

**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)  
FIRST QUARTER (JAN-MAR) 2003 RESULTS**



**OWNERSHIP**

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is currently owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX:TLKM; NYSE:TLK; LSE: TKID) with 65% of shares and SingTel Mobile, a 100% owned subsidiary of Singapore Telecommunications Ltd. ("SingTel": SGX: TELE.SI), with 35% of shares. Telkomsel is the largest cellular telecommunications service company in Indonesia with 52.8% market share at end of 2002.

**FINANCIAL STATEMENTS**

Telkomsel reports its unaudited financial statements and operational results for the three months ending March 31, 2003. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk. All figures in Telkomsel's financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia (Indonesian GAAP).

**Revenue and Expense Recognition** Revenues from service connections are recognized at the time the connections take place and those from airtime and monthly subscription charges are recognized when earned. Expenses are recognized when incurred.

Sales of prepaid cards are recognized upon delivery of starter packs. Prepaid vouchers are initially recorded as unearned income and then proportionately recognized as usage revenue based on successful calls made by subscribers or whenever the unused stored value of the voucher has expired. Operating revenues are presented net of interconnection and international roaming charges.

**Allowance for Doubtful Accounts** Allowance is provided based upon the evaluation of the collectibility of the accounts.

**Property, Plant and Equipment** Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets (e.g.: infrastructures 5-10 years; supporting facilities and measurement equipment 3-5 years).

Property, Plant and Equipment are insured to cover any possible losses caused by destruction or damage by riots, strike and malicious acts.

**Foreign Currency Transaction & Balances** Transactions involving foreign currencies are recorded at the prevailing rate at the time the transactions are made. At the balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange at such date as published by the to current operations, except any net foreign exchange loss on obligations arising Central Bank. The resulting gains or losses are credited or charged from the acquisition of property, plant and equipment, which is capitalized to the related asset.

**Conversion Rate** The Statements of Income use an average middle conversion rate of Rp.8,896 to the US Dollar from January through March 2003 and the rates applied to the Balance Sheets are the Bank Indonesia middle rate of Rp.8,908 to US\$ 1.00 quoted from Bank Indonesia March 31, 2003.

**EARNINGS & EBITDA**

For the first quarter of 2003 the Company reported a net income of Rp.880 billion, representing an increase of 50% compared to the same period last year. Total operating revenues grew by 52%, from Rp.1,525 billion to Rp.2,320 billion, while total operating expenses grew by 40% from Rp.473 billion in 2002 to Rp.664 billion in 2003.

EBITDA grew by 58% from Rp.1,051 billion in the first three months of 2002 to Rp.1,656 billion in the same period of 2003. EBITDA margin was 71% for 2003, a 2% increase compared to an EBITDA margin of 69% in 2002.

The operating revenues increase was mainly resulting from the prepaid customer base growth. SMS/data revenues grew with 149% from Rp.167 billion in 2002 to Rp.416 billion in 2003.

The net interconnection revenues in the first quarter of 2003, compared to a net interconnection outpayment in the comparable period of 2002, resulted from the change in customer base composition (more prepaid results in a change in ratio incoming/outgoing traffic) and absolute size of the customer base (more intra-network calls).

The increase of operational expenses was mainly because of the operation & maintenance costs increase, in line with the growth of network infrastructure and capacity.

The non-operating expense increase was mainly caused by interest expenses as a result of the bond issuance and the short-term loan.

**STATEMENTS OF INCOME  
FOR THE YEARS ENDED MARCH 31, 2002 AND 2003  
(In Billions of Rupiah and Millions of U.S. Dollar)**

