

PT TELEKOMUNIKASI SELULAR (TELKOMSEL) YEAR 2003 RESULTS

OWNERSHIP

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is for 65% owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX:TLKM; NYSE:TLK; LSE: TKID) and for 35% SingTel Mobile, a 100% owned subsidiary of Singapore Telecommunications Ltd. ("SingTel": SGX: TELE.SI). Telkomsel is the largest cellular company in Indonesia with estimated market share of 51% at the end of December 2003.

FINANCIAL STATEMENTS

Telkomsel reports its audited financial statements and operational results for the year ended December 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 new service connections are recognized upon delivery of starterpacks/SIMcard to distributors, dealers or directly to customers. Airtime, value-added services and monthly subscription charges are recognized when earned. 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.

Expenses are recognized when incurred.

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 (infrastructure 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 Central Bank. The resulting gains or losses are credited or charged to current operations, except any net foreign exchange loss on obligations arising 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.8,571 to the US Dollar from January through December 2003 and the rates applied to the Balance Sheets are the Bank Indonesia middle rate of Rp.8,465 to US\$ 1.00 quoted from Bank Indonesia December 31, 2003.

EARNINGS & EBITDA

For the year 2003 the Company reported a net income of Rp.4,237 billion, representing an increase of 52% compared to last year. Total operating revenues grew by 47%, from Rp.7,573 billion to Rp.11,146 billion, while total operating expenses (including depreciation) grew by 39% from Rp.3,444 billion in 2002 to Rp.4,800 billion in 2003.

EBITDA grew by 57% from Rp.5,110 billion in 2002 to Rp.8,026 billion in 2003. EBITDA margin was 72% for 2003, a 5% increase compared to an EBITDA margin of 67% in 2002.

The operating revenues increase mainly resulted from the prepaid customer base growth. SMS/data revenues grew with 119% from Rp.998 billion in 2002 to Rp.2,184 billion in 2003.

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).

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

STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2003 (in Billions of Rupiah and Millions of U.S. Dollar)

	2002 Rp	2003		Growth
		Rp	US\$ (1)	
OPERATING REVENUES				
Post-paid (<i>kartuHALO</i>)	3,094	3,453	403	12%
Prepaid (<i>simPATI</i>)	4,142	7,200	840	74%
International roaming	416	388	45	-7%
Interconnection revenues (outpayment) - net	(79)	105	12	233%
Total Operating Revenues	7,573	11,146	1,300	47%
OPERATING EXPENSES				
Personnel	292	407	47	39%
Operation & maintenance	1,190	1,652	193	39%
General & administrative	358	384	45	7%
Marketing & selling	143	182	21	27%
Rev. dependent & other cost of services	480	495	58	3%
Depreciation and amortization	981	1,680	196	71%
Total Operating Expenses	3,444	4,800	560	39%
EBIT (EARNINGS BEFORE INTEREST & TAXES)	4,129	6,346	740	54%
OTHER INCOME/(CHARGES)				
Interest income (expenses)	(98)	(127)	(15)	30%
Foreign exchange gain (loss)	2	(73)	(9)	-3750%
Others - net	(19)	(16)	(2)	16%
Other income (charges) - net	(115)	(216)	(26)	88%
INCOME BEFORE TAX	4,014	6,130	714	53%
PROVISION FOR INCOME TAX	1,227	1,893	221	54%
NET INCOME	2,787	4,237	493	52%
EBITDA	5,110	8,026	936	57%
EBITDA MARGIN	67%	72%	72%	5%

Notes:
• (1) US\$ 1 = Rp.8,571 (average end of months Jan-DEC 2003 mid-rate, quoted from Bank Indonesia)
• 2002 figures have been reclassified to conform with 2003 presentations.

PRODUCTS & SERVICES

Telkomsel continued its efforts to strengthen its competitiveness against other operators. During the 'Lebaran' and Christmas holiday seasons (November – December 2003) Telkomsel provided free roaming facility for both its postpaid and prepaid subscribers. Earlier during 2003, Telkomsel launched international roaming services for its prepaid subscribers, reduced its points of charging (POC) from 27 to 18, launched Wi-Fi facility (internet access through a wireless LAN) for the postpaid subscribers, and issued several prepaid starter-pack programs e.g prepaid multi-media package which was aimed to enhance the use of MMS.

After receiving Indonesian Best Brand Awards for its postpaid and prepaid products (based on a survey held by MARS Research Company in cooperation with SWA Magazine) last July 2003, Telkomsel was awarded the Indonesian Customer Satisfaction Award by SWA Magazine and Frontier Research Company for both postpaid and prepaid products in September 2003.

CUSTOMER BASE

In November 2003, Telkomsel's postpaid subscribers surpassed 1 million customers. As of December 31, 2003, Telkomsel recorded 9,588,807 subscribers consisting of 1,007,034 postpaid (*kartuHALO*) subscribers representing 11% of total subscribers and 8,581,773 prepaid (*simPATI*) subscribers representing 89% of total subscribers.

