



**Moores Rowland**  
Jimmy Budhi & Rekan - Registered Public Accountants

**PT BAKRIE TELECOM Tbk**

**FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 AND  
THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004  
AND  
REPORT OF INDEPENDENT AUDITORS**

**PT BAKRIE TELECOM Tbk**  
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**STATEMENT LETTER OF DIRECTORS  
CONCERNING  
RESPONSIBILITY UPON FINANCIAL REPORT  
MARCH 31, 2007, DECEMBER 31, 2006, 2005 AND 2004  
PT BAKRIE TELECOM Tbk**

In order to fulfill the Bapepam Regulation stipulated in The Enclosure of Bapepam Decision under Number Kep-40/PMI2003 dated December 22, 2003, concerning: Responsibility of Directors Upon Consolidated Financial Report, We the undersigned:

- |                     |                                                                         |
|---------------------|-------------------------------------------------------------------------|
| 1. Name             | Anindya Novyan Bakrie                                                   |
| Office Address      | Wisma Bakrie Lt. 2<br>Jl. HR. Rasuna Said Kav. B-1,<br>Jakarta 12920    |
| Address of Domicile | Jl. Terusan Hanglekir V No. 34<br>Jakarta Selatan                       |
| Telephone Number    | 62.21-910 1112                                                          |
| Position            | President Director                                                      |
| 2. Nama             | Jastiro Abi                                                             |
| Office Address      | Wisma Bakrie Lt. 2<br>Jl. HR. Rasuna Said Kav. B-1,<br>Jakarta 12920    |
| Address of Domicile | Jl. Kebon Baru IV No.19<br>RT01/RW009 Kebon Baru Tebet<br>Jakarta 12830 |
| Telephone Number    | 62.21-910 1112                                                          |
| Position            | Finance Director                                                        |

States that:


1. To take responsibility upon the composing and presenting of the financial report of the Company;
2. The financial report of the Company has been composed and presented in accordance with general accepted accounting principle;
3. a. Any information in the financial report of the Company has been composed completely and rightfully,  
b. The financial report of the company does not contain of any mistatement and does not eliminate any material information.
4. To take responsibility upon internal control system in the Company.


This statement has been made in good faith.

Jakarta, 7 May 2007

PT BAKRIE TELECOM Tbk



  
**Anindya Novyan Bakrie**  
President Director

  
**Jastiro Abi**  
Finance Director

PT Bakrie Telecom Tbk

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**Report of Independent Auditors**

Report No. 064/2007

The Boards of Directors and the Stockholders  
**PT Bakrie Telecom Tbk**

We have audited the balance sheets of PT Bakrie Telecom Tbk (the "Company") as of March 31, 2007, December 31, 2006, 2005 and 2004 and the related statements of income, changes in equity and cash flows for the three-month period ended March 31, 2007 and years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Since this March 31, 2007 financial statements will be used for limited purposes only in connection with the Company's plan to obtain financing from third parties (see Note 35), the Company did not present for comparative purposes its previous financial statements for the same period, financial statements for the years ended December 31 2006, 2005 and 2004 being presented instead.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Bakrie Telecom Tbk as of March 31, 2007, December 31, 2006, 2005 and 2004 and the results of its operations and its cash flows for the three-month period ended March 31, 2007 and years ended December 31, 2006, 2005 and 2004, in conformity with generally accepted accounting principles in Indonesia.

**JIMMY BUDHI & REKAN**  
Registered Public Accountants



**Koenta Adji Koerniawan**  
License No. 98.1.0266

May 7, 2007

**NOTICE TO READERS**

The accompanying financial statements are intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not that of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

**PT BAKRIE TELECOM Tbk**  
**BALANCE SHEETS**  
**MARCH 31, 2007, DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