	2002 Rp	2003		Growth
		Rp	US\$	
<b>OPERATING REVENUES</b>				
Post-paid ( <i>kartuHALO</i> )	690.0	794.3	89.3	15%
Pre-paid ( <i>simPATI</i> )	745.9	1,421.1	159.7	91%
International roaming	102.6	102.1	11.5	0%
Interconnection revenues (outpayment)-net	(14.0)	2.4	0.3	17%
<b>Total Operating Revenues</b>	<b>1,524.5</b>	<b>2,319.9</b>	<b>260.8</b>	<b>52%</b>
<b>OPERATING EXPENSES</b>				
Personnel	60.0	68.4	7.7	14%
Operation & maintenance	224.5	382.5	43.0	70%
General & administrative	60.2	76.1	8.6	26%
Marketing & selling	23.9	22.6	2.5	-5%
Other cost of services	104.8	114.0	12.8	9%
Depreciation and amortization	196.1	344.8	38.8	76%
<b>Total Operating Expenses</b>	<b>669.5</b>	<b>1,008.4</b>	<b>113.4</b>	<b>51%</b>
<b>EBIT (Earnings Before Interest &amp; Taxes)</b>	<b>855.0</b>	<b>1,311.5</b>	<b>147.4</b>	<b>53%</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest income/expenses	1.5	(23.7)	(2.7)	-1680%
Foreign exchange gain/loss	9.0	(5.1)	(0.6)	-157%
Others - net	(25.0)	(15.9)	(1.8)	-36%
<b>Other income (charges) - net</b>	<b>(14.5)</b>	<b>(44.7)</b>	<b>(5.0)</b>	<b>208%</b>
<b>INCOME BEFORE TAX</b>	<b>840.5</b>	<b>1,266.8</b>	<b>142.4</b>	<b>51%</b>
<b>PROVISION FOR INCOME TAX</b>	<b>253.3</b>	<b>387.2</b>	<b>43.5</b>	<b>53%</b>
<b>NET INCOME</b>	<b>587.2</b>	<b>879.6</b>	<b>98.9</b>	<b>50%</b>
<b>EBITDA</b>	<b>1,051.2</b>	<b>1,656.2</b>	<b>186.2</b>	<b>58%</b>
<b>EBITDA MARGIN</b>	<b>69%</b>	<b>71%</b>	<b>71%</b>	<b>2%</b>

Notes:  
 • \*) US\$ 1 = Rp 8,896 (average end of months Jan-Mar 2003 mid-rate, quoted from Bank Indonesia)  
 • 2002 figures have been reclassified to conform with 2003.

**SERVICES**

To strengthen its product positioning Telkomsel has in the first quarter 2003 launched international roaming services for its prepaid subscribers and reduced its points of charging (POC) in Java/Madura, one of the most competitive areas. The change in POC is effectively increasing the area in which a call is defined as local call, with the objective to enhance traffic, customer base and revenues.

**CUSTOMER BASE**

As of March 31, 2003, Telkomsel recorded 6,600,468 subscribers consisting of 944,413 postpaid subscribers representing 14% of total subscribers and 5,656,055 prepaid subscribers representing 86% of total subscribers.

The total customer base grew with 77% compared to the end of March 2002. During the first quarter 2003, the total additional subscribers was 589,696, which was 23% more than the 480,756 subscribers added during the same period of 2002. Of the net additional subscribers, 21,408 were postpaid (*kartuHALO*) and 568,288 were prepaid (*simPATI*) subscribers.

**ARPU**

The ARPU from postpaid subscribers increased by 7% YoY (from Rp.285 thousand to Rp.305 thousand) and for prepaid subscribers decreased by 9% YoY (from Rp.102 thousand to Rp.93 thousand). This development results from successful stimulation of prepaid customers with high usage to migrate to postpaid and vice-versa, combined with an expected pressure on prepaid ARPU's as a result of increasing penetration into lower market segments.

The blended ARPU decreased by 16% from Rp.149 thousand to Rp.125 thousand, due to the decreasing proportion of *kartuHALO* subscribers to the total subscribers from 24% in 2002 to 14% in 2003.

