assets

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as a loss in the current year's statement of income.

k. Leases

Lease transactions are accounted for under the capital lease method when the required capitalization criteria under PSAK No. 30, "Accounting for Leases", are met. Otherwise, lease transactions are accounted for under the operating lease method. Assets under capital lease (presented as part of "Fixed Assets" in the consolidated balance sheets) are recorded based on the present value of the lease payments at the beginning of the lease term plus residual value (option price) to be paid at the end of the lease period. Depreciation of leased assets is computed based on the methods and estimated useful lives used for similar fixed assets acquired under direct ownership.

Gain on sale-and-leaseback transactions is deferred and amortized using the same basis and methods as mentioned above.

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

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 2005 and 2004, no borrowing costs were capitalized.

m. Deferred Charges

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

n. Revenue and Expense Recognition

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

o. Provision for Employee Benefits

(i) Retirement Benefits

The Company has a defined contribution retirement plan (Pension Plan) covering all of its qualified permanent employees and an unfunded employee benefit liability in accordance with the existing Collective Labor Agreement (CLA). The provision for the CLA has been calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plan with the benefit as stipulated in the CLA after deducting the accumulated employee contribution and the related investment results. If the employer-funded portion of the Pension Plan benefit is less than the benefit as required by the CLA, the Company provides for such shortage. Prior to January 1, 2004, the Company determined its employee benefit liability under the CLA based on an actuarial valuation and amortized unrecognized past service costs over the estimated average remaining years of service of qualified employees.

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

Effective January 1, 2004, the Company decided to early adopt PSAK No. 24 (Revised 2004) - Employee Benefits, on a retrospective basis and changed its previous accounting method for employee benefits to the method required under this revised PSAK.

(Expressed in rupiah, unless otherwise stated)

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under the CLA/Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed the higher of 10% of the present value of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are amortized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

Since the difference between the benefits under this revised PSAK and the benefits recognized prior to 2004 is immaterial, the Company recorded such difference in the 2004 consolidated statement of income (see Note 20).

(ii) Post-retirement Healthcare Benefits

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

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah at the middle rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange quoted at the closing of the last banking day of the year. The resulting gains or losses are credited or charged to current operations, except for those capitalized under PSAK No. 26 (see Note 2l).

As of December 31, 2005 and 2004, the rates of exchange used are as follows:

	2005	2004
Euro (EUR1)	11,659.87	12,652.06
U.S. dollar (US$1)	9,830.00	9,290.00
Japanese yen (JP¥100)	8,342.18	9,042.26

Transactions in other foreign currencies are insignificant.

q. Derivative Instruments

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

The accounting for changes in the fair value of a derivative depends on the documented use of the derivative and the resulting designation. The Company has entered into forward and option currency contracts to hedge market risks arising from fluctuations in exchange rates relating to its foreign currency denominated loans. However, based on the specific requirements for hedge accounting under PSAK No. 55, the said instruments can not be designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly in earnings.

(Expressed in rupiah, unless otherwise stated)

r. Corporate Income Tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when any of the assets is realized or any of the liabilities is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

s. Segment Reporting

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and other businesses. Financial information on business segments is presented in Note 17.

t. Stock Issuance Costs

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

u. Net Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2005 and 2004.

In accordance with PSAK No. 56, "Earnings per Share", the Company did not consider the dilutive effects of its outstanding warrants issued in computing earnings per share in 2004 since the exercise price of the outstanding warrants was higher than the market price of the Company's shares listed on the stock exchange.

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:

	2005	2004
Cash on hand	903,672,897	674,759,397
Cash in banks		
PT Bank Mandiri (Persero) Tbk.		
Rupiah	19,529,839,532	12,921,074,530
Euro (EUR668,901 in 2005 and EUR47,893 in 2004)	7,799,293,806	605,949,411
U.S. dollar (US$161,058 in 2005 and US$298,459 in 2004)	1,583,199,157	2,772,682,717

(Expressed in rupiah, unless otherwise stated)

	2005	2004
PT Bank Central Asia Tbk.		
Rupiah	4,736,046,427	6,923,632,809
U.S. dollar (US$468,385 in 2005 and US$258,212 in 2004)	4,604,224,845	2,398,787,344
Euro (EUR290,674 in 2005 and EUR478,496 in 2004)	3,389,219,653	6,053,961,240
ABN-AMRO Bank N.V.		
Euro (EUR455,502)	5,311,098,069	-
U.S. dollar (US$316,559 in 2005 and US$3,907,038 in 2004)	3,111,779,492	36,296,381,627
Japanese yen (JP¥28,641,411)	2,389,318,060	-
Rupiah	1,447,689,689	3,305,942,080
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	10,341,049,894	7,778,332,514
PT Bank Lippo Tbk.		
Rupiah	7,344,525,701	1,470,388,067
Others		
Rupiah	1,568,037,038	1,774,777,649
U.S. dollar (US$53,319 in 2005 and US$55,353 in 2004)	524,125,770	514,227,512
Other foreign currencies	9,135,438	89,071,506
Rupiah time deposits		
PT Bank Central Asia Tbk.	59,500,000,000	3,000,000,000
ABN-AMRO Bank N.V.	27,000,000,000	105,612,550,000
PT Bank Mandiri (Persero) Tbk.	10,500,000,000	59,500,000,000
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US$33,206,320 in 2005 and US$6,000,000 in 2004)	326,418,128,164	55,740,000,000
Total	**498,010,383,632**	**307,432,518,403**

Interest rates per annum ranged from 5.00% to 14.00% in 2005 and from 4.75% to 7.93% in 2004 for the rupiah time deposits, and from 1.75% to 3.75% in 2005 and at 1.20% in 2004 for the U.S. dollar time deposits.

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2005	2004
Related Party (see Note 21)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$4,872,610 in 2005 and US$3,335,409 in 2004)	**47,897,758,168**	**30,985,951,840**
Third Parties		
Cement and ready mix concrete business	519,798,926,680	425,669,245,805
Allowance for doubtful accounts	(13,835,340,496)	(13,822,091,743)
Net	**505,963,586,184**	**411,847,154,062**

(Expressed in rupiah, unless otherwise stated)

The movements of allowance for doubtful accounts are as follows:

	2005	2004
Balance at beginning of year	13,822,091,743	13,332,091,743
Provision during the year	6,682,663,190	490,000,000
Receivables written off during the year	(6,655,585,161)	-
Reversal of allowance for doubtful accounts collected during the year	(13,829,276)	-
Balance at end of year	**13,835,340,496**	**13,822,091,743**

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

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

The aging of trade receivables based on their currency denominations as of December 31, 2005 and 2004 is as follows:

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

	2004		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	360,362,818,067	30,336,209,240	390,699,027,307
Overdue:			
1 - 30 days	28,219,480,165	-	28,219,480,165
31 - 60 days	8,520,332,618	-	8,520,332,618
61 - 90 days	4,941,620,680	-	4,941,620,680
Over 90 days	18,541,095,032	5,733,641,843	24,274,736,875
Total	**420,585,346,562**	**36,069,851,083**	**456,655,197,645**

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2005	2004
Contested payment for tax assessments	5,502,658,681	5,502,658,681
Others	7,318,210,438	5,833,927,713
Total	12,820,869,119	11,336,586,394
Allowance for doubtful accounts	(7,371,980,358)	(8,503,980,725)
Net	**5,448,888,761**	**2,832,605,669**

(Expressed in rupiah, unless otherwise stated)

The movements of allowance for doubtful accounts are as follows:

	2005	2004
Balance at beginning of year	8,503,980,725	1,389,089,659
Provision during the year	-	7,114,891,066
Receivables written off during the year	(1,130,934,917)	-
Reversal of allowance on doubtful accounts collected during the year	(1,065,450)	-
Balance at end of year	**7,371,980,358**	**8,503,980,725**

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:

	2005	2004
Finished goods	68,680,550,631	35,836,142,073
Work in process	108,997,225,500	75,301,148,375
Raw materials	48,763,057,251	33,809,948,672
Fuel and lubricants	196,943,465,421	89,007,779,655
Spare parts	526,091,604,131	521,885,328,752
Materials in transit and others	-	134,338,359
Total	949,475,902,934	755,974,685,886
Allowance for inventory losses	(38,184,113,445)	(44,075,191,481)
Net	**911,291,789,489**	**711,899,494,405**

With the exception of inventories owned by Indomix and PBI amounting to Rp8.74 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (see Note 8).

