Consolidated Financial Statements
Six months ended June 30, 2008 and 2007

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES

These consolidated financial statements are originally issued in Indonesian language.

PT INDOCEMENT TUNGGAL PRAKARSA Tbk.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,3	612,803,105,789	194,115,312,674
Time deposits	2c	4,475,592,996	7,349,397,564
Short-term investments	2d	-	5,729,300,000
Trade receivables	2e,4		
Related party	2f,22	29,239,460,739	60,663,379,289
Third parties - net of allowance for doubtful accounts of Rp12,904,975,199 in 2008 and Rp11,347,612,391 in 2007	23l	939,690,358,412	620,637,523,119
Other receivables from third parties - net of allowance for doubtful accounts of Rp5,672,157,875 in 2008 and Rp7,271,980,358 in 2007	2e,5,10	8,268,964,974	8,248,102,445
Derivative assets - net	2q	-	450,345,236
Inventories - net	2g,6	1,328,999,912,134	1,002,554,831,808
Advances and deposits	6,23a,23e	141,203,011,264	82,085,460,533
Prepaid taxes	10	11,928,707,040	8,447,704,973
Prepaid expenses	2h	18,736,953,669	17,651,023,496
TOTAL CURRENT ASSETS		3,095,346,067,017	2,007,932,381,137
NON-CURRENT ASSETS			
Due from related parties	2f,22	32,772,451,831	44,728,276,350
Deferred tax assets - net	2r,10	14,049,096,855	7,007,392,393
Long-term investments and advances to associated company - net of allowance for doubtful accounts of Rp13,720,944,026 in 2008 and 2007	2b,2f,7,22	53,848,182,389	54,075,051,094
Fixed assets - net of accumulated depreciation, amortization and depletion of Rp5,137,322,330,683 in 2008 and Rp4,585,366,107,978 in 2007	2i,2j,2k, 2l,8	7,461,630,368,096	7,605,657,521,102
Restricted cash and time deposits	12	-	479,000,000
Other non-current assets	2h,2m,8	92,625,606,239	64,767,494,894
TOTAL NON-CURRENT ASSETS		7,654,925,705,410	7,776,714,735,833
TOTAL ASSETS		**10,750,271,772,427**	**9,784,647,116,970**

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables to third parties	9	212,745,101,715	118,901,076,618
Other payables to third parties	8,23k	198,830,370,170	129,737,668,628
Accrued expenses	19	176,740,335,842	168,783,650,753
Taxes payable	2r,10	255,980,501,112	83,818,935,114
Dividend payable	16	-	110,436,950,970
Current maturities of long-term debts			
Loans from banks and financial institutions	2f,11,22	1,383,750,000,000	249,715,897,913
Obligations under capital lease	2k,8,12	52,490,133,617	2,913,721,228
TOTAL CURRENT LIABILITIES		2,280,536,442,456	864,307,901,224
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Loans from banks and financial institutions	2f,11,22	-	1,850,115,293,919
Obligations under capital lease	2k,8,12	62,846,601,518	4,475,593,001
Long-term derivative liability	2q,24	34,029,180,000	65,588,479,776
Due to related parties	2f,22	6,032,002,515	2,101,806,220
Deferred tax liabilities - net	2r,10	686,656,488,448	619,414,843,334
Estimated liability for employee benefits	2o,21	64,930,331,317	57,542,537,808
Estimated liability for post-retirement healthcare benefits	2o,21	11,307,733,315	8,898,788,182
Provision for recultivation	23s	27,944,325,626	17,513,616,688
Deferred gain on sale-and-leaseback transactions - net	2k	5,457,904,416	6,601,172,072
TOTAL NON-CURRENT LIABILITIES		899,204,567,155	2,632,252,131,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY	2b	22,241,939,660	-

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	2008	2007
SHAREHOLDERS' EQUITY			
Capital stock - Rp500 par value per share			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,681,231,699 shares	13	1,840,615,849,500	1,840,615,849,500
Additional paid-in capital	2t,14	1,194,236,402,048	1,194,236,402,048
Other paid-in capital	15	338,250,000,000	338,250,000,000
Revaluation increment in fixed assets	2i	229,970,296,236	229,970,296,236
Differences arising from restructuring transactions among entities under common control	2b	1,165,715,376,569	1,165,715,376,569
Differences arising from changes in the equity of Subsidiaries	2b	19,755,254,175	6,590,439,301
Retained earnings			
Appropriated	17	200,000,000,000	175,000,000,000
Unappropriated		2,559,745,644,628	1,337,708,721,092
TOTAL SHAREHOLDERS' EQUITY		7,548,288,823,156	6,288,087,084,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,750,271,772,427**	**9,784,647,116,970**

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Six months ended June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	2008	2007
NET REVENUES	2f,2n,18, 22,23l,23n	4,489,191,076,712	3,157,153,412,642
COST OF REVENUES	2f,2n,19,22, 23g,23o, 23p,23q	2,644,940,312,029	2,055,115,060,749
GROSS PROFIT		**1,844,250,764,683**	**1,102,038,351,893**
OPERATING EXPENSES	2f,2n,20,21, 22,23k,23m		
Delivery and selling		611,571,614,579	424,510,452,534
General and administrative		113,023,664,380	97,200,057,929
Total Operating Expenses		**724,595,278,959**	**521,710,510,463**
INCOME FROM OPERATIONS		**1,119,655,485,724**	**580,327,841,430**
OTHER INCOME (EXPENSES)			
Foreign exchange gain - net	2p,2q,24	16,950,627,532	11,131,791,499
Interest income		14,783,735,808	4,018,675,769
Interest expense and other financial charges	11,12,22	(71,378,424,016)	(104,121,959,556)
Others - net	2d,2f,2i,2m, 2n,22,23d	15,916,290,617	22,406,808,847
Other Expenses - Net		**(23,727,770,059)**	**(66,564,683,441)**
EQUITY IN NET EARNINGS OF ASSOCIATED COMPANIES - NET	2b,7	5,168,268,159	4,773,282,113
INCOME BEFORE CORPORATE INCOME TAX EXPENSE		**1,101,095,983,824**	**518,536,440,102**
CORPORATE INCOME TAX EXPENSE	2r,10		
Current		325,882,833,300	146,357,677,200
Deferred		3,683,960,504	12,033,564,271
Total Corporate Income Tax Expense		**329,566,793,804**	**158,391,241,471**
INCOME BEFORE MINORITY INTEREST		**771,529,190,020**	**360,145,198,631**
MINORITY INTEREST	2b	(786,244,393)	-
NET INCOME		**770,742,945,627**	**360,145,198,631**
BASIC EARNINGS PER SHARE	2u	**209.37**	**97.83**

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
Six months ended June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	Capital Stock	Additional Paid-in Capital * (Notes 14 and 15)	Revaluation Increment in Fixed Assets	Differences Arising from Restructuring Transactions among Entities under Common Control	Differences Arising from Changes in the Equity of Subsidiaries	Retained Earnings - Appropriated	Retained Earnings - Unappropriated	Total Shareholders' Equity
Balance as of December 31, 2006		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**973,936,686**	**150,000,000,000**	**1,113,000,473,431**	**6,032,762,334,470**
Net income		-	-	-	-	-	-	360,145,198,631	360,145,198,631
Appropriation of retained earnings for general reserve	17	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distribution of cash dividend	16	-	-	-	-	-	-	(110,436,950,970)	(110,436,950,970)
Change in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	281,018,347	-	-	281,018,347
Change in the equity of a Subsidiary arising from the realization of loss for decline in market values of Its investments in available-for-sale securities	2b,2d	-	-	-	-	641,834,268	-	-	641,834,268
Changes in the equity of a Subsidiary arising from the recovery from decline in market values of its investments in available-for-sale securities	2b,2d	-	-	-	-	4,693,650,000	-	-	4,693,650,000
Balance as of June 30, 2007		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**6,590,439,301**	**175,000,000,000**	**1,337,708,721,092**	**6,288,087,084,746**
Balance as of December 31, 2007		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**20,967,649,981**	**175,000,000,000**	**1,961,251,966,961**	**6,926,007,541,295**
Net income		-	-	-	-	-	-	770,742,945,627	770,742,945,627
Appropriation of retained earnings for general reserve	17	-	-	-	-	-	25,000,000,000	(25,000,000,000)	-
Distribution of cash dividend	16	-	-	-	-	-	-	(147,249,267,960)	(147,249,267,960)
Change in the equity of a Subsidiary arising from foreign currency translation adjustment	2b	-	-	-	-	(1,212,395,806)	-	-	(1,212,395,806)
Balance as of June 30, 2008		**1,840,615,849,500**	**1,532,486,402,048**	**229,970,296,236**	**1,165,715,376,569**	**19,755,254,175**	**200,000,000,000**	**2,559,745,644,628**	**7,548,288,823,156**

* including Other Paid–in Capital

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

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended June 30, 2008 and 2007
(Expressed in rupiah)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		4,728,477,714,300	3,374,731,786,208
Payments to suppliers and contractors, and for salaries and other employee benefits		(3,506,763,881,652)	(2,534,775,540,004)
Cash provided by operations		1,221,713,832,648	839,956,246,204
Receipts of interest income		13,481,724,326	2,452,505,017
Proceeds from claims for tax refund	10	2,998,251,227	6,710,309,372
Payment of taxes		(643,366,141,668)	(331,829,239,304)
Payment of interest expense and other financial charges		(70,811,729,270)	(119,388,826,266)
Net receipts from other operating activities		9,939,991,650	37,715,369,791
Net Cash Provided by Operating Activities		**533,955,928,913**	**435,616,364,814**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale-and-leaseback transactions		10,509,090,900	-
Net withdrawals of time deposits		1,436,902,284	1,436,902,284
Proceeds from sale of fixed assets		942,295,350	7,269,600,000
Purchases of fixed assets		(103,831,560,120)	(116,890,580,332)
Net Cash Used in Investing Activities		**(90,943,271,586)**	**(108,184,078,048)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceed from (payment for) derivative transactions		292,000,000	(4,075,890,000)
Payment of cash dividends	16	(129,936,666,884)	(15,019,500)
Payment of obligations under capital lease		(26,583,147,054)	(1,891,315,924)
Proceeds from short-term loan		-	45,450,000,000
Payment of short-term loan and long-term borrowings		-	(217,248,706,076)
Net Cash Used in Financing Activities		**(156,227,813,938)**	**(177,780,931,500)**
NET EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		18,259,506,698	1,077,692,661
NET INCREASE IN CASH AND CASH EQUIVALENTS		**305,044,350,087**	**150,729,047,927**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	307,758,755,702	43,386,264,747
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	**612,803,105,789**	**194,115,312,674**

1. GENERAL

PT Indocement Tunggal Prakarsa Tbk. (the "Company") was incorporated in Indonesia on January 16, 1985 based on notarial deed No. 227 of Ridwan Suselo, S.H. Its deed of incorporation was approved by the Ministry of Justice in its decision letter No. C2-2876HT.01.01.Th.85 dated May 17, 1985 and was published in Supplement No. 946 of State Gazette No. 57 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. 23 dated June 10, 2008 of DR. Amrul Partomuan Pohan, S.H., LL.M. concerning, among others, the amendment of the Company's articles of association pursuant to addition of the objectives, purposes and business lines of the Company and in compliance with the Law No. 40/2007 concerning Limited Liability Company (the "Company Law"). This amendment is still in the process of obtaining approval from the Department of Laws and Human Rights of the Republic of Indonesia.

