

Issued: October 2001



**QUARTER III, 2001**



**TELKOMSEL Head Office**  
Graha Surya Internusa 14th-19th Floor  
Jln. H.R. Rasuna Said Kav. X-0  
Kuningan, Jakarta 12950, Indonesia  
Telephone : +62 21 5240811  
Facsimile : +62 21 5276661

[www.telkomsel.com](http://www.telkomsel.com)

This document contains certain financial conditions and results of operation, and may also contain certain projections, plans, strategies, and objectives of the Company, which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements, by their nature, involve risk and uncertainty that could cause actual results and development to differ materially from those expressed or implied in these statements. Telkomsel does not guarantee that any action, which should have been taken in reliance on this document, will bring specific results as expected.

# PT TELEKOMUNIKASI SELULAR (TELKOMSEL) THIRD QUARTER 2001 RESULTS

## Financial Statements

PT Telekomunikasi Selular ("Telkomsel") reports its unaudited financial statements and operational results for the nine months ended September 30, 2001. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk. ("TELKOM"; JSX: TLKM; NYSE: TLK; LSE: TKID). All figures in Telkomsel's financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia (Indonesian GAAP).

## Conversion Rate

For the purpose of convenient translations, the Statements of Income use an average middle conversion rate of Rp.10,214 to the US Dollar from January 2001 through September 2001 and the rates applied to the Balance Sheets are the buying and selling rates of Rp.9,175 and Rp.10,175 with the middle rate of Rp 9,675 to US \$1.00 on September 28, 2001 at 04:00 p.m. quoted from Bank Indonesia.

## Earnings and EBITDA

For the nine months ended September 30, 2001 the Company reported a net income of Rp.1,424 billion, representing an increase of 64.33% compared to the figure in the comparable period of 2000. The growth of net income is mainly attributable to the increased number of the prepaid card (**simPATI**) subscribers.

Total operating revenues grew by 76.34%, from Rp.1,896 billion in the first nine months of 2000 to Rp 3,344 billion in the comparable period of 2001; while total operating expenses grew by 67.24 % from Rp.574 billion in the nine months of 2000 to Rp.959 billion in the comparable period of 2001. These resulted in a 87.66% increase in operating income (EBIT) from Rp 1,086 billion in the nine months of 2000 to Rp. 2,038 billion in the comparable period of 2001.

EBITDA for the nine months of 2001 grew by 80.29 % from Rp.1,323 billion to Rp.2,385 billion in the comparable period of 2001. EBITDA margin was 71.31% for the nine months of 2001, an increase compared to an EBITDA margin of 69.75 % in the comparable period of 2000.

## Capital Expenditure

For the year 2001 Telkomsel budgeted Rp.5.23 trillion for developing mobile phone services, with Rp.4.03 trillion for network and Rp.1.2 trillion for supporting facilities. By September 30, 2001, the Company had spent approximately Rp.1.85 trillion for network development and Rp.270 billion for other investments such as billing system and up-graded operation maintenance centers.

During the period of nine months of 2001, the Company installed 400 new BTS, 4339 TRX, and added 880.000 subscribers switching capacity. These figures show an increase of 36.06%, 70.02% and 72.07 % respectively.

## Customer Base

As of September 30, 2001, Telkomsel recorded 2,562,881 subscribers consisting of 800,005 postpaid subscribers representing 31.22% of total subscribers and 1,762,876 prepaid subscribers representing 68.78 % of total subscribers.

In the first nine months on 2001, the total of additional subscribers was 875,542, which is 97.89% higher than the 424,448 subscribers compared to the same period of 2000. Of the net additional subscribers, 142,569 are postpaid (**kartuHALO**) and 732,973 are prepaid (**simPATI**) subscribers.

In the first nine months of 2001, a number of 127,610 postpaid subscribers and 74,265 prepaid subscribers churned their connections, while in the comparable period of 2000, a number of 83,132 postpaid subscribers and 82,221 prepaid subscribers churn their connection.

## ARPU (Average Revenue per User)

In the nine months of 2001, the ARPU derived from postpaid card (**kartuHALO**) and prepaid card (**simPATI**) subscribers increased by 1.42% and 1.92%, respectively, compared to the same period in 2000.

ARPU from **kartuHALO** subscribers, which was Rp 285 thousand in the nine months of 2001 and Rp 281 thousand in the same period of 2000, is higher than that of **simPATI** (Rp 106 thousand and Rp 104 thousand). The blended, ARPU decreased by 5.52% in the two comparable periods. This is due to the proportion of **kartuHALO** subscribers to the total subscribers decreasing from 42.2% to 31.2% in the same periods.