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

The movements of allowance for inventory losses are as follows:

	2005	2004
Balance at beginning of year	44,075,191,481	40,063,072,423
Provisions during the year	812,733,614	8,076,472,458
Reversals during the year	(1,366,739,241)	(4,064,353,400)
Inventories written off during the year	(5,337,072,409)	-
Balance at end of year	**38,184,113,445**	**44,075,191,481**

Management believes that the above allowance for inventory losses is sufficient to reduce the carrying amounts of inventories to their net realizable values.

The Company made advance payments to several foreign suppliers for the purchase of certain inventories. The outstanding balances of the purchase advances as of December 31, 2005 and 2004 amounting to Rp74,188,520,465 and Rp30,538,307,522, respectively, are presented as part of "Advances and Deposits" in the consolidated balance sheets.

(Expressed in rupiah, unless otherwise stated)

7. LONG-TERM INVESTMENTS AND ADVANCES TO ASSOCIATED COMPANY

The details of this account are as follows:

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

	2004			
	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses) - Net	Carrying Value
Investments in Shares of Stock				
a. *Equity Method*				
PT Cibinong Center Industrial Estate	50.00	36,624,000,000	(16,109,069,629)	20,514,930,371
Stillwater Shipping Corporation	50.00	105,500,000	14,303,327,160	14,408,827,160
PT Pama Indo Mining	40.00	1,200,000,000	6,452,102,711	7,652,102,711
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. *Cost Method*				
Various investees	various	20,000,000	-	20,000,000
Sub-total		38,414,287,500	4,181,572,742	42,595,860,242
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**42,595,860,242**

The principal activities of the above investees are as follows:

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

(Expressed in rupiah, unless otherwise stated)

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Stillwater Shipping Corporation	11,231,810,109	4,287,168,517
PT Cibinong Center Industrial Estate	4,953,633,930	6,618,935,111
PT Pama Indo Mining	1,860,874,187	2,436,748,135
Total	**18,046,318,226**	**13,342,851,763**

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

The Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp2,267,602,055 in 2005 and Rp1,600,803,229 in 2004, and from Stillwater Shipping Corporation amounting to US$1,000,000 (equivalent to Rp10,240,000,000) in 2005.

Based on the minutes of the shareholders' extraordinary meeting held on December 30, 2002, which were covered by notarial deed No. 2 dated January 7, 2003 of Notary Deni Thanur, S.E., S.H., M.Kn, the shareholders approved to liquidate PT Indo Clean Set Cement (ICSC). As of December 31, 2005, the liquidation process of ICSC is still ongoing. The additional equity in net losses of ICSC after 2002 has not been recognized in the consolidated financial statements since ICSC has ceased operations and the effects of the additional equity are immaterial to the consolidated financial statements.

8. FIXED ASSETS

Fixed assets consist of:

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

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

* Includes revaluation increment on machinery and transportation equipment amounting to Rp273,366,446,892 and Rp55,162,547,729, respectively.

	Balance as of December 31, 2003	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 2004
2004 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	199,336,944,132	10,117,545,759	-	209,454,489,891
Leasehold improvements	2,778,978,661	325,206,100	-	3,104,184,761
Quarry	71,572,756,395	2,911,696,301	-	74,484,452,696
Buildings and structures	2,869,715,188,338	3,942,098,474	-	2,873,657,286,812
Machinery and equipment	7,229,921,005,652	53,248,362,774	118,785,591	7,283,050,582,835
Transportation equipment	339,364,488,980	10,782,282,380	5,271,624,348	344,875,147,012
Furniture, fixtures and office equipment	182,527,745,485	15,215,543,788	958,268,179	196,785,021,094
Tools and other equipment	50,459,505,482	7,806,179,718	103,591,779	58,162,093,421
Sub-total	10,945,676,613,125	104,348,915,294	6,452,269,897	11,043,573,258,522
Assets under capital lease				
Machinery and equipment	366,518,240	-	-	366,518,240
Transportation equipment	6,646,904,800	480,000,000	-	7,126,904,800
Sub-total	7,013,423,040	480,000,000	-	7,493,423,040
Construction in progress	98,840,606,129	55,703,331,367	53,483,229,602	101,060,707,894
Total Carrying Value	11,051,530,642,294	160,532,246,661	59,935,499,499	11,152,127,389,456

(Expressed in rupiah, unless otherwise stated)

	Balance as of December 31, 2003	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of December 31, 2004
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	19,943,913,602	1,811,480,325	-	21,755,393,927
Leasehold improvements	1,978,944,982	287,825,406	-	2,266,770,388
Quarry	13,498,356,128	1,922,243,147	-	15,420,599,275
Buildings and structures	531,991,259,186	94,840,090,444	-	626,831,349,630
Machinery and equipment	1,921,180,277,928	337,123,947,233	84,706,029	2,258,219,519,132
Transportation equipment	265,776,028,288	20,913,102,840	4,750,304,865	281,938,826,263
Furniture, fixtures and office equipment	120,497,102,926	22,918,217,060	934,562,246	142,480,757,740
Tools and other equipment	35,989,900,653	5,171,041,486	92,564,990	41,068,377,149
Sub-total	2,910,855,783,693	484,987,947,941	5,862,138,130	3,389,981,593,504
Assets under capital lease				
Machinery and equipment	-	45,814,780	-	45,814,780
Transportation equipment	-	845,863,100	-	845,863,100
Sub-total	-	891,677,880	-	891,677,880
Total Accumulated Depreciation, Amortization and Depletion	2,910,855,783,693	485,879,625,821	5,862,138,130	3,390,873,271,384
Net Book Value	**8,140,674,858,601**			**7,761,254,118,072**

Construction in progress consists of:

	2005	2004
Machineries under installation	128,627,246,888	74,843,711,677
Buildings and structures under construction	2,512,897,805	11,883,211,701
Others	12,389,171,430	14,333,784,516
Total	**143,529,316,123**	**101,060,707,894**

Below are the percentages of completion and estimated completion periods of the construction in progress as of December 31, 2005:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	10 - 90%	2 to 24 months
Buildings and structures under construction	6 - 95	3 to 18 months
Others	30 - 95	2 to 24 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp1,691,047,494 and Rp978,756,129 as of December 31, 2005 and 2004, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

In November 2005, the Company received a decision letter from the Tax Office which approved the revaluation of certain machinery and transportation equipment. The increment of Rp229,970,296,236, which is net of deferred tax effect amounting to Rp98,558,698,385, between the revalued amount and the net book value of these fixed assets was recognized as revaluation increment in fixed assets, which is presented in the shareholders' equity section of the 2005 consolidated balance sheet, while the difference of Rp430,904,292,854 between the revalued amount and the fiscal book value was compensated against the Company's tax loss carryforward (see Note 10).

(Expressed in rupiah, unless otherwise stated)

Fixed assets are used as collateral to secure the long-term loans from banks and financial institutions (see Note 11).

Depreciation, amortization and depletion charges amounted to Rp468,151,322,175 in 2005 and Rp485,879,625,821 in 2004.

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 Rp207,469,617,044 and US$2,641,479,016 as of December 31, 2005. 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 or "Hak Milik" (HM) over land covering approximately 3,212.36 hectares, and local mining rights or "Surat Izin Penambangan Daerah" (SIPD) covering approximately 10,543.199 hectares at several locations in Indonesia, with legal terms ranging from 5 to 30 years. Management believes that such titles of land rights ownerships can be extended upon their expiration.

As of December 31, 2005, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 2,321,591 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 430,687 square meters. The total expenditures amounting to Rp15,757,168,960 as of December 31, 2005 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, 2005 and 2004 amounting to Rp24,590,662,409 and Rp9,269,819,000, respectively, are presented as part of "Other Non-current Assets" in the consolidated balance sheets.