The Company started its commercial operations in 1985.

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

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

The cement business includes the operations of the Company's twelve (12) plants located in three different sites: nine at the Citeureup - Bogor site, two at the Palimanan - Cirebon site and one at the Tarjun - South Kalimantan site, with a total combined annual production capacity of approximately 17.1 million tons of cement. The manufacture of ready mix concrete and aggregates quarrying businesses comprise the operations of the Company's three subsidiaries.

Based on the minutes of the extraordinary general meeting of the Company's shareholders (EGMS) held on October 2, 1989, which were covered by notarial deed No. 4 of Amrul Partomuan Pohan, S.H., LLM., the shareholders approved, among others, the offering of 59,888,100 shares to the public.

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

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

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

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

In the EGMS held on June 25, 1996, the shareholders resolved to split the par value of the Company's shares from Rp1,000 per share to Rp500 per share. Accordingly, the number of issued and fully paid capital stock was also increased from 1,207,226,660 shares to 2,414,453,320 shares. This shareholders' resolution was approved by the Ministry of Justice in its decision letter No. C2-HT.01.04.A.4465 dated July 29, 1996.

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

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

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

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

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

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

As of June 30, 2008 and 2007, the members of the Company's boards of commissioners and directors are as follows:

	2008	2007
Board of Commissioners		
President	Albert Scheuer	Daniel Hugues Jules Gauthier
Vice President	Sudwikatmono	Sudwikatmono
Vice President	I Nyoman Tjager	I Nyoman Tjager
Commissioner	Sri Prakash	Sri Prakash
Commissioner	Lorenz Naeger	Lorenz Naeger
Commissioner	Bernhard Scheifele	Bernhard Scheifele
Commissioner	Daniel Hugues Jules Gauthier	Ali Emir Adiguzel
Board of Directors		
President	Daniel Eugene Antoine Lavalle	Daniel Eugene Antoine Lavalle
Vice President	Tedy Djuhar	Tedy Djuhar
Director	Hans Oivind Hoidalen*	Hans Oivind Hoidalen
Director	Nelson G. D. Borch	Nelson G. D. Borch
Director	Christian Kartawijaya	Christian Kartawijaya
Director	Kuky Permana Kumalaputra	Kuky Permana Kumalaputra
Director	Benny Setiawan Santoso	Benny Setiawan Santoso
Director	Ernest Gerard Jelito	Ernest Gerard Jelito

* Hans Oivind Hoidalen will retire as of August 31, 2008 and the annual general meeting of the Company's shareholders held on May 14, 2008 has agreed to appoint Hasan Imer as director of the Company effective on September 1, 2008.

(Expressed in rupiah, unless otherwise stated)

1. GENERAL (continued)

Total salaries and other compensation benefits paid to the Company's boards of commissioners and directors amounted to Rp18.15 billion and Rp13.29 billion for the six months ended June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, the Company and Subsidiaries have a total of 6,296 and 6,384 permanent employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

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

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

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

b. Principles of Consolidation

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

	Principal Activity	Country of Domicile	Year of Incorporation/ Start of Commercial Operations	Total Assets as of June 30, 2008	Effective Percentage of Ownership (%) as of June 30, 2008
Direct					
PT Dian Abadi Perkasa (DAP)	Cement distribution	Indonesia	1998/1999	783,664,862,533	99.99
PT Indomix Perkasa (Indomix)	Ready mix concrete manufacturing	Indonesia	1992/1992	71,971,184,798	99.99
Indocement (Cayman Islands) Limited	Investment in associated company	Cayman Islands	1991/1991	58,091,288,262	100.00
PT Gunung Tua Mandiri (GTM)	Aggregates quarrying	Indonesia	2006/2007	52,521,051,981	51.00
Indirect					
PT Pionirbeton Industri (PBI)	Ready mix concrete manufacturing	Indonesia	1996/1996	147,879,500,182	99.99
PT Multi Bangun Galaxy (MBG)	Trading	Indonesia	1999	1,164,101,806	99.99
PT Mandiri Sejahtera Sentra (MSS)	Aggregates quarrying	Indonesia	1998	43,436,150,835	99.99

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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

MBG was acquired in 2004 and is a company which has obtained the right to use ("hak pengelolaan") the Lembar port in Lombok (where the Company built its terminal), for a period of 20 years from PT (PERSERO) Pelabuhan Indonesia III starting January 1, 2001.

As of June 30, 2008, MBG has not yet started its commercial operations.

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

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

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

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

GTM started its commercial operations in November 2007.

On March 28, 2008, the Company transferred its 99% ownership of PT Mandiri Sejahtera Sentra (MSS) to DAP, a Subsidiary. On the same date, PT Handi Perkasa (HP), a third party, acquired 1% ownership of MSS from Indomix. Based on the Notarial deed No. 90 of Popie Savitri Martosuhardjo Pharmanto, S.H, dated March 28, 2008, MSS's authorized capital was increased from 400 shares to 1,000,000 shares. The registered scope of business activities of MSS is engage primarily in the mining, trading, construction and transportation. The amendment of articles association of MSS was approved by the Ministry Laws and Human Rights of the Republic of Indonesia in its decision letter No. AHU-24774.AH.01.02.Th.2008 dated May 13, 2008.

On June 2, 2008, the Company entered an amendment with regards to the new arrangement of shares ownership of MSS with HP. However, there is no change of the control status of MSS. Since the Company has full control over MSS indirectly through DAP, the consolidated financial statement of the Company for the six months ended June 30, 2008 included the financial statements of MSS. Previously, the investment in MSS was carried at cost since the total cost of the investment in MSS is immaterial.

MSS is a company which assigned by the Company to purchase the aggregates quarry owned by HP located in West Java, covering a total area of not less than 125 hectares; local mining rights, mining license, land-use permit and other related rights over the above land; buildings and infrastructures; and machineries as described in the agreement in Note 23*a*.

As of June 30, 2008, MSS has not yet started its commercial operations.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

The Company also has four (4) other subsidiaries, all with effective percentages of ownership of 99.99%. The total cost of investments in these entities amounted to Rp15,000,000. Since these entities have no activities and the total cost of the investments in these subsidiaries is immaterial, their accounts were no longer consolidated into the consolidated financial statements. Instead, the investments in these subsidiaries are presented as part of “Long-term Investments and Advances to Associated Company” in the consolidated balance sheets. The details of these subsidiaries are as follows:

	Year of Incorporation	Country of Domicile	Total Assets as of June 30, 2008
PT Bhakti Sari Perkasa Abadi	1998	Indonesia	5,000,000
PT Lentera Abadi Sejahtera	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.

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

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

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

All other investments are carried at cost.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

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

c. Cash Equivalents

Time deposits with maturities of three months or less at the time of placement and not pledged as collateral for loans and other borrowings are considered as “Cash Equivalents”.

d. Short-term Investments

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

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

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

e. Allowance for Doubtful Accounts

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

f. Transactions with Related Parties

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

All significant transactions and balances with related parties, whether or not conducted under terms and conditions similar to those granted to third parties, are disclosed in Note 22.

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.

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 - 15
Leasehold improvements; furniture, fixtures and office equipment; and tools and other equipment	5
Transportation equipment	5

Land is stated at cost and is not depreciated.

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

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

On May 29, 2007, the Indonesian Institute of Accountants issued PSAK No. 16 (Revised 2007), “Fixed Assets”, prescribes the accounting treatment for property, plant and equipment to enable the financial statements users to discern information about an entity’s investment in its property, plant and equipment and the changes in such investment. This standard provides for, among others, the recognition of the assets, determination of their carrying amounts and related depreciation and impairment losses. Under this standard, an entity shall choose between the cost model or revaluation model as the accounting policy for its property, plant and equipment. This revised standard supersedes PSAK No. 16 (1994), “Fixed Assets and Other Assets”, and PSAK No. 17 (1994), “Accounting for Depreciation”, and is effective for the preparation and presentation of financial statements beginning on or after January 1, 2008. The Company and Subsidiaries are presently evaluating the effects of the revised PSAK on the consolidated financial statements.

j. Impairment of Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Leases

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

Gain on sale-and-leaseback transactions is deferred and amortized using the same method and useful lives as mentioned above for depreciation.

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

On June 27, 2007, the Indonesian Institute of Accountants issued PSAK No. 30 (Revised 2007), "Leases", prescribes for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. This standard provides for the classification of leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee, and the substance of the transaction rather than the form of the contract. This revised standard supersedes PSAK No. 30 (1990), "Accounting for Leases", and is effective for financial statements beginning on or after January 1, 2008. The Company and Subsidiaries are presently evaluating the effects of the revised PSAK on the consolidated financial statements.

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 2008 and 2007, no borrowing costs were capitalized.

m. Deferred Charges

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

n. Revenue and Expense Recognition

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

(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Provision for Employee Benefits

The Company has a defined contribution retirement plan (Pension Plan) covering all of its qualified permanent employees and an unfunded employee benefit liability determined in accordance with the existing Collective Labor Agreement (CLA). The unfunded employee benefit liability was calculated by comparing the benefit that will be received by an employee at normal pension age from the Pension Plan with the benefit as stipulated in the CLA after deducting the accumulated employer contribution and the related investment results. If the employer-funded portion of the Pension Plan benefit is less than the benefit as required by the CLA, the Company provides for such shortage.