The total customer base grew with 60% compared to last year. In 2003, the total additional subscribers was 3,578K, which was 30% more than the 2,759K subscribers added during 2002. Of the net additional subscribers, 84K were postpaid and 3,494K were prepaid subscribers.

ARPU

The ARPU from postpaid subscribers increased by 5% YoY (from Rp.298 thousand to Rp.314 thousand) and for prepaid subscribers decreased by 8% YoY (from Rp.103 thousand to Rp.95 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. Prepaid ARPU's in 2003 have been quite stable during the year with a slight increase in the fourth quarter 2003.

The blended ARPU decreased by 15% from Rp.145 thousand to Rp.123 thousand, due to the increasing proportion of *simPATI* subscribers to the total subscribers from 85% in 2002 to 89% in 2003.

OPERATIONAL INDICATORS AS OF DECEMBER 31, 2002 & 2003

	Unit	2002	2003	Growth
CUSTOMER BASE				
Net Additions				
<i>kartuHALO</i>	Subscriber	57,794	84,029	45%
<i>simPATI</i>	Subscriber	2,700,946	3,494,006	29%
Total	Subscriber	2,758,740	3,578,035	30%
Customer base				
<i>kartuHALO</i>	Subscriber	923,005	1,007,034	9%
<i>simPATI</i>	Subscriber	5,087,767	8,581,773	69%
Total	Subscriber	6,010,772	9,588,807	60%
ARPU Total (12 months average)				
<i>kartuHALO</i>	Rp.'000 per mo.	298	314	5%
<i>simPATI</i>	Rp.'000 per mo.	103	95	-8%
Blended	Rp.'000 per mo.	145	123	-15%
ARPU Non-voice/SMS (12 months average)				
<i>kartuHALO</i>	Rp.'000 per mo.	21	30	43%
<i>simPATI</i>	Rp.'000 per mo.	18	23	28%
Blended	Rp.'000 per mo.	19	24	26%
NETWORK DATA				
BTS/TRX				
Base stations installed	Unit	3,483	4,820	38%
Transmit receive exchanges (TRX)	Unit	28,061	38,624	38%
Capacity				
Switching (HLR) cap.	Subs. '000	9,175	14,455	58%
Prepaid capacity	Subs. '000	7,403	12,286	66%
Quality of service				
Call success rate	%	91.17%	94.62%	3.45%
Call completion rate	%	98.74%	99.19%	0.45%
EMPLOYEE DATA				
Total employees	person	2,536	2,864	13%
Efficiency ratio	Subs/employee	2,370	3,348	41%



BALANCE SHEET

From December 31, 2002 to December 31, 2003, Telkomsel's Total Assets increased from Rp.10,939 billion to Rp.15,410 billion. Total Liabilities increased from Rp.3,751 billion to Rp.5,099 billion. Meanwhile, Total Equities increased from Rp.7,189 billion to Rp.10,311 billion.

The increase of total assets was a result of the increase of investment activities and also because of better operating results

BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2003

(In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2002 Rp	2003		Growth
		Rp	US\$ (1)	
CURRENT ASSETS				
Cash and cash equivalents (2)	979	1,697	200	73%
Acct. receivable - net of allow. for doubtful acct.	175	197	23	13%
Accrued income - net of allow. for doubtful acct.	308	371	44	20%
Inventories - net of allow. for obsolescence	39	49	5	26%
Prepaid tax and expenses	215	297	35	38%
Advances	10	24	3	140%
Others	130	41	5	-68%
Total Current Assets	1,856	2,676	315	44%
PROPERTY, PLANT AND EQUIPMENT				
Fixed assets	11,222	16,537	1,954	47%
Work in progress	189	212	25	12%
Accumulated depreciation	(2,377)	(4,054)	(479)	71%
PPE - net book value	9,034	12,695	1,500	41%
OTHER ASSETS	49	39	5	-20%
TOTAL ASSETS	10,939	15,410	1,820	41%
CURRENT LIABILITIES				
Short-term loan	39	-	-	-100%
Accoutits payable	269	221	26	-18%
Accrued liabilities	1,263	1,102	130	-13%
Taxes payable	205	548	65	167%
Unearned income	375	729	86	94%
Curr. maturities of long-term loans	-	190	22	-
Curr. maturities of obligation under cap. lease	1	-	-	-
Total Current Liabilities	2,152	2,790	329	30%
LONG TERM LIABILITIES				
Long-term guaranteed notes payable - net	1,337	1,121	132	-16%
ECA loan	-	666	79	-
Oblig. under cap.lease - net of current maturities	6	24	3	-
Total Long-term Liabilities	1,343	1,811	214	35%
DEFERRED TAX LIABILITIES - NET	255	498	59	95%
EQUITY				
Capital stock - Rp 1,000,000 par value				
Authorized - 650,000 shares				
Issued and fully paid - 182,570 shares	183	183	21	0%
Additional paid-in capital	1,505	1,505	178	0%
Retained earnings	5,501	8,623	1,019	57%
Total Equity	7,189	10,311	1,218	43%
TOTAL LIAB. & STOCKHOLDERS' EQUITY	10,939	15,410	1,820	41%

Notes:
• (1) US\$ 1 = Rp.8,465 (middle rate on December 31, 2003, quoted from Bank Indonesia).
• (2) Consisting of US\$ 56.9 mln, Euro 39.6 mln and Rp 794 bln for 2003.