**ASSETS**

	Notes	March 31, 2007	December 31,		
			2006	2005	2004 (As restated - see Note 3)
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	2b,2m,4	139,974,399,644	239,424,066,284	254,256,601,478	23,263,075,084
Short-term investments	2c,5	56,717,108,426	54,640,535,962	31,555,398,980	-
Trade receivables - net	2d,6	65,527,883,108	70,765,640,743	39,034,068,288	27,104,434,251
Inventories	2f,7	14,896,880,616	12,372,683,809	5,174,340,120	3,905,769,850
Advances	8	49,342,858,498	39,608,928,995	31,318,394,619	11,332,575,168
Prepaid expenses	2g,9	86,929,627,672	66,387,911,870	30,536,733,298	22,174,121,307
Prepaid taxes	26a	44,205,061,216	44,212,241,830	4,138,640,058	3,720,352,353
Total Current Asset		457,593,819,180	527,412,009,493	396,014,176,841	91,500,328,013
<b>NON-CURRENT ASSETS</b>					
Deferred tax assets - net	2n,26e	-	-	2,018,404,754	-
Advances for fixed assets	10,34	126,265,645,861	114,194,434,866	9,432,228,779	40,514,793,623
Fixed assets - net	2h,2i,11	1,668,308,630,454	1,554,253,434,832	1,087,814,842,638	885,304,037,341
Deferred charges - net	2j,12	12,505,232,305	11,702,946,148	16,667,225,498	27,244,709,693
Estimated claim for tax refund	2n,26b	4,574,847,529	4,574,847,529	5,876,551,838	3,509,309,640
Security deposits		5,788,502,077	5,001,342,978	4,759,723,283	3,512,634,629
Total Non-Current Assets		1,817,442,858,226	1,689,727,006,353	1,126,568,976,790	960,085,484,926
<b>TOTAL ASSETS</b>		<b>2,275,036,677,406</b>	<b>2,217,139,015,846</b>	<b>1,522,583,153,631</b>	<b>1,051,585,812,939</b>

**PT BAKRIE TELECOM Tbk**  
**BALANCE SHEETS**  
**MARCH 31, 2007, DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

**LIABILITIES AND EQUITY**

		December 31,			
	Notes	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
<b>CURRENT LIABILITIES</b>					
Trade payables					
Third parties	13,29	160,781,204,590	106,689,240,880	60,995,633,545	55,614,873,294
Related party	2e,13,27	4,784,347,958	2,487,671,393	331,032,139	154,804,800
Other payables	14,29	8,741,268,448	11,952,961,244	4,585,953,327	6,466,629,255
Unearned revenue	2k	22,528,379,134	13,050,029,442	17,087,364,133	2,224,835,628
Customers' deposit	15	16,711,265,179	16,437,208,632	14,693,583,353	12,522,878,270
Accrued expenses	2o,16	70,546,772,374	91,702,895,891	63,342,894,541	37,247,750,600
Taxes payable	26c	4,725,834,991	5,516,140,045	2,266,508,299	5,659,944,339
Current maturities of long-term debts					
Bank loan	17	51,679,890,000	51,679,890,000	36,175,930,000	6,459,980,000
Total Current Liabilities		340,498,962,674	299,516,037,527	199,478,899,337	126,351,696,186
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities - net	2n,26e	14,327,125,191	699,517,268	-	30,517,428,565
Long-term debts - net of current maturities					
Related parties	2e,27	-	-	10,275,879,811	176,094,201,309
Bank loan	17	408,581,139,165	421,501,111,665	473,181,001,665	492,138,043,708
Total Non-Current Liabilities		422,908,264,356	422,200,628,933	483,456,881,476	698,749,673,582
Total Liabilities		763,407,227,030	721,716,666,460	682,935,780,813	825,101,369,768
<b>EQUITY</b>					
Capital stock					
2007, 2006 and 2005					
Common shares series A Rp 200					
Common shares series B Rp 100					
2004					
Preferred shares Rp 1,000					
Common shares Rp 1,000					
Authorized shares					
2007, 2006 and 2005					
Common shares series A					
10,000,000,000 shares					
Common shares series B					
32,111,652,195 shares					
2004					
Preferred 400,000,000 shares					
Common 1,600,000,000 shares					
Issued and fully paid shares					
Common shares series A					
5,751,502,450 shares in 2007, 2006 and 2005					
Common shares series B					
13,064,616,245 shares in 2007 and 2006,					
7,527,913,045 shares in 2005					
Preferred 206,195,821 shares in 2004					
Common 824,783,282 shares in 2004	18	2,456,762,114,500	2,456,762,114,500	1,903,091,794,500	1,030,979,103,000
Deposit for future stocks subscription	18	-	-	-	115,000,000,000
Additional paid-in capital	19	29,055,966,528	29,055,966,528	-	-
Unrealized gain on investment	2c,5	700,087,722	743,210,928	374,527,158	-
Deficit		(974,888,718,374)	(991,138,942,570)	(1,063,818,948,840)	(919,494,659,829)
Total Equity		1,511,629,450,376	1,495,422,349,386	839,647,372,818	226,484,443,171
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,275,036,677,406</b>	<b>2,217,139,015,846</b>	<b>1,522,583,153,631</b>	<b>1,051,585,812,939</b>