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

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

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

p. Foreign Currency Transactions and Balances

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

As of June 30, 2008 and 2007, the rates of exchange used are as follows:

	2008	2007
Euro (EUR1)	14,563.05	12,163.61
U.S. dollar (US$1)	9,225.00	9,054.00
Japanese yen (JP¥100)	8,672.16	7,346.64

Transactions in other foreign currencies are insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Derivative Instruments

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

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

r. Corporate Income Tax

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

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

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

s. Segment Reporting

The Company and Subsidiaries' businesses are grouped into three major operating businesses: cement, ready mix concrete and aggregates quarry, and other businesses. Financial information on business segments is presented in Note 18.

t. Stock Issuance Costs

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

u. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year, which is 3,681,231,699 shares in 2008 and 2007.

v. Use of Estimates

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

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2008	2007
Cash on hand	1,171,643,229	980,677,797
Cash in banks		
PT Bank Central Asia Tbk		
Rupiah	21,318,391,236	22,969,608,989
Euro (EUR501,275 in 2008 and EUR89,137 in 2007)	7,300,087,064	1,084,225,393
U.S. dollar (US$272,612 in 2008 and US$252,394 in 2007)	2,514,844,224	2,285,178,988
PT Bank Mandiri (Persero) Tbk		
Rupiah	14,256,278,079	20,367,149,551
U.S. dollar (US$35,712 in 2008 and US$54,405 in 2007)	329,446,152	492,585,677
Euro (EUR1,835 in 2008 and EUR27,021 in 2007)	26,729,168	328,667,554
ABN-AMRO Bank N.V.		
U.S. dollar (US$379,656 in 2008 and US$565,386 in 2007)	3,502,322,818	5,119,006,564
Rupiah	2,281,989,079	1,953,423,306
Singapore dollar (Sin$183,921)	1,246,871,696	-
Euro (EUR48,875 in 2008 and EUR73,003 in 2007)	711,773,146	887,976,250
Japanese yen (JP¥1,970,279 in 2008 and JP¥2,271,010 in 2007)	170,865,747	166,842,929
The Hongkong and Shanghai Banking Corporation Ltd., Jakarta Branch		
Rupiah	6,502,243,867	15,916,971,502
Standard Chartered Bank		
U.S. dollar (US$493,607 in 2008 and US$116,314 in 2007)	4,553,526,694	1,053,107,952
Rupiah	506,230,539	107,878,904
Others		
Rupiah	2,117,197,029	2,416,665,401
U.S. dollar (US$53,819 in 2008 and US$53,606 in 2007)	496,478,522	485,345,917
Rupiah time deposits		
ABN-AMRO Bank N.V.	374,000,000,000	71,000,000,000
PT Bank Central Asia Tbk	61,500,000,000	46,500,000,000
PT Bank NISP Tbk	479,000,000	-
U.S. dollar time deposits		
ABN-AMRO Bank N.V. (US$7,000,000)	64,575,000,000	-
PT Bank Central Asia Tbk (US$4,687,500)	43,242,187,500	-
Total	**612,803,105,789**	**194,115,312,674**

(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

Ranges of interest rates per annum:

	2008	2007
Rupiah time deposits	6.00% - 8.05%	6.50% - 8.85%
U.S. dollar time deposits	2.25% - 4.50%	5.00% - 5.15%

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2008	2007
Related Party (Note 22)		
Cement business		
HCT Services Asia Pte., Ltd., Singapore (US$3,169,589 in 2008 and US$6,700,174 in 2007)	**29,239,460,739**	**60,663,379,289**
Third Parties		
Cement business		
Rupiah	828,579,630,853	549,451,528,144
U.S. dollar (US$1,143,241 in 2008 and US$763,394 in 2007)	10,546,401,915	6,911,770,329
Ready mix conrete and aggregates quarry businesses	113,469,300,843	75,621,837,037
Allowance for doubtful accounts	(12,904,975,199)	(11,347,612,391)
Net	**939,690,358,412**	**620,637,523,119**

The movements of allowance for doubtful accounts are as follows:

	2008	2007
Balance at beginning of year	12,664,975,199	11,067,732,391
Provision during the period	240,000,000	279,880,000
Balance at end of period	**12,904,975,199**	**11,347,612,391**

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

(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES (continued)

The aging of trade receivables based on their currency denominations as of June 30, 2008 and 2007 is as follows:

	2008		
	Currency		
	Rupiah	U.S. Dollar (Equivalent Rupiah)	Total
Current	861,476,836,397	18,233,919,135	879,710,755,532
Overdue:			
1 - 30 days	51,002,136,092	21,551,943,519	72,554,079,611
31 - 60 days	7,290,425,391		7,290,425,391
61 - 90 days	4,469,405,567	-	4,469,405,567
Over 90 days	17,810,128,249	-	17,810,128,249
Total	**942,048,931,696**	**39,785,862,654**	**981,834,794,350**

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

5. OTHER RECEIVABLES

The details of other receivables are as follows:

	2008	2007
Payments for tax assessments being contested	5,502,658,681	5,502,658,681
Others	8,438,464,168	10,017,424,122
Total	13,941,122,849	15,520,082,803
Allowance for doubtful accounts	(5,672,157,875)	(7,271,980,358)
Net	**8,268,964,974**	**8,248,102,445**

(Expressed in rupiah, unless otherwise stated)

5. OTHER RECEIVABLES (continued)

The movements of allowance for doubtful accounts are as follows:

	2008	2007
Balance at beginning of year	6,083,100,875	7,371,980,358
Reversal of allowance on doubtful accounts collected during the period	(410,943,000)	(100,000,000)
Balance at end of period	**5,672,157,875**	**7,271,980,358**

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

6. INVENTORIES

Inventories consist of:

	2008	2007
Finished goods	85,273,223,842	82,552,065,732
Work in process	154,992,703,030	113,401,572,027
Raw materials	266,789,599,685	252,372,608,520
Fuel and lubricants	290,920,593,927	104,791,061,005
Spare parts	576,495,889,344	496,157,735,897
Total	1,374,472,009,828	1,049,275,043,181
Allowance for losses	(45,472,097,694)	(46,720,211,373)
Net	**1,328,999,912,134**	**1,002,554,831,808**

With the exception of inventories owned by Indomix, PBI and GTM amounting to Rp16.21 billion, all of the inventories are insured against fire and other risks under a combined insurance policy package (Note 8).

The movements of allowance for inventory losses are as follows:

	2008	2007
Balance at beginning of year	45,914,886,856	50,661,601,995
Reversals during the period	(442,789,162)	(3,941,390,622)
Balance at end of period	**45,472,097,694**	**46,720,211,373**

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

The Company made advance payments to several foreign suppliers for the purchase of certain inventories. The outstanding balances of the purchase advances as of June 30, 2008 and 2007 amounting to Rp55,655,765,081 and Rp22,890,958,855, 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:

	2008			
	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	(6,550,305,388)	23,473,694,612
Stillwater Shipping Corporation	50.00	105,500,000	20,465,239,862	20,570,739,862
PT Pama Indo Mining	40.00	1,200,000,000	8,570,547,915	9,770,547,915
PT Indo Clean Set Cement	90.00	464,787,500	(464,787,500)	-
b. Cost Method				
Various investees	various	33,200,000	-	33,200,000
Sub-total		31,827,487,500	22,020,694,889	53,848,182,389
Advances				
PT Indo Clean Set Cement				13,720,944,026
Allowance for doubtful accounts				(13,720,944,026)
Net advances				-
Total				**53,848,182,389**

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

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)

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

The details of the equity in net earnings of associated companies, net of goodwill amortization, for the six months ended June 30, 2008 and 2007 are as follows:

	2008	2007
Stillwater Shipping Corporation	3,544,645,599	1,506,409,592
PT Pama Indo Mining	878,800,807	1,307,278,341
PT Cibinong Center Industrial Estate	744,821,753	1,959,594,180
Total	**5,168,268,159**	**4,773,282,113**

In November 2007, the Company and Subsidiaries received cash dividends from PT Pama Indo Mining amounting to Rp2,281,197,757 and from Stillwater Shipping Corporation amounting to US$1,000,000 (equivalent to Rp9,103,000,000).

Based on the minutes of the shareholders’ extraordinary meeting held on December 30, 2002, which were covered by notarial deed No. 2 dated January 7, 2003 of Notary Deni Thanur, S.E., S.H., M.Kn, the shareholders approved to liquidate PT Indo Clean Set Cement (ICSC). As of June 30, 2008, 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, 2007	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2008
2008 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	225,291,739,262	3,148,000,000	-	228,439,739,262
Leasehold improvements	3,111,045,761	64,195,750	4,235,000	3,171,006,511
Quarry	98,371,922,619	4,039,312,601	-	102,411,235,220
Buildings and structures	2,912,895,462,275	3,629,489,701	-	2,916,524,951,976
Machinery and equipment	7,951,542,894,136	82,827,099,306	138,991,011	8,034,231,002,431
Transportation equipment	430,976,192,983	42,716,774,137	21,997,149,531	451,695,817,589
Furniture, fixtures and office equipment	261,373,101,744	12,494,176,796	869,015,703	272,998,262,837
Tools and other equipment	105,664,855,886	1,947,718,313	145,881,520	107,466,692,679
Sub-total	11,989,227,214,666	150,866,766,604	23,155,272,765	12,116,938,708,505
Assets under Capital Lease				
Machinery and equipment	253,252,365,107	-	-	253,252,365,107
Transportation equipment	52,118,443,722	18,875,555,171	-	70,993,998,893
Sub-total	305,370,808,829	18,875,555,171	-	324,246,364,000
Construction in progress	135,900,899,477	129,366,766,313	107,500,039,516	157,767,626,274
Total Carrying Value	12,430,498,922,972	299,109,088,088	130,655,312,281	12,598,952,698,779

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

	Balance as of December 31, 2007	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2008
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	27,721,181,071	1,176,988,736	-	28,898,169,807
Leasehold improvements	2,998,120,197	53,609,319	70,583	3,051,658,933
Quarry	21,317,215,174	1,303,799,868	-	22,621,015,042
Buildings and structures	912,481,391,171	48,493,305,638	-	960,974,696,809
Machinery and equipment	3,270,332,732,628	187,856,177,233	76,646,322	3,458,112,263,539
Transportation equipment	340,411,835,589	18,548,198,260	2,094,879,119	356,865,154,730
Furniture, fixtures and office equipment	204,963,026,801	11,227,797,891	842,921,289	215,347,903,403
Tools and other equipment	64,653,987,864	6,169,142,798	106,640,445	70,716,490,217
Sub-total	4,844,879,490,495	274,829,019,743	3,121,157,758	5,116,587,352,480
Assets under Capital Lease				
Machinery and equipment	2,329,464,778	6,860,699,065	-	9,190,163,843
Transportation equipment	5,781,792,230	5,763,022,130	-	11,544,814,360
Sub-total	8,111,257,008	12,623,721,195	-	20,734,978,203
Total Accumulated Depreciation, Amortization and Depletion	4,852,990,747,503	287,452,740,938	3,121,157,758	5,137,322,330,683
Net Book Value	**7,577,508,175,469**			**7,461,630,368,096**

