



**TELKOM**  
INDONESIA



Telkomsel's shareholders are PT Telekomunikasi Indonesia Tbk ("Telkom") and Singapore Telecom Mobile Pte Ltd ("SingTel Mobile").

Telkom, which owns 65% of Telkomsel's issued share capital, is the largest full-service telecommunications operator in Indonesia. Telkom is listed on the Jakarta Stock Exchange ("JSX":TLKM), the New York Stock Exchange ("NYSE":TLK) and the London Stock Exchange ("LSE":TKID) and is majority owned by the Government of Indonesia.

SingTel Mobile owns 35% of Telkomsel's issued share capital and is a wholly owned subsidiary of Singapore Telecommunications Limited ("SingTel"). SingTel is one of Asia's leading telecommunications service operators. SingTel is listed on the Singapore Exchange ("SGX": TELE.SI) and the Australian Stock Exchange Limited ("ASX":SGT), SingTel is ultimately majority-owned by the Government of Singapore.



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— 2003

**GROWING**  
momentum

annual report 2003

— 2002

— 2001

— 2000



## GROWING momentum

If you were a parent, wouldn't you give absolutely anything to watch your child grow from a bouncing toddler into a confident adult?

Or if you love pets, watch a playful puppy grow into your best friend?

Or if you're a gardener, watch your seeds grow to full bloom?

The thing is, we all love to see, feel and experience growth.

Growth means many things to many people. Power, survival, achievement, progress, change, love – It comes in all shapes and forms.

Some even come at a price.

Yet, that's exactly what makes growth so exciting. So invigorating.

So worth fighting, working and living for.



# TELKOMSEL

## GROWING momentum

In the cover story of our 2002 Annual Report, we spoke of the critical-mass momentum that is propelling Telkomsel forward, not unlike a streaking comet.

It is an undeniable fact that, once the critical-mass stage is reached, growth can only accelerate with increasing momentum.

For Telkomsel, the year 2003 reaffirmed such a notion. Our growth in almost every aspect of the business during the year was phenomenal. Thus, our choice of theme for the year's Annual Report, **"GROWING momentum"**, best describes the Company in its current condition.

Growth has not only materialized in the size of our customer base, the size and capacity of our networks, or the amount of our revenues. It has demanded us to grow in terms of skills, organization, technology, systems and processes - a challenge that we are responding to, as we reap the fruits of our exponential growth.

The year 2003 highlighted exponential momentum for Telkomsel with

# 9.6

**million  
customers**

## financial highlights

(In billion Rupiah)	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>BALANCE SHEETS</b>									
Current Assets	<b>2,676</b>	1,856	1,995	1,287	1,023	782	518	1,028	54
Property, Plant and Equipment - Net	<b>12,695</b>	9,034	5,321	3,066	2,103	2,018	1,661	482	204
Other Assets	<b>39</b>	49	143	351	115	266	287	229	4
Total Assets	<b>15,410</b>	10,939	7,459	4,704	3,241	3,066	2,466	1,739	262
Current Liabilities	<b>2,790</b>	2,152	2,212	1,194	969	1,325	889	267	132
Other/Long-term Liabilities	<b>2,309</b>	1,598	27	20	11	128	61	10	1
Stockholders' Equity	<b>10,311</b>	7,189	5,220	3,490	2,261	1,613	1,516	1,462	129
Total Liabilities & Stockholders' Equity	<b>15,410</b>	10,939	7,459	4,704	3,241	3,066	2,466	1,739	262
<b>INCOME STATEMENTS</b>									
Operating Revenues	<b>11,146</b>	7,573	4,918	2,801	1,596	990	491	196	16
Operating Expenses (incl. Depreciation)	<b>4,800</b>	3,444	1,932	1,165	815	824	568	200	20
EBITDA	<b>8,026</b>	5,110	3,499	1,967	1,044	472	28	38	3
EBIT	<b>6,346</b>	4,129	2,986	1,636	781	166	(77)	(4)	(4)
Net Income	<b>4,237</b>	2,787	2,044	1,345	668	69	41	51	(1)
<b>FINANCIAL RATIOS (%)</b>									
EBITDA Margin <sup>1)</sup>	<b>72.0</b>	67.5	71.1	70.2	65.4	47.7	5.7	19.4	18.8
EBIT Margin <sup>2)</sup>	<b>56.9</b>	54.5	60.7	58.4	48.9	16.8	-15.7	-2.0	-25.0
Net Income Margin <sup>3)</sup>	<b>38.0</b>	36.8	41.6	48.0	41.9	7.0	8.4	26.0	-6.3
Return on Assets <sup>4)</sup>	<b>32.2</b>	30.3	33.6	33.9	21.2	2.5	2.0	5.2	-0.3
Return on Equity <sup>5)</sup>	<b>48.4</b>	44.9	46.9	46.8	34.5	4.4	2.8	6.4	-0.8
Current Ratio <sup>6)</sup>	<b>95.9</b>	86.2	90.2	107.8	105.6	59.0	58.3	385.0	40.9

1) EBITDA : Operating Revenues

2) EBIT : Operating Revenues

3) Net Income : Operating Revenues

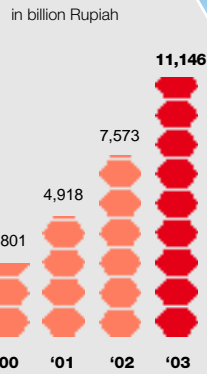
4) Net Income : Average Total Assets

5) Net Income : Average Equity

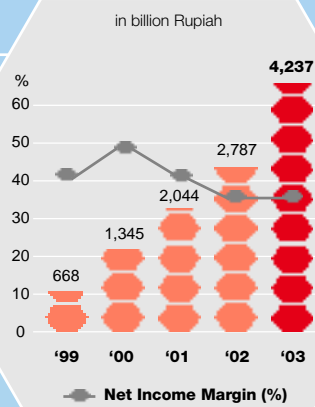
6) Current Assets : Current Liabilities

**47%**  
growth

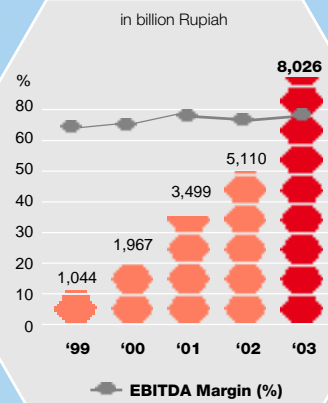
**operating revenues**



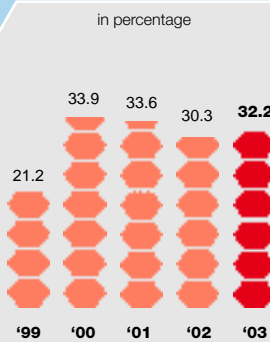
**net income**



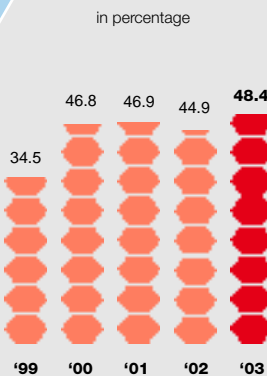
**EBITDA**



**return on assets (ROA)**



**return on equity (ROE)**



TELKOMSEL 2003  
EBITDA MARGIN

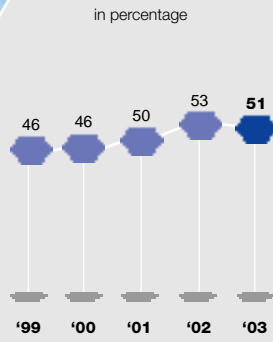
**72%**

## operational highlights

<b>OPERATING RESULTS</b>	<b>2003</b>	2002	2001	2000	1999	1998	1997	1996	1995
<b>Customer Base (in thousand)</b>									
Postpaid	<b>1,007</b>	923	865	657	437	330	365	189	26
Prepaid	<b>8,582</b>	5,088	2,387	1,030	588	163	29	-	-
Total	<b>9,589</b>	6,011	3,252	1,687	1,025	493	394	189	26
<b>ARPU (in thousand Rupiah) *</b>									
Postpaid	<b>314</b>	298	287	281	276	236	N/A	N/A	N/A
Prepaid	<b>95</b>	103	111	103	102	-	N/A	N/A	N/A
Blended	<b>123</b>	145	170	179	191	236	N/A	N/A	N/A
<b>Network Infrastructures</b>									
Base Station	<b>4,820</b>	3,483	1,995	1,411	1,169	1,050	982	410	149
TRX	<b>38,624</b>	28,061	14,981	8,795	5,919	5,284	4,926	2,803	596
Switching Capacity (in thousand)	<b>14,455</b>	9,175	3,970	2,785	1,435	800	725	290	93
<b>Employee</b>									
Total Employees	<b>2,869</b>	2,536	2,319	1,758	1,717	1,815	1,774	777	158
Efficiency Ratio (subscribers / employee)	<b>3,342</b>	2,370	1,402	960	597	271	222	243	166

\*) Refers to average monthly ARPU (Average Revenue per User) of the year which is calculated by taking the sum of the ARPU for each month of the year and dividing by 12. ARPU is computed by dividing total cellular revenues for either postpaid or prepaid subscribers (excluding connection fees, inter connection revenues, international roaming revenues from visitors, dealer discount and tax) for each month by the respective average number of postpaid or prepaid subscribers for that month.