9. TRADE PAYABLES

This account consists of the following:

	2005	2004
Third Parties - Cement and ready mix concrete business		
Rupiah	151,647,765,581	172,743,223,210
U.S. dollar (US$1,013,796 in 2005 and US$166,200 in 2004)	9,991,399,978	1,543,998,804
Other foreign currencies	6,856,224,258	13,022,900,090
Total - Third Parties	168,495,389,817	187,310,122,104
Related Party - Cement business (see Note 21)	2,278,762,995	-
Total Trade Payables	**170,774,152,812**	**187,310,122,104**

(Expressed in rupiah, unless otherwise stated)

The aging analysis of trade payables based on their currency denomination as of December 31, 2005 and 2004 is as follows:

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

	2004		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	150,950,427,513	654,210,629	151,604,638,142
Overdue:			
1 - 30 days	13,314,335,760	3,448,140,908	16,762,476,668
31 - 60 days	1,987,679,930	566,021,536	2,553,701,466
61 - 90 days	3,946,633,675	-	3,946,633,675
Over 90 days	2,544,146,332	9,898,525,821	12,442,672,153
Total	**172,743,223,210**	**14,566,898,894**	**187,310,122,104**

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

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

10. TAXATION

a. Taxes Payable

	2005	2004
Income taxes		
Article 21	5,123,617,107	4,209,382,028
Article 22	1,078,391,112	976,144,978
Article 23	2,290,020,061	1,822,359,955
Article 25	5,050,000	-
Article 26	1,639,967,475	2,544,504,540
Article 29	272,790,669	-
Value added tax	24,142,674,136	38,722,679,376
Total	**34,552,510,560**	**48,275,070,877**

(Expressed in rupiah, unless otherwise stated)

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, 2005 and 2004 is as follows:

	2005	2004
Income before corporate income tax expense per consolidated statements of income	1,077,811,880,570	184,570,048,620
Income of Subsidiaries before corporate income tax expense - net	(14,285,907,710)	(20,511,753,488)
Reversal of inter-company consolidation eliminations	72,113,420,472	7,109,069,170
Income before corporate income tax expense attributable to the Company	1,135,639,393,332	171,167,364,302
Add (deduct):		
Temporary differences		
Provision for employee benefits - net	12,725,799,127	14,764,543,824
Provision for post-retirement healthcare benefits - net	4,409,314,000	-
Provision for recultivation - net (see Note 22p)	3,039,909,909	3,858,455,725
Depreciation of fixed assets	(170,004,805,594)	(190,831,150,447)
Provision for trade discount	(13,543,264,140)	13,543,264,140
Provisions for doubtful accounts and inventory losses - net	(12,942,669,779)	5,624,351,443
	(176,315,716,477)	(153,040,535,315)
Permanent differences		
Non-deductible expenses		
Employees' benefits	48,008,153,178	36,104,695,727
Donations	11,879,141,457	10,767,003,860
Public relations	3,877,345,366	7,060,114,343
Tax expense	-	5,502,658,681
Others	847,210,613	1,912,248,766
Cash dividend income	(74,950,000,000)	(9,500,000,000)
Income already subjected to final tax	(15,333,654,252)	(9,308,295,848)
Equity in net earnings of associated companies - net	(6,814,508,117)	(9,055,683,246)
	(32,486,311,755)	33,482,742,283
Estimated taxable income of the Company	926,837,365,100	51,609,571,270
Estimated tax loss carryforward at beginning of year	(1,627,684,818,624)	(1,692,713,302,871)
Revaluation increment in fixed assets (see Note 8)	430,904,292,854	-
Corrections by the Tax Office	13,012,856,409	13,418,912,977
Estimated tax loss carryforward at end of year	**(256,930,304,261)**	**(1,627,684,818,624)**

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

(Expressed in rupiah, unless otherwise stated)

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

	2005	2004
Current		
Company	-	-
Subsidiaries	4,252,138,600	4,258,021,844
	4,252,138,600	4,258,021,844
Deferred		
Company	335,084,539,785	65,420,705,869
Subsidiaries	(1,210,675,443)	(1,132,105,651)
	333,873,864,342	64,288,600,218
Total	**338,126,002,942**	**68,546,622,062**

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

	2005	2004
Current income tax expense		
Company	-	-
Subsidiaries	4,252,138,600	4,258,021,844
Total	4,252,138,600	4,258,021,844
Prepayments of income tax		
Company	10,368,661,923	8,383,878,232
Subsidiaries	10,201,181,203	7,259,831,101
Total	20,569,843,126	15,643,709,333
Estimated claims for income tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	10,368,661,923	8,383,878,232
Subsidiaries	6,221,833,272	3,001,809,257
Total for the current year	16,590,495,195	11,385,687,489
Claims for income tax refund from prior years:		
Company		
2004	8,383,878,232	-
2003	-	22,561,403,965
Subsidiaries	12,622,709,918	9,582,711,796
Total	**37,597,083,345**	**43,529,803,250**

As of the independent auditors’ report date, the Company has not yet submitted its 2005 income tax return, however, management represents that its 2005 corporate income tax return will be prepared based on the computation as stated above. The Company’s estimated taxable income for 2004, as stated above, conforms with the amounts reported in its 2004 corporate income tax return.

As of the independent auditors’ report date, the Tax Office is conducting an examination of the Company’s 2004 income tax.

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

In March 2004, the Company received a decision letter from the Tax Office wherein the Tax Office approved to refund the claim for 2002 income tax and increased the 2002 taxable income to Rp1,080,012,260,671. The difference of Rp13,418,912,977 between the amount of taxable income approved by the Tax Office and the amount reported was recognized as an adjustment to the Company’s tax loss carryforward in 2004.

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In March 2005, DAP received a decision letter from the Tax Office wherein the Tax Office disapproved DAP's 2003 claim for tax refund amounting to Rp3,830,534,868 and made additional tax assessment of Rp37,447,192. DAP is in the process of contesting the result of the tax assessment and the disapproved portion of the claim has remained as part of "Prepaid Taxes" in the consolidated balance sheets.

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

e. The reconciliation between income before corporate income tax expense multiplied by the applicable tax rate and corporate income tax expense as shown in the consolidated statements of income for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Income before corporate income tax expense	1,077,811,880,570	184,570,048,620
Reversal of inter-company consolidation eliminations	72,113,420,472	7,109,069,170
Combined income, net of loss, before income tax of the Company and Subsidiaries	1,149,925,301,042	191,679,117,790
Tax expense at the applicable tax rate	344,942,589,901	57,468,735,147
Tax effects on permanent differences:		
Non-deductible expenses	20,137,594,656	17,260,191,797
Cash dividend income	(22,485,000,000)	(2,850,000,000)
Income already subjected to final tax	(6,439,377,804)	(4,641,273,801)
Equity in net earnings of associated companies - net	(2,044,352,435)	(2,716,704,974)
Others	(124,066,688)	-
Tax corrections	4,138,615,312	4,025,673,893
Corporate income tax expense per consolidated statements of income	**338,126,002,942**	**68,546,622,062**

f. Deferred tax assets (liabilities) consist of:

	2004	Deferred Tax Benefit (Expense) Credited (Charged) to 2005 Profit and Loss	Deferred Tax Benefit (Expense) Credited (Charged) to Equity	2005
Deferred Tax Assets:				
Company				
Tax loss carryforward	488,305,445,587	(282,189,824,842)	(129,036,529,467)	77,079,091,278
Estimated liability for employee benefits	9,338,768,646	3,817,739,738	-	13,156,508,384
Allowance for doubtful accounts and inventory losses	13,295,618,437	(3,882,800,934)	-	9,412,817,503
Reserve for recultivation	2,902,904,019	911,972,973	-	3,814,876,992
Estimated liability for post-retirement healthcare benefits	-	1,322,794,200	-	1,322,794,200
Accrual for trade discount	4,062,979,242	(4,062,979,242)	-	-
Others	833,851,800	-	-	833,851,800
Sub-total	518,739,567,731	(284,083,098,107)	(129,036,529,467)	105,619,940,157
Subsidiaries	5,063,109,760	1,503,278,808	-	6,566,388,568
Total	**523,802,677,491**	**(282,579,819,299)**	**(129,036,529,467)**	**112,186,328,725**

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		Deferred Tax Benefit (Expense) Credited (Charged) to		
	2004	2005 Profit and Loss	Equity	2005
Deferred Tax Liabilities:				
Company				
Difference in net book value of fixed assets between tax and accounting bases	(580,234,066,955)	(51,001,441,678)	30,477,831,081	(600,757,677,552)
Subsidiaries	(869,543,543)	(292,603,365)	-	(1,162,146,908)
Total	**(581,103,610,498)**	**(51,294,045,043)**	**30,477,831,081**	**(601,919,824,460)**
Net Deferred Tax Assets:				
Subsidiaries	**4,193,566,217**	**1,210,675,443**	**-**	**5,404,241,660**
Net Deferred Tax Liabilities:				
Company	**(61,494,499,224)**	**(335,084,539,785)**	**(98,558,698,386)**	**(495,137,737,395)**

