

**Financial Statements
With Independent Auditors' Report
Years ended December 31, 2004 and 2003**

PT FAJAR SURYA WISESA Tbk

These financial statements are originally issued in Indonesian language.

**PT FAJAR SURYA WISESA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2004 AND 2003**

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-3613

The Shareholders, Board of Commissioners and Board of Directors PT Fajar Surya Wisesa Tbk

We have audited the balance sheets of PT Fajar Surya Wisesa Tbk (the "Company") as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Fajar Surya Wisesa Tbk as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

As described in Note 2j to the financial statements, effective January 1, 2004, the Company adopted Indonesian Statement of Financial Accounting Standards No. 24 (Revised 2004), "Employee Benefits". The financial statements for the year ended December 31, 2003 have been restated to comply with the requirement of this revised Statement.

As discussed further in Note 26 to the financial statements, the Company has been affected, and may continue to be affected, by the economic conditions in Indonesia.

Prasetio, Sarwoko & Sandjaja

Drs. Hari Purwantono

Public Accountant License No. 98.1.0065

March 7, 2005

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

These financial statements are originally issued in Indonesian language.

PT FAJAR SURYA WISESA Tbk
BALANCE SHEETS
December 31, 2004 and 2003
(Expressed in rupiah)

	Notes	2004	2003 (As restated, see Note 2j)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2b,3	34,923,682,913	41,938,943,966
Trade receivables	2c,4		
Related party	2e,22	33,856,730,056	6,551,119,817
Third parties		153,527,579,140	108,905,922,953
Other receivables		580,157,538	807,149,929
Inventories	2d,5	197,591,893,310	192,261,220,041
Advances		80,817,143	345,980,419
Prepaid expenses	2f	2,152,004,119	2,282,690,983
TOTAL CURRENT ASSETS		422,712,864,219	353,093,028,108
NON-CURRENT ASSETS			
Fixed assets - net of accumulated depreciation of Rp887,354,703,302 in 2004 and Rp753,978,165,394 in 2003	2g,2h,6, 11,12	2,202,710,728,135	2,269,085,710,771
Advances for purchases of fixed assets		2,412,789,683	4,435,762,486
Claims for tax refund	9	58,228,312	103,271,006
Guarantee deposits		520,000,000	520,000,000
TOTAL NON-CURRENT ASSETS		2,205,701,746,130	2,274,144,744,263
TOTAL ASSETS		2,628,414,610,349	2,627,237,772,371

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

These financial statements are originally issued in Indonesian language.

PT FAJAR SURYA WISESA Tbk
BALANCE SHEETS (continued)
December 31, 2004 and 2003
(Expressed in rupiah)

	Notes	2004	2003 (As restated, see Note 2j)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank loans	7,11	72,511,620,863	38,623,057,927
Trade payables to third parties	8	63,762,219,610	63,602,295,797
Other payables		1,608,412,623	3,054,313,778
Taxes payable	9	6,087,948,270	2,282,543,880
Accrued expenses	10	18,146,137,035	16,852,715,459
Current maturities of long-term loans	2i,6,11	108,252,658,600	104,064,409,562
TOTAL CURRENT LIABILITIES		270,368,997,001	228,479,336,403
NON-CURRENT LIABILITIES			
Long-term loans - net of current maturities	2i,6,11	927,045,647,572	983,769,845,470
Convertible bonds payable	6,12,27	9,290,000,000	8,465,000,000
Employee benefit liability	2j,13	21,075,173,600	18,485,772,563
Deferred tax liability - net	2m,9	334,077,277,173	326,165,899,754
TOTAL NON-CURRENT LIABILITIES		1,291,488,098,345	1,336,886,517,787
TOTAL LIABILITIES		1,561,857,095,346	1,565,365,854,190
SHAREHOLDERS' EQUITY			
Share capital			
Authorized - 5,000,000,000 shares at par value of Rp500 each			
Issued and paid - 2,477,888,787 shares	14	1,238,944,393,500	1,238,944,393,500
Additional paid-in capital	15	3,560,727,824	3,560,727,824
Retained earnings (deficit)			
Appropriated	16	420,143,046	420,143,046
Unappropriated		(176,367,749,367)	(181,053,346,189)
NET SHAREHOLDERS' EQUITY		1,066,557,515,003	1,061,871,918,181
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,628,414,610,349	2,627,237,772,371

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

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PT FAJAR SURYA WISESA Tbk
STATEMENTS OF INCOME
Years ended December 31, 2004 and 2003
(Expressed in rupiah)

	Notes	2004	2003 (As restated, see Note 2j)
NET SALES	2e,2k,17,22	1,427,031,295,005	1,207,858,705,135
COST OF GOODS SOLD	2e,2k,18,22	1,187,962,267,314	1,044,034,649,602
GROSS PROFIT		239,069,027,691	163,824,055,533
OPERATING EXPENSES	2k,19		
Selling		78,153,936,419	67,427,766,577
General and administrative		23,601,085,210	22,437,408,210
Total operating expenses		101,755,021,629	89,865,174,787
OPERATING INCOME		137,314,006,062	73,958,880,746
OTHER INCOME (EXPENSES)			
Interest income	20	427,987,811	900,848,324
Gain (loss) on foreign exchange - net	2l	(98,556,659,616)	61,033,710,921
Interest and financing charges	2i,21	(27,517,306,943)	(65,866,343,016)
Miscellaneous - net		928,946,927	11,267,117,946
Other income (expenses) - net		(124,717,031,821)	7,335,334,175
INCOME BEFORE DEFERRED INCOME TAX EXPENSE		12,596,974,241	81,294,214,921
DEFERRED INCOME TAX EXPENSE	2m,9	(7,911,377,419)	(26,769,143,342)
NET INCOME		4,685,596,822	54,525,071,579
BASIC EARNINGS PER SHARE	2o	2	22

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

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PT FAJAR SURYA WISESA Tbk
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2004 and 2003
(Expressed in rupiah)

	Notes	Issued and paid share capital	Additional paid-in capital	Retained earnings (deficit)		Net shareholders' equity
				Appropriated	Unappropriated	
Balance as of December 31, 2002						
As previously reported		1,238,944,393,500	3,560,727,824	420,143,046	(228,973,606,812)	1,013,951,657,558
Adjustment due to implementation of PSAK No. 24 (Revised 2004)	2j	-	-	-	(6,604,810,956)	(6,604,810,956)
As restated		1,238,944,393,500	3,560,727,824	420,143,046	(235,578,417,768)	1,007,346,846,602
Net income for 2003						
As previously reported		-	-	-	52,902,236,981	52,902,236,981
Adjustment due to implementation of PSAK No. 24 (Revised 2004)	2j	-	-	-	1,622,834,598	1,622,834,598
As restated		-	-	-	54,525,071,579	54,525,071,579
Balance as of December 31, 2003 (as restated)		1,238,944,393,500	3,560,727,824	420,143,046	(181,053,346,189)	1,061,871,918,181
Net income for 2004		-	-	-	4,685,596,822	4,685,596,822
Balance as of December 31, 2004		1,238,944,393,500	3,560,727,824	420,143,046	(176,367,749,367)	1,066,557,515,003