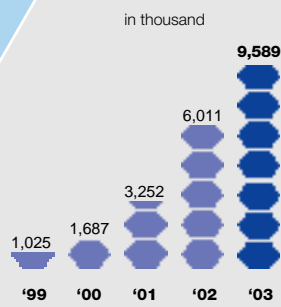
**market share**



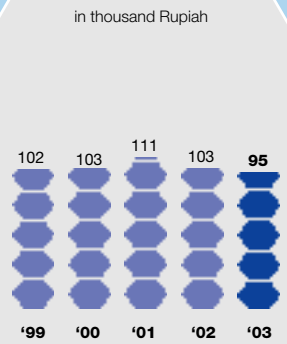
**TELKOMSEL  
Customer Base Growth  
2002 - 2003**

**60%**

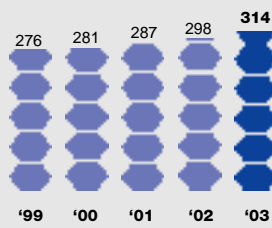
**customer base**  
postpaid & prepaid



**ARPU  
prepaid**




in thousand Rupiah



**ARPU  
postpaid**

message from  
the  
chairman

**Mochammad Hasjim Thojib**  
President Commissioner



**“With the strong customer base, sound financial indicators, innovative services that we continue to deliver to our customers and strong support and trust from our shareholders, Telkom and SingTel, we are confident to meet the challenges in the year 2004.”**

# exponential growth

The increased stability in socio-political climate during the past 12 months has created a conducive leeway for growth, despite the relatively slow progress in the Indonesian economic recovery. The betterment in the Indonesian balance of payments has translated into a favorable level of foreign currency reserves as well as rupiah stability during the year. In 2003 the level of consumer spending was also stronger compared to 2002.

From the market point of view, the industry growth level in overall is very promising and projected to achieve 62 million subscribers by 2008, demonstrating a 44 million potential unserved market available to be tapped in the next five years. Considering the market penetration rate which is still low in Indonesia compared to the region, the business opportunity for Telkomsel is abundant.

Through the year 2003, the Indonesian wireless industry has transformed to a more fragmented industry, characterized with divergence in the spectrum of technology. The incumbent industry players have experienced several challenges in the form of downward price pressure and change of market perception as a result of the advent of the new operators with new technology (Telkom Flexi, Bakrie's Esia and Mobile-8), offering new CDMA services with competitive pricing. The internal consolidation of Indosat, the launch of Mobile-8 and betterment of Excelcomindo's funding structure, have enabled them to leverage their competitive position in the industry. Those three factors have at the same time tightened the competition and changed the landscape of competition faced by Telkomsel in the year 2003.

Although the level of competition in 2003 was tighter than previous years, we are extremely pleased with Telkomsel's ability to maintain its market share of 51% with approximately 9.6 million subscribers at end of 2003. Our Net Income in year 2003 has grown impressively. Other financial indicators have remained strong as well, indicated with an EBITDA margin of 72% and Net Profit Margin of 38%.

Beside the financial and market indicators, Telkomsel's industry leadership was also shown in the area of technology. In 2003 Telkomsel has launched the WiFi "Surf Zone" in several locations and will soon launch EDGE service in several cities. The launch of these services, the first in Indonesia, is a form to realize Telkomsel's commitment to always exceed our customer's expectations and has become a new milestone for the Indonesian GSM industry in its evolution towards the 3G technology.

With the strong customer base, sound financial indicators, innovative services that we continue to deliver to our customers and strong support and trust from our shareholders, Telkom and SingTel, we are confident to meet the challenges in the year 2004.

Finally, on behalf of the Board of Commissioners, I would like to give high appreciation to the Management and all employees who have given their best effort to bring and keep Telkomsel at the highest level in the Indonesian cellular industry.



**Mochammad Hasjim Thojib**  
President Commissioner

message from  
the  
president director

**“Returns on our  
assets and equities  
were 32% and 48%,  
respectively in 2003.”**

**Bajoe Narbito**  
President Director



# our numbers speak for themselves

The growth of cellular telecommunications in Indonesia over the past several years has been phenomenal; and we expect it to increase in momentum in the years to come.

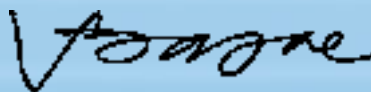
Telkomsel's performance in 2003, as in recent years, has fully reflected such phenomenon. Indeed, our numbers speak for themselves.

Our growth in 2003, on a year-on-year basis from 2002, was 60% in subscriber base, 47% in total revenues, 54% in gross operating profit, and 52% in net profit. The returns on our assets and equities were 32% and 48% respectively in 2003, compared to 30% and 45% in 2002.

In absolute terms, the numbers are even more impressive: 9.6 million subscribers by year-end 2003, producing 4.7 billion of paid air-time minutes generating a total of Rp 11.1 trillion in revenues and Rp 4.2 trillion of net profit.

As a market leader with a 51% share of the market, Telkomsel is well placed to capitalize on a growing market. In 2003, we took further steps to consolidate our position and build on this growing momentum. A six-point strategic initiative has been undertaken to secure our leadership well into the future. These initiatives focused on building up our network and delivery capacities, winning market share, and fostering a service-oriented culture. In a nutshell, they are shaping a service culture; designing an innovative marketing engine; setting up a data service incubator; investing ahead of growth; building enabling infrastructure; and developing a high-performance organization.

Because of these initiatives, we are confident of maintaining our high-growth and high-profitability profile even in an increasingly competitive market environment. And because of that, we aspire to create long-term shareholder value, as well as bring sustainable growth and prosperity to our employees and the communities with whom we live and work.



**Bajoe Narbito**  
President Director

## the year in pictures



### JANUARY

Telkomsel received The Best Company Award in the 'Non-Investment bond' category from AsiaMoney Magazine. It pioneered the SMS service for information on tax registration fees for motor vehicles, a first in the country.

### FEBRUARY

Launching of the *simPATI* International Roaming service, making it the first prepaid SIM card in Indonesia with international roaming facilities. In addition to this, Telkomsel widened the cellular local zoning areas of Java and Madura (from 7 POC to 4 POC) and reduced communication tariff rates among and between Telkomsel customers. It waived the 20% surcharge usually applied to roaming users of *simPATI*.



### MARCH

The innovative *simPATIzone* service was introduced, offering a special medium for the special community of *simPATI* users to obtain certain privileges and special services.

### APRIL

Change in management involving a new Board of Commissioners and Board of Directors. Aside from this, Telkomsel introduced the GPRS and MMS service to its *simPATI* platform, making all of Telkomsel's products accessible to the 2.5G technology which was previously only available for *kartuHALO* starting from October 2002.



### MAY

Telkomsel surpassed the 7 million customer mark as it widened the nationwide cellular local zoning further from 27 POC to 18 POC. This had an impact of lowering the tariff rates paid by Telkomsel customers who benefitted from the conversion of long-distance rates to local call rates.



### JUNE

The launch of the SMShotline service between the cities of Jakarta and Yogyakarta, enabling the interaction between the people and regional governments of the two cities for information exchange and sharing.



**JULY**

Surpassing the 8 million customer mark, Telkomsel pursued an innovative distribution network development by signing new agreements with 79 exclusive dealerships throughout Indonesia. Meanwhile, Telkomsel received the 2003 Indonesian Best Brand Award for *kartuHALO* (postpaid) and *simPATI* (prepaid) from an independent survey institute in cooperation with the SWA magazine. At the end of the month, a new slogan was born: **“simPATI. No Compromise. No Problem”.**

**AUGUST**

Launch of the surfzone convergence between cellular service and the Internet, based on the WiFi technology which allows users to access the Internet via a wireless LAN platform. Meanwhile, the innovative *HALOinstan* was also introduced as a solution for potential postpaid customers who want instant activation on their new cards. Also, Telkomsel was awarded the ISO 9001 version 2000 as “The Best Call Centre among cellular operators on the basis of a mystery shopper” (the SYNOVET Research Institute).