	2003	Deferred Tax Benefit (Expense) Credited (Charged) to 2004 Profit and Loss	2004
Deferred Tax Assets:			
Company			
Tax loss carryforward	507,813,990,861	(19,508,545,274)	488,305,445,587
Allowance for doubtful accounts and inventory losses	11,608,313,004	1,687,305,433	13,295,618,437
Estimated liability for employee benefits	4,909,405,499	4,429,363,147	9,338,768,646
Accrual for trade discount	-	4,062,979,242	4,062,979,242
Reserve for recultivation	1,745,367,302	1,157,536,717	2,902,904,019
Others	833,851,800	-	833,851,800
Sub-total	526,910,928,466	(8,171,360,735)	518,739,567,731
Subsidiaries	3,659,625,735	1,403,484,025	5,063,109,760
Total	**530,570,554,201**	**(6,767,876,710)**	**523,802,677,491**
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(522,984,721,821)	(57,249,345,134)	(580,234,066,955)
Subsidiaries	(598,165,169)	(271,378,374)	(869,543,543)
Total	**(523,582,886,990)**	**(57,520,723,508)**	**(581,103,610,498)**
Net Deferred Tax Assets:			
Company	3,926,206,645	(3,926,206,645)	-
Subsidiaries	3,352,260,121	841,306,096	4,193,566,217
Net	**7,278,466,766**	**(3,084,900,549)**	**4,193,566,217**
Net Deferred Tax Liabilities:			
Company	-	(61,494,499,224)	(61,494,499,224)
Subsidiaries	(290,799,555)	290,799,555	-
Net	**(290,799,555)**	**(61,203,699,669)**	**(61,494,499,224)**

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

(Expressed in rupiah, unless otherwise stated)

11. LONG-TERM LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

This account consists of loans from:

	2005	2004
Third parties		
Japanese yen	1,293,476,690,326	2,481,917,412,890
U.S. dollar	1,045,147,844,896	1,912,359,144,805
Rupiah	56,966,532,575	116,007,200,033
Sub-total	2,395,591,067,797	4,510,283,757,728
Related parties (see Note 21)		
U.S. dollar	1,474,500,000,000	99,071,607,677
Total	3,870,091,067,797	4,609,355,365,405
Less portions currently due	393,200,000,000	729,265,000,000
Long-term portion	**3,476,891,067,797**	**3,880,090,365,405**

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

		2005*		2004*
Japanese yen				
Third parties				
MG Leasing Corporation, Tokyo	JP¥	7,137,589,232	JP¥	-
Marubeni Corporation, Tokyo		5,872,489,165		23,289,333,141
Japan Bank for International Cooperation, Tokyo		2,495,181,503		4,158,643,503
Toal Japanese yen loans	**JP¥**	**15,505,259,900**	**JP¥**	**27,447,976,644**
U.S. dollar				
Third parties				
PT Bank Central Asia Tbk. (BCA)	US$	29,275,407	US$	50,535,649
Bayerische Hypo und Vereinsbank AG, Singapore		15,611,392		7,739,483
Other creditors (each below US$10 million)		61,435,464		147,576,230
Related parties				
HC Finance B.V.		150,000,000		-
WestLB AG, Tokyo **		-		9,046,642
WestLB Asia Pacific Ltd., Singapore **		-		1,617,685
Total U.S. dollar loans	**US$**	**256,322,263**	**US$**	**216,515,689**
Rupiah				
Third parties				
PT Bank Central Asia Tbk. (BCA)		40,891,386,095		83,271,615,665
PT Bank Mandiri (Persero) Tbk.		16,075,146,480		32,735,584,368
Total rupiah loans		**56,966,532,575**		**116,007,200,033**

* Based on the confirmation from JPMorgan Chase Bank, N.A., as the facility agent.
** Not related party anymore since July 1, 2005.

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

	2005	2004
Japanese yen	2.30 % - 3.80%	2.30% - 3.80%
U.S. dollar	3.37 % - 6.17%	3.12% - 4.42%
Rupiah	7.88 % - 10.75%	7.81% - 9.38%

The above debts represent restructured debts under the Post HZ Entry Master Facility Agreement (HZMFA) dated December 29, 2000. The HZMFA provides for, among others, the mechanism, amounts and schedules of loan installment repayments, collateral, interest rates, restrictions on granting of guarantees or loans, issuance of warrants to the lenders, restrictions on issuance of new shares or other securities, restrictions on declarations and payments of cash dividends without prior written consent from the creditors, restrictions on capital expenditures, appointment of monitoring accountants, determination and transfer of surplus cash, and restrictions on derivative transactions.

Under the HZMFA, the Company and all the lenders appointed BA Asia Limited (BAAL) to act as the Facility Agent, JPMorgan Chase Bank, N.A. (formerly The Chase Manhattan Bank), Jakarta Branch to act as the Security and Escrow Agent, and The Bank of America N.A., JPMorgan Chase Bank, N.A., The Fuji Bank, Limited and BNP Paribas to compose the Monitoring Committee. In April 2002, the Company received a letter from BAAL regarding the resignation of BAAL and The Bank of America, N.A. as part of the Monitoring Committee and the appointment of Marubeni Corporation as a replacement. Also, in December 2002, the Company was notified by JPMorgan Chase Bank, N.A. that starting on December 10, 2002, the role of Facility Agent had been transferred from BAAL to JPMorgan Chase Bank, N.A.

In September and October 2005, the Company received separate letters from JPMorgan Chase Bank, N.A. and Mizuho Global, Ltd. (formerly The Fuji Bank, Ltd.) regarding their resignation as the Chairman and a member, respectively, of the Monitoring Committee, since they have no more loan exposures to the Company. The remaining members of the Monitoring Committee are Marubeni Corporation and BNP Paribas.

The HZMFA, which has been amended from time to time, also requires the Company to:

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

In compliance with the above requirements, the Company opened and maintains eleven (11) escrow accounts with JPMorgan Chase Bank, N.A. The balances of deposits maintained in such escrow accounts amounted to Rp297,035,062,641 (consisting of Rp2,755,928, US$23,339,511 and JP¥810,398,698) as of December 31, 2005, and Rp232,687,217,363 (consisting of Rp3,678,516 and US$21,299,337 and JP¥385,000,001) as of December 31, 2004 which are presented as part of “Restricted Cash and Time Deposits” in the consolidated balance sheets.

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

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

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

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

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

- All receivables of the Company.

- All land, buildings, site improvements and other fixtures owned by the Company, except for:
  - Cement plants 6, 7 and 8, including their supporting facilities and land
  - Land where cement plants 1 and 2 are located
  - Quarry and the expansion of the Citeureup cement plants, including the land located within Kecamatan Citeureup, Cileungsi, Cibadak and Jonggol

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

- Shares of capital stock of Indomix and DAP.

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

- Amendment of the HZMFA to allow the Company to engage in currency hedges for tenures of up to 4 (four) years, and enter into swap transactions under International Swap and Derivative Association documentation in relation to the proposed refinancing transaction.

- Amendment of the HZMFA to reduce the scheduled principal repayments to be US$40 million per annum or to be US$10 million quarterly starting April 2005 until January 2008.

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

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

To reduce the exposure to exchange rate fluctuation relating to the above-mentioned refinancing transaction, the Company simultaneously entered into a hedging transaction with a notional amount of US$150 million using the Cross Currency Interest Rate Swap (CCIRS) instrument with Standard Chartered Bank, Jakarta Branch. The CCIRS contract has the same period with the HC Finance B.V. loan (see Note 23).

Total principal payments made from the escrow accounts amounted to Rp447,701,385,103 in 2005 and Rp529,307,306,717 in 2004.

Total interest payments made by the Company through its escrow accounts amounted to Rp182,047,495,964 (consisting of US$12,128,331, JP¥631,589,771 and Rp6,998,480,825) in 2005 and Rp174,098,391,477 (consisting of US$9,000,980, JP¥1,002,920,366 and Rp11,162,759,749) in 2004, while the unpaid interest charges amounting to Rp59,588,287,601 and Rp29,685,047,977 as of December 31, 2005 and 2004, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheets.

As of December 31, 2003, the outstanding balance of the restructured debt amounted to Rp5,290,165,509,308 (equivalent to US$624,945,719). Since the Company was able to reduce its debt below the target debt level (equivalent to US$700 million) before December 31, 2003 and as confirmed by the Facility Agent on December 24, 2003, the Company, among others, can use at its own discretion, 50% of any excess money in the escrow account after the prepayments of the principal loan installments and interest payments. The remaining 50% of the excess should be used in the early repayment of the debt (prepayment). In addition, the Monitoring Accountant's role has been limited to only performing monthly reviews of the Company's cash sweep mechanism to the escrow account. In 2005 and 2004, total prepayments made amounted to US$25,296,073 (equivalent to Rp255,160,509,153) and US$39,523,500 (equivalent to Rp352,956,439,436), respectively.

The Company bought back portions of its restructured debt at face value amounting to JP¥700,000,000 (equivalent to Rp64,477,910,000) from the creditors in 2005 and US$12,452,464 and JP¥2,800,000,000 (equivalent to Rp357,006,523,868) from the creditors at a discount of US$122,229 (equivalent to Rp1,102,258,416) in 2004.

The discounts from the debt buy-back were recognized as part of "Other Income (Expenses) - Others - Net" in the consolidated statements of income.