*The accompanying Notes to Financial Statements form an integral part of these financial statements.*

**PT BAKRIE TELECOM Tbk**  
**STATEMENTS OF INCOME**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 AND**  
**THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

			December 31,		
	Notes	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
<b>REVENUES</b>					
	2k,20				
Operating revenue		271,140,327,367	829,360,908,756	369,054,865,176	275,028,953,261
Interconnection expenses and discount		(47,231,163,014)	(221,440,260,244)	(125,297,567,277)	(113,327,509,675)
Operating Income - Net		<u>223,909,164,353</u>	<u>607,920,648,512</u>	<u>243,757,297,899</u>	<u>161,701,443,586</u>
<b>OPERATING EXPENSES</b>					
	2k				
Depreciation	2h,11	45,384,877,477	143,111,633,501	119,798,721,301	91,323,924,844
Operating and maintenance expense	21	57,100,010,225	68,319,114,117	47,203,392,683	30,727,639,125
General and administrative expense	22	21,893,239,594	71,727,128,305	43,696,508,956	38,531,691,338
Personnel expense	23	27,529,846,664	75,243,944,461	45,436,812,813	34,084,594,621
Sales and marketing expense	24	19,208,623,426	101,115,714,883	77,669,291,824	26,480,504,626
Other operating expenses		1,853,043,590	9,556,471,249	9,896,566,447	8,080,179,339
Total Operating Expenses		<u>172,969,640,976</u>	<u>469,074,006,516</u>	<u>343,701,294,024</u>	<u>229,228,533,893</u>
<b>OPERATING INCOME (LOSS)</b>		<u>50,939,523,377</u>	<u>138,846,641,996</u>	<u>(99,943,996,125)</u>	<u>(67,527,090,307)</u>
<b>OTHER INCOME (CHARGES)</b>					
	2k				
Financing cost - net	25a	(16,469,731,293)	(46,766,436,648)	(75,320,470,651)	(63,671,167,608)
Gain (loss) on foreign exchange - net	2m,25b	(413,298,559)	2,521,885,177	(1,471,575,371)	1,321,498,707
Provision for doubtful accounts	2d,6	(4,179,387,282)	(13,450,570,759)	(5,802,852,584)	(3,047,102,053)
Gain on sale of fixed assets	11		-	-	59,045,455
Others - net		725,876	(5,753,591,473)	5,678,772,401	1,208,272,207
Other Charges - Net		<u>(21,061,691,258)</u>	<u>(63,448,713,703)</u>	<u>(76,916,126,205)</u>	<u>(64,129,453,292)</u>
<b>INCOME (LOSS) BEFORE TAX BENEFIT (EXPENSE)</b>		<u>29,877,832,119</u>	<u>75,397,928,293</u>	<u>(176,860,122,330)</u>	<u>(131,656,543,599)</u>
<b>TAX BENEFIT (EXPENSE)</b>	2n,26c				
Current		-	-	-	-
Deferred		(13,627,607,923)	(2,717,922,023)	32,535,833,319	(166,321,232,199)
Total		<u>(13,627,607,923)</u>	<u>(2,717,922,023)</u>	<u>32,535,833,319</u>	<u>(166,321,232,199)</u>
<b>NET INCOME (LOSS)</b>		<u>16,250,224,196</u>	<u>72,680,006,270</u>	<u>(144,324,289,011)</u>	<u>(297,977,775,798)</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>					
	2p,30	0.86	3.94	(16.13)	(287.97)
<b>BASIC EARNINGS PER DILUTED SHARE</b>					
	2p,30	0.84	3.92	-	-