**SEPTEMBER**

Users of the Yahoo! website and Telkomsel customers can send messages to one another by using the Yahoo!2SMS, the first service of its kind in Indonesia. Telkomsel launched the Telephone Directory Service, “SMS 8108”, to inquire of residential as well as business telephone numbers provided by Infomedia. Meanwhile, Telkomsel received the Indonesia Customer Satisfaction Award for “Best Product Category in Prepaid and Postpaid SIM Card” from ICSA Frontier & SWA Magazine; and The Most Successful Corporate Brand of 2003 from SUPERBRANDS Indonesia.



**OCTOBER**

As part of the annual TELKOMSELSiaga program, Telkomsel offered a free-of-charge incoming calls throughout its nationwide network during the holiday seasons from November 15 to December 31, 2003. As part of Leading Mobile Network initiative, Telkomsel inaugurated the Sumatra Link Transmission and Batam MSC. At the end of the month, Telkomsel’s number of customers surpassed the 9 million mark.



**NOVEMBER**

Another milestone was marked by Telkomsel with the introduction of the Video Streaming service that are accessible via the Telkomsel GPRS network, on cell phones that are equipped for video streaming application.

**DECEMBER**

Telkomsel received the ISO 9001 version 2000 for its Call Centres in Jakarta and Surabaya. At the same time, it developed the so-called *EDGE* (Enhanced Datarate for GSM Evolution) technology on the Telkomsel network, which allows for the high-speed transmission of data of up to 473 Kbps (Kilobyte per second) as opposed to the standard speed of around 128 Kbps.



product lines  
and  
services

With the largest network coverage amongst cellular operators in Indonesia, Telkomsel provides network coverage to over

85%

of Indonesia's population

## Products & Services Fit for a Market Leader

### Product Portfolio

Telkomsel's product portfolio is focused around two main products; *kartuHALO*, the postpaid service and the prepaid solution *simPATI*.

According to independent research studies by companies like AC Nielsen, Synovate, Frontier and MARS, both products are market leaders in the Indonesian market in their respective product categories. The products are leading the market in terms of total numbers of active customers, brand awareness and preference, as well as customer satisfaction.

Both products feature a wide range of value added services, ranging from the regular person-to-person Short Messaging Service (SMS), to full-fledged multi-access personal mobile data services.



1.0  
million  
customers



8.6  
million  
customers



### SMS & Data Revenues

**260**  
million  
dollar

or 20% of  
Operating Revenues



#### Postpaid

Telkomsel's main offers for the postpaid product include tailor-made value propositions for the Corporate Account market and a Family Package called *HALOkeluarga* for the residential market which enjoys very high market acceptance. In order to further simplify the registration, data-verification and activation process for new prospective *kartuHALO* customers, the *HALOinstan* service was launched this year, offering instant activation of a newly purchased *kartuHALO* card with an initial prepaid credit, while the customer data are being verified.

#### Prepaid

The prepaid segment is the area of the largest growth in the Indonesian market, and also for Telkomsel. Sales of the *simPATI* product have been very high and are still on the rise. Throughout 2003, special *simPATI* starter pack offers were marketed, all well-received by the market. Besides these special sales actions, more convenient ways of recharging were introduced, as well

as SIM-card upgrades and the launch of the very successful *simPATIzone* prepaid voluntary registration program. Through this program, already more than one million *simPATI* users have registered their personal data with Telkomsel and this community now enjoys special benefits through Telkomsel's Customer Relationship Management program. Telkomsel was the first Indonesian operator to commercially launch International Roaming services for its prepaid customers this year.

#### Short Messaging Service (SMS)

Almost all Telkomsel customers now actively use SMS. The service contributed around 20% to Telkomsel's total revenue in 2003, with an average of 74 SMS's per user per month. In order to further stimulate the usage of SMS, many promotional activities and the execution of various SMS games and quizzes with mass media were carried out.

## product lines and services

### Mobile Data Services

After the launch in October 2002 of the GPRS and MMS service for *kartuHALO* customers, in April 2003 these services were also made available for Telkomsel's *simPATI* customers, triggering a major increase in the popularity of these services. Beside regular person-to-person MMS, various value-added MMS services were made available like MMS downloads. Telkomsel offers an integrated, multi-access mobile data portal, with hundreds of different types of content available through the web, WAP, SMS and MMS, either using dial-up data connections or the much faster GPRS service. Multi-bank mobile banking services are available with a number of Indonesia's largest banks, using Telkomsel's special *NaviGator*<sup>64</sup> high-capacity SIM cards.

### Synergy

Telkomsel cooperates closely with its parent companies (the TELKOM Group and the SingTel Group), especially in the area of product development, resulting in efficient, speedy and innovative new service development. Cooperation is done in the area of benchmarking to be able to always stay at the forefront of development and be able to gain substantial benefits from joint development or joint purchasing projects.

### Customer Service

In order to further serve its customers, Telkomsel operates 61 *GraPARI* Customer Service Centers in 50 cities throughout the country. In addition, customers can also access Telkomsel's ISO Certified Call Centers from anywhere, either using the toll-free short numbers 111 from *kartuHALO* and 116 from *simPATI* or the special PSTN number 0807-1-811-811.

### Awards

Telkomsel's performance was again noticed and rewarded in 2003 by being awarded two "Indonesian Customer Satisfaction Awards" (for *kartuHALO* and *simPATI*), two "Indonesian Best Brand Awards" (also for *kartuHALO* and *simPATI*) and "Superbrand Status" from the International Superbrand Organization which ruled that the Telkomsel Corporate Brand, *kartuHALO* and *simPATI* all fulfilled their stringent selection criteria to be called "Superbrands".



**down  
load!**



- :: Ringtones
- :: Picture Message
- :: Operator Logo
- :: Caller Graphics
- :: Screen Saver

**simPATI zone**



PRODUCT FEATURES		POST-PAID kartuHALO	PRE-PAID simPATI
1.	Call Hold	Y	Y
2.	Call Waiting	Y	Y
3.	Voice Mail	Y	Y
4.	Call Forwarding	Y	Y
5.	SMS	Y	Y
6.	Mobile Fax & Data	Y	Soon
7.	CLI/CLIP	Y	Y
8.	International Roaming	Y	Y
9.	Domestic Roaming	Y	Y
10.	Info On Demand	Y	Y
11.	WAP	Y	Y
12.	Multi-Party Calling	Y	Y
13.	Pulse Checking/Voucher Inquiry	-	Y
14.	Call Identification Hidden/CLIR	Y	N/A
15.	Internet Message Service	Y	Y
16.	SMS to E-mail	Y	Y
17.	M-Banking Plain SMS	Y	Y
18.	M-Banking STK	Y	N/A
19.	Premium Call Access	N/A	Y
20.	GPRS	Y	Y
21.	MMS	Y	Y
22.	CSD Data	Y	N/A
23.	Video Streaming	Y	Y
24.	WiFi	Y	Soon
25.	VoIP	Y	Y

Y : Yes (Available)

N/A : Not Available

**network  
and  
IT**



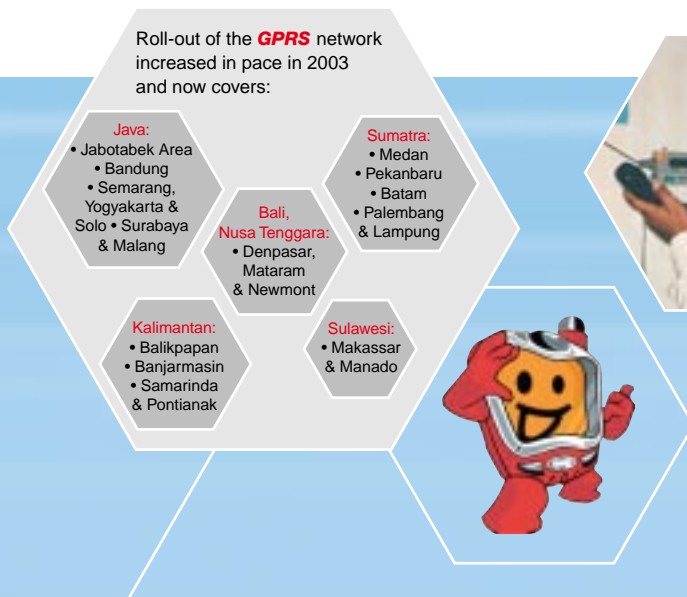
**USD 625 million  
capital expenditure  
mostly for network  
capacity enhancement**

Facilitating network capacity growth is key to acquiring market share and maintaining market leadership in a rapidly growing cellular telecommunications market such as Indonesia's. As the leading cellular service provider in the country, Telkomsel has the largest cellular network capacity in the country with over 4,820 BTS, 14.5 million HLR Switching units and 38,624 TRX which cover more than 85% of population and more than 600 cities. Telkomsel also has the widest international roaming coverage with 217 operators from 135 countries.