**Human Resources** As of September 30, 2001, Telkomsel employed 2,254 persons throughout Indonesia. The number represents a ratio of 1,137 subscribers per employee or an increase of 37.93% compared to the figure in 2000 of 825 subscribers per employee.

During the first nine months of 2001, Telkomsel employees completed an average of 4.95 mandays training per employee. For the full year 2001, the Company targeted an average of 3.00 training days per employee.

**Policies** Telkomsel performance has been driven by the following management policies:

1. During 1997 to September 2001, concentration had been emphasized on the efforts responding to the financial crises and ensuring the steady cash inflows by:
  - a. implementing vendor financing and deferring payments of all liabilities to vendors;
  - b. launching prepaid card services, bundling products and keeping on innovating;
  - c. improving billing and collection processes.

Until 2000, even though the concern for quality of service and network had been slightly set aside by the management, Telkomsel had settled almost all of its liabilities through vendor financing. Capacity expansion had been wholly financed by EBITDA from 2000 results, after repaying liabilities to vendors. This situation led to a significant decrease in cash balance.

To pay liabilities denominated in foreign currencies to vendors, Telkomsel bought the relevant foreign currencies periodically. Due to the unstable rate of exchange of Rupiah for the last nine months in 2001, Telkomsel had suffered accounting foreign exchange loss in its Statements of Income, resulting from the difference of its assets and liability balances in foreign currencies.

From September 2000 to September 2001, Telkomsel's Total Assets increased from Rp 4.053 billion to Rp 6.099 billion. Meanwhile, Current Liabilities increased significantly, mostly due to the increases of the operating and investing activities. Total Stockholders' Equity increased from Rp 3.000 billion to Rp 4.400 billion.

2. For the year 2001, Telkomsel's management policies will create more value with aggressive responses to the tightly competitive market for the next five years. Those policies are being deployed in the following six strategic imperatives:

- Investing ahead of growth
- Marketing/innovation engine
- Data service incubator
- Enabling infrastructure
- Service culture
- High performance organization

To deploy and implement the above programs, Telkomsel has reengineered its business processes through outsourcing and partnerships. These programs are supported by:

- Turnkey-based umbrella contracts with local and global vendors. This is intended to accelerate the fulfillment of all supply and construction projects, to significantly decrease administrative clerical work, to reduce cost and to replace the previous advanced payment scheme with a new scheme where payments will be made upon the full installments and integration of the equipment and infrastructure ("payment after on-air" scheme).
- Early October 2001, Telkomsel has been provided with a bank overdraft facility.

By using the financing schemes and facilities above, Telkomsel will ensure its capacity expansion to an expected level of 3.5 million subscribers until the end of December 2001.

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 77.72% of shares and Koninklijke KPN NV (NYSE: KPN) with 22.28% of shares. Telkomsel is the largest cellular telecommunications services company in Indonesia with approximately 48% of total cellular market.

**BALANCE SHEETS**  
**SEPTEMBER 30, 2000 AND 2001**  
(In Millions of Rupiah and Thousands of U.S. Dollar)

ASSETS	2000	2001	
	Rp (000.000)	Rp (000.000)	U.S.\$ <sup>1)</sup> (000)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	886,621	410,022	42,380
Accounts receivable - net of allowance for doubtful accounts of Rp 94,396 in 2001 and Rp 121,643 in 2000			
Trade	43,490	209,880	21,693
Others	3,306	12,245	1,266
Accrued Income	178,691	248,434	25,678
Inventories - net of allowance for obsolescence of Rp 9.974 in 2001 and Rp 7.879 in 2000	19,398	44,755	4,626
Prepaid tax and expenses	29,472	75,160	7,769
Advances	249,754	89,256	9,225
<b>Total Current Assets</b>	<b>1,410,732</b>	<b>1,089,754</b>	<b>112,636</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Cost	3,398,968	5,785,831	598,019
Accumulated depreciation	(879,493)	(1,291,327)	(133,471)
<b>PPE - net book value</b>	<b>2,519,475</b>	<b>4,494,504</b>	<b>464,548</b>
<b>OTHER ASSETS</b>			
Escrow accounts	3	-	-
Due from stockholders	70,252	59,435	6,143
Security deposits	7,629	11,359	1,174
Equipment to be installed	44,677	443,798	45,871
<b>Total Other Assets</b>	<b>122,561</b>	<b>514,593</b>	<b>53,188</b>
<b>TOTAL ASSETS</b>	<b>4,052,768</b>	<b>6,098,851</b>	<b>630,372</b>