(Expressed in rupiah, unless otherwise stated)

12. OBLIGATIONS UNDER CAPITAL LEASE

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

The future minimum lease payments required under the lease agreements as of December 31, 2005 and 2004 are as follows:

Years	2005	2004
2005	-	2,231,367,248
2006	2,037,986,970	2,037,986,970
2007	125,792,516	125,792,516
Total	2,163,779,486	4,395,146,734
Less amounts applicable to interest	132,007,061	451,351,881
Present value of minimum lease payments	2,031,772,425	3,943,794,853
Current maturities	1,912,022,428	2,350,111,368
Long-term portion	**119,749,997**	**1,593,683,485**

The obligations under capital lease are secured by PBI's time deposits amounting to Rp5,736,067,280 in 2005 and 2004 which were placed in PT Bank NISP (presented as part of "Restricted Cash and Time Deposits"), and the related leased assets. Based on the lease agreements, PBI is not permitted to sell or transfer its leased assets to other parties.

13. CAPITAL STOCK

a. *Share Ownership*

The details of share ownership as of December 31, 2005 and 2004 are as follows:

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

	2004		
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
HC Indocement GmbH, Germany	2,397,980,863	65.14%	1,198,990,431,500
PT Mekar Perkasa	479,735,234	13.03	239,867,617,000
Public and cooperatives	803,515,602	21.83	401,757,801,000
Total	**3,681,231,699**	**100.00%**	**1,840,615,849,500**

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

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

(Expressed in rupiah, unless otherwise stated)

b. Warrants A

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

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

14. ADDITIONAL PAID-IN CAPITAL

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

15. OTHER PAID-IN CAPITAL

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

16. RETAINED EARNINGS

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

17. SEGMENT INFORMATION

BUSINESS SEGMENTS

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

The main activities of each operating business are as follows:

Cement	:	Produce and sell several types of cement
Ready mix concrete	:	Produce and sell ready mix concrete
Other business	:	Investing activity

(Expressed in rupiah, unless otherwise stated)

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

2005	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	5,323,304,079,412	269,049,888,720	-	-	5,592,353,968,132
Inter-segment sales	115,698,327,590	-	-	(115,698,327,590)	-
Total Revenues	**5,439,002,407,002**	**269,049,888,720**	**-**	**(115,698,327,590)**	**5,592,353,968,132**
RESULTS					
Segment results	1,144,044,382,594	(933,589,670)	(375,420)	(83,344,855,160)	1,059,765,562,344
Equity in net earnings of associated companies	-	-	18,046,318,226	-	18,046,318,226
Corporate income tax expense					(338,126,002,942)
NET INCOME					**739,685,877,628**
ASSETS AND LIABILITIES					
Segment assets	10,702,410,714,479	147,681,193,686	2,796,080,089	(402,640,419,745)	10,450,247,568,509
Long-term investments and advances to associated companies - net	-	-	42,873,603,424	-	42,873,603,424
Net deferred tax assets and prepayments of income taxes	37,766,779,037	5,491,792,954	-	-	43,258,571,991
Total Assets	**10,740,177,493,516**	**153,172,986,640**	**45,669,683,513**	**(402,640,419,745)**	**10,536,379,743,924**
Segment liabilities	4,739,388,156,135	73,321,324,587	690,000,000	(409,855,476,542)	4,403,544,004,180
Net deferred tax liabilities	495,137,737,395	-	-	-	495,137,737,395
Total Liabilities (excluding deferred gain on sale-and- leaseback transactions - net)	**5,234,525,893,530**	**73,321,324,587**	**690,000,000**	**(409,855,476,542)**	**4,898,681,741,575**
Capital expenditure	186,426,785,278	4,379,815,179	-	-	190,806,600,457
Depreciation, amortization and depletion expenses	461,159,730,959	6,991,591,216	-	-	468,151,322,175
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provision for employee benefits	31,611,799,760	1,113,888,215	-	-	32,725,687,975
Provisions for doubtful accounts and inventory losses	1,273,518,770	6,221,878,034	-	-	7,495,396,804
Provision for post-retirement healthcare benefits	4,510,328,000	-	-	-	4,510,328,000
Provision for recultivation	3,884,443,057	-	-	-	3,884,443,057

(Expressed in rupiah, unless otherwise stated)

2004	Cement	Ready Mix Concrete	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	4,433,802,920,543	181,704,453,135	-	-	4,615,507,373,678
Inter-segment sales	66,941,789,364	-	-	(66,941,789,364)	-
Total Revenues	**4,500,744,709,907**	**181,704,453,135**	**-**	**(66,941,789,364)**	**4,615,507,373,678**
RESULTS					
Segment results	180,684,669,558	1,938,765,030	(1,092,891)	(11,395,144,840)	171,227,196,857
Equity in net earnings of associated companies	-	-	13,342,851,763	-	13,342,851,763
Corporate income tax expense					(68,546,622,062)
NET INCOME					**116,023,426,558**
ASSETS AND LIABILITIES					
Segment assets	9,842,663,860,938	130,006,204,250	2,796,455,509	(294,773,931,966)	9,680,692,588,731
Long-term investments and advances to associated companies - net	-	-	42,595,860,242	-	42,595,860,242
Net deferred tax assets and prepayments of income taxes	43,794,227,703	3,929,141,764	-	-	47,723,369,467
Total Assets	**9,886,458,088,641**	**133,935,346,014**	**45,392,315,751**	**(294,773,931,966)**	**9,771,011,818,440**
Segment liabilities	5,285,626,663,422	52,988,022,748	690,000,000	(295,039,918,264)	5,044,264,767,906
Net deferred tax liabilities	61,494,499,224	-	-	-	61,494,499,224
Total Liabilities (excluding deferred gain on sale-and-leaseback transactions - net)	**5,347,121,162,646**	**52,988,022,748**	**690,000,000**	**(295,039,918,264)**	**5,105,759,267,130**
Capital expenditure	103,495,931,976	1,873,085,078	1,680,000,000	-	107,049,017,054
Depreciation, amortization and depletion expenses	478,824,652,974	7,054,972,847	-	-	485,879,625,821
Non-cash expenses other than depreciation, amortization and depletion expenses					
Provisions for doubtful accounts and inventory losses	15,481,163,524	490,000,000	-	-	15,971,163,524
Provision for employee benefits	27,522,966,412	1,303,211,719	-	-	28,826,178,131
Provision for recultivation	4,498,728,508	-	-	-	4,498,728,508

GEOGRAPHICAL SEGMENTS

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

	2005	2004
REVENUES (based on sales area)		
Domestic		
Java	7,341,143,759,054	6,014,216,769,642
Outside Java	1,510,781,603,933	934,791,134,285
Export	676,927,892,610	605,289,238,675
Total	9,528,853,255,597	7,554,297,142,602
Elimination	(3,936,499,287,465)	(2,938,789,768,924)
Net	**5,592,353,968,132**	**4,615,507,373,678**

(Expressed in rupiah, unless otherwise stated)

	2005	2004
ASSETS (based on location of assets)		
Domestic	**10,450,247,568,509**	**9,680,692,588,731**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**190,806,600,457**	**107,049,017,054**

Export sales were coursed through HCT, a related company which is domiciled in Singapore (see Note 22k).

Most of the Company's sales are coursed through DAP's sub-distributors. There are no aggregate sales to any individual customer/sub-distributor which exceeded 10% of net revenues in 2005, while sales of more than 10% of net revenues were made only to PT Jabotabek Niagatama Sukses in 2004 (see Note 22i).

18. COST OF REVENUES

The details of cost of revenues are as follows:

	2005	2004
Raw materials used	569,145,339,144	475,718,562,279
Direct labor	316,258,057,426	249,499,085,410
Fuel and power	1,590,501,145,662	1,273,757,404,715
Manufacturing overhead	880,281,762,085	806,608,441,317
Total Manufacturing Cost	3,356,186,304,317	2,805,583,493,721
Work in Process Inventory		
At beginning of year	75,301,148,375	87,803,081,247
At end of year	(108,997,225,500)	(75,301,148,375)
Cost of Goods Manufactured	3,322,490,227,192	2,818,085,426,593
Finished Goods Inventory		
At beginning of year	35,836,142,073	55,054,132,871
Others	(2,348,546,004)	91,680,850
At end of year	(68,680,550,631)	(35,836,142,073)
Cost of Goods Sold before Packing Cost	3,287,297,272,630	2,837,395,098,241
Packing Cost	285,157,362,997	255,024,080,688
Total Cost of Revenues	**3,572,454,635,627**	**3,092,419,178,929**

Liabilities related to manufacturing costs which had been incurred but not yet billed to the Company and Subsidiaries amounted to Rp76,713,817,907 and Rp24,190,114,651 as of December 31, 2005 and 2004, respectively, and are presented as part of "Accrued Expenses" in the consolidated balance sheets.