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

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PT FAJAR SURYA WISESA Tbk
STATEMENTS OF CASH FLOWS
Years ended December 31, 2004 and 2003
(Expressed in rupiah)

	Notes	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,353,186,101,143	1,226,483,498,856
Cash paid to suppliers and employees and for other operational expenses		(1,159,148,272,848)	(973,176,581,179)
Cash provided by operations		194,037,828,295	253,306,917,677
Payments of:			
Interest and financing charges		(74,986,419,538)	(87,241,713,718)
Income taxes		(58,228,312)	(6,157,353,749)
Receipts from:			
Interest income		427,987,811	900,848,324
Claims for tax refund		103,271,006	-
Net cash provided by operating activities		119,524,439,262	160,808,698,534
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets	6	(62,578,682,786)	(50,573,966,596)
Payment of advances for purchase of fixed assets		(2,412,789,683)	(4,658,996,889)
Proceeds from sale of fixed assets	6	8,500,000	9,475,000
Receipts from insurance claim		-	57,936,581
Net cash used in investing activities		(64,982,972,469)	(55,165,551,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		45,614,156,553	85,834,934,755
Payments of loans from banks and financial institution		(107,170,884,399)	(195,956,259,118)
Net cash used in financing activities		(61,556,727,846)	(110,121,324,363)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,015,261,053)	(4,478,177,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		41,938,943,966	46,417,121,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	34,923,682,913	41,938,943,966
SUPPLEMENTAL INFORMATION			
Non-cash activities:			
Reclassification of advances for purchase of fixed assets to fixed assets		4,435,762,486	4,967,898,000

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

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

1. GENERAL

a. Establishment and general information

PT Fajar Surya Wisesa (the "Company") was established in the Republic of Indonesia based on Notarial Deed No. 20 dated June 13, 1987 of Lenny Budiman, S.H., notary in Jakarta. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-1737-HT.01.01.TH.88 dated February 29, 1988, and was published in Supplement No. 1623 of State Gazette No. 36 dated May 4, 1990. The Company's Articles of Association has been amended from time to time, the latest amendment of which was notarized under Deed No. 16 dated April 18, 2000 of Nila Noordjasmani Soeyasa Besar, S.H., replacement of Imas Fatimah, S.H., notary in Jakarta, concerning, among others, the change in the issued and fully paid share capital. The latest amendment was approved by the Ministry of Law and Regulations of the Republic of Indonesia in its Decision Letter No. C-12358-HT.01.04.TH.2000 dated June 26, 2000, and was published in Supplement No. 314 of State Gazette No. 88 dated November 3, 2000.

According to Article 3 of the Company's Articles of Association, the scope of activities of the Company is to engage in paper manufacturing. The Company started commercial operations in 1989 and is presently producing industrial paper, such as containerboard (liner and corrugating medium) and boxboard, for use in the packaging of consumer and industrial goods. The Company's products are sold to Indonesian customers and are also exported to other Asian countries, Europe and the Middle East. The percentage of domestic and export sales to net sales was 78% and 22%, respectively, in 2004. The Company has a production capacity of 500,000 tons per year. The Company's head office is located at Jalan Abdul Muis No. 30, Jakarta, and its factory is located at Jalan Gardu Sawah Rt. 001/1-1, Kalijaya, Cikarang Barat, Bekasi.

b. The Company's initial public offering

On November 29, 1994, the Company obtained the approval from the Chairman of the Capital Market Supervisory Agency (BAPEPAM) in his Letter No. S-1927/PM/1994 to conduct an initial public offering of 47,000,000 shares with nominal value of Rp1,000 per share at an offering price of Rp3,200 per share.

c. Commissioners, directors and employees

The members of the Company's Boards of Commissioners and Directors as of December 31, 2004 and 2003 based on the minutes of the annual general meeting of shareholders dated June 4, 2003 which were notarized under deed No. 18 of Imas Fatimah, S.H., of the same date, are as follows:

Board of Commissioners

Ir. Airlangga	President Commissioner
Lila Notopradono	Commissioner
Tony Tjandra	Independent Commissioner

Board of Directors

Winarko Sulisty	President Director
Roy Teguh	Director
Hadi Rebowo Ongkowidjojo	Director
Yustinus Yusuf Kusumah	Director

Total salaries and benefits of the Boards of Commissioners and Directors amounted to Rp5,513,042,500 and Rp5,313,909,000 in 2004 and 2003, respectively.

The Company employed 1,826 and 1,573 employees in 2004 and 2003, respectively (unaudited).

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies adopted by the Company conform to generally accepted accounting principles in Indonesia ("Indonesian GAAP"), which are based on Statements of Financial Accounting Standards (PSAK) issued by the Indonesian Institute of Accountants. The financial statements were prepared based on Capital Market Supervisory Agency (BAPEPAM) Regulations and Guidelines for Financial Statement Presentation and Disclosures for publicly listed companies issued by the BAPEPAM for manufacturing companies. The significant accounting principles were applied consistently in the preparation of the financial statements for the years ended December 31, 2004 and 2003. The significant accounting policies are as follows:

a. Basis of preparation of the financial statements

The financial statements have been prepared on the accrual basis using the historical cost concept, except for inventories which are valued at the lower of cost or net realizable value, and certain fixed assets which are stated at revalued amounts.

The statements of cash flows classify receipts and payments of cash into operating, investing and financing activities. The cash flows from operating activities are prepared using the direct method.

The functional and reporting currency used by the Company is the rupiah.

b. Cash equivalents

Cash equivalents consist of deposits on call with maturities of three (3) months or less at the time of placement and which are not pledged as collateral.

c. Allowance for doubtful accounts

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

d. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method. Allowance for inventory losses is provided to reduce the carrying value of inventories to their net realizable values based on the review of the condition of the inventories at the end of the year.

e. Transactions with related parties

The Company has transactions with certain parties which are regarded as having related party relationships as described by PSAK No. 7, "Related Party Disclosures".

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

f. Prepaid expenses

Prepaid expenses are amortized over their beneficial periods.

g. Fixed assets

Fixed assets, except for certain assets which were revalued in accordance with government regulations, are stated at cost less accumulated depreciation.

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Fixed assets (continued)

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and land improvements	20
Machinery and equipment	25
Vehicles	5
Furniture, fixtures and equipment	5

Land is stated at cost and is not depreciated.

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments which extend an asset's economic useful life, increase its capacity or improve the quality of its output or standard of performance are capitalized. When assets are retired or otherwise disposed of, the carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current year's statement of income.