Telkomsel has  
the widest coverage  
in the country with

**4,820**

**BTS's  
throughout  
Indonesia**



### Ahead of Growth

A significant expansion of Telkomsel's network capacity was undertaken in 2003 with the aim of both enhancing our reach in the market, and positioning ourselves well in advance of market growth. Instead of having to 'catch-up' with the pace of the market, Telkomsel's growth strategy since 2001 has been to lay down the infrastructure beforehand - to invest ahead of growth. As such, we continue to focus on expanding and enhancing our network capacity and infrastructure in order to capture the full value that can be derived from the explosive growth of cellular telecommunications in Indonesia. As a result of this strategy, Telkomsel achieved 30%-to-40% savings on its procurement costs, deployed additional network capacity with speed, involved vendors in project planning to ensure smooth execution, and addressed key development issues while also improving the network quality.

### High-level Performance

The year saw a major network and infrastructure roll-out programme which was adequate to support the 3.6 million additional customers in 2003. Telkomsel

registered a 58% growth in the switching capacity to 14.5 million units, 38% increase in the number of TRX to 38,624 units, 28% rise in the number of BSC to 166 units, 38% extension of the BTS network to 4,820 units, and a 38% increase in the number of MSC to 51 units. Throughout the year, we were able to achieve a world-class performance in terms of successful call ratios (SCR) of 95%.

### Network Development

Network development in 2003 included the trial of *EDGE* (Enhanced Data rate for GSM Evolution), which represents the latest evolution on the GSM cellular network towards mobile multimedia communications. Through *EDGE*, we will be able to provide data transmission services at faster speed than GPRS (General Packet Radio Service) as well as that of the CDMA 2000-1X system.

The *EDGE* trial used a test-bed and was carried out in a controlled lab environment. The aim was to verify that the *EDGE* delivery and performance was up to the expected standards. In 2004, Telkomsel plans to conduct a live test of *EDGE*, carrying normal traffic.

# Indonesia's Best and Widest GSM Network

	Customer Base	BTS
Sumatra	2,219,311	1,245
Jabotabek	2,589,297	1,618
Java (excl. Jabotabek)	2,966,619	1,142
Rest of Indonesia	1,813,580	815
Total	9,588,807	4,820



Telkonsel's coverage map per year-end 2003

Meanwhile, the roll-out of GPRS gathered pace in 2003, with the system already in full use in more than 20 cities in Java, Bali, Nusa Tenggara Timur, Sumatra, Kalimantan, and Sulawesi; we will have Nation-wide coverage by end 2004.

### **IT Role**

Since Telkomsel's inception, the IT mission has been reshaped and refocused again and again along its short journey. Nowadays, the IT role is to support company business' goals and to deliver best customer experience through innovative, agile, and cost effective information systems. Key IT strategy is to stabilize operations and adopting better service culture by implementing IT infrastructure library.

### **Enabling Infrastructure**

Building what we like to call as an 'enabling infrastructure' is crucial to maintaining a reliable and high-quality service. This includes a whole range of management information systems from a simplified billing system to a nationwide distribution system and an integrated financial system.

### **Efficient Billing System**

In 2003, Telkomsel completed the implementation of Account Receivables (A/R) of its postpaid billing system into the so-called GENEVA billing system which had been deployed in 2002. This enhancement simplifies the internal process of bills settlement whilst also providing more transparency in the monitoring of subscriber accounts and payment records. As a result of this migration, the entire billing process has improved.

### **Nationwide Distribution**

The rapid growth of the cellular telecommunications market has created an enormous demand for the production and supply of SIM Cards and Top-up Vouchers on a national scale. In order to have a measure of control over this supply chain, and simultaneously keep our fingers on the pulse of the cellular market, Telkomsel has established a supply chain network system called PARADISE among hundreds of thousands outlets/distribution channels throughout Indonesia. These vendors provide regular feedbacks on the level of demand in their respective areas, thus providing Telkomsel with valuable information to set monthly production level for its SIM Cards and Vouchers, and allocate their distribution accordingly in line with the prevailing demand in respective regions.

### **Integrated Systems**

Telkomsel has begun to implement an integrated financial system, linking and automating back-office financial and administrative processes with front-office policies and business executions. Full implementation of the system is set to come on line by early 2005, in which Telkomsel will have satisfied the rigors of financial management and control in line with best international practices. It planned to deploy a Human Resource Management Information System (HRMIS) to improve our company capability to track, preserve and augment our valuable employee competence. The completion of HRMIS project is expected at the end of 2004.

In addition to this, all of our management information systems are supported by a massive data communications network linking our service counters, retail outlets, regional offices, data centres, switching sites and radio base stations.

people  
and  
HRD



In 2003, Telkomsel  
workforce totals to

**2,869**  
employees

**Telkomsel delivers  
customer satisfaction  
with an efficiency ratio of**

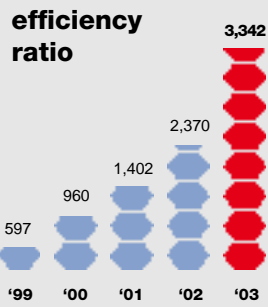
**3,342**  
**Customers**  
**per employee**

Building a high-performance organization is part of Telkomsel's strategic imperatives, in which the focus is to develop human resources that are customer-centric and highly competitive.

**Based on Competence**

In 2003, Telkomsel unveiled its competency-based organization and human resources development model as part of the above objective. First, Telkomsel developed the competency model for all jobs and positions. Then we identified the required skills and

subscribers per employee



knowledge for each position, and placed our people based on their competence. Finally, we developed training programmes on the basis of the resulting skills-and-gap analysis derived from the first two initiatives.

### Focus on Customer

Another key initiative which Telkomsel also undertook in human resources in 2003 was to realign the organizational structure in order to place more emphasis on customer satisfaction, as well as becoming more responsive to different market needs. This is achieved primarily by empowering regional offices to take more initiatives in order to drive business growth by enhancing the customer experience or activating corporate accounts in their respective markets. This move contributed in no small measure to the growth of Telkomsel in 2003, and we expect it to drive our growth for many years to come.

### Rewarding Performance

Completing the human resources management and development model is a newly formulated compensation plan that is strongly tied to competence and performance. The remuneration system was matched more closely to competence, whereas incentives recognized to individual performances and achievements as measured through the key performance indicators (KPI) of each department. Telkomsel is in the process of developing a balanced score-card system to measure performances based on KPI's.

As at year-end 2003, Telkomsel employed 2,869 people at a ratio of 3,342 customers per employee, up from 2,370 customers per employee in 2002, which places Telkomsel in the top league in terms of efficiency.

### **Board of Commissioners**

Telkomsel's Articles of Association (the "Articles") provide that the Board of Commissioners, shall consist of six members, including the President Commissioner. The Shareholders' Agreement further provides that the President Commissioner shall be appointed by the shareholder holding the greater number of shares.

The Articles provide that the principal functions of the Board of Commissioners are to supervise the management of Telkomsel by the Board of Directors, and the implementation of Telkomsel's business plan. The Board of Commissioners is accountable to the General Meeting of Shareholders.

The members of the Board of Commissioners are elected by the shareholders of Telkomsel. Pursuant to the Shareholders' Agreement, the shareholders are entitled to nominate a number of candidates as Commissioners (and recommend the removal of such Commissioners) in proportion to the size of their respective shareholdings. Telkom is currently entitled to nominate four Commissioners, and SingTel Mobile is entitled to nominate two Commissioners. One position in the Board of Commissioners is currently vacant.

Meetings of the Board of Commissioners must be held at least once every three months and at any other time upon request of any member of the Board of Commissioners. The quorum for all Board of Commissioners meetings is four members of the Commissioners, one of whom must be a Commissioner nominated by SingTel Mobile.

Resolutions of meetings of the Board of Commissioners shall be by affirmative vote of a majority of the members of the Board of Commissioners. In the event of a tie, the matter shall be referred to a General Meeting of the Shareholders for resolution.

### **Board of Directors**

The principal functions of the Board of Directors are to lead and manage Telkomsel and to control and manage Telkomsel's assets. In accordance with the Shareholders' Agreement and the Articles provide that the Board of Directors shall consist of five Directors, one of whom shall be the President Director.

The Shareholders' Agreement provides that the shareholders shall be entitled to nominate candidates as Directors (and recommend the removal of such Directors) in proportion to their respective shareholdings. In accordance with the Shareholders' Agreement, Telkom is currently entitled to nominate three Directors and SingTel Mobile is entitled to nominate two Directors. The President Director and Director of Finance shall be Telkom's representatives.

The Articles provide that meetings of the Board of Directors must be held at least once every two months and at any other time upon the request of any Director. The Articles further provide that the quorum for all Directors' meetings is four members of the Board of Directors present or represented in such meeting, one of whom must be a Director nominated by SingTel Mobile.