	Balance as of December 31, 2006	Additions/ Reclassifications	Disposals/ Reclassifications	Balance as of June 30, 2007
2007 movements				
Carrying Value				
Direct Ownership				
Land and land improvements	225,592,282,841	3,041,638,413	-	228,633,921,254
Leasehold improvements	3,104,184,761	-	-	3,104,184,761
Quarry	75,196,165,196	-	-	75,196,165,196
Buildings and structures	2,884,173,419,302	7,478,789,833	-	2,891,652,209,135
Machinery and equipment	7,724,448,530,774	61,225,820,364	5,179,953,700	7,780,494,397,438
Transportation equipment	449,912,014,588	24,341,470,147	1,620,288,177	472,633,196,558
Furniture, fixtures and office equipment	237,761,538,141	11,897,152,521	1,316,845,829	248,341,844,833
Tools and other equipment	90,212,774,791	6,842,998,759	77,708,264	96,978,065,286
Sub-total	11,690,400,910,394	114,827,870,037	8,194,795,970	11,797,033,984,461
Assets under Capital Lease				
Transportation equipment	19,244,164,620	-	-	19,244,164,620
Construction in progress	298,412,768,646	175,855,763,882	99,523,052,529	374,745,479,999
Total Carrying Value	12,008,057,843,660	290,683,633,919	107,717,848,499	12,191,023,629,080
Accumulated Depreciation, Amortization and Depletion				
Direct Ownership				
Land improvements	25,367,203,600	882,988,736	-	26,250,192,336
Leasehold improvements	2,848,932,256	86,966,186	-	2,935,898,442
Quarry	19,310,196,578	980,507,460	-	20,290,704,038
Buildings and structures	816,931,175,051	47,664,468,996	-	864,595,644,047
Machinery and equipment	2,898,009,407,456	175,180,106,831	4,265,201,478	3,068,924,312,809
Transportation equipment	327,384,712,111	20,919,876,772	1,566,055,152	346,738,533,731
Furniture, fixtures and office equipment	185,179,642,028	10,595,886,998	1,310,424,289	194,465,104,737
Tools and other equipment	53,626,159,974	5,370,128,339	68,336,264	58,927,952,049
Sub-total	4,328,657,429,054	261,680,930,318	7,210,017,183	4,583,128,342,189
Assets under Capital Lease				
Transportation equipment	331,349,327	1,906,416,462	-	2,237,765,789
Total Accumulated Depreciation, Amortization and Depletion	4,328,988,778,381	263,587,346,780	7,210,017,183	4,585,366,107,978
Net Book Value	**7,679,069,065,279**			**7,605,657,521,102**

(Expressed in rupiah, unless otherwise stated)

8. FIXED ASSETS (continued)

Construction in progress consists of:

	2008	2007
Machineries under installation	104,764,979,490	345,237,458,845
Buildings and structures under construction	25,955,935,055	9,410,684,864
Others	27,046,711,729	20,097,336,290
Total	**157,767,626,274**	**374,745,479,999**

Below are the percentages of completion and estimated completion periods of the construction in progress as of June 30, 2008:

	Estimated Percentage of Completion	Estimated Completion Period
Machineries under installation	15 - 99%	2 to 24 months
Buildings and structures under construction	25 - 97	3 to 24 months
Others	75 - 95	1 to 12 months

The unpaid balances to contractors and suppliers for the construction, purchase, repairs and maintenance of fixed assets amounting to Rp2,267,410,648 and Rp21,216,976,708 as of June 30, 2008 and 2007, respectively, are presented as part of “Other Payables to Third Parties” in the consolidated balance sheets.

Depreciation, amortization and depletion charges amounted to Rp287,452,740,938 and Rp263,587,346,780 for the six months ended June 30, 2008 and 2007, respectively.

The Company and Subsidiaries insured their fixed assets and inventories against losses from fire and other insurable risks under several combined policies, with a total insurance coverage of Rp119,637,467,550, US$9,240,132, EUR1,332,999,620 and JP¥60,930,000 as of June 30, 2008. In management’s opinion, the above insurance coverage is adequate to cover any possible losses that may arise from such risks.

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

The Company and Subsidiaries own building/construction rights or “Hak Guna Bangunan” (HGB), land use rights or “Hak Pakai” (HP) and land ownership rights or “Hak Milik” (HM) over land covering approximately 3,277.32 hectares, and local mining rights or “Surat Izin Penambangan Daerah” (SIPD) covering approximately 9,581.40 hectares at several locations in Indonesia, with legal terms ranging from 5 to 30 years. Management believes that such rights can be extended upon their expiration.

As of June 30, 2008, the Company is still in the process of obtaining the titles of ownership or rights over land covering a total area of approximately 408,835 square meters. The Company is also in the process of acquiring land rights covering a total area of approximately 2,542,715 square meters. The total expenditures amounting to Rp48,254,769,495 as of June 30, 2008 incurred in relation to the above land rights acquisition process are recorded as part of “Other Non-current Assets” in the consolidated balance sheets.

The Company made advance payments for the purchase of certain machinery, equipment and spare parts from several suppliers. The outstanding balances of the purchase advances as of June 30, 2008 and 2007 amounting to Rp111,489,895 and Rp1,178,360,801, respectively, are presented as part of “Other Non-current Assets” in the consolidated balance sheets.

The assets under capital lease are collateralized to the related obligations under capital lease (Note 12).

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES TO THIRD PARTIES

This account consists of the following:

	2008	2007
Cement business		
Rupiah	124,553,862,709	82,894,642,557
U.S. dollar (US$2,605,530 in 2008 and US$1,331,893 in 2007)	24,036,012,036	12,058,957,140
Euro (EUR2,549,402 in 2008 and EUR1,025,903 in 2007)	37,127,065,592	12,478,681,557
Other foreign currencies	4,197,400,531	955,323,118
Ready mix concrete and aggregates quarry businesses		
Rupiah	22,830,760,847	10,513,472,246
Total Trade Payables to Third Parties	**212,745,101,715**	**118,901,076,618**

The aging analysis of trade payables based on their currency denomination as of June 30, 2008 and 2007 is as follows:

	2008		
	Rupiah	Foreign Currencies (Rupiah Equivalent)	Total
Current	79,785,877,631	24,622,966,623	104,408,844,254
Overdue:			
1 - 30 days	43,149,930,984	23,959,365,850	67,109,296,834
31 - 60 days	5,984,434,664	6,914,159,255	12,898,593,919
61 - 90 days	2,747,833,197	3,172,725,587	5,920,558,784
Over 90 days	15,716,547,080	6,691,260,844	22,407,807,924
Total	**147,384,623,556**	**65,360,478,159**	**212,745,101,715**

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

(Expressed in rupiah, unless otherwise stated)

9. TRADE PAYABLES TO THIRD PARTIES (continued)

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

Suppliers	Materials Supplied
Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA)	Fuel
PT Adaro Indonesia	Coal
PT Baramulti Sugih Sentosa	Coal
PT Masa Jaya Perkasa	Coal
PT Trubaindo Coal Mining	Coal
PT Arutmin Indonesia	Coal
PT Politama Pakindo	Woven paper
Fujian Qingshan Paper Industry Co., Ltd.	Kraft paper
Billerud AB	Kraft paper
Mondi Packaging Paper	Kraft paper
Itochu Co.	Gypsum

10. TAXATION

a. Taxes Payable

	2008	2007
Income taxes		
Article 21	7,347,986,595	4,588,867,490
Article 22	1,948,650,978	1,185,750,012
Article 23	6,462,252,947	1,153,225,745
Article 25	28,216,348,816	15,610,175,461
Article 26	13,030,065,757	220,586,516
Article 29	154,502,588,373	44,890,911,473
Value added tax	44,331,137,945	16,169,418,417
Others	141,469,701	-
Total	**255,980,501,112**	**83,818,935,114**

b. The reconciliation between income before corporate income tax expense, as shown in the consolidated statements of income, and estimated taxable income of the Company for the six months ended June 30, 2008 and 2007 is as follows:

	2008	2007
Income before corporate income tax expense per consolidated statements of income	1,101,095,983,824	518,536,440,102
Income of Subsidiaries before corporate income tax expense - net	(8,177,404,095)	(10,001,000,067)
Reversal of inter-company eliminating entries during consolidation	(3,292,499,488)	(1,506,409,592)
Income before corporate income tax expense attributable to the Company	1,089,626,080,241	507,029,030,443

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	2008	2007
Add (deduct):		
Temporary differences		
Provision for post-retirement healthcare benefits - net	1,055,695,690	1,341,180,447
Provision for employee benefits - net	407,315,838	2,712,816,245
Payments of obligations under capital lease	(24,958,497,430)	(1,436,902,282)
Depreciation of fixed assets (including leased assets)	(6,186,653,753)	(42,066,093,467)
Provisions for doubtful accounts and inventory losses (write-off of accounts and inventories against allowance) - net	(853,732,162)	(4,041,390,622)
Provision for recultivation - net (Note 23s)	(308,471,201)	(330,297,250)
	(30,844,343,018)	(43,820,686,929)
Permanent differences		
Non-deductible expenses		
Employee benefits	10,674,699,098	11,654,432,784
Public relations	1,914,124,523	2,128,602,300
Donations	779,731,453	1,599,824,440
Others	991,966,613	765,287,727
Income already subjected to final tax	(11,646,255,625)	(1,351,998,407)
Equity in net earnings of associated companies - net	(1,623,622,560)	(3,266,872,521)
	1,090,643,502	11,529,276,323
Estimated taxable income of the Company	**1,059,872,380,725**	**474,737,619,837**

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

	2008	2007
Current		
Company	317,944,214,000	142,403,785,700
Subsidiaries	7,938,619,300	3,953,891,500
	325,882,833,300	146,357,677,200
Deferred		
Company	9,364,130,568	13,146,206,079
Subsidiaries	(5,680,170,064)	(1,112,641,808)
	3,683,960,504	12,033,564,271
Total	**329,566,793,804**	**158,391,241,471**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

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

	2008	2007
Current income tax expense		
Company	317,944,214,000	142,403,785,700
Subsidiaries	7,938,619,300	3,953,891,500
Total	325,882,833,300	146,357,677,200
Prepayments of income tax		
Company	163,441,625,627	97,533,910,337
Subsidiaries	8,971,563,336	6,530,032,395
Total	172,413,188,963	104,063,942,732
Estimated corporate income tax payable		
Company	154,502,588,373	44,869,875,363
Subsidiaries	-	21,036,110
Total	**154,502,588,373**	**44,890,911,473**
Estimated claims for income tax refund - presented as part of “Prepaid Taxes” in the consolidated balance sheets		
Company	-	-
Subsidiaries	1,032,944,036	2,597,177,005
Total for the current period	1,032,944,036	2,597,177,005
Claims for income tax refund from prior years:		
Company	-	-
Subsidiaries	3,205,737,805	3,027,171,528
Total	**4,238,681,841**	**5,624,348,533**

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

10. TAXATION (continued)

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

On April 26, 2007, the Company filed an objection to the Tax Office for corrections made to the 2005 taxable income totaling Rp5,292,461,212 out of the total corrections of Rp16,328,657,367. On April 3, 2008, the Company received a decision letter from the Tax Office wherein the Tax Office approved the Company's objection on 2005 taxable income amounting to Rp5,292,461,212.