Construction in progress represents the accumulated cost of materials and other costs related to asset under construction. When the construction of the asset is completed and the asset constructed is ready for its intended use, these costs are transferred to the relevant fixed asset account.

h. Impairment of assets value

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 loss in the current year's statement of income.

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Employee benefits

The Company recognized an unfunded employee benefit liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law"). Prior to January 1, 2004, the Company determined its employee benefit liability based on an actuarial valuation and amortized unrecognized past service costs over the average remaining working lives of the employees of 20 years.

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

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

The financial statements for the year ended December 31, 2003 have been restated with the adoption of PSAK No. 24 (Revised 2004). The effect of this restatement on the Company's net income for the year ended December 31, 2003 and the deficit - unappropriated, at the beginning and end of the year is as follows:

Net income	
As previously reported	52,902,236,981
As restated	54,525,071,579
Deficit - unappropriated, at beginning of year	
As previously reported	(228,973,606,812)
As restated	(235,578,417,768)
Deficit - unappropriated, at end of year	
As previously reported	(176,071,369,831)
As restated	(181,053,346,189)

k. Revenue and expense recognition

Domestic sales are recognized when the goods are delivered to the customers, while export sales are recognized when the goods are shipped (FOB Shipping Point). Expenses are recognized when incurred.

l. Foreign currency transactions and balances

Transactions involving foreign currencies are recorded in rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to rupiah using middle rates of exchange last quoted by Bank Indonesia at such date. The resulting gains or losses are credited or charged to current operations.

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Foreign currency transactions and balances (continued)

The exchange rates used as of December 31, 2004 and 2003 were as follows:

	2004	2003
1 Great Britain pound sterling (£1)	17,888	15,076
1 European euro (EUR1)	12,652	10,643
1 United States dollar (US\$1)	9,290	8,465
1 Swiss franc (CHF1)	8,195	6,824
1 Singapore dollar (S\$1)	5,685	4,977
1 Japanese yen (JP¥1)	90	79

m. 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 the 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 apply to the period when the asset is realized or the liability 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 against by the Company, when the result of the appeal is determined.

n. Segment information

Segment information is presented in accordance with PSAK No. 5 (Revised 2000), "Segment Reporting". The primary segment information is based on geographical segment (Note 23).

o. Earnings per share

Earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding during the year, which is 2,477,888,787 shares each in 2004 and 2003.

There are no potential dilutive shares, therefore the diluted earnings per share is the same as the basic earnings per share.

p. Use of estimates

The preparation of 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.

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2004	2003
Cash on hand		
Rupiah	252,446,263	339,696,073
United States dollar (US\$7,278 and US\$7,743 in 2003)	67,612,620	65,544,495
Total cash on hand	320,058,883	405,240,568
Cash in banks		
Rupiah		
PT Bank Buana Indonesia Tbk	13,335,355,012	17,133,768,673
PT Bank Danamon Indonesia Tbk	3,069,461,409	-
PT Bank Haga	1,754,549,702	841,522,475
Others	625,419,073	4,592,876,110
	18,784,785,196	22,568,167,258
United States dollar		
PT Bank Rakyat Indonesia (Persero) Tbk (US\$751,223 in 2004 and US\$1,330,499 in 2003)	6,978,870,310	11,262,674,543
Citibank, N.A. (US\$78,246 in 2004 and US\$20,761 in 2003)	726,905,897	175,739,833
The Hongkong and Shanghai Banking Corporation Limited (US\$47,281 in 2004 and US\$69,991 in 2003)	439,238,075	592,476,524
Others (US\$26,030 in 2004 and US\$29,214 in 2003)	241,824,552	247,295,240
	8,386,838,834	12,278,186,140
Total cash in Banks	27,171,624,030	34,846,353,398
Deposits on call - United States dollar		
Deutsche Bank (US\$800,000 in 2004 and US\$790,000 in 2003)	7,432,000,000	6,687,350,000
Total cash and cash equivalents	34,923,682,913	41,938,943,966

The deposits on call earn interest at annual rates ranging from 0.69% to 1.40% in 2004 and from 0.70% to 2.50% in 2003.

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

4. TRADE RECEIVABLES

The details of trade receivables are as follows:

	2004	2003
Related party (Note 22)		
PT Wira Mustika Agung	33,856,730,056	6,551,119,817
Third parties		
Local customers	129,990,817,423	90,255,244,435
Foreign customers	23,536,761,717	18,650,678,518
Total	153,527,579,140	108,905,922,953
Total trade receivables	187,384,309,196	115,457,042,770

The aging analysis of trade receivables based on invoice dates is as follows:

	2004	2003
Less than 31 days	122,801,499,106	84,773,971,662
31 - 60 days	51,236,221,369	21,392,940,598
61 - 90 days	13,108,774,931	8,259,424,427
More than 90 days	237,813,790	1,030,706,083
Total trade receivables	187,384,309,196	115,457,042,770

The details of trade receivables based on their original currencies are as follows:

	2004	2003
Rupiah	163,847,547,479	96,806,364,252
United States dollar (US\$2,533,561 in 2004 and US\$2,203,270 in 2003)	23,536,761,717	18,650,678,518
Total trade receivables	187,384,309,196	115,457,042,770

The Company's management believes that all trade receivables are collectible, therefore, no allowance for doubtful accounts was provided as of December 31, 2004 and 2003.

5. INVENTORIES

Inventories consist of:

	2004	2003
Finished goods	53,423,535,795	54,022,374,743
Work in process	1,951,565,693	1,524,358,253
Raw materials	78,508,411,610	76,890,974,438
Indirect materials and spare parts	55,161,051,103	51,458,918,614
Goods in transit	8,547,329,109	8,364,593,993
Total inventories	197,591,893,310	192,261,220,041

PT FAJAR SURYA WISESA Tbk
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2004 and 2003
(Expressed in rupiah, unless otherwise stated)

5. INVENTORIES (continued)

Based on the review of inventories at the end of the year, the Company's management believes that no allowance for decline in value of inventories is required.

In 2004 and 2003, inventories and fixed assets were insured with PT IBS Insurance Broking Service (Note 6). The Company's management believes that the insurance coverage is adequate to cover possible losses arising from fire, natural disasters and other risks.