Resolutions of meetings of the Board of Directors shall be adopted by the affirmative vote of a majority of the members of the Board of Directors. In the event of a tie, the matter shall be referred to a meeting of the Board of Commissioners.

### **Compensation**

The Commissioners and Directors receive compensation determined at the General Meeting of Shareholders of Telkomsel. No fees are paid to the Commissioners or Directors for their attendance at their respective board meetings. For the year ended 31 December 2003 the aggregate compensation paid by Telkomsel to all Commissioners and Directors as a group was approximately Rp 12 billion.

### **Conflict of Interest**

The Articles provide that members of the Board of Directors are prohibited from assuming other positions outside Telkomsel which may directly or indirectly raise conflicts of interest with Telkomsel and/or which violate the provision of applicable laws and regulations. The Articles further provide that any non-conflicting concurrent position assumed by the Board of Directors would require the permission of the Board of Commissioners and shall be reported to the General Meeting of Shareholders. The concurrent assumption of any non-conflicting position assumed by the President Director would require permission from the General Meeting of Shareholders. The Articles also provide that members of the Board of Commissioners shall not have any position outside Telkomsel that may

directly or indirectly raise conflicts of interest unless determined otherwise by the General Meeting of Shareholders.

In addition, the Articles prohibit a Director with conflicting interests representing Telkomsel in the issues causing such conflict of interest.

Save that each Director and Commissioner of Telkomsel is a nominee of either Telkom or SingTel Mobile which are both telecommunications operators, none of the Directors or Commissioners has any substantial interest, direct or indirect, in any company carrying on a similar trade as Telkomsel.

### **Family Relationship**

None of the Directors or Commissioners is related to one another.

### **Committees**

Based upon the Shareholders' Agreement, each Board may from time to time form or authorize the formation of committees of its members to deal with matters pertinent to or assist in the discharge of the relevant Board's responsibilities and obligations. The members of any committee shall include at least one person nominated by SingTel Mobile. At present Telkomsel has the following committees:

- An Audit Committee of the Board of Commissioners, having responsibility for reviewing the audited financial statements of the company and discussing with the auditors the accounting policies to be adopted, subject to the approval by the shareholders of the audited financial statements, the unanimous approval by the directors of the audited financial statements, the unanimous directors approval of any change in accounting policy, and unanimous Commissioners approval of the audited financial statements.
- A Remuneration Committee of the Board of Commissioners having responsibility to determine the remuneration of the Board of Directors, subject to unanimous Board of Commissioners approval.
- An Investment Committee of the Board of Commissioners having responsibility for reviewing the investment plans and management of the implementation of those plans by the company.

### **Business Planning and Budget Preparation**

The Board of Directors and no more than two representatives of each Shareholder shall meet prior to 30 September in each year to prepare a new Budget for the following financial year and to refine and update the Business Plan.

If the Budget and/or the Business Plan is unanimously agreed by the Business Plan Team, the Business Plan Team shall present the proposed Budget and Business Plan to the Board of Commissioners for their review, consideration and approval prior to 30 November each year.

### **Risk and Foreign Exchange Rate Management**

The Company's foreign exchange risk exposure mainly arose from its capital expenditure and to a lesser extent its operational expenditure, denominated in USD and EUR, whilst its revenues were mainly denominated in Rupiah. Financing facilities for the expenditures were in USD and EUR.

The objectives of the Company's foreign exchange policies are to allow the Company to manage exposures that arise from business operations effectively within a framework of controls that does not expose the Company to unnecessary foreign exchange risks. The policies include:

- Progressive accumulation of USD and EUR using excess funds to continually match the foreign exchange exposures based on the Company's cashflow projections.
- Hedging foreign exchange exposures with derivative financial instruments such as forward foreign exchange contracts.

The revenues from international roaming services also provide a natural hedge for transactional foreign exchange exposure. The amount of this revenue in 2003 was USD 41.2 million.

The balances of significant monetary assets and liabilities in foreign currencies as of December 31, 2003 are as follows:

	USD	EUR	SGD
<b>Assets</b>	62,972,746	39,598,350	-
<b>Liabilities</b>	181,249,129	108,204,368	96,286

As of 31 December 2003, Telkomsel had covered the 12-months forex cash requirements in USD and EUR for approximately 57% and 21%, respectively, with cash deposits, derivatives and expected foreign currency cash inflows.

### Transparency and Disclosure

Telkomsel reports its operational and financial performance on a monthly basis to the Board of Commissioners and its shareholders.

On a quarterly basis, Telkomsel reports its operational and financial performance by issuing the quarterly 'Highlights'. Those highlights are available on the website and are mailed to anyone who has signed up for this mailing service. Telkomsel's database for this mailing service contains major investment houses and fund managers, financial institutions, analysts and private persons.

Annually, an annual report is produced, primarily to fulfill the reporting requirement to the shareholders, and provide a growing group of investors, analysts and others with an overview of the previous year performance.

Although Telkomsel is a private, non-listed company, we do have an investor relations unit. The task of the investor relations unit is to define, prepare and provide information that the company is willing to share and disclose to interested third parties.

### Good Corporate Citizenship

As the leading company in the cellular telecommunications sector in Indonesia, Telkomsel is not exclusively driven by business considerations alone. As a responsible and good corporate citizen, we are equally motivated by philanthropic goals to share our welfare with the communities in which we live and work. Our community welfare programs and initiatives often take the form of education and community development. This includes social activities such as mass circumcision or mass marriages in less developed villages, school endowments and scholarship programs, rehabilitation programs in correctional facilities, arts and sports sponsorship and other charities.



## Management's Discussion and Analysis

### of the Company's Results of Operations and Financial Conditions

#### SUMMARY OF OPERATING AND FINANCIAL RESULTS

Telkomsel reached a customer base level of 9.6 million at end of December 31, 2003. This is a 60% increase from last year customer base. In line with the developments of other South East Asian operators, prepaid subscribers were the main contributor to the growth (more than 90% of the net additions). Despite the tighter competition during 2003, Telkomsel again maintained its leading position by adding 48% of total market net addition and with more than 50% of market share at end of 2003.

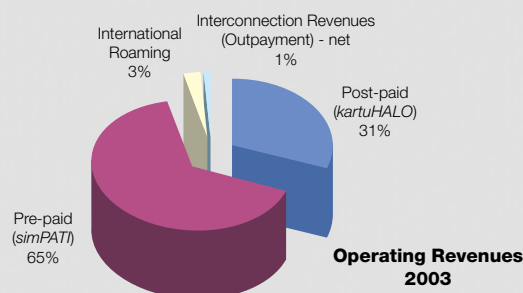
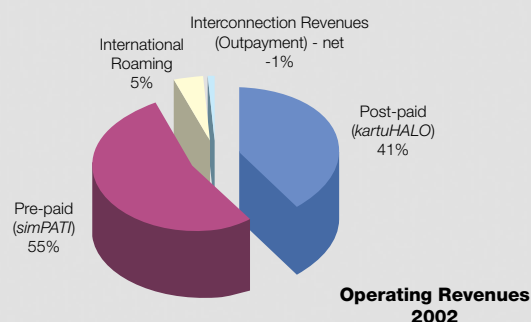
The high growth in customer base number translated into a significant increase in financial results. In 2003 Telkomsel reported a net income of Rp 4,237 billion, representing an increase of 52% compared to 2002. Total operating revenues grew by 47%, while total operating expenses (including depreciation) grew by 39% in 2003. The operating expenses increased less than the operating revenues growth due to strict cost discipline. Therefore, the EBITDA margin for 2003 (72%) was significantly higher than that of 2002 (67%).

During 2003, Telkomsel financed its operational and investment activities mainly with cash flow from operations. The remainder was covered by external funding from ECA financing. The Company invested Rp 5,349 billion (or equivalent to USD 625 million), mainly for network infrastructures development and quality enhancement. There were 1,337 new BTS's installed during the year.

#### FINANCIAL STATEMENTS

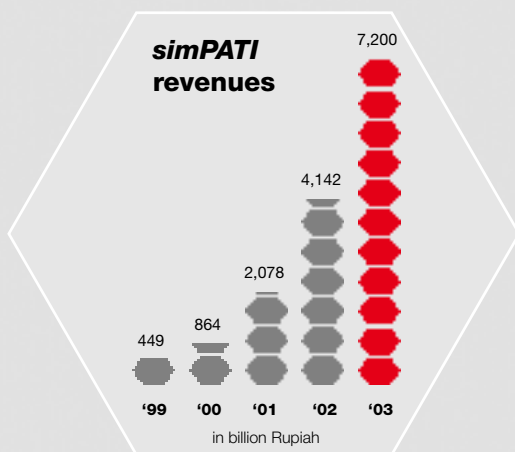
##### Operating Revenues

Operating Revenues in 2003 increased 47% to Rp 11,146 billion from Rp 7,573 billion, mainly due to the increase in revenues from prepaid (*simPATI*) driven by significant growth in its number of subscribers.