LIABILITIES AND EQUITY	2000	2001	
	Rp (000.000)	Rp (000.000)	U.S.\$ <sup>1)</sup> (000)
<b>CURRENT LIABILITIES</b>			
Accounts payable			
Trade	101,968	144,798	14,966
Others	101,099	83,814	8,663
Accrued liabilities	344,602	430,312	44,477
Taxes payable	282,396	376,934	38,960
Deferred tax liabilities - current	10,885	19,999	2,067
Unearned revenue	110,112	222,221	22,969
Dividend payable	101,200	419,306	43,339
Current maturities of obligation under capital lease	-	680	70
<b>Total Current Liabilities</b>	<b>1,052,262</b>	<b>1,698,064</b>	<b>175,511</b>
<b>OBLIGATION UNDER CAPITAL LEASE - net of current maturities</b>	-	1,257	130
<b>Total Noncurrent Liabilities</b>	-	1,257	130
<b>EQUITY</b>			
Capital stock - Rp 1,000,000 par value			
Authorized - 650,000 shares			
Issued and fully paid - 182,570 shares	182,570	182,570	18,870
Additional paid-in capital	1,270,710	1,299,625	134,328
Retained earnings	1,547,226	2,917,334	301,533
<b>Total Equity</b>	<b>3,000,506</b>	<b>4,399,530</b>	<b>454,732</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>4,052,768</b>	<b>6,098,851</b>	<b>630,372</b>

<sup>1)</sup> US\$ 1 = Rp 9,675

For the purpose of convenient translations, the rates applied to the Balance Sheets are the buying and selling rates of Rp 9,175 and Rp 10,175 with the middle rate of Rp 9,675 to US\$ 1.00 on September 28, 2001 at 04:00 p.m. quoted from Bank Indonesia.

**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 2001**  
(In Millions of Rupiah and Thousands of U.S.)

	2,000	2001	
	Rp (000.000)	Rp (000.000)	U.S.\$ <sup>1)</sup> (000)
<b>OPERATING REVENUES</b>			
Post-paid (KartuHALO)	1,199,001	1,826,902	180,453
Prepaid (SimPATI)	596,672	1,297,258	128,137
International roaming	227,202	330,857	32,680
Interconnection revenues (outpayment) - net	(126,617)	(111,061)	(10,970)
<b>Total Operating Revenues</b>	<b>1,896,258</b>	<b>3,343,956</b>	<b>330,300</b>
<b>OPERATING EXPENSES</b>			
Personnel	95,334	128,309	12,674
Operation and maintenance	219,338	390,394	38,561
General and administrative	81,235	186,903	18,461
Marketing	28,383	61,366	6,061
Other cost of services	149,350	192,402	19,005
<b>Total Operating Expenses</b>	<b>573,640</b>	<b>959,374</b>	<b>94,762</b>
<b>EBITDA</b>	<b>1,322,618</b>	<b>2,384,582</b>	<b>235,538</b>
Depreciation and amortization	236,391	346,182	34,194
<b>EBIT</b>	<b>1,086,227</b>	<b>2,038,400</b>	<b>201,343</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest income/Expenses	36,658	34,110	3,369
Gain/ Loss on foreign exchange - net	94,292	(27,157)	(2,682)
Others - net	14,822	(11,025)	(1,089)
<b>Other income (charges) - net</b>	<b>145,772</b>	<b>(4,072)</b>	<b>(402)</b>
<b>INCOME BEFORE TAX</b>	<b>1,231,999</b>	<b>2,034,328</b>	<b>235,135</b>
<b>PROVISION FOR INCOME TAX</b>	<b>365,448</b>	<b>610,298</b>	<b>60,282</b>
<b>NET INCOME</b>	<b>866,551</b>	<b>1,424,030</b>	<b>140,659</b>

<sup>1)</sup> US\$ 1 = Rp 10,124

For the purpose of convenient translations, the Statements of Income use an average middle conversion rate of Rp 10,124 to the US Dollar from January through September 2001.