6. FIXED ASSETS

	Balance as of December 31, 2003	Additions	Deductions / Reclassifications	Balance as of December 31, 2004
2004 movements				
<u>Carrying value:</u>				
Land	14,675,000,000	-	-	14,675,000,000
Buildings and land improvements	117,365,784,525	123,000,000	-	117,488,784,525
Machinery and equipment	2,871,769,731,974	43,535,577,911	-	2,915,305,309,885
Vehicles	7,563,688,901	512,438,091	12,890,000	8,063,236,992
Furniture, fixtures and equipment	7,030,497,391	463,439,667	-	7,493,937,058
Construction in progress				
Buildings	2,047,865,762	19,344,799,702	-	21,392,665,464
Machinery and equipment	2,611,307,612	3,035,189,901	-	5,646,497,513
Total carrying value	3,023,063,876,165	67,014,445,272	12,890,000	3,090,065,431,437
2004 movements				
<u>Accumulated depreciation:</u>				
Buildings and land improvements	49,510,631,184	5,868,801,726	-	55,379,432,910
Machinery and equipment	692,887,510,988	126,387,326,067	-	819,274,837,055
Vehicles	5,627,713,605	699,604,510	11,030,000	6,316,288,115
Furniture, fixtures and equipment	5,952,309,617	431,835,605	-	6,384,145,222
Total accumulated depreciation	753,978,165,394	133,387,567,908	11,030,000	887,354,703,302
Net book value	2,269,085,710,771			2,202,710,728,135
<hr/>				
	Balance as of December 31, 2002	Additions	Deductions / Reclassifications	Balance as of December 31, 2003
2003 movements				
<u>Carrying value:</u>				
Land	14,675,000,000	-	-	14,675,000,000
Buildings and land improvements	114,178,361,996	3,187,422,529	-	117,365,784,525
Machinery and equipment	2,823,464,391,160	48,305,340,814	-	2,871,769,731,974
Vehicles	7,133,002,303	448,835,234	18,148,636	7,563,688,901
Furniture, fixtures and equipment	6,676,361,213	405,411,858	51,275,680	7,030,497,391
Construction in progress				
Buildings	1,370,788,908	812,787,631	135,710,777	2,047,865,762
Machinery and equipment	93,530,305	2,517,777,307	-	2,611,307,612
Total carrying value	2,967,591,435,885	55,677,575,373	205,135,093	3,023,063,876,165
Accumulated depreciation:				
Buildings and land improvements	43,704,887,479	5,805,743,705	-	49,510,631,184
Machinery and equipment	569,328,018,750	123,559,492,238	-	692,887,510,988
Vehicles	4,970,986,623	669,078,947	12,351,965	5,627,713,605
Furniture, fixtures and equipment	5,556,662,253	425,558,177	29,910,813	5,952,309,617
Total accumulated depreciation	623,560,555,105	130,459,873,067	42,262,778	753,978,165,394
Net book value	2,344,030,880,780			2,269,085,710,771

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6. FIXED ASSETS (continued)

Depreciation expense was charged to operations as follows:

	2004	2003
Cost of goods sold (Note 18)	133,021,904,634	130,104,924,250
Operating expenses (Note 19)		
Selling expenses	1,774,000	1,540,175
General and administrative expenses	363,889,274	353,408,642
Total depreciation expense	133,387,567,908	130,459,873,067

The details of sale of fixed assets are as follows:

	2004	2003
Carrying value	12,890,000	8,748,636
Accumulated depreciation	(11,030,000)	(8,748,636)
Net book value	1,860,000	-
Selling price	8,500,000	9,475,000
Gain on sale of fixed assets	6,640,000	9,475,000

The Company owns parcels of land totalling 414,735 square meters located in Cibitung, Bekasi which are mainly covered by the Company's usage rights (Hak Guna Bangunan) with certificates No. 339, No. 532, No. 533, No. 3, No. 34, No. 35, No. 36 and No. 535. The usage rights will expire between 2013 and 2033. Management believes that there will be no difficulty in the extension of the legal term of the landrights since all the parcels of land were acquired legally and are supported by sufficient evidence of ownership.

Fixed assets, except vehicles, are pledged as collateral for the long-term loans and convertible bonds payable (Notes 11 and 12).

The Company's inventories and fixed assets, except land, are insured with PT IBS Insurance Broking Service for US\$300,750,000 and Rp11,423,250,000 (totaling to Rp2,805,390,750,000) in 2004, and US\$300,750,000 and Rp11,591,400,000 (totaling to Rp2,557,440,150,000) in 2003 (Note 5). The Company's management believes that the insurance coverage is adequate to cover loss from fire, natural disasters and other risks.

The percentages of completion of construction in progress as of December 31, 2004 ranged from 4% to 5% based on the actual expenditures incurred against total budgeted project cost. All construction projects are expected to be completed in 2007.

Based on management's assessment, there are no events or changes in circumstances which may indicate an impairment in the value of fixed assets as of December 31, 2004 and 2003.

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7. BANK LOANS

The details of bank loans are as follows:

	2004	2003
The Hongkong and Shanghai Banking Corporation Limited, Jakarta Import credit (US\$5,305,341 in 2004 and US\$4,562,677 in 2003)	49,286,620,863	38,623,057,927
PT Bank Rakyat Indonesia (Persero) Tbk Working capital credit (US\$2,500,000)	23,225,000,000	-
Total bank loans	72,511,620,863	38,623,057,927

The Company obtained import credit and term loan facilities with a combined maximum amount of US\$7,500,000 from The Hongkong and Shanghai Banking Corporation Limited (Note 11). The import credit loan bears interest at annual rates ranging from 5.75% to 8.84% in 2004 and from 5.69% to 6.10% in 2003. The import credit loan has the same covenants as the long-term loan from the same bank (Note 11).

The loan from PT Bank Rakyat Indonesia (Persero) Tbk represents drawdowns from the working capital credit facility with a maximum amount of US\$6,500,000. The loan bears interest at the annual rate of 7.5% in 2004. The loan has the same collateral and covenants as the long-term loans from the same bank (Note 11).

8. TRADE PAYABLES TO THIRD PARTIES

The details of trade payables are as follows:

	2004	2003
Local suppliers	58,414,957,456	52,156,866,994
Foreign suppliers	5,347,262,154	11,445,428,803
Total trade payables	63,762,219,610	63,602,295,797

The details of trade payables based on their original currencies are as follows:

	2004	2003
Rupiah	30,286,287,080	26,349,392,000
United States dollar (US\$2,879,022 in 2004 and US\$3,932,992 in 2003)	26,746,124,039	33,292,780,243
Euro (EUR469,950 in 2004 and EUR354,843 in 2003)	5,945,841,165	3,776,611,721
Singapore dollar (S\$128,443 in 2004 and S\$24,019 in 2003)	730,257,846	119,528,215
Japanese yen (JP¥594,000 in 2004 and JP¥22,308 in 2003)	53,709,480	1,766,124
Swiss franc (CHF9,118)	-	62,217,494
Total trade payables	63,762,219,610	63,602,295,797

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8. TRADE PAYABLES TO THIRD PARTIES (continued)

The aging analysis of the above trade payables follows:

	2004	2003
Less than 31 days	41,344,426,656	30,480,859,430
31 - 60 days	11,398,121,238	19,122,842,514
61 - 90 days	5,488,905,365	8,677,354,384
More than 90 days	5,530,766,351	5,321,239,469
Total trade payables	63,762,219,610	63,602,295,797