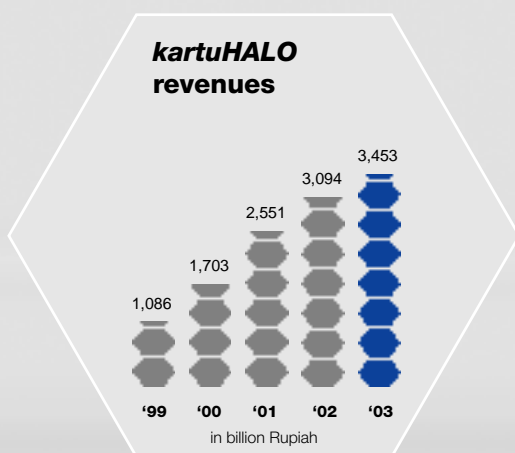
##### Prepaid (*simPATI*) Revenues

Revenues from *simPATI* grew 74% as a result of a combination of the 69% increase in the number of *simPATI* customers (from 5.09 million to 8.58 million) and an 8% decrease in *simPATI* average ARPU (from Rp 103 thousand from Rp 95 thousand).



**Postpaid (kartuHALO) Revenues**

Revenues from *kartuHALO* increased 12% as a result of a 9% increase in the customer base (from 923 thousand to 1,007 thousand) and a 5% increase in *kartuHALO* average ARPU (from Rp 298 thousand to Rp 314 thousand).



**Interconnection**

The net interconnection *revenues* in 2003, compared to a net interconnection *outpayment* in 2002, resulted from the change in customer base composition (more prepaid results in a change in ratio incoming/outgoing traffic) and the absolute size of the customer base (more intra-network calls). As per end of 2003, 50% of postpaid calls and 35% of prepaid calls are Telkomsel to Telkomsel.

**International Roaming Revenues**

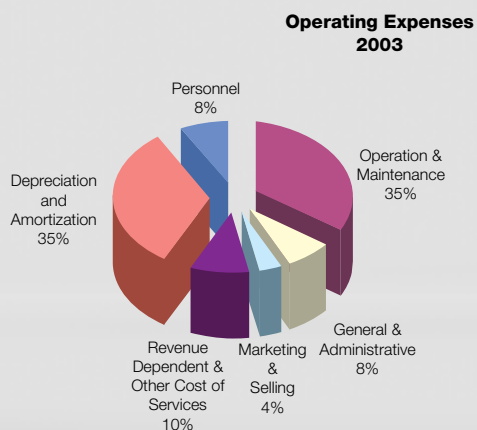
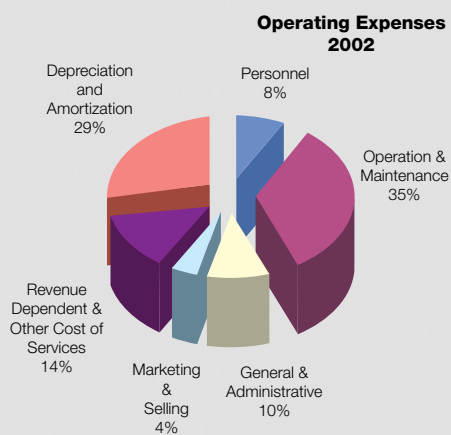
It decreased 7% compared to last year (although the tap-in revenues increased). This is because foreign visitors' traffic (tap-out) in 2003, which constituted more than 80% of international roaming revenues, was still low compared to last year due to domestic situations. Furthermore, the weaker USD translated into lower IDR revenues.

**Non-voice/SMS Revenues**

The growth of non-voice revenues was quite significant, from Rp 998 billion in 2002 to Rp 2,184 billion in 2003. Total non-voice revenues contribution was 20% of total revenues, compared to 13% in 2002. Total number of SMS sent during 2003 were 7,052 million SMS's with an average SMS transactions per subscriber per month of 74 SMS's.

**Operating Expenses**

Operating Expenses (including depreciation) increased 39% to Rp 4,800 billion in 2003 from Rp 3,444 billion in 2002. The largest contributors to this development were operation and maintenance expenses.



**Personnel**

Personnel cost grew 39%, due to the 13% increase in number of employees and also resulted from the implementation of competency based organization and human resource development, as well as an increase in effective income tax rate due to the higher average salary level in 2003.

**Operation & Maintenance**

Operation & maintenance cost increased 39% resulting from the expanded network capacity that drives frequency, transmission and repair & maintenance costs.

**General & Administration (G & A)**

General & administration cost increase was moderate. This cost component was up 7% mostly on rental expenses.

**Marketing & Selling Expenses**

Marketing & selling expenses rose 27% to Rp 182 billion from Rp 143 billion, mainly for sales support and customer loyalty programs.

**Revenue Dependent**

Revenue dependent and other costs of service went up 3% although some of the costs components were declining (e.g. bad debt expense and cost of cards). The increase was mainly driven by the 1% concession fee due to the higher revenues. The bad debt cost in 2003 accounted for 3.3% of postpaid revenues, compared to 4.5% in 2002.

### **Depreciation**

Depreciation expense increased with 71% (from Rp 981 billion to Rp 1,680 billion) as a result of substantial investment in network infrastructures in 2003. An amount of Rp 82 billion was accelerated depreciated for equipment that will be phased out in the first half of 2004.

### **Other Income/Charges**

Other income/charges mainly consist of net interest expenses and forex results. The net other charges of Rp 216 billion in 2003 was 88% higher than that of 2002 (Rp 115 billion). This was resulted from a decrease in interest income (due to lower average interest rate during 2003) and forex loss from the depreciation of the rupiah to EURO.

### **Net Income**

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) in 2003 reached Rp 8,026 billion, a 57% increase compared to previous year which was Rp 5,110 billion. This significant EBITDA growth also brought an increase in EBITDA margin (from 67.5% in 2002 to 72% in 2003).

Net income increased 52%, from Rp 2,787 billion in 2002 to Rp 4,237 billion in 2003. The net income margin for 2003 was slightly higher than 2002 (38% vs 37%).

### **BALANCE SHEETS**

From December 31, 2002 to December 31, 2003, Telkomsel's Total Assets increased from Rp 10,939 billion to Rp 15,410 billion. The increase of total assets was a result of the increase of investment activities and strong operating results.

- Current assets increased 44% from Rp 1,856 billion to Rp 2,676 billion mainly because of the increase in cash balance.
- Property, plant and equipment increase in 2003 (from Rp 9,034 billion to Rp 12,695 billion) grew in line with the substantial investment for network expansion.
- Total liabilities went up from Rp 3,750 billion to Rp 5,099 billion mainly because of the draw downs under the ECA loan facilities and increase in unearned revenues due to increase in prepaid revenues.
- Stockholders' equity rose 43% from Rp 7,189 billion to Rp 10,311 billion.

### **CAPITAL EXPENDITURES**

In 2003, the Company added Rp 5,349 billion (USD 625 million) to fixed-assets for network infrastructures and other investments. Cash spending on capex during 2003 was Rp 5,311 billion (USD 620 million). There were 1,337 new BTS's and 10,563 TRXs installed and 5,280,000 subscribers capacity added to the switching capacity (HLR).

## financial review

Overall network capacity as per end of 2003 was approximately 10.8 million.

Capital expenditures were mostly financed by cash flow from operations. The remainder was covered by external funding from ECA financing.

### LOAN/DEBTS

In April 2002, Telkomsel through its wholly owned subsidiary located in Mauritius, raised USD 150 million through a Guaranteed Notes Issuance, with a coupon of 9.75% and a tenor of 5 years. Telkomsel has a call option to redeem the Guaranteed Notes at 102.5% at the end of the third year for either up to USD 50 million or for the full USD 150 million. In 2003, Telkomsel purchased and cancelled an amount of USD 17.3 million Guaranteed Notes at market prices.

In December 2002, Telkomsel signed two export credit facilities (ECA) for the amounts of USD 70.48 million (fixed interest rate) and EUR 76.20 million (floating interest rate) with a tenor of 5 years. A first repayment under these facilities was done in 2003. In 2004, Telkomsel can draw the remaining EUR 1.14 million and USD 48.78 million under these facilities.

Telkomsel has two Letter of Credit facilities amounting to USD 65 million. Although these facilities allow for deferred settlement, Telkomsel made by the end of 2003 no use of this deferral mechanism and hence had no loan amounts outstanding under these facilities.