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

19. OPERATING EXPENSES

The details of operating expenses are as follows:

	2005	2004
Delivery and Selling Expenses		
Delivery, loading and transportation	524,162,267,123	425,107,511,483
Salaries, wages and employees' benefits (see Note 20)	32,253,290,296	26,706,216,790
Advertising and promotion	13,475,309,224	32,503,498,629
Rental	9,738,195,677	6,269,197,371
Professional fees	5,769,974,561	5,321,069,298

(Expressed in rupiah, unless otherwise stated)

	2005	2004
Taxes and licenses	5,539,810,792	2,796,318,145
Depreciation	4,799,578,186	4,956,816,706
Research and testing	3,537,924,835	2,221,085,790
Electricity and water	2,677,467,090	2,531,340,854
Association and membership dues	2,395,946,530	2,186,527,906
Medical expense	2,198,689,406	861,578,958
Repairs and maintenance	1,719,389,792	4,154,388,502
Communication	1,188,587,389	1,171,878,549
Business travel	1,049,844,295	1,058,652,106
Miscellaneous (each below Rp1 billion)	3,080,753,340	2,960,760,111
Total Delivery and Selling Expenses	613,587,028,536	520,806,841,198
General and Administrative Expenses		
Salaries, wages and employees' benefits (see Note 20)	103,880,213,579	93,327,460,088
Rental	18,251,775,491	15,429,089,729
Training and seminars	8,633,803,327	5,299,035,360
Professional fees	7,592,125,406	7,381,055,766
Depreciation	7,062,002,754	6,120,337,164
Medical	7,026,855,418	2,296,271,571
Provision for doubtful accounts	6,682,663,190	2,392,032,385
Repairs and maintenance	4,674,211,142	3,153,710,417
Donations	4,359,511,134	5,407,284,012
Travelling and transportation	3,926,085,788	3,529,216,187
Public relations	3,600,593,616	6,279,729,061
Communication	3,297,056,456	3,037,384,182
Anniversary cost	2,994,131,367	-
Insurance	2,417,248,775	2,221,347,529
Publications and sponsorships	1,308,412,835	1,946,146,805
Taxes and licenses	1,234,073,929	1,517,952,349
Stationery and office supplies	1,231,366,812	1,064,816,363
Printing and photocopying	1,039,506,636	1,223,170,101
Miscellaneous (each below Rp1 billion)	3,145,821,126	4,418,773,618
Total General and Administrative Expenses	192,357,458,781	166,044,812,687
Total Operating Expenses	**805,944,487,317**	**686,851,653,885**

20. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

a. Retirement Benefit

The Company has a defined contribution retirement plan covering its full-time employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings. Retirement benefits charged to operations amounted to approximately Rp21.7 billion in 2005 and Rp20.3 billion in 2004.

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, 2005 and 2004, the Plan assets totaled Rp395.7 billion and Rp359.9 billion, respectively.

(Expressed in rupiah, unless otherwise stated)

The Company and Subsidiaries have appointed PT Mercer Indonesia, an independent actuary, to calculate the expected obligation for post-employment, severance, gratuity and compensation benefits of its qualified permanent employees for the year ended December 31, 2005. The 2004 expected obligation was calculated by PT Watson Wyatt Purbajaga (WWP).

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

	Company	Subsidiaries
Discount rate	11% in 2005 and 10% in 2004	11% in 2005 and 10% in 2004
Wage and salary increase	9% in 2005 and 2004	9% in 2005 and 2004
Retirement age	55 years	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old	2% - 5% for employees with ages from 20 years old, decreasing linearly to 0% at age 45
Table of mortality	Commissioners Standard Ordinary 1980 (CSO '80)	Commissioners Standard Ordinary 1980 (CSO '80)
Disability	10% of the mortality rate	10% at the mortality rate

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

	2005	2004
Current service costs	9,922,838,000	9,040,141,000
Interest costs	14,727,976,000	12,640,194,000
Actuarial loss recognized	119,321,000	-
Amortization of past service costs and actuarial gains	7,955,552,975	7,145,843,131
Net employee benefits expense	**32,725,687,975**	**28,826,178,131**

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

	2005	2004
Present value of defined benefit obligation	156,375,954,000	152,363,252,000
Unamortized balance of the non-vested past service costs	(94,770,637,000)	(102,652,854,000)
Actuarial loss	(13,737,803,188)	(16,062,882,277)
Liability recognized in the consolidated balance sheets	**47,867,513,812**	**33,647,515,723**

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

	2005	2004
Balance at beginning of year	33,647,515,723	17,740,633,181
Provision during the year	32,725,687,975	28,826,178,131
Payments during the year	(18,505,689,886)	(12,919,295,589)
Balance at end of year (recorded as part of "Long-term Liabilities - Others" account in the consolidated balance sheets)	**47,867,513,812**	**33,647,515,723**

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 12.19 - 16.02 years in 2005 and from 13.19 - 16.49 years in 2004.

(Expressed in rupiah, unless otherwise stated)

b. Post-retirement Healthcare Benefit

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

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

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

The provision for employee benefits recognized in the 2005 consolidated statement of income consisted of the following:

Current service cost	804,414,000
Interest cost	1,350,536,000
Vested past service costs and amortization of non-vested past service costs	2,355,378,000
Net post-retirement healthcare benefits	**4,510,328,000**

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

Present value of defined benefit obligation	15,717,066,000
Unamortized balance of the non-vested past service costs	(11,311,928,000)
Actuarial gain	4,176,000
Liability recognized in the 2005 consolidated balance sheet	**4,409,314,000**

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

Balance at beginning of year	-
Provision during the year	4,510,328,000
Payments during the year	(101,014,000)
Balance at end of year	**4,409,314,000**

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

(Expressed in rupiah, unless otherwise stated)

21. 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	
	2005	2004	2005	2004
Trade Receivables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	47,897,758,168	30,985,951,840	0.45 %	0.32 %
Due from Related Parties				
Officers and employees	56,412,697,184	66,757,782,857	0.54 %	0.68 %
Others (each below Rp1 billion)	811,880,849	346,366,462	0.01	0.01
Total	57,224,578,033	67,104,149,319	0.55 %	0.69 %
Trade Payables - Related Party				
HCT Services Asia Pte., Ltd., Singapore	2,278,762,995	-	0.05 %	-
Due to Related Parties				
PT Pama Indo Mining	5,695,739,069	1,565,186,507	0.12 %	0.03 %
HCT Services Asia Pte., Ltd., Singapore	-	239,896,691	-	0.01
Total	5,695,739,069	1,805,083,198	0.12 %	0.04 %
Long-term Loans				
HC Finance B.V., Netherlands	1,474,500,000,000	-	30.05 %	-
WestLB AG, Tokyo	-*	84,043,308,360	-	1.64 %
WestLB Asia Pacific Ltd., Singapore	-*	15,028,299,317	-	0.29
Total	1,474,500,000,000	99,071,607,677	30.05 %	1.93 %
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	676,734,161,531	605,113,845,195	12.10 %	13.11 %
Cost of Revenues				
PT Pama Indo Mining	34,440,355,788	35,966,968,923	0.96 %	1.16 %
HCT Services Asia Pte., Ltd., Singapore	17,475,453,600	13,250,696,699	0.49	0.43
Total	51,915,809,388	49,217,665,622	1.45 %	1.59 %
Operating Expenses				
Stillwater Shipping Corporation (see Note 22c)	27,912,394,000	24,036,557,926	3.46 %	3.50 %
HeidelbergCement Technology Center GmbH	1,314,420,421	813,851,938	0.16	0.12
	29,226,814,421	24,850,409,864	3.62 %	3.62 %
Other Income (Expenses)				
HC Finance B.V., Netherlands	64,901,837,358	-	42.09 %	-
PT Cibinong Center Industrial Estate	2,744,208,070	2,648,347,296	1.78	0.40 %
Total	67,646,045,428	2,648,347,296	43.87 %	0.40 %

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

(Expressed in rupiah, unless otherwise stated)

Nature of relationship and type of transaction with the above related parties are as follows:

No.	Related Parties	Nature of Relationship	Type of Transaction
1.	HCT Services Asia Pte., Ltd., Singapore	Under Common Control	Sale of finished goods and purchase of raw materials
2.	HC Finance B.V., Netherlands	Under Common Control	Long-term loan
3.	HeidelbergCement Technology Center GmbH	Under Common Control	Professional fee
4.	PT Cibinong Center Industrial Estate	Associated Company	Rental of industrial estate and sale of water and electricity
5.	Stillwater Shipping Corporation	Associated Company	Transportation
6.	PT Pama Indo Mining	Associated Company	Mining service
7.	WestLB AG, Tokyo *	Affiliated Company	Long-term debt
8.	WestLB Asia Pacific Ltd., Singapore*	Affiliated Company	Long-term debt
9.	Officers and employees	Employees	Loan

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

In the EGMS held on 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 above transactions should be conducted on an arm's length basis and should not exceed 5% of the Company's stockholder's equity based on the latest audited consolidated financial statements.

22. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

   In 2005, total purchases of natural gas from RGM amounted to US$554,229 (equivalent to Rp5,544,447,706), while total transportation fee incurred amounted to US$153,297 (equivalent to Rp1,417,029,349).

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

c. The Company has a vessel charter agreement with Stillwater Shipping Corporation, an associated company, Liberia for the charter of "M/V Tiga Roda" and "M/V Quantum One" vessels. The charter agreement for the "M/V Tiga Roda" vessel is valid until May 2010, while the charter agreement for the "M/V Quantum One" vessel is valid until September 2010.

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

e. On November 30, 2004, the Company entered into two contracts with ABB Switzerland Ltd. (contractor) for the supply of Retrofit and automated laboratory system (autolab), and the supply of erection supervision services and commissioning of the autolab. The total value of these contracts amounted to EUR1,510,000. As of December 31, 2005, the equipment is still under installation.

f. In June 2004, a group of fishermen in Rampa Village, Kotabaru, South Kalimantan, blockaded the Company's jetty in Tarjun in protest for the loss of their livelihood due to the illegal dumping of dredging materials. Based on the claims submitted to the Company, the fisherman alleged that the Company illegally dumped materials outside the approved dumping locations, which resulted in damage to their fishing equipment and the decrease in their catch.

Accordingly, the Company has tried to pass on the claim to PT Boskalis International Indonesia (Boskalis), the contractor appointed by the Company to dredge the jetty for its alleged misconduct and improper dumping of dredging materials beyond the approved dumping location.

A fact-finding committee consisting of representatives from the Company, the association of fishermen and other related parties was established to investigate the claim that Boskalis has dumped the dredging materials beyond the approved dumping location. Also, according to the management, the Company has sent two warning letters to Boskalis due to its failure to fulfill the "Safety, Security and Protection of Environment" clause as stated under the Dredging of Berthing Pocket and Turning Basin Tarjun Port Facility Contract. The management believes that all claims and costs of moving the dredging materials to the designated dumping site should be borne by Boskalis.

In August 2005, the Company appointed PT Dewi Rahmi to move the dredging materials to the designated dumping site. The Company also appointed Universitas Lambung Mangkurat to supervise the work of PT Dewi Rahmi. Total expenses incurred to remove the dredging materials amounted to Rp7,102,127,660, while the unpaid expenses amounting to Rp4,861,699,128 as of December 31, 2005 are presented as part of "Accrued Expenses" in the consolidated balance sheets.

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

As stated in the Agreement, the Company agreed to 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.
- Use of alternative fuels in clinker burning.

Subject to the terms and conditions of the Agreement, the Company shall generate a minimum number of Greenhouse Gases (GHG) Reductions from the Project and transfer the Emission Reductions (ERs) corresponding to these GHG Reductions to the Trustee with a total volume of 3 million tons at the price of US$3.60 for each ER.

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

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

(Expressed in rupiah, unless otherwise stated)

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

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

As of the independent auditors' report date, the Project is still undergoing the final verification and certification process.

h. In 2005 and 2004, the Company entered into one-year agreements with several land transporters for the distribution of the Company's cement in Indonesia. Transportation expenses incurred are recorded as part of "Delivery and Selling Expenses" in the consolidated statements of income, while the unpaid transportation expenses amounting to Rp26,802,835,626 and Rp24,188,039,656 as of December 31, 2005 and 2004, respectively, are shown as part of "Other Payables to Third Parties" in the consolidated balance sheets.

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

Total gross sales by the Company and DAP to these sub-distributors in 2005 and 2004 are as follows:

	2005	2004
PT Bangunsukses Niagatama Nusantara	434,401,022,284	177,670,345,471
PT Samudera Tunggal Utama	347,366,805,778	159,583,841,936
PT Intimegah Mitra Sejahtera	326,268,366,307	121,468,901,304
PT Royal Inti Mandiri Abadi	316,484,807,074	129,657,009,477
PT Nusa Makmur Perdana	304,320,826,703	154,196,367,165
PT Adikarya Maju Bersama	286,012,874,749	106,524,582,126
PT Primasindo Cipta Sarana	269,690,699,412	132,280,785,739
PT Kharisma Mulia Abadijaya	261,564,609,842	112,002,495,185
PT Angkasa Indah Mitra	250,082,226,212	102,993,224,037
PT Sumber Abadi Sukses	228,496,271,880	99,475,157,117
PT Kirana Semesta Niaga	226,763,016,291	106,650,099,685
PT Citrabaru Mitra Perkasa	221,240,180,271	92,160,302,035
PT Saka Agung Abadi	212,338,351,444	171,562,401,040
PT Cipta Pratama Karyamandiri	185,636,022,123	76,155,955,234
PT Jabotabek Niagatama Sukses	-	622,439,113,655
PT Jabar Multindo Perkasa	-	424,390,722,806
PT Jateng Kencana Abadimulia	-	294,181,720,430
PT Bangunsukses Niaga Nusantara	-	192,255,610,283
PT Royal Inti Mega Utama	-	119,565,032,363
Total	**3,870,666,080,370**	**3,395,213,667,088**

The total outstanding receivables from these sub-distributors amounting to Rp331,005,063,527 and Rp287,340,021,786 as of December 31, 2005 and 2004, respectively, are recorded as part of "Trade Receivables - Third Parties" in the consolidated balance sheets.

j. The Company and DAP entered into lease agreements with PT Serasi Tunggal Mandiri for the lease of office space and car park located at Wisma Indocement. Rental expenses charged to current operations amounted to Rp11,083,681,114 in 2005 and Rp10,168,243,720 in 2004.

k. The Company has an exclusive export distribution agreement with HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, under the following terms and conditions (see Note 17):

- HCT Services Asia Pte., Ltd. (HCT) will act as the Company's exclusive export distributor.

- The Company shall invoice HCT at a net price equivalent to the U.S. dollar FOB sales price invoiced by HCT to its customers, less:
  - 5.5% on the first one million tons shipments per year.
  - 3.0% on shipments in excess of one million tons per year.

- The export distribution agreement is effective for twenty (20) years.

Total sales discounts granted to HCT amounted to approximately US$2.9 million in 2005 and US$2.6 million in 2004.

l. The Company has an outstanding agreement with PT Rabana Gasindo Usama (Rabana) whereby Rabana will build and own the distribution and receiving facilities for natural gas at Tegal Gede - Citeureup with a capacity of 18 MMSCFD. The Company will pay compensation of US$0.45 per MMBTU of natural gas delivered as gas transportation fee and US$0.02 per MMBTU of natural gas delivered as technical fee. The agreement also provides for a minimum annual delivery of natural gas by the Company. If the Company is unable to utilize the minimum volume as stated in the agreement, Rabana will claim from the Company payment of gas transportation fee for the unconsumed volume. Such amount claimed should be agreed to by both parties within one month after the end of the year. This minimum purchase requirement will not be valid if the total payments made for the gas transportation fee exceed US$10,000,000 plus interest and Rabana's overhead. The minimum purchase requirement was amended by an addendum signed by the Company and Rabana on February 17, 2005. The addendum stipulates that the minimum purchase requirement will no longer be applicable if the total cumulative payments starting from January 1, 2005 made for the gas transportation fee exceed US$1,074,000 plus interest and overhead expenses.

In addition, the addendum declares that there is no claim over past obligations according to the original agreement (prior to addendum) except for US$900,000 which will be paid by the Company in installments until January 2006. The gain arising from this settlement amounting to Rp23,808,349,379 is presented as part of "Other Income (Expenses) - Others - Net" in the 2005 consolidated statement of income. The agreement will expire in 2014 or may be terminated if the total volume of natural gas consumed reaches the contractual volume as stipulated in the agreement. Total transportation fee and technical fee paid to Rabana amounted to US$1,269,757 in 2005 and US$1,096,149 in 2004.

m. The Company also has agreements with PERTAMINA for the purchase of natural gas which provide for an annual minimum purchase quantity. If the Company is unable to consume the agreed volume of natural gas, the Company should pay for the unconsumed volume to PERTAMINA. However, such payment can be treated as prepayment and can be applied to future gas consumption. Such agreement will expire in 2014. Total purchases of natural gas from PERTAMINA amounted to Rp102,600,461,945 in 2005 and Rp77,277,348,563 in 2004. The related outstanding payables arising from these purchases amounting to US$70,421 (equivalent to Rp654,210,629) as of December 31, 2004 are presented as part of "Trade Payables - Third Parties" in the consolidated balance sheets.