9. TAXATION

a. Taxes payables consist of:

	2004	2003
Income taxes		
Article 21	1,156,090,017	965,606,427
Article 22	96,553,962	77,860,373
Article 23	39,260,916	7,624,368
Value added tax - net	4,796,043,375	1,231,452,712
Total taxes payable	6,087,948,270	2,282,543,880

b. The reconciliation between income before income tax, as shown in the statements of income, and tax loss for the years ended December 31, 2004 and 2003 follows:

	2004	2003 (As restated, see Note 2j)
Income before income tax per statements of income	12,596,974,241	81,294,214,921
Temporary differences:		
Amortization of premium on restructured loans	(44,155,551,250)	(25,176,110,160)
Depreciation of fixed assets	30,920,377,722	20,812,106,959
Provision for employee benefits	2,589,401,037	1,932,299,961
Gain on sale of fixed assets	1,860,000	-
Net	(10,643,912,491)	(2,431,703,240)
Permanent differences:		
Non-deductible expenses		
Employees' benefits	6,991,755,622	6,172,075,426
Representation and donation	2,535,881,553	2,639,184,019
Interest income already subjected to final tax	(427,987,811)	(874,996,561)
Net	9,099,649,364	7,936,262,884

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9. TAXATION (continued)

	2004	2003 (As restated, see Note 2j)
Taxable income before tax loss carry-forward	11,052,711,114	86,798,774,565
Tax loss carry-forward at beginning of year	(43,192,252,605)	(129,991,027,170)
Adjustments by the Tax Office on taxable income for:		
Year 2002	2,640,012,720	-
Year 2003	2,034,621,737	-
Tax loss carry-forward at end of year	(27,464,907,034)	(43,192,252,605)

Based on tax decision letter (SKP) No. 00115/406/02/054/04 dated May 14, 2004 of the Director General of Taxes, the estimated taxable income for 2002 amounting to Rp401,271,082,172 as previously reported by the Company was corrected to become Rp403,911,094,892.

Based on SKP No. 00004/406/03/054/04 dated September 1, 2004 of the Director General of Taxes, the estimated taxable income for 2003 amounting to Rp86,798,774,565 as previously reported by the Company was corrected to become Rp88,833,396,302.

c. The details of claims for tax refund are as follows:

	2004	2003
Prepaid taxes		
Exit tax	50,000,000	39,000,000
Income tax article 22	8,228,312	623,349
Total	58,228,312	39,623,349
Claims for tax refund in 2002	-	63,647,657
Total claims for tax refund	58,228,312	103,271,006

The Company's claims for tax refund as of December 31, 2003 were settled in 2004.

d. Deferred tax assets (liabilities) consist of:

	2004	2003 (As restated, see Note 2j)
Deferred tax assets:		
Unamortized premium on restructured loans	14,538,995,024	27,785,660,399
Tax loss carry-forward	8,239,472,110	12,957,675,782
Employee benefit liability	6,322,552,080	5,545,731,769
Deferred tax liability:		
Depreciation of fixed assets	(363,178,296,387)	(372,454,967,704)
Deferred tax liability - net	(334,077,277,173)	(326,165,899,754)

The Company recognized deferred tax asset for the tax loss carry-forward as it believes this can be realized in future periods.

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9. TAXATION (continued)

- e. A reconciliation between income before income tax multiplied by the maximum tax rate and deferred income tax expense is as follows:

	2004	2003 (As restated, see Note 2j)
Income before income tax per statements of income	12,596,974,241	81,294,214,921
At the maximum tax rate of 30%	3,779,092,272	24,388,264,476
Tax effects of permanent differences:		
Non-deductible expenses		
Employees' benefits	2,097,526,687	1,851,622,628
Representation and donation	760,764,466	791,755,206
Interest income already subjected to final tax	(128,396,343)	(262,498,968)
Tax effects of adjustments by the Tax Office	1,402,390,337	-
Net	4,132,285,147	2,380,878,866
Deferred income tax expense	7,911,377,419	26,769,143,342

10. ACCRUED EXPENSES

This account consists of accruals for:

	2004	2003
Gas	7,893,025,350	6,118,403,215
Freight-out	4,385,909,427	5,735,985,229
Loan administration fees	1,928,106,400	1,783,731,400
Electricity and telephone	1,817,371,639	1,735,637,685
Interest	630,173,122	271,109,486
Others	1,491,551,097	1,207,848,444
Total accrued expenses	18,146,137,035	16,852,715,459

11. LONG-TERM LOANS

The details of long-term loans are as follows:

	2004	2003
PT Bank Rakyat Indonesia (Persero) Tbk		
Revolving loan (US\$39,573,905 in 2004 and US\$38,877,915 in 2003)	367,641,574,013	329,101,552,337
Term loan (US\$17,160,042 in 2004 and US\$20,847,542 in 2003)	159,416,789,623	176,474,442,522
Investment credit	62,500,000,000	75,000,000,000
Revolving loan	20,942,560,000	20,942,560,000
Deferred interest	22,371,506,849	22,371,506,849
	632,872,430,485	623,890,061,708

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11. LONG-TERM LOANS (continued)

	2004	2003
Citibank, N.A., Jakarta		
Term loan (tranche C) (US\$6,750,000 in 2004 and US\$7,750,000 in 2003)	62,707,500,000	65,603,750,000
Term loan (tranche B) (US\$6,128,645 in 2004 and US\$7,354,374 in 2003)	56,935,113,165	62,254,776,587
Revolving loan (tranche A) (US\$4,195,038 in 2004 and US\$2,981,998 in 2003)	38,971,901,162	25,242,615,102
	<u>158,614,514,327</u>	<u>153,101,141,689</u>
Holwell Investments Ltd., Hong Kong		
Investment credit (US\$12,800,000 in 2004 and US\$14,975,000 in 2003)	118,912,000,000	126,763,375,000
PT Pan Indonesia Bank Tbk		
Term loan (US\$5,819,745 in 2004 and US\$6,831,345 in 2003)	54,065,428,542	57,827,333,139
Medium-term loan (US\$1,350,000 in 2004 and US\$2,700,000 in 2003)	12,541,500,000	22,855,500,000
	<u>66,606,928,542</u>	<u>80,682,833,139</u>
The Hongkong and Shanghai Banking Corporation Limited., Jakarta		
Term loan (US\$1,058,032 in 2004 and US\$1,273,240 in 2003)	9,829,116,072	10,777,975,500
	<u>986,834,989,426</u>	<u>995,215,387,036</u>
Unamortized premium on restructured loans	48,463,316,746	92,618,867,996
Total long-term loans	1,035,298,306,172	1,087,834,255,032
Less current maturities	108,252,658,600	104,064,409,562
Long-term loans - net	<u>927,045,647,572</u>	<u>983,769,845,470</u>

PT Bank Rakyat Indonesia (Persero) Tbk

The Company obtained several facilities from PT Bank Rakyat Indonesia (Persero) Tbk (BRI) as follows:

- a. United States dollar and rupiah revolving loan facilities with maximum amounts of US\$40,500,000 and Rp20,942,560,000, respectively

The maturity dates of the loans drawn from these facilities were originally in January 2004 but have been extended until January 1, 2006. The United States dollar loan bears interest at annual rates ranging from 7.5% to 7.75% in 2004 and from 7.75% to 9% in 2003, while the rupiah loan bears interest at annual rates ranging from 14% to 16% in 2004 and from 16% to 18% in 2003.