On May 1, 2007, the Company also filed an objection to the assessment for underpayment of income tax article 26 and value added tax for the fiscal year 2005 as stated above. On October 8, 2007, the Company received a decision letter from the Directorate General of Taxation wherein it rejected the Company's objection relating to income tax article 26. In November 2007, the Company submitted an appeal to the Tax Court. As of June 30, 2008, the Tax Court has not rendered any decision on the matter.

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

On March 6, 2008, the DAP received a decision letter from the Tax Office wherein the Tax Office approved to refund the Company's overpayment of income tax article 29 for the fiscal year 2006 amounting to Rp2,998,251,227. The refund was received by the DAP in March 2008.

In February 2004, DAP received a decision letter from the Tax Office wherein the Tax Office approved to refund DAP's 2002 claim for tax refund amounting to Rp6,195,133,712, out of the total claim of Rp11,605,908,212. DAP contested the result of the tax assessment and the disapproved portion of the claim remained as part of "Prepaid Taxes" in the 2005 consolidated balance sheet. On August 16, 2006, the Tax Court issued a decision in favor of DAP and the refund was received by DAP in October 2006. The Tax Office, however, filed an objection to the Tax Court's decision and asked for a judicial review by the Supreme Court. As of June 30, 2008, the Supreme Court has not rendered any decision on the matter.

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

e. The reconciliation between income before corporate income tax expense (after the reversal of inter-company eliminating entries during consolidation) multiplied by the applicable tax rate and corporate income tax expense as shown in the consolidated statements of income for the six months ended June 30, 2008 and 2007 is as follows:

	2008	2007
Income before corporate income tax expense	1,101,095,983,824	518,536,440,102
Reversal of inter-company eliminating entries during consolidation	(3,292,499,488)	(1,506,409,592)
Combined income, net of loss, before income tax of the Company and Subsidiaries	1,097,803,484,336	517,030,030,510
Tax expense at the applicable tax rate	329,288,544,834	155,056,508,674
Tax effects on permanent differences:		
Non-deductible expenses	4,801,705,788	4,953,655,542
Income already subjected to final tax	(4,067,023,627)	(638,860,989)
Equity in net earnings of associated companies - net	(487,086,768)	(980,061,756)
Others	30,653,577	-
Corporate income tax expense per consolidated statements of income	**329,566,793,804**	**158,391,241,471**

f. Deferred tax assets (liabilities) consist of:

	December 31, 2007	Deferred Tax Benefit (Expense) Credited (Charged) to 2008 Profit and Loss	June 30, 2008
Deferred Tax Assets:			
Company			
Estimated liability for employee benefits	16,919,319,494	122,194,752	17,041,514,246
Allowance for doubtful accounts and inventory losses	11,345,385,681	(256,119,649)	11,089,266,032
Reserve for recultivation	8,475,839,048	(92,541,360)	8,383,297,688
Obligation under capital lease	36,264,965,511	(1,935,710,341)	34,329,255,170
Estimated liability for post-retirement healthcare benefits	3,075,611,288	316,708,707	3,392,319,995
Others	833,851,800	-	833,851,800
Sub-total	76,914,972,822	(1,845,467,891)	75,069,504,931
Subsidiaries	9,384,935,111	6,094,706,599	15,479,641,710
Total	**86,299,907,933**	**4,249,238,708**	**90,549,146,641**

(Expressed in rupiah, unless otherwise stated)

10. TAXATION (continued)

	December 31, 2007	Deferred Tax Benefit (Expense) Credited (Charged) to 2008 Profit and Loss	June 30, 2008
Deferred Tax Liabilities:			
Company			
Difference in net book value of fixed assets between tax and accounting bases	(660,665,275,942)	(5,580,299,984)	(666,245,575,926)
Net book value of assets under capital lease	(88,193,803,047)	(1,938,362,693)	(90,132,165,740)
Sub-total	(748,859,078,989)	(7,518,662,677)	(756,377,741,666)
Fair value adjustment on acquisition	(5,348,251,713)	-	(5,348,251,713)
Subsidiaries	(1,016,008,320)	(414,536,535)	(1,430,544,855)
Total	**(755,223,339,022)**	**(7,933,199,212)**	**(763,156,538,234)**
Net Deferred Tax Assets:			
Subsidiaries	**8,368,926,791**	**5,680,170,064**	**14,049,096,855**
Net Deferred Tax Liabilities:			
Company	**(677,292,357,880)**	**(9,364,130,568)**	**(686,656,488,448)**

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

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:

	2008	2007
Related party (Note 22)		
U.S. dollar	1,383,750,000,000	1,358,100,000,000
Third parties		
Rupiah	-	294,736,842,104
U.S. dollar	-	266,854,736,928
Japanese yen	-	180,139,612,800
Sub-total	-	741,731,191,832
Total	1,383,750,000,000	2,099,831,191,832
Less current maturities	1,383,750,000,000	249,715,897,913
Long-term maturities	**-**	**1,850,115,293,919**

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

	2008		2007	
U.S. dollar				
Related party				
HC Finance B.V.	US$	150,000,000	US$	150,000,000
Third parties				
ABN-AMRO Bank N.V., Jakarta		-		14,736,842
Standard Chartered Bank, Jakarta		-		14,736,842
Total U.S dollar loans	**US$**	**150,000,000**	**US$**	**179,473,684**
Rupiah				
Third parties				
PT Bank Central Asia Tbk		-		294,736,842,104
Total rupiah loans		**-**		**294,736,842,104**
Japanese yen				
Third parties				
ABN-AMRO Bank N.V., Jakarta		-	JP¥	1,226,000,000
Calyon Deutschland, Germany		-		1,226,000,000
Total Japanese yen loans		**-**	**JP¥**	**2,452,000,000**

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

	2008	2007
U.S. dollar	3.97% - 6.33%	6.22% - 6.56%
Japanese yen	-	1.38% - 1.56%
Rupiah	-	9.10% - 12.36%

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

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

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

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

To reduce the exposure to exchange rate fluctuations relating to the above-mentioned refinancing transaction with HC Finance B.V., the Company entered into a Cross Currency Interest Rate Swap (CCIRS) transaction with a notional amount of US$150 million with Standard Chartered Bank, Jakarta Branch. The CCIRS contract has the same period as the HC Finance B.V. loan (Note 24).

On March 29, 2006, the Company obtained the approval of independent shareholders to obtain a corporate guarantee from HeidelbergCement AG (HC), a majority shareholder, in connection with the Company's plan to refinance its debt under the HZMFA. The corporate guarantee is issued to:

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

- Marubeni Corporation for the bilateral loan of JP¥1,178 million.

On April 7, 2006, the Company (as the Borrower) together with HeidelbergCement AG (as the Guarantor), signed the syndicated loan facility ("the Facility") agreement with Standard Chartered Bank (as the Coordinating Lead Arranger and Facility Agent), and with ABN-AMRO Bank N.V., Jakarta Branch, PT Bank Central Asia Tbk and Calyon Deutschland acting as the Lead Arrangers with a total amount equivalent to US$158 million. The Facility consists of the following:

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

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

The Facility mentioned above was secured by the Corporate Guarantee of HC. The Company paid a guarantee fee of 0.2% per annum of the available loan facility balance as compensation to HC.

(Expressed in rupiah, unless otherwise stated)

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

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

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

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

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

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

12. OBLIGATIONS UNDER CAPITAL LEASE

The future minimum lease payments required under the lease agreements as of June 30, 2008 and 2007 are as follows:

Years	2008	2007
2007	-	1,867,455,534
2008	34,506,578,257	3,412,955,776
2009	52,104,552,756	3,208,944,509
2010	38,556,021,711	-
2011	852,153,594	-
Total	126,019,306,318	8,489,355,819
Add residual value	2,469,925,000	50,000,000
Less amounts applicable to interest	13,152,496,183	1,150,041,590
Present value of minimum lease payments	115,336,735,135	7,389,314,229
Current maturities	52,490,133,617	2,913,721,228
Long-term maturities	**62,846,601,518**	**4,475,593,001**

a. The Company

In November 2006, the Company entered into finance lease transaction with PT ABN-AMRO Finance Indonesia (AAFI) covering certain transportation equipment units for a total amount of Rp15,180,159,620. The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of Rp10 million for each equipment at the end of the lease period.

In December 2006, the Company entered into a sale-and-leaseback transaction with AAFI for the sale-and-leaseback of transportation equipment units for a total leaseback value of Rp3,650,660,000. The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of Rp10 million for each equipment at the end of the lease period.

12. OBLIGATIONS UNDER CAPITAL LEASE (Continued)

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

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

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

In February 2008, the Company entered into a finance lease transaction with AAFI covering certain transportation equipment units for a total amount of US$924,369 (equivalent to Rp8,366,464,272). The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of US$1,000 for each equipment at the end of the lease period.

In March 2008, the Company entered into sale-and-leaseback transactions with AAFI for the sale-and-leaseback of certain machinery and transportation equipment units for a total leaseback value of Rp10,509,090,900. The lease period is for 36 months and the Company has an option to purchase the leased assets by payment of the residual value of Rp5,000,000 and Rp10,000,000 for each equipment at the end of the lease period.