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

Total electricity purchased under the agreements amounted to Rp284 billion in 2005 and Rp181 billion in 2004.

o. The Company has an outstanding agreement with the Forestry Department (FD) for the exploitation of raw materials for cement, construction of infrastructure and other supporting facilities over 3,733.97 hectares of forest located in Pantai - Kampung Baru, South Kalimantan. Based on the agreement, the FD agreed to grant a license to the Company to exploit the above forest area for the above-mentioned purposes without any compensation. However, the Company is obliged to pay certain expenses in accordance with applicable regulations, to reclaim and replant the unproductive area each year, to maintain the forest area borrowed by the Company and to develop local community livelihood. Such license is not transferable and will expire in May 2019.

p. In compliance with the mining regulations issued by the government, the Company is obliged to restore the mined area by preparing and submitting an annual restoration plan “Mining Exploitation Plan Book” for a period of 5 years to the Mining Department. The Company has made provision for recultivation amounting to Rp12,716,256,641 and Rp9,676,346,732 as of December 31, 2005 and 2004, respectively, which is presented as part of “Long-term Liabilities - Others” in the consolidated balance sheets.

23. 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, 2005, the Company has outstanding derivative instruments as follows:

a. Cross Currency Interest Rate Swap

As described in Note 11, the Company has entered into a hedging transaction to hedge its US$150 million debt to HC Finance B.V. by using the Cross Currency Interest Rate Swap (CCIRS) instrument with Standard Chartered Bank, Jakarta Branch (SCB), with the same period with the HC Finance B.V. loan, which is 4 years. Under the CCIRS, the Company will purchase U.S. dollars with a notional amount of US$150 million from SCB at the maturity date on March 8, 2009 with a fixed exchange rate of Rp9,358 to US$1. Also, SCB will pay the Company quarterly interest at the rate of 3 Months’ LIBOR + 1.80% per annum. At the same time, the Company will pay interest to the SCB at the rate of 3 Months’ Sertifikat Bank Indonesia (SBI) + 1.99% per annum on the above-mentioned notional amount using the above exchange rate. The above interest payment period is the same with the interest payment period of the HC Finance B.V. loan. As of December 31, 2005, the Company recognized the net assets on the CCIRS contract at market value of Rp84,171,508,110, which is presented as “Long-term Derivative Assets - Net” in the 2005 consolidated balance sheet.

The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the incremental changes in the fair value of the CCIRS amounting to Rp84,171,508,110 were recorded as part of “Foreign Exchange Gain - Net” presented in the 2005 consolidated statement of income.

b. Forward exchange contracts with Standard Chartered Bank, Jakarta Branch, JPMorgan Chase Bank N.A., Jakarta Branch (JPMorgan) and ABN-AMRO Bank N.V., Jakarta Branch, with notional amounts aggregating to JP¥2,160 million and US$10 million which will mature in various dates in 2006, at fixed exchange rates ranging from Rp82.61 to Rp97.84 for every JP¥1 and from Rp9,782 to Rp10,279 for every US$1.

c. Structured currency option contracts with Standard Chartered for the purchase of a total of US$3,000,000 with the following terms:

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

These contracts have no premium and will be settled in various dates in 2006.

d. Structured currency option contracts with Standard Chartered for the purchase of a total of US$3,000,000 with the following terms:

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

These contracts have premium at US$16,000 and will be settled in various dates in 2006.

e. Structured currency option contracts with JP Morgan for the purchase of a total of US$ 3,000,000 with the following terms:

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

These contracts have upfront fee at US$60,000 and will be settled in various dates in 2006.

The derivative instruments as mentioned in items *b, c, d,* and *e* above can not be designated as hedge activities for accounting purposes and accordingly, changes in the fair value of such instruments are recorded directly to earnings. As of December 31, 2005, the Company recognized the net liabilities on the above derivative instruments at market value of Rp14,030,194,787, which is presented as part of “Derivatives Liabilities - Net” in the 2005 consolidated balance sheet.

The loss arising from the derivative transactions during the year amounted to Rp17,241,599,685 and was recorded as part of “Foreign Exchange Gain - Net” presented in the 2005 consolidated statement of income.

24. LITIGATION

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

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

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

(Expressed in rupiah, unless otherwise stated)

Based on the decision of the District Court of Cibinong (the "Court") dated August 16, 2004, the Court rejected all of the above claims. The Plaintiffs submitted an appeal to the High Court of West Java. On March 22, 2005, the High Court of West Java confirmed the decision of the District Court of Cibinong to reject all of the above claims. On June 27, 2005, the Plaintiffs submitted an appeal to the Supreme Court, and as of January 20, 2006 (the independent auditors' report date), the Supreme Court has not yet rendered its decision.

25. ECONOMIC CONDITIONS

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

26. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2005, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah	
			December 31, 2005 Balance Sheet Date	**January 20, 2006 (Auditors' Report Date)**
Assets				
Related Parties	US$	4,872,610	47,897,756,300	46,192,342,800
Third Parties	US$	57,555,252	565,768,127,160	545,623,788,960
	JP¥	839,149,618	70,003,371,603	69,019,133,016
	EUR	1,415,077	16,499,613,860	16,230,069,993
Total			700,168,868,923	677,065,334,769
Liabilities				
Related Parties	US$	150,582,290	1,480,223,910,700	1,427,520,109,200
Third Parties	US$	110,425,214	1,085,479,853,620	1,046,831,028,720
	JP¥	15,623,996,388	1,303,381,901,880	1,285,056,516,517
	EUR	366,000	4,267,512,420	4,197,796,740
Total			3,873,353,178,620	3,763,605,451,177
Net liabilities			**3,173,184,309,697**	**3,086,540,116,408**

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

Foreign Currency	December 31, 2005	January 20, 2006
Euro (EUR1)	11,659.87	11,469.39
U.S. dollar (US$1)	9,830.00	9,480.00
Japanese yen (JP¥100)	8,342.18	8,224.89

Had the assets and liabilities denominated in foreign currencies as of December 31, 2005 been reflected using the above middle rates of exchange as of January 20, 2005 (the independent auditors' report date), the net foreign currency denominated liabilities, as presented above, would have decreased by approximately Rp87 billion in terms of rupiah (before considering the fair value of derivative instruments).

27. SUBSEQUENT EVENT

On January 20, 2006, the Company paid the quarterly installments on its long-term loan from banks and financial institutions amounting to US$7,598,739, JP¥735,907,916 and Rp4,071,337,356 and its obligations for interest covering the period October 20, 2005 to January 20, 2006 amounting to US$3,807,646, JP¥127,326,291 and Rp1,564,997,242 (see Note 11).

28. RECLASSIFICATION OF ACCOUNT

Net derivative assets amounting to Rp11,541,667,148 which were previously presented as part of “Other Receivables from Third Parties - Net” in the 2004 consolidated financial statements have been reclassified to conform with the presentation of accounts in the 2005 consolidated financial statements.

29. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that were completed on January 20, 2006.

corporate **information**

Condensed List of Shareholders (%)

HeidelbergCement South-East Asia GmbH	65.14
PT Mekar Perkasa	13.03
Public	21.83

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

Corporate Address

PT Indocement Tunggal Prakarsa Tbk.
Wisma Indocement, Level 8
Jl. Jenderal Sudirman Kav. 70 - 71
Jakarta 12910, Indonesia
Phone : +62 21 251 2121
Facsimile : +62 21 251 0066
http://www.indocement.co.id

Other Shareholder Information

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will be held on 28 June 2006

For further information, please contact:

Corporate Secretariat Division
Phone: +62 21 251 2121 ext. 2817, 2840
Facsimile: +62 21 251 0066
E-mail : corpsec@indocement.co.id

Investor Inquiries

Investor inquiries may be directed to:

Corporate Secretariat Division
Phone: +62 21 251 2121 ext. 2837, 2841
Facsimile: +62 21 251 0066
E-mail : investor_relations@indocement.co.id

Professionals and Major Bankers

Auditor

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

Share Registrar

PT Raya Saham Registra
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Major Bankers

PT Bank Central Asia Tbk.
Japan Bank for International Cooperation
Bayerische Hypo und Vereinsbank AG, Singapore Branch
Erste Bank der oesterreichischen Sparkassen AG, Hong Kong
BNP Paribas, Singapore Branch
Mizuho Trust and Banking Co., Ltd.
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