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11. LONG-TERM LOANS (continued)

PT Bank Rakyat Indonesia (Persero) Tbk (continued)

- b. United States dollar term loan facility with a maximum amount of US\$29,500,000

The loan drawn from this facility is payable in quarterly installments of US\$921,875 starting in March 2002 until December 2009. This loan bears interest at annual rates ranging from 7.5% to 7.75% in 2004 and from 7.75% to 9% in 2003.

- c. Rupiah investment credit loan facility with a maximum amount of Rp100,000,000,000

The loan drawn from this facility is payable in quarterly installments of Rp3,125,000,000 starting in March 2002 until December 2009. This loan bore interest at the following rates:

Interest payment period	Interest per annum	Interest payable	Deferred interest
January - June 2003	18.0%	10.5%	7.5%
July 2003	17.5%	10.5%	7.0%
August 2003	17.0%	10.5%	6.5%
September 2003	16.5%	10.5%	6.0%
October 2003 - January 2004	16.0%	10.5%	5.5%
February - March 2004	14.75%	10.5%	4.25%
April - December 2004	14.0%	10.5%	3.5%

Deferred interest in excess of 10.5% per annum is compounded annually during the deferral period and payable quarterly from March 2005 to December 2009. During the installment period, the deferred interest will not be subject to interest as long as the Company pays the interest on time and in full amount.

The above loans from BRI are collateralized by machinery and equipment, furniture, fixtures and equipment, land with an area of 157,959 square meters including the building thereon, 175,416,000 shares of the Company owned by PT Intercipta Sempana and 58,472,500 shares of the Company owned by PT Intratata Usaha Mandiri (Notes 6 and 22).

Citibank, N.A.

The Company obtained several facilities from Citibank, N.A. (Citibank) as follows:

- a. United States dollar revolving loan facility (tranche A) with a maximum amount of US\$5,000,000

The outstanding balance of the loan is payable on December 30, 2009.

- b. United States dollar term loan facility (tranche B) with a maximum amount of US\$9,499,400

The loan drawn from this facility is payable in monthly installments of US\$102,144 starting in January 2002 until December 2009.

- c. United States dollar term loan facility (tranche C) with a maximum amount of US\$8,250,000

The loan drawn from this facility is payable in quarterly installments of US\$166,666.67 starting on June 30, 2003 until December 30, 2003, of US\$250,000 starting on March 31, 2004 until December 30, 2004, of US\$312,500 starting on March 31, 2005 until December 30, 2007 and of US\$375,000 starting on March 31, 2008 until September 30, 2009, with a final payment of US\$375,000 on December 30, 2009.

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11. LONG-TERM LOANS (continued)

Citibank, N.A. (continued)

The loans from Citibank are collateralized by machinery and equipment, furniture, fixtures and equipment, and land with an area of 157,959 square meters including the building thereon (Note 6). The United States dollar loans bear interest at the annual rate of 3% above cost of fund, but not more than 8%.

Holwell Investments Ltd.

The Company obtained a United States dollar investment credit facility from Holwell Investment Ltd. (Holwell) with a maximum amount of US\$19,700,000. On November 11, 2004, the loan agreement was amended to reduce the maximum amount from US\$ 19,700,000 to US\$12,800,000. The loan is payable in quarterly installments of US\$250,000 starting in March 2005 until December 2010, with a final payment of US\$6,800,000 in December 2010. The loan is non-interest bearing until December 31, 2004 after which it will bear interest at the annual rate of 3% until December 31, 2010. The Company is allowed to repay the outstanding loan before the scheduled payment dates without penalties and can avail itself of a 30% discount based on the principal amount paid.

PT Pan Indonesia Bank Tbk

The Company obtained several facilities from PT Pan Indonesia Bank Tbk (Panin) as follows:

- a. United States dollar term loan facility with a maximum amount of US\$6,831,345

The loan drawn from the facility is payable in quarterly installments of US\$252,900 starting in March 2004 until December 2010.

- b. United States dollar medium-term loan facility with a maximum amount of US\$2,700,000

The loan drawn from the facility is payable in monthly installments of US\$112,500 starting in January 2004 until December 2005.

The above loans from Panin are collateralized by the corporate guarantee of PT Intercipta Sempana, a shareholder, materials purchased and 30,205 square meters of land and building located in Desa Kalijaya, Bekasi under the name of PT Fajar Surya Adhi Rattan Industry, a related party (Note 22). The United States dollar loans bear interest at annual rates ranging from 8% to 8.5% in 2004 and at 8.5% in 2003.

The Hongkong and Shanghai Banking Corporation Limited

The Company obtained United States dollar term loan and import credit facilities with a combined maximum amount of US\$7,500,000 (Note 7). The term loan is payable in monthly installments of US\$17,934 starting on November 1, 2003 until November 1, 2009, with a final payment of US\$17,859.87 on December 1, 2009. The term loan bears interest at annual rates ranging from 9.41% to 10.66% in 2004 and from 9.43% to 10.1% in 2003.

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11. LONG-TERM LOANS (continued)

Based on the loan agreements with the above creditors and banks, the Company must comply with several covenants and requirements as follows:

- a. Maintain certain financial ratios
- b. The Company must obtain written approval from the creditors and banks prior to performing the following activities, among others:
 - (1) Accept loans from other parties, except for under normal business transactions
 - (2) Pledge the Company's assets to other parties for any purpose
 - (3) Enter into merger or acquisition transactions
 - (4) Amend its articles of association
 - (5) Invest in another company
 - (6) Sell, transfer, or change the title of ownership of the majority part of the Company's assets to other parties.

12. CONVERTIBLE BONDS PAYABLE

This account represents the outstanding balance of the convertible bonds issued on August 20, 1993.

On February 20, 2003, based on the restructuring agreement with the remaining holders of bonds totalling US\$1,000,000, it was agreed to restructure the bonds as follows:

- The convertible bonds will mature on August 20, 2010.
- The interest on the convertible bonds prior to the date of restructuring agreement was waived, and from the beginning of restructuring, the convertible bonds will bear interest at the annual rate of 3.5%.

On February 14, 2005, the Company fully paid the outstanding balance of the convertible bonds (Note 27).