**OPERATIONAL INDICATORS AS OF MARCH 31, 2002 & 2003**

	Unit	2002	2003	Growth
<b>CUSTOMER BASE</b>				
<b>Net Additions</b>				
<i>kartuHALO</i>	Subscriber	32,945	21,408	-35%
<i>simPATI</i>	Subscriber	447,811	568,288	27%
<b>Total</b>	<b>Subscriber</b>	<b>480,756</b>	<b>589,696</b>	<b>23%</b>
<b>Customer base</b>				
<i>kartuHALO</i>	Subscriber	898,156	944,413	5%
<i>simPATI</i>	Subscriber	2,834,632	5,656,055	100%
<b>Total</b>	<b>Subscriber</b>	<b>3,732,788</b>	<b>6,600,468</b>	<b>77%</b>
<b>ARPU Total (3 months average)</b>				
<i>kartuHALO</i>	Rp.'000 per mo.	285	305	7%
<i>simPATI</i>	Rp.'000 per mo.	102	93	-9%
Blended	Rp.'000 per mo.	149	125	-16%
<b>ARPU Non-voice/SMS (3 months average)</b>				
<i>kartuHALO</i>	Rp.'000 per mo.	18	27	50%
<i>simPATI</i>	Rp.'000 per mo.	16	21	31%
Blended	Rp.'000 per mo.	16	22	38%
<b>NETWORK DATA</b>				
<b>BTS/TRX</b>				
Base stations	Unit	2,338	3,903	67%
Transmit receive exchanges (TRX)	Unit	18,841	32,301	71%
<b>Capacity</b>				
Switching (HLR) capacity	Subs. '000	5,805	10,295	77%
Prepaid capacity	Subs. '000	3,506	7,740	121%
<b>Quality of service</b>				
Call success rate	%	89.21%	90.69%	1.48%
Call completion rate	%	97.81%	98.74%	0.93%
<b>Employee</b>				
Total employee	person	2,477	2,629	6%
Efficiency ratio	Subs/employee	1,507	2,510	67%

**BALANCE SHEET**

From March 2002 to March 2003, Telkomsel's Total Assets increased from Rp.8,084 billion to Rp.12,307 billion. Total Liabilities increased from Rp.2,277 billion to Rp.5,353 billion. Meanwhile, Total Equities increased from Rp.5,807 billion to Rp.6,954 billion.

The increase in liabilities was mainly because of the US\$ bonds issuance in April 2002 and the dividend payable.

The significant increase in Deferred Tax Liabilities resulted from the difference between accounting depreciation expense and the depreciation expense for fiscal purpose based on Directorate General of Taxation of the Republic of Indonesia's decree No.KEP 520/PJ/2002, in which the depreciation rate and classification have been adjusted.

**BALANCE SHEETS  
AS OF MARCH 31, 2002 AND 2003  
(In Billions of Rupiah and Millions of U.S. Dollar)**

ASSETS	2002 Rp	2003		Growth
		Rp	US\$*)	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents 1)	588.9	1,110.9	124.7	89%
Accounts receivable - net of allow. for doubtful acct.	315.8	161.7	18.2	-49%
Accrued income - net of allow. for doubtful acct.	280.9	322.4	36.2	15%
Inventories - net of allow. for obsolescence	59.6	49.8	5.6	-16%
Prepaid tax and expenses	80.2	215.3	24.2	168%
Advances	145.1	7.8	0.9	-95%
Others	304.4	103.8	11.7	-66%
<b>Total Current Assets</b>	<b>1,774.9</b>	<b>1,971.7</b>	<b>221.3</b>	<b>11%</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Fixed assets	7,458.2	12,782.5	1,434.9	71%
Work in progress	490.4	227.3	25.5	-54%
Accumulated depreciation	(1,650.7)	(2,721.9)	(305.6)	65%
<b>PPE - net book value</b>	<b>6,297.9</b>	<b>10,287.9</b>	<b>1,154.9</b>	<b>63%</b>
<b>OTHER ASSETS</b>	<b>11.6</b>	<b>47.5</b>	<b>5.3</b>	<b>309%</b>
<b>TOTAL ASSETS</b>	<b>8,084.4</b>	<b>12,307.1</b>	<b>1,381.6</b>	<b>52%</b>