At the end of December 2003, the status of the facilities were as follows:

	Outstanding (in million)	Interest	Repayment
Guaranteed Notes	USD 132.7	9.75%	Call 2005/2007
ECA 1 ECA 2	Euro 64.9 USD 19.5	appr. 2.90% 4.27%	2003 - 2008 2003 - 2008

	Amount	In Use
L/C Facility 1 L/C Facility 2	USD 40 million USD 25 million	USD 14.6 million USD 17.4 million

Telkomsel has to maintain financial covenants related to its loan/debt. At the end of 2003 the figures were as follows:

	Covenants	Required	Actual
Bonds	None	None	-
ECA Facilities	Debt to Equity Ratio Debt Service Coverage Ratio Permitted Indebtedness	< 2 > 1.25 < Rp 16 trillion	0.2 6 Rp 2 trillion
L/C Facility 1 L/C Facility 2	None None	None None	- -

The Company's credit ratings were as follows:

	Local Currency	Foreign Currency
Moody's	Ba2	B1
S & P	B+	B+
Fitch	BB-	B
Pefindo	AAA	Not Available



**Audited  
Financial  
Statements**

 **PT TELEKOMUNIKASI SELULAR  
AND SUBSIDIARY**

**Consolidated Financial Statements  
31 December 2003 and 2002  
(Indonesian Currency)**



**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY**

**DIRECTORS' STATEMENT REGARDING RESPONSIBILITY FOR FINANCIAL STATEMENTS OF PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY (THE "GROUP") AS AT DECEMBER 31, 2003 AND 2002 AND FOR THE YEARS THEN ENDED**

---

We, the undersigned

1. Name : Bajoe Narbita  
Office address : Wisma Mulia 15<sup>th</sup> Floor, Jl. Gatot Subroto No. 42, Jakarta 12710  
Address of domicile based on ID card or other identity document : Jl. Taman Patra Raya No.12A, Patra Kuningan, Jakarta 12950  
Telephone no. : 021-5240811  
Position : President Director
  
2. Name : Jusuf Kurnia  
Office address : Wisma Mulia 15<sup>th</sup> Floor, Jl. Gatot Subroto No. 42, Jakarta 12710  
Address of domicile based on ID card or other identity document : Jl. Mustang Kumala Garden RT.003 RW.006 Sukajadi Bandung 40164  
Telephone no. : 021-5240811  
Position : Finance Director

declare that:

1. We are responsible for the preparation and presentation of the Group's consolidated financial statements;
2. The Group's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;  
b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the Group's internal control systems.

This is our declaration, which has been made truthfully.

Jakarta, April 8, 2004

**Bajoe Narbita**  
**President Director**

**Jusuf Kurnia**  
**Finance Director**

**BEGITU DEKAT BEGITU NYATA**

WISMA MULIA Lt. Merzaning - 19 Jl. Jend. Gatot Subroto No. 42 Jakarta Telp. +62-21 5240811 (Hunting), Fax +62-21 62906090

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## INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF

### PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY

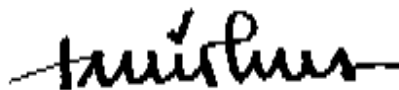
We have audited the accompanying consolidated balance sheets of PT Telekomunikasi Selular (the "Company") and its subsidiary (collectively the "Group") as at December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants and generally accepted auditing standards in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance that 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2003 and 2002 and the consolidated results of their operations, and their consolidated cash flows for the years then ended, in conformity with generally accepted accounting principles in Indonesia.

Accounting principles generally accepted in Indonesia vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Notes 34 and 35 to the consolidated financial statements.

JAKARTA  
April 8, 2004



**Drs. Irhan Tanudiredja BAP**  
Certificate of Registration No. 001/0088

*The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operation and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated balance sheets, related consolidated statements of income, changes in stockholders' equity and cash flows and their captions are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.*

*The standards, procedures and practices utilized in Indonesia to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.*

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2003 and 2002**  
**(Expressed in Rupiah)**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2d, 3	1,696,750,659,816	979,332,288,067
Accounts receivable	2e, 4, 23		
Related parties		124,239,641,469	86,427,569,665
Third parties – net of allowance for doubtful accounts of Rp 86,531,043,797 in 2003 and Rp 164,322,088,391 in 2002		72,853,136,718	88,298,470,123
Accrued income	2j, 5,25c	371,003,474,866	308,379,941,299
Advances		23,611,359,305	10,523,429,680
Inventories – net of allowance for obsolescence of Rp nil in 2003 and Rp 13,683,650,331 in 2002	2f, 6	49,365,242,975	38,527,020,450
Prepaid tax and expenses	2g, 2n, 7	296,629,433,151	214,526,569,759
Claim for tax refund	2n, 33c	37,044,850,054	-
Other current assets	8	3,892,853,387	129,669,048,108
		<u>2,675,390,651,741</u>	<u>1,855,684,337,151</u>
<b>Total Current Assets</b>			
<b>NON-CURRENT ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Cost	2h, 9, 23a	16,748,688,552,185	11,411,597,298,083
Accumulated depreciation		( 4,053,567,220,742)	( 2,377,134,885,475)
		<u>12,695,121,331,443</u>	<u>9,034,462,412,608</u>
<b>Net book value</b>			
<b>OTHER ASSETS</b>			
Deferred notes issuance costs (net of accumulated amortization of Rp 11,520,076,695 in 2003 and Rp 3,735,914,741 in 2002)	2o	16,499,283,865	24,283,445,819
Intangible assets (net of accumulated amortization of Rp 7,213,200,000 in 2003 and Rp 540,990,000 in 2002)	2p, 23a	-	6,672,210,000
Prepaid pension	2k, 22	-	7,314,000,000
Security deposits		22,851,171,334	11,004,107,014
		<u>39,350,455,199</u>	<u>49,273,762,833</u>
<b>Total Other Assets</b>			
<b>TOTAL ASSETS</b>		<u><b>15,409,862,438,383</b></u>	<u><b>10,939,420,512,592</b></u>

See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2003 and 2002**  
**(Expressed in Rupiah)**

	Notes	2003	2002
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term loans	10	-	39,204,540,428
Accounts payable	11, 23		
Related parties		84,566,162,627	97,645,889,410
Third parties		136,494,096,720	171,693,032,662
Accrued liabilities	12, 23		
Related parties		178,545,255,439	454,165,793,946
Third parties		923,364,857,920	809,108,352,829
Taxes payable	2n, 13	548,042,873,457	204,449,973,151
Unearned revenue	2j	729,169,638,991	374,927,598,449
Current maturities of long-term loans	14	190,215,242,833	-
Current maturities of capital lease	2i	-	901,033,036
Total Current Liabilities		<u>2,790,398,127,987</u>	<u>2,152,096,213,911</u>
<b>NON - CURRENT LIABILITIES</b>			
Guaranteed Notes - net	2o, 15	1,121,224,323,152	1,337,518,154,560
Long-term loans - net of current maturities	14	665,753,350,650	-
Pension liabilities	2k	1,836,892,000	-
Provision for employee benefits	2l	21,878,452,000	5,668,878,410
Obligations under capital lease - net of current maturities	2i	-	124,983,099
Total Long-Term Liabilities		<u>1,810,693,017,802</u>	<u>1,343,312,016,069</u>
<b>DEFERRED TAX LIABILITIES - Net</b>	2n, 13	497,703,226,627	254,924,279,616
<b>STOCKHOLDERS' EQUITY</b>			
Share Capital – Rp 1,000,000 par value			
Authorized – 650,000 shares			
Issued and fully paid – 182,570 shares	16	182,570,000,000	182,570,000,000
Additional paid-in capital	16	1,504,854,102,721	1,504,854,102,721
Retained earnings			
Appropriated		36,456,824,292	13,456,824,292
Unappropriated		8,587,187,138,954	5,488,207,075,983
Total Stockholders' Equity		<u>10,311,068,065,967</u>	<u>7,189,088,002,996</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u><u>15,409,862,438,383</u></u>	<u><u>10,939,420,512,592</u></u>

See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
For The Years Ended December 31, 2003 and 2002  
(Expressed in Rupiah)**