*The accompanying Notes to Financial Statements form an integral part of these financial statements.*



**PT BAKRIE TELECOM Tbk**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 AND**  
**THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

	Notes	Capital Stock	Deposit for Future Stocks Subscription	Additional Paid-in Capital	Unrealized Gain on Investment	Deficit	Total Equity
Balance as of January 1, 2004 (As previously reported)	18,19	1,030,979,103,000	-	-	-	(621,516,884,031)	409,462,218,969
Deposit for future stocks subscription	18,19	-	115,000,000,000	-	-	-	115,000,000,000
Net loss in 2004 (As restated, see Note 3)		-	-	-	-	(297,977,775,798)	(297,977,775,798)
Balance as of December 31, 2004 (As restated, see Note 3)		1,030,979,103,000	115,000,000,000	-	-	(919,494,659,829)	226,484,443,171
Reclassification of deposit for future stocks subscription	18,19	-	(115,000,000,000)	-	-	-	(115,000,000,000)
Paid-in capital	18,19	872,112,691,500	-	-	-	-	872,112,691,500
Unrealized gain on investment	2c,5	-	-	-	374,527,158	-	374,527,158
Net loss in 2005		-	-	-	-	(144,324,289,011)	(144,324,289,011)
Balance as of December 31, 2005		1,903,091,794,500	-	-	374,527,158	(1,063,818,948,840)	839,647,372,818
Proceeds from stock issuance	18,19	550,000,000,000	-	27,771,354,528	-	-	577,771,354,528
Proceeds from exercise of warrants	18,19	3,670,320,000	-	1,284,612,000	-	-	4,954,932,000
Unrealized gain on investment	2c,5	-	-	-	368,683,770	-	368,683,770
Net income in 2006		-	-	-	-	72,680,006,270	72,680,006,270
Balance as of December 31, 2006		2,456,762,114,500	-	29,055,966,528	743,210,928	(991,138,942,570)	1,495,422,349,386
Unrealized loss on investment	2c,5	-	-	-	(43,123,206)	-	(43,123,206)
Net income in 2007		-	-	-	-	16,250,224,196	16,250,224,196
Balance as of March 31, 2007		2,456,762,114,500	-	29,055,966,528	700,087,722	(974,888,718,374)	1,511,629,450,376

*The accompanying Notes to Financial Statements form an integral part of these financial statements.*

**PT BAKRIE TELECOM Tbk**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 AND**  
**THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

	March 31, 2007	2006	December 31, 2005	2004 (As restated - see Note 3)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	286,130,491,242	795,335,626,888	353,826,616,003	231,795,750,842
Payments to suppliers and employees	(162,105,560,975)	(422,464,702,751)	(228,262,140,017)	(118,143,206,940)
Cash receipts from operating activities	124,024,930,267	372,870,924,137	125,564,475,986	113,652,543,902
Payment of interest	(18,927,240,074)	(80,422,281,659)	(80,432,305,663)	(19,756,444,186)
Receipt of interest	3,488,105,591	38,511,965,156	11,515,110,761	177,275,798
Payment of taxes	(832,717,242)	(35,835,193,226)	(18,192,249,192)	(12,139,590,557)
Receipt of tax refund	-	-	1,165,773,753	-
Payments of other operating activities	(20,651,792,917)	(109,203,541,325)	(88,272,723,939)	(63,704,327,263)
Net Cash Flows Provided by (Used in) Operating Activities	87,101,285,625	185,921,873,083	(48,651,918,294)	18,229,457,694
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in advances for fixed assets	(12,071,210,996)	(104,762,206,087)	31,082,564,844	119,525,754,016
Acquisitions of fixed assets	(159,440,073,099)	(609,550,225,695)	(322,309,526,598)	(290,834,509,424)
Short-term investments	(2,119,695,670)	(22,716,453,212)	(31,180,871,822)	-
Proceeds from sale of fixed assets	-	-	-	59,045,455
Net Cash Flows Used in Investing Activities	(173,630,979,765)	(737,028,884,994)	(322,407,833,576)	(171,249,709,953)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from stock issuance	-	577,771,354,528	-	-
Proceeds from exercise of warrants	-	4,954,932,000	-	-
Receipts from (payment of) due to related parties	-	(10,275,879,811)	91,294,370,307	157,368,422,216
Receipts from (payment of) long-term bank loans	(12,919,972,500)	(36,175,930,000)	10,758,907,957	10,809,227,251
Received from deposits for future stocks subscriptions	-	-	500,000,000,000	-
Net Cash Flows Provided by (Used in) Financing Activities	(12,919,972,500)	536,274,476,717	602,053,278,264	168,177,649,467
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(99,449,666,640)	(14,832,535,194)	230,993,526,394	15,157,397,208
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	239,424,066,284	254,256,601,478	23,263,075,084	8,105,677,876
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	139,974,399,644	239,424,066,284	254,256,601,478	23,263,075,084
<u>Additional information of Cash Flows:</u>				
Non-cash activities:				
Conversion of debt to equity	-	-	257,112,691,500	115,000,000,000
Reclassification of:				
Construction-in-progress to fixed assets	-	-	-	108,639,757,792
Advances for fixed assets to fixed assets	894,066,126	156,455,362,062	61,266,716,497	119,525,754,016