LIABILITIES AND EQUITY	2002 Rp	2003		Growth
		Rp	US\$*)	
<b>CURRENT LIABILITIES</b>				
Short-term loan	500.0	-	-	-100%
Accounts payable	170.9	440.4	49.4	158%
Accrued liabilities	913.5	1,505.3	169.0	65%
Taxes payable	199.3	223.3	25.1	12%
Unearned income	154.3	356.2	40.0	131%
Dividend payable	-	1,114.9	125.2	-
Current maturities under capital lease	0.8	0.8	0.1	0%
Other Current Liabilities	310.1	52.4	5.9	-83%
<b>Total Current Liabilities</b>	<b>2,248.9</b>	<b>3,693.3</b>	<b>414.6</b>	<b>64%</b>
<b>LONG-TERM LIABILITIES</b>				
Long-term guaranteed notes payable - net	-	1,332.9	149.6	-
Oblig. under cap.lease - net of current maturities	0.8	-	-	-100%
Total Long-term Liabilities	0.8	1,332.9	149.6	1665 X
<b>DEFERRED TAX LIABILITIES - NET</b>	<b>28.0</b>	<b>327.1</b>	<b>36.7</b>	<b>11 x</b>
<b>EQUITY</b>				
Capital stock - Rp 1,000,000 par value				
Authorized - 650,000 shares				
Issued and fully paid - 182,570 shares	182.6	182.6	20.5	0%
Additional paid-in capital	1,504.8	1,504.8	168.9	0%
Retained earnings	4,119.3	5,266.4	591.2	28%
<b>Total Equity</b>	<b>5,806.7</b>	<b>6,953.8</b>	<b>780.6</b>	<b>20%</b>
<b>TOTAL LIAB. &amp; STOCKHOLDERS' EQUITY</b>	<b>8,084.4</b>	<b>12,307.1</b>	<b>1,381.6</b>	<b>52%</b>

Notes:  
 • \*) US\$ 1 = Rp 8,908 (middle rate on March 31, 2003, quoted from Bank Indonesia).  
 • 1) Consisting of US\$ 53.4 mln, Euro 29.1 mln and Rp 384 bln.  
 • 2002 figures have been reclassified to conform with 2003 presentations.

#### CAPACITY EXPANSION

Since late 2001 Telkomsel has implemented a turn-key approach for its network expansion, with payment after the network is on-air or applying a 'pay-as-you-grow' mechanism. As a result, the network development has accelerated and financial conditions have improved as reflected by the decrease in inventory, advances and work-in-progress. Accounts payable and accrued liabilities to vendors increased in line with the terms of payment of the turn-key projects.

#### CAPITAL EXPENDITURES

In the first quarter 2003, the Company added Rp.1,560 billion (US\$ 175 million) to fixed-assets for network infrastructures and other investments. There were 420 new BTS's and 4,240 TRXs installed and 1,120,000 subscribers capacity added to the switching capacity (HLR).

Capital expenditures are mostly financed by cash flow from operations. The remainder will be covered by external funding i.e. bonds, ECA financing, and L/C - TRL.

#### LOAN/DEBT

Loan facilities as per end of March 2003 were as follows:

	AMOUNT	DRAWN	INTEREST	REPAYMENT
Guaranteed Notes	US\$ 150 mln	US\$ 150 mln	9.75%	Apr-2007
ECA 1	Euro 76.2 mln	-	±3.28%	2003 - 2008
ECA 2	US\$ 70.5 mln	-	4.27%	2003 - 2008

  

	AMOUNT	IN USE	DEFERRED REPAYMENT
L/C Facility 1	US\$ 40 mln	US\$ 29.2 mln	US\$ 5.9 mln
L/C Facility 2	US\$ 25 mln	US\$ 16.4 mln	-

Financial covenants Telkomsel should maintain related to its loan/debt as per end of March 2003 were as follows:

	COVENANTS T/B MAINTAINED	TARGET	ACTUAL
Bonds	None	-	-
ECA Facilities	Debt to equity ratio	<2	0.20
	Debt service coverage ratio	>1.25	2.29
	Permitted indebtedness	<Rp. 10.61 trln	Rp. 1.39 trln
L/C Facility 1	Debt to equity ratio	<1.5	0.20
L/C Facility 2	None	-	-

#### RATINGS

Standard & Poor's has affirmed the 'B+' corporate credit rating with stable outlook. The rating on the USD bonds has been affirmed with 'B+'. Fitch has affirmed the foreign currency rating of 'B' and local currency rating of 'BB-' and a 'B' rating for the USD bonds, with stable outlook. Moody's affirmed the local currency rating at B1 and foreign currency rating at B3/ positive.