	Notes	2003	2002
<b>OPERATING REVENUES</b>	2j, 17	11,146,121,548,050	7,572,948,136,305
<b>OPERATING EXPENSES</b>	2j		
Operations and maintenance	18	1,652,625,681,794	1,189,531,253,921
Depreciation	9	1,680,553,672,404	980,994,042,048
General and administrative	19	383,823,938,645	358,317,402,268
Personnel		406,678,472,405	292,042,993,892
Marketing	20	181,707,798,111	143,342,138,641
Other cost of services	21	494,881,060,565	479,491,727,413
		<hr/>	<hr/>
Total Operating Expenses		4,800,270,623,924	3,443,719,558,183
		<hr/>	<hr/>
<b>INCOME FROM OPERATIONS</b>		<b>6,345,850,924,126</b>	<b>4,129,228,578,122</b>
<b>OTHER INCOME (CHARGES)</b>			
Financing charges		( 187,270,108,812)	( 199,658,929,514)
Interest income		60,406,951,992	102,145,908,531
Loss on disposal of property, plant and equipment	9	( 6,980,791,973)	( 21,148,712,298)
(Loss) gain on foreign exchange - net	2m	( 73,017,388,997)	2,311,329,508
Others		( 9,319,061,094)	1,253,610,331
		<hr/>	<hr/>
Other Charges - Net		( 216,180,398,884)	( 115,096,793,442)
<b>INCOME BEFORE INCOME TAX</b>		<b>6,129,670,525,242</b>	<b>4,014,131,784,680</b>
<b>INCOME TAX EXPENSE</b>	2n, 13		
Current		(1,650,041,801,880)	( 998,295,100,133)
Deferred		( 242,778,947,011)	( 228,662,401,097)
		<hr/>	<hr/>
<b>NET INCOME</b>		<b>4,236,849,776,351</b>	<b>2,787,174,283,450</b>
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See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For The Years Ended December 31, 2003 and 2002**  
**(Expressed in Rupiah)**

	Share Capital	Additional Paid-in Capital	Retained Earnings		Total
			Appropriated	Unappropriated	
Balance as of January 1, 2002	182,570,000,000	1,504,854,102,721	13,456,824,292	3,518,636,284,143	5,219,517,211,156
Net income for the year	-	-	-	2,787,174,283,450	2,787,174,283,450
Dividends declared (Note 24)	-	-	-	( 817,603,491,610)	( 817,603,491,610)
<b>Balance as of December 31, 2002</b>	<b>182,570,000,000</b>	<b>1,504,854,102,721</b>	<b>13,456,824,292</b>	<b>5,488,207,075,983</b>	<b>7,189,088,002,996</b>
Net income for the year	-	-	-	-	-
Appropriation of reserve fund (Note24)	-	-	23,000,000,000	( 23,000,000,000)	-
Dividends declared (Note 24)	-	-	-	( 1,114,869,713,380)	( 1,114,869,713,380)
Net Income for the year ended December 31, 2003	-	-	-	4,236,849,776,351	4,236,849,776,351
<b>Balance as of December 31, 2003</b>	<b>182,570,000,000</b>	<b>1,504,854,102,721</b>	<b>36,456,824,292</b>	<b>8,587,187,138,954</b>	<b>10,311,068,065,967</b>

See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For The Years Ended December 31, 2003 And 2002  
(Expressed in Rupiah)

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Subscribers	12,232,888,005,811	8,130,369,797,615
Revenue from other operators – net	63,393,362,657	433,875,569,190
Interest from banks	56,906,339,466	98,160,200,478
Others – net	35,000,373,671	26,506,032,694
Cash paid for/to:		
Suppliers	( 3,474,119,607,405)	( 2,402,206,680,780)
Taxes	( 1,357,844,846,272)	( 1,236,018,564,253)
Frequency license and concession fee	( 496,995,363,238)	( 229,316,486,498)
Employees	( 305,975,435,212)	( 263,927,286,210)
 Net Cash Provided by Operating Activities	 6,753,252,829,478	 4,557,442,582,236
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property, plant and equipment	( 5,311,097,824,601)	(4,523,823,306,487)
Proceeds from sale of vehicles	588,492,245	-
Acquisition of intangible asset	-	( 7,213,200,000)
 Net Cash Used in Investing Activities	 ( 5,310,509,332,356)	 (4,531,036,506,487)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term loans	683,203,377,482	-
Cash dividends paid	(1,056,541,557,569)	( 817,603,491,610)
(Purchase of) proceeds from long-term Guaranteed Notes issued	( 160,509,404,195)	1,365,314,205,440
Payments of interest and other financing charges	( 146,168,408,251)	( 193,804,062,737)
Payment of short-term loans - net	( 46,838,109,647)	( 500,000,000,000)
Payments of obligations under capital lease	( 1,026,016,135)	( 725,808,376)
 Net Cash Used in Financing Activities	 ( 727,880,118,315)	 ( 146,819,157,283)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 714,863,378,807	 ( 120,413,081,534)
 <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	 2,554,992,942	 ( 40,459,520,000)
 <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	 979,332,288,067	 1,140,204,889,601
 <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	 <b>1,696,750,659,816</b>	 <b>979,332,288,067</b>

See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

**PT TELEKOMUNIKASI SELULAR AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002  
(Expressed in Rupiah)**

	<b>2003</b>	<b>2002</b>
Supplemental Cash Flows Information:		
Transactions not affecting cash flows:		
Accounts receivable written-off against allowance for doubtful accounts	191,695,461,892	21,752,192,740
Recognition of insurance premium through incurrence of loans	81,185,538,926	-
Acquisitions of property, plant and equipment through incurrence of loans	48,765,744,705	-
Inventory written-off against allowance for obsolescence	13,683,650,331	-
Write off property, plant and equipment	6,728,639,774	21,148,712,298
Reclassification of equipment to be installed to property, plant and equipment	-	126,492,316,616

See accompanying Notes to Consolidated Financial Statements which are an integral part of the Consolidated Financial Statements.

## Corporate Data

- Board of Commissioners
- Board of Directors
- Organizational Structure

**board of  
Commissioners  
and  
board of  
Directors**

## Board of Commissioners



**Mochammad Hasjim Thojib**

Mr. Thojib graduated with a degree in Accounting from the Institute of Finance. At present, he is the Head of Corporate Planning Group of PT Telkom. He was a Director at PT Indosat between 1999-2000 and held a position as Commissioner at PT Arthaloka Indonesia from 1997-2000.

**Woeryanto Soeradji**

Mr. Soeradji graduated with a degree in Electrical Engineering from Bandung Institute of Technology and obtained his MBA from the Institute of Indonesian Management Development. Formerly he was the Director of Commerce of PT Telkomsel and currently is the Corporate Secretary of PT Telkom.



**Triwahyusari**

Ms. Triwahyusari is the Vice President of Accounting of PT Telkom and has been working in the company for more than 20 years. She graduated from the University of Airlangga.



**Hui Weng Cheong**

Hui Weng Cheong joined SingTel in 1980 and is currently the Vice President of Consumer Products. He oversees the development of new services for the mobile, paging, internet, broadband and telephone businesses. Weng Cheong is also currently the Vice President Commissioner of PT Bukaka SingTel International. Previously, he was the Managing Director of Shinawatra Paging of Thailand. He holds an MBA (1993) from the University of Southern California.



**Christopher John Anderson**

Chris Anderson joined Optus in 1997 in the position of CEO. Prior to joining Optus, he held the position of Group Chief Executive at Television New Zealand. Before that he was the Managing Director and Group Editorial Director of John Fairfax Ltd. He graduated with a Bachelor of Economics from the University of Sydney and Diploma in Industrial Law.



## Board of Directors



### Jusuf Kurnia

As Director of Finance and Chief Financial Officer, Mr. Jusuf is responsible for the overall financial management of Telkomsel. He was previously the chief of PT Telkom's activities based costing project. He has a degree in Economics from the University of Tanjungpura and has over 23 years experience in the telecommunications industry.



### Bajoe Narbito

As President Director and Chief Executive Officer, Mr. Narbito is responsible for Telkomsel's overall management. He has previously served as a Corporate Secretary of PT Telkom and the Director of the Jakarta regional office of PT Telkom. Mr. Narbito has a degree in Electrical Engineering from Trisakti University and has over 23 years of experience in the telecommunications industry.



### Laurens J. M. Bulters\*

Graduated in Civil Engineering and has had over 20 years experience in the telecommunications industry. Mr. Bulters, Director of Operations, is in charge of Network Design and Operational Management. Mr. Bulters previously served as the Director of Mobile Communications of PTT Telecom Netherlands (Asia).

\* Replaced by Ng Kwon Kee, effective January 1, 2004

### Bambang Riadhy Oemar

Graduated with a degree in Telecommunications Engineering from Bandung Institute of Technology and as Director of Planning and Development, Mr. Bambang has had over 23 years experience in the telecommunications industry. He previously served as the President Director of PT Indo Nusa Telemedia, a subsidiary of PT Telkom.



### Leong Shin Loong

Responsible for all Marketing, Sales, Product and Service activities of Telkomsel and as Director of Commerce, Mr. Leong has had over 22 years experience in information technology and telecommunications. He had been the Director of Planning and Development of Telkomsel from December 2001 to March 2003. He graduated with a degree in Engineering from Northwestern and Rennesleair Polytechnic Institute, USA and completed the Advanced Management Program at Harvard Business School in 1999.



# organizational structure