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

The above obligations under capital lease are secured by the related leased assets (Note 8).

b. PBI

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

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

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

c. GTM

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

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

(Expressed in rupiah, unless otherwise stated)

13. CAPITAL STOCK

The details of share ownership as of June 30, 2008 and 2007 are as follows:

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

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

14. ADDITIONAL PAID-IN CAPITAL

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

15. OTHER PAID-IN CAPITAL

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

16. CASH DIVIDENDS

Based on the minutes of the shareholders' annual general meeting held on May 14, 2008 and May 3, 2007, the shareholders agreed to distribute cash dividends amounting to Rp147,249,267,960 and Rp110,436,950,970 to be taken from the Company's retained earnings as of December 31, 2007 and 2006. The cash dividends were paid on June 24, 2008 and July 16, 2007. The unpaid cash dividends amounting to Rp110,436,950,970 as of June 30, 2007, are presented as part of "Dividend Payable" in the consolidated balance sheets.

17. RETAINED EARNINGS

In compliance with Corporation Law No. 1 of 1995 dated March 7, 1995, which requires companies to set aside, on a gradual basis, an amount equivalent to at least 20% of their subscribed capital as general reserve, the shareholders approved the partial appropriation of the Company's retained earnings as general reserve during their annual general meetings held on May 14, 2008, May 3, 2007, June 28, 2006, June 16, 2005, June 23, 2004, June 26, 2003, June 24, 1997 and June 25, 1996 in the amount of Rp25 billion each.

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION

BUSINESS SEGMENTS

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

The main activities of each operating business are as follows:

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

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

2008	Cement	Ready Mix Concrete and Aggregates Quarry*	Other Business	Elimination	Consolidation
REVENUES					
Sales to external customers	4,286,311,205,581	202,879,871,131	-	-	4,489,191,076,712
Inter-segment sales	108,561,387,150	-	-	(108,561,387,150)	-
Total Revenues	**4,394,872,592,731**	**202,879,871,131**	**-**	**(108,561,387,150)**	**4,489,191,076,712**
RESULTS					
Segment results	1,115,338,202,814	(19,410,487,149)	-	-	1,095,927,715,665
Equity in net earnings of associated companies - net	-	-	5,168,268,159	-	5,168,268,159
Corporate income tax expense					(329,566,793,804)
INCOME BEFORE MINORITY INTEREST					**771,529,190,020**
MINORITY INTEREST					(786,244,393)
NET INCOME					**770,742,945,627**
ASSETS AND LIABILITIES					
Segment assets	11,175,879,422,902	302,357,698,539	1,107,548,400	(808,898,883,698)	10,670,445,786,143
Long-term investments and advances to associated company - net	-	-	53,848,182,389	-	53,848,182,389
Net deferred tax assets and prepayments of income taxes	8,903,633,576	17,074,170,319	-	-	25,977,803,895
Total Assets	**11,184,783,056,478**	**319,431,868,858**	**54,955,730,789**	**(808,898,883,698)**	**10,750,271,772,427**
Segment liabilities	3,156,230,949,047	140,318,500,312	-	(808,922,832,612)	2,487,626,616,747
Net deferred tax liabilities	686,656,488,448	-	-	-	686,656,488,448
Total Liabilities - excluding deferred gain on sale-and-leaseback transactions - net	**3,842,887,437,495**	**140,318,500,312**	**-**	**(808,922,832,612)**	**3,174,283,105,195**
Depreciation, amortization and depletion expenses	283,530,923,316	3,921,817,622	-	-	287,452,740,938
Capital expenditures	190,720,413,037	888,635,535	-	-	191,609,048,572
Non-cash expenses other than depreciation, amortization and depletion expenses:					
Provision for post-retirement benefits	15,488,199,000	801,763,500	-	-	16,289,962,500
Provision for healthcare benefits	1,524,725,000	-	-	-	1,524,725,000
Provision for doubtful accounts	-	240,000,000	-	-	240,000,000

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

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

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

GEOGRAPHICAL SEGMENTS

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

	2008	2007
REVENUES (based on sales area)		
Domestic		
Java	5,601,064,035,451	3,881,900,009,649
Outside Java	1,915,715,967,983	1,065,580,516,399
Export	347,003,470,808	433,246,961,547
Total	7,863,783,474,242	5,380,727,487,595
Elimination	(3,374,592,397,530)	(2,223,574,074,953)
Net	**4,489,191,076,712**	**3,157,153,412,642**

(Expressed in rupiah, unless otherwise stated)

18. SEGMENT INFORMATION (continued)

GEOGRAPHICAL SEGMENTS (continued)

	2008	2007
ASSETS (based on location of assets)		
Domestic	**10,670,445,786,143**	**9,715,116,968,511**
CAPITAL EXPENDITURE (based on location of assets)		
Domestic	**191,609,048,572**	**191,160,581,390**

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

Most of the Company's sales are coursed through DAP's distributors. Except sales to PT Bangunsukses Niagatama Nusantara, there were no aggregate sales to any individual customer/sub-distributor which exceeded 10% of net revenues in 2008 and 2007 (Note 23l).

19. COST OF REVENUES

The details of cost of revenues are as follows:

	2008	2007
Raw materials used	445,109,198,421	340,293,793,526
Direct labor	174,520,640,730	165,160,858,924
Fuel and power	1,255,113,990,638	904,952,529,295
Manufacturing overhead	571,444,604,930	492,870,035,646
Total Manufacturing Cost	2,446,188,434,719	1,903,277,217,391
Work in Process Inventory		
At beginning of year	99,827,261,175	113,362,558,381
At end of period	(154,992,703,030)	(113,401,572,027)
Cost of Goods Manufactured	2,391,022,992,864	1,903,238,203,745
Finished Goods Inventory		
At beginning of year	71,194,385,497	66,209,610,931
Others	3,379,283,647	2,923,509,155
At end of period	(85,273,223,842)	(82,552,065,732)
Cost of Goods Sold before Packing Cost	2,380,323,438,166	1,889,819,258,099
Packing Cost	264,616,873,863	165,295,802,650
Total Cost of Revenues	**2,644,940,312,029**	**2,055,115,060,749**

Liabilities related to manufacturing cost which had been incurred but not yet billed to the Company and Subsidiaries amounting to Rp67,707,053,472 and Rp66,997,817,705 as of June 30, 2008 and 2007, respectively, are presented as part of "Accrued Expenses" in the consolidated balance sheets.

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

(Expressed in rupiah, unless otherwise stated)

20. OPERATING EXPENSES

The details of operating expenses are as follows:

	2008	2007
Delivery and Selling Expenses		
Delivery, loading and transportation	560,049,035,831	371,286,516,937
Salaries, wages and employee benefits (Note 21)	20,206,920,927	19,159,756,474
Rental	7,732,277,023	4,603,486,948
Advertising and promotion	7,033,767,732	12,147,576,006
Depreciation	3,247,128,155	2,850,799,852
Professional fees	3,000,761,175	3,378,578,773
Taxes and licenses	2,684,309,928	2,465,198,709
Repairs and maintenance	1,415,253,012	1,560,719,716
Research and testing	1,109,390,927	2,508,089,958
Electricity and water	1,085,503,087	1,088,969,574
Spare bags	1,060,785,650	615,085,874
Miscellaneous (each below Rp1 billion)	2,946,481,132	2,845,673,713
Total Delivery and Selling Expenses	611,571,614,579	424,510,452,534
General and Administrative Expenses		
Salaries, wages and employee benefits (Note 21)	65,837,361,783	54,410,991,889
Rental	8,398,352,790	9,013,957,703
Depreciation	6,433,584,785	5,284,122,611
Travelling and transportation	4,278,698,810	2,483,890,857
Training and seminars	3,378,895,578	3,650,219,454
Repairs and maintenance	3,302,373,317	4,158,573,557
Donations	3,083,724,823	4,731,331,227
Medical	2,861,976,901	2,671,671,888
Communication	2,694,425,582	1,521,954,829
Professional fees	2,572,127,756	2,039,075,365
Taxes and licenses	2,310,539,270	740,500,994
Public relations	1,706,582,080	1,899,889,300
Miscellaneous (each below Rp1 billion)	6,165,020,905	4,593,878,255
Total General and Administrative Expenses	113,023,664,380	97,200,057,929
Total Operating Expenses	**724,595,278,959**	**521,710,510,463**

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS

a. Retirement Benefits

The Company has a defined contribution retirement plan covering its full-time employees. Contributions are funded and consist of the Company's and the employees' contributions computed at 10% and 5%, respectively, of the employees' pensionable earnings. Total contributions paid by the Company to the plan amounted to Rp13.2 billion and Rp12.5 billion for the six months ended June 30, 2008 and 2007, respectively, which were charged to operations.

The plan's assets are administered by Dana Pensiun Karyawan Indocement Tunggal Prakarsa, the establishment of which was approved by the Ministry of Finance on November 12, 1991, as amended by Decree No. Kep-332/KM.17/1994 dated December 1, 1994. As of June 30, 2008 and 2007, the Plan net assets totaled Rp522 billion and Rp507 billion, respectively.

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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

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

	Company	Subsidiaries
Discount rate	10.10% in 2008 and 11% in 2007	10.10% in 2008 and 11% in 2007
Wage and salary increase	8% in 2008 and 9% in 2007	8% in 2008 and 9% in 2007
Retirement age	55 years	55 years
Average employee turnover	1% for employees with ages from 20 years old up to 54 years old	2% - 5% for employees with ages from 20 years old, decreasing linearly to 0% at age 45
Table of mortality	Indonesian Mortality Table 1999 (TMI ’99) in 2008 and Commissioners Standard Ordinary 1980 (CSO ’80) in 2007	Indonesian Mortality Table 1999 (TMI ’99) in 2008 and Commissioners Standard Ordinary 1980 (CSO ’80) in 2007
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:

	2008	2007
Current service costs	4,559,180,500	5,132,377,500
Interest costs	7,545,053,500	9,150,859,500
Actuarial loss recognized	213,483,000	657,684,000
Amortization of past service costs	3,972,245,500	3,972,245,500
Total employee benefits expense	**16,289,962,500**	**18,913,166,500**

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

	2008	2007
Present value of defined benefit obligation	157,019,874,817	172,032,425,390
Unamortized balance of non-vested past service costs	(72,071,078,500)	(82,791,626,500)
Actuarial loss	(20,018,465,000)	(31,698,261,082)
Liability recognized in the consolidated balance sheets	**64,930,331,317**	**57,542,537,808**

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

a. Retirement Benefits (continued)

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

	2008	2007
Balance at beginning of year	64,279,212,681	54,187,223,918
Provision during the period	16,289,962,500	18,913,166,500
Payments during the period	(15,638,843,864)	(15,557,852,610)
Balance at end of period (presented as “Non-current Liabilities - Estimated Liability for Employee Benefits” in the consolidated balance sheets)	**64,930,331,317**	**57,542,537,808**