**FINANCIAL INDICATORS & RATIOS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 & 2001**

1	2000	2001	Growth (%)
	2	3	4=(3-2)/2
Contribution to total operating revenues (%):			
Post-paid (KartuHALO)	63.23%	54.63%	-13.60%
Prepaid (SimPATI)	31.47%	38.79%	23.29%
International roaming	11.98%	9.89%	-17.42%
Interconnection revenues (outpayment) - net	6.68%	3.32%	-50.26%
Short message service (SMS)	0.00%	2.11%	267.67.76%
Contribution to total operating expenses (%):			
Depreciation and amortization	41.21%	36.08%	-12.44%
Personnel	16.62%	13.37%	-19.53%
Operation and maintenance	38.24%	40.89%	6.42%
General and administrative	14.16%	19.48%	37.57%
Marketing	4.95%	6.40%	29.28%
Revenue Dependent Cost	26.04%	20.05%	-22.97%
ARPU (Rp)			
KartuHALO	281,000	285,000	1.42%
SimPATI	104,000	106,000	1.92%
Total	181,000	171,000	-5.52%
EBITDA (Rp million)	1,322,618	2,384,582	80.29%
EBITDA Margin(%) - EBITDA/Operating Revenues	69.75%	71.31%	2.24%
EBITDA per average subscribers (Rp) million	Rp 1.10	1.12	1.94%
Cash ratio (%) - Cash/Current Liabilities	64.26%	24.15%	-71.34%
Current ratio (%) - Current Assets/Current Liabilities	134.07%	64.16%	-52.13%
Return on Assets (%) - Net Income/Average Assets	23.67%	26.29%	11.06%
Return on Equity (%) - Net Income/Average Equity	32.94%	36.10%	9.55%
Debt/Equity ratio - Total Liabilities/Total Equity	35.07%	38.60%	10.06%
Cash to total assets	21.88%	6.72%	-69.27%
Fixed assets to total assets	62.17%	73.69%	18.54%
Operating Margin (%) - EBIT/Operating Revenues	57.28%	60.96%	6.42%

**OPERATIONAL INDICATORS AS OF SEPTEMBER 30, 2000 & 2001**

1	Unit	2000	2001	Growth (%)
		3	4	5=(4-3)/3
<b>CUSTOMER BASE</b>				
<b>Sales</b>				
KartuHALO	Subscriber	258,049	270,179	4.70%
SimPATI	Subscriber	331,752	807,238	143.33%
<b>Total</b>	<b>Subscriber</b>	<b>589,801</b>	<b>1,077,417</b>	<b>82.67%</b>
<b>Churn</b>				
KartuHALO	Subscriber	83,132	127,610	53.50%
SimPATI	Subscriber	82,221	74,265	-9.68%
<b>Total</b>	<b>Subscriber</b>	<b>165,353</b>	<b>201,875</b>	<b>22.09%</b>
<b>Customer base</b>				
KartuHALO	Subscriber	612,114	800,005	30.70%
SimPATI	Subscriber	837,555	1,762,876	110.48%
<b>Total</b>	<b>Subscriber</b>	<b>1,449,669</b>	<b>2,562,881</b>	<b>76.79%</b>
<b>NETWORK DATA</b>				
<b>BTS/TRX</b>				
BTS on-air	Unit	1,331	1,811	36.06%
TRX on-air	Unit	7,725	13,134	70.02%
<b>Element availability</b>				
Overall availability MSC/HLR	%	99.99%	100.00%	0.01%
Overall availability BBS (TRX's)	%	99.40%	99.58%	0.18%
Availability IN	%	100.00%	100.00%	0.00%
Availability Voicemail	%	99.72%	99.85%	0.13%
<b>Capacity</b>				
HLR Capacity	Subscriber	2,130,000	3,665,000	72.07%
VLR Capacity	Subscriber	2,300,000	3,660,000	59.13%
IN Capacity (BCHA)	BCHA	880,000	1,600,000	81.82%
IN Capacity Customers	Subscriber	1,142,856	2,077,920	81.82%
<b>Minutes of usage</b>				
Incoming	minute	114,600,000	181,700,000	59%
Outgoing	minute	123,600,000	222,400,000	80%
<b>Quality of service</b>				
Call success rate	%	88.78%	88.66%	-0.12%
Call completion rate	%	97.21%	97.80%	0.59%
<b>Employee</b>				
Total employee	person	1,757	2,254	28.29%
Subscribers per employee	Subscriber/persons	825	1,137	37.81%

**Notes:**

BTS: Base Transceiver Station  
 TRX: Transmit - Receive Exchange  
 ASR: Answer Seizure Ratio  
 MSC: Mobile Switching Centre  
 PSTN: Public Switch Telephone Network  
 BSS: Base Station Sub System  
 HLR: Home Location Register  
 VLR: Visitor Location Register  
 IN: Intelligent Network  
 BCHA: Busy-Hour Call Attempts