13. EMPLOYEE BENEFIT LIABILITY

The Company provides benefits for its employees who achieve the retirement age of 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of net employee benefit expense recognized in the statements of income and amounts recognized in the balance sheet for the employee benefit liability as determined by an independent actuary (PT Dian Artha Tama) in its report dated February 25, 2005.

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13. EMPLOYEE BENEFIT LIABILITY (continued)

a. Net employee benefit expense

	2004	2003 (As restated, see Note 2j)
Current service costs	724,449,445	627,997,407
Interest cost	1,848,577,256	1,655,347,260
Actuarial losses (gains)	16,374,336	(351,044,706)
Net employee benefit expense	2,589,401,037	1,932,299,961

b. Employee benefit liability

	2004	2003 (As restated, see Note 2j)
Present value of employee benefit obligation	23,233,389,545	18,485,772,563
Unrecognized actuarial gains (losses)	(2,158,215,945)	-
Employee benefit liability	21,075,173,600	18,485,772,563

Movements in the employee benefit liability during the years ended December 31, 2004 and 2003 are as follows:

	2004	2003 (As restated, see Note 2j)
Balance at beginning of year	18,485,772,563	16,553,472,602
Net employee benefit expense	2,589,401,037	1,932,299,961
Balance at end of year	21,075,173,600	18,485,772,563

The principal assumptions used in determining employee benefit liability as of December 31, 2004 and 2003 are as follows:

Discount rate	: 10% per annum
Mortality	: Commissioner's Standard Ordinary (CSO) 1980
Retirement age	: 55 (all employees are assumed to retire on their retirement age)
Average age of employees	: 35 years

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14. SHARE CAPITAL

The shareholders and their share ownership as of December 31, 2004 and 2003 based on the records of PT Datindo Entrycom, the Securities Administration Bureau, are as follows:

Shareholders	Number of issued and paid shares	Percentage of ownership (%)	Issued and paid share capital
PT Intercipta Sempana	1,299,375,000	52.4	649,687,500,000
PT Intratata Usaha Mandiri	433,125,000	17.5	216,562,500,000
PT Garama Dhananjaya	144,312,500	5.8	72,156,250,000
PT Tatacita Swadaya Abadi	48,125,000	2.0	24,062,500,000
Public (below 5% each)	552,951,287	22.3	276,475,643,500
Total share capital	2,477,888,787	100.0	1,238,944,393,500

15. ADDITIONAL PAID-IN CAPITAL

The additional paid-in capital as of December 31, 2004 and 2003 is brought about by the following transactions:

	Amount
Issuance of shares through initial public offering in 1994	103,400,000,000
Conversion of convertible bonds into 3,262,617 shares in 1995	2,782,583,000
Total	106,182,583,000
Distribution of bonus shares to the Company's stockholders in 2000	(102,621,855,176)
Balance as of December 31, 2004 and 2003	3,560,727,824

16. APPROPRIATED RETAINED EARNINGS

The Company's shareholders approved the appropriation of Rp420,143,046 from its retained earnings in 1999 as general reserve in accordance with Article 61 of the Law No. 1 of 1995 on Limited Liability Companies.

17. NET SALES

This account consists of:

	2004	2003
Related party		
PT Wira Mustika Agung	250,815,127,850	191,931,066,899
Third parties		
Local sales	866,507,955,075	684,620,251,749
Export sales	313,294,755,664	333,618,771,439
Gross sales	1,430,617,838,589	1,210,170,090,087

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17. NET SALES (continued)

	2004	2003
Sales returns and discounts		
Related party	(965,579,998)	(233,773,008)
Third parties	(2,620,963,586)	(2,077,611,944)
Total	(3,586,543,584)	(2,311,384,952)
Net sales	1,427,031,295,005	1,207,858,705,135

The Company sold its products directly to industrial and consumer goods manufacturing companies. Annual gross sales to individual third party customers did not exceed 10% of the net sales.

Net sales to a related party represent 17.5% and 15.9% of net sales in 2004 and 2003, respectively (Note 22).

18. COST OF GOODS SOLD

The details of cost of goods sold are as follows:

	2004	2003 (As restated, see Note 2j)
Raw materials		
At beginning of year	76,890,974,438	78,581,922,789
Purchases	816,265,961,735	703,263,847,550
At end of year	(78,508,411,610)	(76,890,974,438)
Raw materials used	814,648,524,563	704,954,795,901
Direct labor	21,632,357,292	19,509,406,534
Factory overhead		
Depreciation (Note 6)	133,021,904,634	130,104,924,250
Electricity, steam and water	110,716,098,131	106,585,884,252
Indirect labor	36,005,477,026	33,178,350,643
Repairs and maintenance	31,845,234,431	22,029,007,474
Others (Note 21)	36,140,176,880	31,467,240,630
Total factory overhead	347,728,891,102	323,365,407,249
Total manufacturing cost	1,184,009,772,957	1,047,829,609,684
Work in process		
At beginning of year	1,524,358,253	2,470,589,823
At end of year	(1,951,565,693)	(1,524,358,253)
Cost of goods manufactured	1,183,582,565,517	1,048,775,841,254
Finished goods		
At beginning of year	54,022,374,743	49,281,183,091
Purchases	3,780,862,849	-
At end of year	(53,423,535,795)	(54,022,374,743)
Cost of goods sold	1,187,962,267,314	1,044,034,649,602

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18. COST OF GOODS SOLD (continued)

All finished goods purchased in 2004 were acquired from PT Wira Mustika Agung, a related party (Note 22).

Annual purchases from individual third party suppliers did not exceed 10% of the net purchases.

19. OPERATING EXPENSES

This account consists of:

Selling expenses

	2004	2003 (As restated, see Note 2j)
Freight	66,375,288,477	56,366,625,659
Commission	5,638,425,577	6,105,123,770
Representation and donation	2,590,387,442	2,290,001,715
Salaries and employees' benefits	1,890,548,941	1,738,152,085
Travel	700,878,716	498,482,859
Others (Note 6)	958,407,266	429,380,489
Total selling expenses	78,153,936,419	67,427,766,577

General and administrative expenses

	2004	2003 (As restated, see Note 2j)
Salaries and employees' benefits	16,119,512,806	14,772,615,131
Rent	2,478,958,334	2,727,210,872
Professional fees	466,975,217	1,088,873,358
Tax charges	411,089,147	467,161,004
Representation and donation	374,489,961	267,607,004
Depreciation (Note 6)	363,889,274	353,408,642
Repairs and maintenance	360,476,299	152,010,657
Electricity	174,537,910	175,088,330
Others	2,851,156,262	2,433,433,212
Total general and administrative expenses	23,601,085,210	22,437,408,210

20. INTEREST INCOME

This account consist of interest income from:

	2004	2003
Current accounts and others	419,618,967	708,815,061
Deposits on call	8,368,844	192,033,263
Total interest income	427,987,811	900,848,324

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21 INTEREST AND FINANCING CHARGES

This account consists of:

	2004	2003
Interest expense from:		
Long-term loans	69,644,221,451	81,256,456,998
Bank loans	3,289,502,178	2,273,343,348
Bonds payable	195,378,584	257,635,885
Amortization of premium on restructured loans	(50,493,351,745)	(20,097,520,515)
Interest expense - net	22,635,750,468	63,689,915,716
Financing charges	4,881,556,475	2,176,427,300
Total interest and financing charges	27,517,306,943	65,866,343,016

22. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of relationship

- a. One of the shareholders of PT Wira Mustika Agung is a commissioner of the Company.
- b. One of the commissioners of PT Fajar Surya Adhi Rattan Industry is a commissioner of the Company.
- c. Lila Notopradono is a commissioner of the Company.