Non-vested past service costs are amortized over the average remaining years of service of active employees, which range from 10 - 18 years in 2008 and from 11 - 18 years in 2007.

b. Post-retirement Healthcare Benefits

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

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

Discount rate	: 10.10% in 2008 and 11.00% in 2007
Claim cost trend	: 8% in 2008 and 2007
Retirement age	: 55 years
Mortality rate	: TMI ’99 in 2008 and CSO ’80 in 2007
Disability rate	: 10% of mortality rate
Average employee turnover	: 1% for employees with ages from 20 years old up to 54 years old

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

	2008	2007
Current service costs	411,272,500	397,332,000
Interest costs	802,595,000	808,744,000
Actuarial gains	(78,136,000)	(59,194,000)
Vested past service costs and amortization of non-vested past service costs	388,993,500	388,993,500
Total post-retirement healthcare benefits	**1,524,725,000**	**1,535,875,500**

(Expressed in rupiah, unless otherwise stated)

21. ESTIMATED LIABILITY FOR EMPLOYEE BENEFITS (continued)

b. Post-retirement Healthcare Benefits (continued)

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

	2008	2007
Present value of defined benefit obligation	16,993,305,815	15,968,712,682
Unamortized balance of non-vested past service costs	(9,366,960,500)	(10,144,947,500)
Actuarial gains	3,681,388,000	3,075,023,000
Liability recognized in the consolidated balance sheets	**11,307,733,315**	**8,898,788,182**

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

	2008	2007
Balance at beginning of year	10,252,037,620	7,557,608,000
Provision during the period	1,524,725,000	1,535,875,500
Payments during the period	(469,029,305)	(194,695,318)
Balance at end of period (presented as “Non-current Liabilities - Estimated Liability for Post-retirement Healthcare Benefits” in the consolidated balance sheets)	**11,307,733,315**	**8,898,788,182**

Non-vested past service costs are amortized over the remaining number of years of service of active employees, which is 13.66 years in 2008 and 13.84 years in 2007.

22. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES

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

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2008	2007	2008	2007
<u>Trade Receivables - Related Party</u>				
HCT Services Asia Pte., Ltd., Singapore	29,239,460,739	60,663,379,289	0.27%	0.62%
<u>Due from Related Parties</u>				
Officers and employees	30,378,207,603	43,162,585,389	0.28%	0.44%
PT Cibinong Center Industrial Estate	2,382,962,736	1,453,075,496	0.02	0.01
HC Trading	11,281,492	112,615,465	0.01	0.01
Total	32,772,451,831	44,728,276,350	0.31%	0.46%

(Expressed in rupiah, unless otherwise stated)

22. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Assets/Liabilities and Related Income/Expenses	
	2008	2007	2008	2007
Long-term Investments in Associated Companies				
PT Cibinong Center Industrial Estate	23,473,694,612	21,775,032,035	0.22%	0.22%
Stillwater Shipping Corporation	20,570,739,862	23,003,076,789	0.19	0.24
PT Pama Indo Mining	9,770,547,915	9,258,792,270	0.09	0.09
Total	53,814,982,389	54,036,901,094	0.50%	0.55%
Due to Related Parties				
PT Pama Indo Mining	6,032,002,515	2,101,806,220	0.19%	0.06%
Long-term Loans				
HC Finance B.V., Netherlands	1,383,750,000,000	1,358,100,000,000	43.52%	38.84%
Net Revenues				
HCT Services Asia Pte., Ltd., Singapore	347,003,470,808	433,246,961,547	7.73%	13.72%
Cost of Revenues				
PT Pama Indo Mining	23,826,455,432	20,153,178,156	0.90%	0.98%
HCT Services Asia Pte., Ltd., Singapore	8,778,499,116	5,084,244,600	0.33	0.25
HeidelbergCement Technology Center GmbH	991,834,469	5,677,138,758	0.04	0.28
Total	33,596,789,017	30,914,561,514	1.27%	1.51%
Operating Expenses				
PT Bahana Indonor (Note 23h)	13,514,063,800	6,395,822,574	1.87%	1.22%
PT Cibinong Center Industrial Estate	83,943,864	131,510,822	0.01	0.02
HeidelbergCement Fuels	-	251,916,687	-	0.05
Stillwater Shipping Corporation (Note 23h)	-	9,090,000	-	0.01
Total	13,598,007,664	6,788,340,083	1.88%	1.30%
Other Income (Expenses)				
PT Cibinong Center Industrial Estate	3,851,311,470	2,885,873,603	16.23%	4.33%
HC Finance B.V., Netherlands	(33,598,224,716)	(44,438,588,686)	(141.60)	(66.76)
HeildelbergCement AG	-	(943,451,694)	-	(1.42)
Net	(29,746,913,246)	(42,496,166,777)	(125.37%)	(63.85%)

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

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

No.	Related Parties	Nature of Relationship	Type of Transaction
1.	HeidelbergCement AG	Shareholder	Guarantee fee
2.	HCT Services Asia Pte., Ltd., Singapore	Under common control	Sale of finished goods and purchase of raw materials
3.	HC Finance B.V., Netherlands	Under common control	Long-term loan
4.	HeidelbergCement Technology Center GmbH	Under common control	Professional fee
5.	Heidelberg Cement Fuels	Under common control	Professional fee
6.	PT Cibinong Center Industrial Estate	Associated company	Warehouse rental and sale of water and electricity

(Expressed in rupiah, unless otherwise stated)

22. TRANSACTIONS AND ACCOUNTS WITH RELATED PARTIES (continued)

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

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

In the EGMS held on March 29, 2006, the independent shareholders approved the proposals to add 1 (one) affiliated company, namely Scancem Energy and Recovery AB (SEAR), as a new party for recurring transactions. SEAR is a company doing business in consultancy and management services, particularly on alternative energy technology. The transactions shall be conducted on an arm's length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company's shareholders' equity based on the latest audited consolidated financial statements.

In the EGMS held on May 14, 2008, the independent shareholders approved, among others:

1. The Certified Emission Reduction units ("CERs") sale recurring transactions which include:
   a. Appointment of HC Fuels Limited, an affiliated party of HeidelbergCement AG, the company majority shareholder, as the Company's broker or marketing agent for the purpose of sale of the Company's CERs;
   b. Proposed sale of the Company's CERs to affiliated parties of HeidelbergCement AG, whether or not through services of HC Fuel Limited; and
2. The addition of parties in the recurring transactions as previously agreed in the EGMS of the Company on February 23, 2005 and March 29, 2006.

The transactions shall be conducted on an arm's length basis and the total amount of the transactions in any one financial year will not exceed 5% of the Company's shareholders' equity based on the latest audited consolidated financial statements

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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

   In December 2007, the Company has paid the down payment amounting to US$1,250,000, which is recorded and presented as part of "Advances and Deposits" in the 2008 consolidated balance sheet. Final acquisition amount and other term of payments are subject to certain terms and conditions to be fulfilled by HP.

   On March 28, 2008 and June 2, 2008, the above Agreement has been amended, whereby the Company and HP agreed to appoint MSS to purchase the aggregates quarry owned by HP and to operate the business as specified in the previous Agreement. In the amendment, it was agreed between the Company and HP to govern the capital injection and mechanism for MSS to acquire assets and quarry as well as mining right and license from HP.

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

b. In relation to the Company's coal grinding project in Citeureup Plantsite, on March 14, 2008, the Company and Polysius AG, Germany, signed a contract for the supply of equipment and engineering services for a total contract amount of EUR2,765,000, and supervisory services in the erection, installation, commissioning and testing of the equipment supplied for a total contract amount of approximately EUR282,000. As of June 30, 2008**,** the coal grinding project is in the initial construction stage.

c. In relation to the Company's clinker grinding project in Cirebon Plantsite, on December 6, 2007, the Company and Heibei Provincial Jidong Cement Group Ltd., China, signed a contract for the supply of equipment and engineering services for a total contract amount of US$9,978,284, and a contract for supervisory services in the erection and commissioning of the equipment for a total contract amount of approximately US$399,300. As of June 30, 2008, the clinker grinding project is in the initial construction stage.

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

   On July 9, 2007, both parties signed a statement of commencement of commercial production of skim coat mortar. Total manufacturing fee, investment fee and commission fee received under the agreement in 2008 amounted to Rp65,339,210, Rp38,892,387 and Rp47,330,400, respectively, and are recorded as part of "Other Income (Expenses) - Others - Net" in the six months ended June 30, 2008 consolidated statement of income.

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

   As of June 30, 2008, certain conditions stated above have not yet been fulfilled. Therefore, the Company recorded the amount paid for the conditional purchase of the shares as part of "Advances and Deposits" in the consolidated balance sheets.

f. On July 12, 2006, the Company entered into a spare parts purchase contract with S.E.M.T. Pielstick for the conversion of two (2) power plant engines in the Company's Citeureup plant from Heavy Fuel Oil (HFO) operation to gas operation. The total value of this contract amounted to EUR3,286,642. In relation to this contract, on the same date, the Company entered into a technical assistance contract with Centrales Diesel Export, a wholly-owned subsidiary of S.E.M.T. Pielstick, for a contract amount of EUR144,000. As of June 30, 2008, the conversion of one engine has been completed and the other will be initiated in July 2008.

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

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

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

For the six months ended June 30, 2008 and 2007, total purchases of natural gas from RGM amounted to US$624,886 (equivalent to Rp5,773,160,812) and US$502,763 (equivalent to Rp4,553,106,420), while total transportation fee incurred amounted to US$172,835 (equivalent to Rp1,596,831,652) and US$139,062 (equivalent to Rp1,259,369,819), respectively.

h. The Company has signed vessel charter agreements with Stillwater Shipping Corporation, Liberia, an associated company, for the charter of "M/V Tiga Roda" and "M/V Quantum One" vessels. On June 2, 2006 and September 5, 2006, the charter agreements for the "M/V Tiga Roda" and "M/V Quantum One" vessels were assigned by Stillwater Shipping Corporation to PT Bahana Indonor, an Indonesian company acquired by Stillwater Shipping Corporation in 2006. The charter agreement for the "M/V Tiga Roda" vessel is valid until May 2010, while the charter agreement for the "M/V Quantum One" vessel is valid until September 2010 (Note 22).

