Operational expenses increased 15%, which was mainly because of increases in operation & maintenance costs. Personnel cost grew 19%, mostly due to the growth in number of employees (13%) and also contributed by higher employee incentive due to better Q1 performance in 2005.

Operating and maintenance cost rose 26% from network infrastructure growth (overall network capacity increased 63%) that mainly attributed to transmission and repair & maintenance costs of network equipment. General & administration cost increased slightly (2%) compared to last year.

Depreciation & amortization expenses increased 24% was mainly because of increase in advertising expenses.

Revenue depreciation and other costs of service increased slightly, mainly driven by the increase of volume of SIM cards and vouchers. Due to the increase in volume, revenue, cost of concession increased accordingly.

Depreciation expense decreased 3% to Rp.6.62 trillion due to the recording of accelerated depreciation of the old 900MHz equipment in 2004.

Other income/(charges) for 1Q05 decreased from a net income to a net charge/expenses, which was mainly because of:

• Increase of Rp.3.7 trillion because of the cost for premium on purchase of Telekom's guaranteed notes in 1Q04.
• Loss in 1Q05 resulted from the depreciation of the rupee, which was a foregone in 4Q04.

Net income in 1Q05 is Rp.3.78 trillion lower than in 1Q04, mainly due to the increase in net foreign exchange loss on obligations arising from the acquisition of property, plant and equipment, which is capitalized to the related cost of services.

Conversion Rate

The Statements of Income use an average middle conversion rate of Rp.9,302 to the US Dollar from January through March 2005 and the rates used in the Bank Statements are the Bank Indonesia’s rates. The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia.
OUTSTANDING

<table>
<thead>
<tr>
<th>Loan/Credit Facility</th>
<th>Principal Balance</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ULC Facility 1</td>
<td>USD 40 million</td>
<td>April 2005</td>
</tr>
<tr>
<td>ULC Facility 2</td>
<td>USD 30 million</td>
<td>April 2005</td>
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</tbody>
</table>

FINANCIAL COVENANTS

<table>
<thead>
<tr>
<th>Covenant</th>
<th>Ind. GAAP</th>
<th>U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Coverage Ratio</td>
<td>4.02%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Leverage Ratio</td>
<td>2.08</td>
<td>4.06</td>
</tr>
<tr>
<td>Fixed Charge Coverage Ratio</td>
<td>12.37</td>
<td>16.10</td>
</tr>
</tbody>
</table>

SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP

FOREIGN EXCHANGE LOSS CAPITALIZED TO CONSTRUCTION IN PROGRESS

Under Indonesian GAAP, foreign exchange differences from borrowings used to finance property and construction are capitalized. Under U.S. GAAP, foreign exchange differences are charged to current operations.

INTEREST CAPITALIZED ON PROPERTY UNDER CONSTRUCTION

Under Indonesian GAAP, one of the criteria for capitalizing interest cost into a qualifying asset is that the interest should be attributable (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, i.e. minimum 12 months). Under U.S. GAAP, there is no limit on the length of construction period in which the interest expenses could be capitalized and interest cost need not arise from borrowings specifically made to acquire the qualifying assets.

LANDRIGHTS

Under Indonesian GAAP, land ownership is not depreciated unless it can be foreseen that the possibility for the holder to obtain an extension or renewal of rights is remote. Under U.S. GAAP, the cost of acquired land rights is amortized over the period the holder is expected to retain the land rights. The amortization of land rights represents a permanent non-deductible tax expense and is excluded from the deferred income tax effect on GAAP adjustments.

REVENUE

Under Indonesian GAAP, revenue from cellular service connection fees are recognized as income when the connection takes place (for postpaid service) or at the time of delivery of starter packs to distributors, dealers or customers (for prepaid service). Under U.S. GAAP, revenue from connection fees and incremental direct costs up to, but not exceeding such fees, are deferred and recognized over the expected term of the customer relationship.

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