*The accompanying Notes to Financial Statements form an integral part of these financial statements.*

**PT BAKRIE TELECOM Tbk**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 AND**  
**THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**  
(Figures in table are expressed in Rupiah, unless otherwise stated)

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## 1. GENERAL

### a. *The Company's Establishment*

PT Bakrie Telecom Tbk (previously PT Radio Telepon Indonesia) (the "Company") was established on August 13, 1993 based on Notarial Deed No. 94 of Muhani Salim, S.H. within the framework of the Domestic Investment Law No. 6 Year 1968, as amended by Law No. 12 Year 1970. The provisions of the Company's Articles of Association have been amended several times, among others, based on Notarial Deed No. 15 of Muchlis Patahna, S.H. dated June 30, 2005 regarding the resolutions of the Company's shareholders No. 004/EST-Res/PS/VI/05, concerning the conversion of fund placed in the Company into capital stock, the changes in the Company's authorized share capital, issued and fully paid capital, types of share, and composition of shareholders. The amendments were approved by the Minister of Law and Human Rights of the Republic of Indonesia through his Decision Letter No. C-21821 HT.01.04.TH.2005 of August 5, 2005.

The most recent amendment of the Company's Articles of Association was by the resolutions of the Company's shareholders as notarized by deed No. 6 of Agus Madjid, S.H. dated February 3, 2006 regarding the changes of the Company's Articles of Association, as follows:

- a. Change the Company's status from non-public company into public company in connection with the Initial Public Offering (IPO).
- b. Change the nominal value of the Company's shares.
- c. Change in Article 4 Annex 2 of the authorized capital stock; the amount of issued and fully paid capital.

This change has been reported to the Minister of Law and Human Rights of the Republic of Indonesia and has been accepted and recorded by the Directorate General of General Law Administration through letter No. C-03880 HT.01.04.TH.2006 dated February 13, 2006.

The scope of activities of the Company comprises of providing fixed digital radio cellular telecommunication network and services. The Company's operational areas are located in Jakarta, Bandung and some regions in West Java and Banten. The Company is domiciled in Jakarta with the head office located at Wisma Bakrie, 2nd Floor, Jl. H.R. Rasuna Said Kav. B-1, Jakarta Selatan. The Company started its commercial operations on November 1, 1995.

On December 12, 2006, the Company received principal license for Local Fixed Network Service and Basic Telephone Service with nationwide coverage (see Note 33).

### b. *Initial Public Offering*

On November 25, 2005, the Company submitted the Registration Statement Letter to the Chairman of BAPEPAM through Letter No. 7218/EST.05/FIN/XI/2005 in connection with the Company's IPO of Registered Shares Series B of five billion five hundred million (5,500,000,000) shares with nominal value of one hundred Rupiah (Rp 100) per share and one billion one hundred million (1,100,000,000) Warrant Series I that are included in Registered Shares Series B in accordance with Regulation No. IX.D.1. attachment to the Decision Letter of Chairman of BAPEPAM No. KEP-26/PM/2003, dated July 17, 2003.