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

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

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

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

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

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

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

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

The agreement has already been effective since the following conditions precedent had been fulfilled:

- Indonesia has ratified the Kyoto Protocol on July 28, 2004.
- Receipt by the Trustee of a Letter of Approval for the Project on December 23, 2005, which includes authorization of the Company's and the Trustee's participation in the Project, and in the reasonable opinion of the Trustee, meets all other requirements of approval under the International UNFCCC/Kyoto Protocol Rules.

The two components of the Project (Blended Cement Project and Alternative Fuel Project) have been registered with the UNFCCC on October 27, 2006 and September 29, 2006, respectively. Verification of Certified Emission Reduction (CER's) for the years 2006 and 2005 had been finalized by the designated operational entity TUEV SUED, Germany. On 14 and 27 March 2008, UNFCCC issued 80,967 the CERs to the Company produced by Alternative Fuel Project undertaken by the Company during period of Year 2005 up to end of July 2007. With this certification, the Company becomes the first company in Indonesia to successfully complete a CDM project. In June 2008, the Company received the first payment from The World Bank for the sale of above 80,967 CERs at US$4.45. The payment was amounted to US$40,303 net of the cost incurred for project preparation cost. Meanwhile, as of June 30, 2008, the certification for Blended Cement project is still in process and is expected to be completed soon.

k. The Company has one-year agreements with several land transporters for the distribution of the Company's cement in Indonesia. Transportation expenses incurred are recorded as part of "Delivery and Selling Expenses" in the consolidated statements of income, while the unpaid transportation expenses amounting to Rp55,331,427,352 and Rp30,973,894,917 as of June 30, 2008 and 2007, respectively, are presented as part of "Other Payables to Third Parties" in the consolidated balance sheets.

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

On May 15, 2008, DAP submitted written termination notices to the existing sub-distributors. On the same date, DAP entered into new distributorship agreements with PT Bangunsukses Niagatama Nusantara, PT Cipta Pratama Karyamandiri, PT Intimegah Mitra Sejahtera, PT Nusa Makmur Perdana, PT Royal Inti Mandiri Abadi, PT Saka Agung Abadi, PT Adikarya Maju Bersama, PT Angkasa Indah Mitra, PT Kharisma Mulia Abadijaya, PT Kirana Semesta Niaga, PT Primasindo Cipta Sarana and PT Samudera Tunggal Utama. Under the agreements, DAP appointed these companies to be non-exclusive distributors to sell bagged cement and bulk cement for the domestic market.

The above-mentioned distributorship agreements provide for, among others, delivery requirements, obligations and responsibilities of the 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 May 15, 2008 until December 31, 2013, and may be extended for an additional period of five (5) years upon written agreement by both parties.

(Expressed in rupiah, unless otherwise stated)

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

Total gross sales by the Company and DAP to these distributors for the six months ended June 30, 2008 and 2007 are as follows:

	2008	2007
PT Bangunsukses Niagatama Nusantara	503,473,688,353	289,211,885,691
PT Intimegah Mitra Sejahtera	311,516,432,378	186,084,738,534
PT Saka Agung Abadi	288,809,416,051	151,851,927,496
PT Primasindo Cipta Sarana	256,068,299,343	175,071,115,244
PT Royal Inti Mandiri Abadi	244,827,470,058	201,638,517,075
PT Samudera Tunggal Utama	243,565,383,490	167,413,914,274
PT Adikarya Maju Bersama	220,402,432,795	136,401,797,981
PT Kharisma Mulia Abadijaya	216,058,711,200	144,848,943,200
PT Angkasa Indah Mitra	215,845,502,600	132,139,958,000
PT Nusa Makmur Perdana	197,355,887,140	128,358,946,200
PT Kirana Semesta Niaga	183,406,079,000	116,836,847,100
PT Cipta Pratama Karyamandiri	159,645,755,448	104,553,711,154
PT Citrabaru Mitra Perkasa	132,495,041,000	136,985,437,600
PT Sumber Abadi Sukses	121,607,335,200	111,676,567,200
Total	**3,295,077,434,056**	**2,183,074,306,749**

The total outstanding receivables from these distributors amounting to Rp659,423,307,522 and Rp431,689,159,809 as of June 30, 2008 and 2007, respectively, are presented as part of “Trade Receivables - Third Parties” in the consolidated balance sheets.

m. The Company and DAP entered into lease agreements with PT Serasi Tunggal Mandiri for the lease of office space and car park located at Wisma Indocement. The agreements will expire on November 16, 2009. Rental expenses charged to current operations amounted to Rp5,278,908,228 and Rp5,202,901,040 for the six months ended June 30, 2008 and 2007, respectively.

n. The Company has an exclusive export distribution agreement with HCT Services Asia Pte., Ltd. (formerly HC Trading International Inc.), an HC subsidiary, under the following terms and conditions (Note 18):

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

Total sales discounts granted to HCT for the six months ended June 30, 2008 and 2007 amounted to approximately US$2.05 million and US$2.14 million, respectively.

o. The Company has an outstanding agreement with PT Rabana Gasindo Usama (Rabana) whereby Rabana 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.

In an amendment to the agreement with Rabana dated June 20, 2008, wherein Rabana agreed to transport more gas supplied by PT Kemitraan Energi Industri with lower gas transportation fee of US$0.225 per MMBTU of natural gas delivered (Note 23*t*).

23. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

The agreement will expire in 2014 or may be terminated if the total volume of natural gas consumed reaches the contractual volume as stipulated in the agreement. Total transportation fee and technical fee paid to Rabana amounted to US$885,136 and US$691,048 for the six months ended June 30, 2008 and 2007, respectively.

p. The Company also has agreements with PERTAMINA for the purchase of natural gas which provide for an annual minimum purchase quantity. If the Company is unable to consume the agreed volume of natural gas, the Company should pay for the unconsumed volume to PERTAMINA. However, such payment can be treated as prepayment and can be applied to future gas consumption. This agreement will expire in 2014. Total purchases of natural gas from PERTAMINA amounted to Rp68,651,212,729 and Rp46,858,559,251 for the six months ended June 30, 2008 and 2007, respectively.

q. The Company has an outstanding sale and purchase of electricity agreements with PT PLN (Persero) (PLN) wherein PLN agreed to deliver electricity to the Company's Citeureup and Cirebon plants with connection power of 80,000 KVA/150 kV and 45,000 KVA/70 kV, respectively. The price of the electricity charges will be based on government regulation and will follow terms and conditions as governed in amendments to the agreement to be made from time to time.

   Total electricity purchased under the agreements amounted to Rp178.8 billion and Rp172.9 billion for the six months ended June 30, 2008 and 2007, respectively.

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

s. In compliance with the mining regulations issued by the government, the Company is obliged to restore the mined area by preparing and submitting an annual restoration plan "Mining Exploitation Plan Book" for a period of 5 years to the Mining Department. The Company has made provision for recultivation amounting to Rp27,944,325,626 and Rp17,513,616,688 as of June 30, 2008 and 2007, respectively, which is presented as part of "Non-current Liabilities - Provision for Recultivation" in the consolidated balance sheets.

t. On March 6, 2008, the Company entered into an agreement with PT Kemitraan Energi Industri (KEI) for the supply of natural gas for the cement plants in Citeureup. The supply agreement is valid for the delivery of natural gas for 1,460,000 MMBTU in aggregate or in the term of 2 years from the commencement date.

24. DERIVATIVE INSTRUMENTS

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

24. DERIVATIVE INSTRUMENTS (continued)

On March 8, 2005, the Company has entered into a Cross Currency Interest Rate Swap (CCIRS) transaction with Standard Chartered Bank, Jakarta Branch (SCB) to hedge its US$150 million debt to HC Finance B.V. Under the CCIRS, the Company will purchase U.S. dollars with a notional amount of US$150 million from SCB on March 8, 2009 (maturity date) for a fixed exchange rate of Rp9,358 to US$1. Also, SCB will pay the Company quarterly interest in U.S. dollars computed at the rate of 3 Months' LIBOR + 1.80% per annum in exchange for the Company paying quarterly interest to the SCB in rupiah computed at the rate of 3 Months' Sertifikat Bank Indonesia (SBI) + 1.99% per annum on the above-mentioned notional amount using the above exchange rate. The above interest payment period is the same with the interest payment period of the HC Finance B.V. loan. Based on an amendment to the CCIRS dated August 10, 2006, effective July 20, 2006, the quarterly interest to be paid by SCB to the Company will be at the rate of 3 Months' LIBOR + 1.15% per annum, while the interest to be paid by the Company to SCB will be at the rate of 3 Months' SBI + 1.33% per annum. As of June 30, 2008 and 2007, the Company recognized the net liability on the CCIRS contract at fair value of Rp34,029,180,000 and Rp65,588,479,776, respectively, which is presented as "Long-term Derivative Liability" in the consolidated balance sheets.

The CCIRS instrument can not be designated as a hedge for accounting purposes and accordingly, the gain (loss) arising from the changes in the fair value of the CCIRS amounting to (Rp10,849,981,738) and Rp10,350,521,384, is presented as part of "Foreign Exchange Gain - Net" in the six months ended June 30, 2008 and 2007 consolidated statements of income.

25. LITIGATION

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

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

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

Based on the decision of the District Court of Cibinong (the "Court") dated August 16, 2004, the Court rejected all of the above claims. The Plaintiffs submitted an appeal to the High Court of West Java. On March 22, 2005, the High Court of West Java confirmed the decision of the District Court of Cibinong to reject all of the above claims. On June 27, 2005, the Plaintiffs submitted an appeal to the Supreme Court, and as of June 30, 2008, the Supreme Court has not rendered its decision on the case.

26. ECONOMIC CONDITIONS

The operations of the Company and its Subsidiaries may be affected by future economic conditions in Indonesia that may contribute to hike in inflation as food and commodity prices increase in the recent time, volatility in currency values, and increase in coal and fuel prices that is related to increase in world crude oil price, and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors, such as fiscal and monetary actions being undertaken by the Government and others, actions that are beyond the control of the Company and its Subsidiaries.

(Expressed in rupiah, unless otherwise stated)

27. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of June 30, 2008, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies as follows:

	Foreign Currency		Equivalent in Rupiah
Assets			
Related Parties	US$	3,169,589	29,239,460,739
Third Parties	US$	9,388,747	86,611,192,825
	JP¥	1,970,279	170,865,747
	EUR	551,985	8,038,589,378
Total			124,060,108,689
Liabilities			
Related Parties	US$	151,609,384	1,398,596,563,802
Third Parties	US$	2,616,076	24,133,300,270
	JP¥	47,753,270	4,141,239,987
	EUR	2,663,728	38,792,001,866
Total			1,465,663,105,925
Net liabilities			1,341,602,997,236