Transactions with related parties

In the regular conduct of business, the Company entered into certain transactions with related parties as follows:

- a. The Company has appointed PT Wira Mustika Agung as the distributor of the Company's products. Net sales to PT Wira Mustika Agung represent 17.5% in 2004 and 15.9% in 2003 of the Company's annual net sales which were made under terms and conditions similar to those granted to third parties. As of December 31, 2004 and 2003, the related outstanding receivables from these sales transactions amounting Rp33,856,730,056 and Rp6,551,119,817 which represent 1.29% and 0.25%, respectively, of the total assets, are presented as part of Trade Receivables in the balance sheets (Notes 4 and 17).
- b. In 2004, the Company purchased finished goods from PT Wira Mustika Agung totalling Rp3,780,862,849. These purchases were made under terms and conditions similar to those granted to third parties (Note 18).
- c. The land and building of PT Fajar Surya Adhi Rattan Industry are used as collateral for the Company's loans from PT Pan Indonesia Bank Tbk (Panin). PT Intercipta Sempana and PT Intratata Usaha Mandiri, stockholders, pledged 175,416,000 and 58,472,500 shares of stock of the Company held by them, respectively, as collateral for the loans from BRI (Notes 7 and 11).
- d. The Company has a land and building rental agreement with Lila Notopradono, a commissioner of the Company, with a total annual rent of US\$285,000.

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23. SEGMENT INFORMATION

The following table shows the distribution of the Company's net sales by geographical segment:

	2004	2003
Indonesia	1,113,736,546,273	874,254,093,605
Asia, excluding Indonesia	209,099,256,866	238,797,431,600
Middle East	91,556,032,919	93,754,438,236
Others	12,639,458,947	1,052,741,694
Net sales	1,427,031,295,005	1,207,858,705,135

In accordance with the PSAK No. 5 (Revised 2000), "Segment Reporting", the Company is required to disclose segment information such as gross profit, operating income, net income and non-cash expenses such as depreciation and amortization. The Company was not able to present this information since the Company's records do not permit it from doing so. Currently, the Company's management is improving its accounting system to present the above information and believes that the Company will be able to fully disclose the required segment reporting in the future.

24. COMMITMENTS

a. Land and bulding rental agreement

On September 6, 2004, the Company renewed the agreement with Lila Notopradono, a commissioner, for the rent of land with a total area of 1,522 square meters including the building thereon, located in Jalan Abdul Muis No. 30, Jakarta, which is used as the Company's head office. The agreement is effective for a period of one year (Note 22).

b. Unused credit facilities

The Company has unused short-term and long-term credit facilities from several banks amounting US\$10,367,684 and US\$5,059,408 as of December 31, 2004 and 2003, respectively.

25. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2004 and 2003, the Company has monetary assets and liabilities in foreign currencies as follows:

	2004	
	Foreign currency	Equivalent in rupiah
Assets		
Cash and cash equivalents	US\$ 1,710,058	15,886,451,454
Trade receivables	US\$ 2,533,561	23,536,761,717
Total assets		39,423,213,171

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

	2004	
	Foreign currency	Equivalent in rupiah
Liabilities		
Bank loans	US\$ 7,805,341	72,511,620,863
Trade payables	US\$ 2,879,022	26,746,124,039
	EUR 469,950	5,945,841,165
	S\$ 128,443	730,257,846
	JP¥ 594,000	53,709,480
Other payables	US\$ 105,031	975,742,263
	JP¥ 2,572,000	232,560,240
	EUR 17,525	221,727,352
	£ 3,250	58,137,267
Accrued expenses	US\$ 1,536,741	14,276,323,890
Long-term loans	US\$ 94,835,407	881,020,922,577
Convertible bonds payable	US\$ 1,000,000	9,290,000,000
Total liabilities		1,012,062,966,982
Net liabilities		972,639,753,811
	2003	
	Foreign currency	Equivalent in rupiah
Assets		
Cash and cash equivalents	US\$ 2,248,208	19,031,080,635
Trade receivables	US\$ 2,203,270	18,650,678,518
Total assets		37,681,759,153
Liabilities		
Bank loans	US\$ 4,562,677	38,623,057,927
Trade payables	US\$ 3,932,992	33,292,780,243
	EUR 354,843	3,776,611,721
	S\$ 24,019	119,528,215
	JP¥ 22,308	1,766,124
	CHF 9,118	62,217,494
Other payables	US\$ 32,450	274,689,250
	JP¥ 33,550,975	2,656,153,500
Accrued expenses	US\$ 1,253,225	10,608,551,188
Long-term loans	US\$ 103,591,414	876,901,320,187
Convertible bonds payable	US\$ 1,000,000	8,465,000,000
Total liabilities		974,781,675,849
Net liabilities		937,099,916,696

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

On March 7, 2005, the average rates of exchange were Rp9,325 to US\$1, Rp5,737 to S\$1, Rp8,902 to JP¥100, Rp12,343 to EUR1 and Rp17,933 to £1, which were calculated based on the average buying and selling rates for bank notes published by Bank Indonesia. If the monetary assets and liabilities in foreign currencies as of December 31, 2004 were translated using the middle rates as of March 7, 2005, the loss on foreign exchange of the Company would increase by approximately Rp3,488,000,000.

26. ECONOMIC CONDITIONS

The operations of the Company have been affected and may continue to be affected by the economic conditions in Indonesia that may contribute to volatility in currency values and may negatively impact the Company's ability to achieve its profit and cash flow targets. In 2004 and 2003, the Company reported operating income of Rp137.31 billion and Rp73.96 billion, respectively, and net income of Rp4.69 billion and Rp54.53 billion, respectively. 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.

27. SUBSEQUENT EVENT

On February 14, 2005, the Company fully paid the outstanding balance of the convertible bonds (Note 12).

28. RECLASSIFICATION OF ACCOUNT

The account "Liabilities for purchase of machinery and equipment" previously reported in 2003 under current liabilities amounting to Rp2,656,153,500 was reclassified to "Other payables" under current liabilities to conform with the 2004 presentation.

29. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that were completed on March 7, 2005.