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**1. GENERAL (Continued)**

The IPO was approved by the Extraordinary Shareholders' General Meeting held on September 23, 2005 as notarized by Deed No. 39 of Agus Madjid, S.H. and the Company's shares were listed on the Jakarta Stock Exchange on February 3, 2006.

c. Employees, Boards of Commissioners and Directors

The composition of the Company's Boards of Commissioners and Directors as of March 31, 2007, December 31, 2006, 2005 and 2004 were as follows:

March 31, 2007

Board of Commissioners		Board of Directors	
President Commissioner	: Gafur Sulistyono Umar	President Director	: Anindya Novyan Bakrie
Independent Commissioner	: Ai Mulyadi Mamoer	Deputy President Director	: Frederik Johannes Meijer
Independent Commissioner	: Raj Mitta	Deputy President Director	: Muhammad Buldiansyah
Commissioner	: Nalinkant A Rathod	Director	: Rakhmat Junaidi
Commissioner	: Ambono Janurianto	Director	: Juliandus A. Lumban Tobing
		Director	: Jastiro Abi

December 31, 2006 and 2005

Board of Commissioners		Board of Directors	
President Commissioner	: Gafur Sulistyono Umar	President Director	: Anindya Novyan Bakrie
Independent Commissioner	: Ai Mulyadi Mamoer	Director	: Juliandus A. Lumban Tobing
Independent Commissioner	: Raj Mitta	Director	: Rakhmat Junaidi
Commissioner	: Nalinkant A Rathod		
Commissioner	: Ambono Janurianto		

December 31, 2004

Board of Commissioners		Board of Directors	
President Commissioner	: Virano Gazi Nasution	President Director	: Anindya Novyan Bakrie
Independent Commissioner	: Ai Mulyadi Mamoer	Vice President Director	: R. Bismarka Kurniawan
Commissioner	: Ambono Janurianto	Director	: Rakhmat Junaidi

The Composition of the Company's Board of Directors as of March 31, 2007 was based on the decision of the Extraordinary Shareholders' General Meeting on February 16, 2007 as stated in Notarial Deed No. 39 of Agus Madjid, S.H.

The remuneration of the Company's Boards of Commissioners and Directors for the three-month period ended March 31, 2007 and for the years ended December 31, 2006, 2005 and 2004 were Rp 2,392,381,796, Rp 2,481,147,808, Rp 2,072,252,014 and Rp 1,325,724,900, respectively.

As of March 31, 2007, December 31, 2006, 2005 and 2004 the Company had a total of 927, 743, 544 and 437 employees, respectively.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Indonesia (Indonesian GAAP), and the Capital Market Supervisory Board (Bapepam) circular letter No. SE-02/PM/2002 dated December 27, 2002, regarding Financial Statements Presentation Guidelines for a Public Company that conducts a public offering and decision letter of Bapepam No. KEP-06/PM/2000 dated March 13, 2000, regarding the change in regulation No. G.VIII.7 regarding guidelines for financial report presentation. Significant accounting policies applied consistently by the Company are as follows:

a. *Basis of Financial Statements*

The financial statements, except for the statements of cash flows, are prepared using the accrual basis of accounting. The measurement basis used is historical cost, except for certain accounts recorded on the basis described in the related accounting policies.

The statements of cash flows are prepared using the direct method, cash flows being classified into operating, investing and financing activities.