#### DIVIDENDS

In March 2003, Telkomsel declared dividends for an amount of Rp.1,115 billion, which will be paid in July and November 2003. The dividends declared and paid in 2002 were Rp.818 billion.

#### OUTLOOK 2003

Telkomsel currently expects for 2003 to grow the customer base to approximately 8-8.5 million and bring the network capacity to approximately 9.5 million.

#### SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP.

**Foreign Exchange Loss on Construction in Progress** Under Indonesian GAAP foreign exchange loss on borrowings to finance the construction of assets should be capitalized. Under U.S. GAAP, foreign exchange loss has to be included in current operations.

**Interest Capitalizable to Construction in Progress** Under Indonesian GAAP, one of the criteria for capitalizing interest cost to a qualifying asset (i.e. construction in progress) is that the interest should be attributable to the qualifying asset.

**Landrights** In Indonesia, the title of land rests with the State under Basic Agrarian Law No. 5 of 1960. Landuse is accomplished through landrights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. The landrights generally are freely tradable and may be pledged as security under borrowing agreements. Under Indonesian GAAP, land ownership based on various kinds of rights is not depreciated unless it can be foreseen that there is a remote possibility for the holder to obtain extension or renewal of rights.

**Equipment to be Installed** Under Indonesian GAAP, temporarily idle equipment or equipment that is awaiting installation is not depreciated.

**Pension Plan** The company adopted PSAK No.24, an accounting method for pension benefits cost that is substantially consistent with the requirements of U.S. GAAP. Under U.S. GAAP, starting from January 1, 1991, the accounting for these benefits is governed by SFAS No.87, "Employees' Accounting for Pensions".

#### RECONCILIATION TO U.S. GAAP For the periods ended 31 March 2003 and 2002

(in billions of rupiah)	2003	2002
<b>Net Income as reported under Indonesian GAAP</b>	<b>879.5</b>	<b>587.2</b>
<b>U.S. GAAP adjustments</b>		
Capitalization of interest expense	12.5	5.5
Depreciation expense	(1.0)	4.8
Amortization of deferred connection fees	4.7	-
Recognition of finance leases	5.9	-
Amortization of landrights	(0.9)	(0.5)
Net periodic pension cost	-	(0.1)
Deferred income tax effect	(6.6)	(3.1)
Net adjustments	14.6	6.6
<b>Net Income in accordance with U.S. GAAP</b>	<b>894.1</b>	<b>593.8</b>
<b>S/H Equities as reported under Indonesian GAAP</b>	<b>6,953.8</b>	<b>5,806.7</b>
<b>U.S. GAAP adjustments</b>		
Capitalization of forex loss	(217.6)	(217.6)
Capitalization of interest expense	74.7	19.7
Depreciation expense	77.2	64.3
Recognition of finance leases	20.1	-
Deferral of connection fees	(97.5)	-
Amortization of landrights	(5.7)	(2.5)
Depreciation of equipment to be installed	-	(9.7)
Net periodic pension cost	1.1	0.7
Deferred tax liabilities	42.0	41.3
Net adjustments	(105.7)	(103.8)
<b>S/H Equities in accordance with U.S. GAAP</b>	<b>6,848.1</b>	<b>5,702.9</b>
<b>Balance Sheet</b>		
Current Assets	2,009.9	1,774.9
Total Assets	12,469.6	7,952.5
Current Liabilities	3,773.3	2,248.9
Total Liabilities	5,621.6	2,249.7
<b>Statement of Income</b>		
Operating Revenues	2,891.6	1,897.9
Income from Operations	1,320.1	859.2

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