CAPITAL EXPENDITURES

In 2003, the Company added Rp.5,314 billion (US\$ 620 million) to fixed-assets for network infrastructures and other investments. Cash spending on capex during 2003 was Rp.5,360 billion (US\$ 625 mln). There were 1,337 new BTS's and 10,563 TRXs installed and 5,280,000 subscribers capacity added to the switching capacity (HLR). Overall network capacity as per end of 2003 was approximately 10.8 million.

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

LOAN/DEBT

Loan facilities as of end of December 2003 were as follows:

	OUTSTANDING	INTEREST	REPAYMENT
Guaranteed Notes	US\$ 132.7 mln	9.75%	Call 2005 / 2007
ECA 1	Euro 64.9 mln	2.90%	2003 - 2008
ECA 2	US\$ 19.5 mln	4.27%	2003 - 2008
	AMOUNT	IN USE	DEFERRED REPAYMENT
L/C Facility 1	US\$ 40 mln	US\$ 14.6 mln	-
L/C Facility 2	US\$ 25 mln	US\$ 17.4 mln	-

In 2003, Telkomsel repurchased and cancelled an amount of US\$ 17.3 million Guaranteed Notes at market prices.

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

	COVENANTS T/B MAINTAINED	TARGET	ACTUAL
Bonds	None	-	-
ECA Facilities	Debt to equity ratio	<2	0,2
	Debt service coverage ratio	>1.25	5,8
	Permitted indebtedness	<Rp 15.8 trln	Rp. 2.0 trln
L/C Facility 1	None	-	-
L/C Facility 2	None	-	-

RATINGS

	LOCAL CURRENCY	FOREIGN CURRENCY
Moody's	Ba2	B1
S&P	B+	B+
Fitch	BB- *)	B+
Pefindo	AAA	

*) Has been upgraded to BB+ in April 2004

FOREIGN CURRENCY RISK MANAGEMENT

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 mainly with derivative financial instruments such as forward foreign exchange contracts.

As per end of December 2003 we 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.

DIVIDENDS

In 2003, Telkomsel has paid dividends for an amount of Rp 1,115 billion. The dividends declared and paid in 2002 were Rp 818 billion.

OUTLOOK 2004

For 2004, Telkomsel expects to add 4 to 5 million new customers with a potential decline of 5-10% in prepaid ARPU. We expect EBITDA margin to be at comparable to slightly lower levels as realized in 2003. Investment plan will be approximately USD 600 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 used to finance the construction of assets may be capitalized. Under U.S. GAAP, foreign exchange differences would 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 the qualifying asset should be under construction for a minimum period of 12 months. Under U.S. GAAP, SFAS No.34 does not specify a minimum construction period or that the interest cost be specifically attributable to the qualifying assets.

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 maybe 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 unused equipment or equipment that is awaiting installation is not depreciated. Under U.S. GAAP, temporarily unused equipment should continue to be 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, "Employers' Accounting for Pensions".

RECONCILIATION TO U.S. GAAP For the years ended 31 December 2003 and 2002

(in billions of rupiah)	2003	2002
Net Income as reported under Indonesian GAAP		
U.S. GAAP adjustments	4,236.8	2,787.2
Capitalization of interest expense	47.9	42.5
Depreciation expense	12.3	18.7
Depreciation of equipment to be installed	-	9.7
Amortization of deferred connection fees	(19.8)	(102.2)
Recognition of finance leases	6.9	14.2
Amortization of landrights	(4.5)	(2.8)
Net periodic pension cost	(1.1)	0.3
Deferred income tax effect	(14.2)	4.2
Net adjustments	27.5	(15.4)
Net Income in accordance with U.S. GAAP	4,264.3	2,771.8
S/H Equities as reported under Indonesian GAAP	10,311.1	7,189.1
U.S. GAAP adjustments		
Capitalization of forex loss	(217.6)	(217.6)
Capitalization of interest expense	110.0	62.2
Depreciation expense	90.5	78.2
Recognition of finance leases	21.1	14.2
Deferral of connection fees	(122.0)	(102.2)
Amortization of landrights	(9.3)	(4.8)
Net periodic pension cost	-	1.1
Deferred tax liabilities	34.4	48.6
Net adjustments	(92.9)	(120.3)
S/H Equities in accordance with U.S. GAAP	10,218.2	7,068.8

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TELKOMSEL Head Office
Wisma Mulia 12th Floor
Jln. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
Telephone : +62 21 5240811
Facsimile : +62 21 52906112
email : investor@telkomsel.co.id