The reporting currency used in the preparation of the financial statements is the Indonesian Rupiah ("Rp").

b. *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Time deposits with a term of three months or less from placement date and not being used for collateral on loans and having no limitation on their usage are classified as "Cash Equivalents".

c. *Short-term Investment*

Investments in securities that are held to maturity are stated at acquisition cost while securities that are available for sale are stated at fair market value. Changes of market value of available-for-sale securities are recorded in a separate section of equity and will be credited or charged to the statement of income when realized.

d. *Trade Receivables*

Trade receivables are recognized and carried at original invoice amount less an allowance for doubtful accounts. The Company provides an allowance for doubtful accounts based on the assessment of the Company's management on the collectibility of the accounts at the end of the period. The writing off of receivables is based on management's judgment on the recoverability of the accounts and for the recovery of allowance for doubtful accounts. It is based on the examination of the probability of collecting the accounts.

e. *Transaction with Related Parties*

The Company has transactions with certain parties, which are related to them. In accordance with the PSAK No. 7 "Related Party Disclosures", related parties are defined as follows:

- (1) Enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

- (2) Associated companies;
- (3) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, and close members of the family of any such individual (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals, in conjunction with their transactions with the Company);
- (4) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and
- (5) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This definition includes enterprises owned by the commissioners, directors or major stockholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

All significant transactions with related parties are disclosed in the notes to the financial statements.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method. The net realizable value is determined based on the estimated selling price less the estimated cost of completion and the estimated costs necessary to realize the sale.

g. Prepaid Expenses

Prepaid expenses are amortized over the period benefited using the straight-line method.

h. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method based on the estimated useful lives of fixed assets as follows:

	Years
Building	20
Telecommunication equipment:	
Telephone equipment	15
Data communication equipment	15
Central relay	15
Switching	10 - 15
Relay station	10 - 15
Telecommunication facilities:	
Billing management system facilities	10 - 15
Tower relay	10 - 15
Electrical equipment and facilities	10 - 15
Transportation equipment	5
Office equipment and fixtures	4 - 5

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

In accordance with PSAK No. 47, "Accounting for Land", land acquisitions are stated at acquisition cost and not amortized. The acquisition cost includes permit, license cost and purchase cost of land.

The costs of maintenance and repairs are charged to expense as incurred while significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Construction-in-progress is stated at acquisition cost, which includes borrowing costs from loans incurred to finance the construction of the assets during the period of development and foreign exchange gain or loss that is attributable to the asset. The accumulated cost will be reclassified to the appropriate fixed asset accounts and capitalization of these borrowing costs ceases when projects are completed and ready for their intended use.

Based on PSAK No. 48, "Impairment of Asset", the Company conducts a review of the carrying value of fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the current year's statement of income to decrease the carrying amount of an asset to its recoverable amount.

i. Capitalization of Borrowing Costs

In accordance with the revised PSAK No. 26 (Revised 1997), "Borrowing Costs", interest charges and foreign exchange differences on borrowings and other costs incurred to finance construction in installation of major facilities are capitalized until the construction in installation is substantially completed and the asset is ready for its intended use.

j. Deferred Charges

Costs incurred in connection with the development of telecommunication projects that have future benefits are deferred and amortized using the straight-line method over the range of three (3) to eight (8) years.

k. Revenue and Expense Recognition

*Fixed telephone revenue*

Revenue from connection services is recognized as income at the time the service or the installation is completed. Revenue from usage charges is recognized as earned.

*Limited mobility telephone revenue*

For post-paid subscribers, revenues from connection services are recognized as income at the time the connections take place, while usage airtime and monthly subscription charges are recognized when earned.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue from pre-paid cards, which consists of sale of starter packs, known as Removable User Identification Module (RUIM) cards and pulse reload vouchers, are recognized as follows:

- Starter pack sales are recognized upon delivery of starter packs to dealers or directly to customers.
- Pulse reload vouchers (pre-paid) sales are initially recorded as unearned revenue and then proportionately recognized as usage revenue based on successful calls made by the subscribers or whenever the unused stored value of the voucher has expired.

*Interconnections revenue*

Revenues from network interconnection, which are based on agreements with other domestic and international telecommunication carriers are recognized as incurred and are presented on a net basis after deduction of interconnection expenses.

*Other Revenues*

Revenues from other services are recognized when the services are rendered.

*Expenses*

Expenses are recognized when incurred (accrual basis).

1. *Employee Benefits*

In July 2004, the Indonesian Institute of Accountants issued PSAK No. 24 (Revised 2004), "Employee Benefits", which regulates the accounting and disclosure for employee benefits and covers not only retirement benefits but also short-term (e.g. paid annual leave, paid sick leave) and other long-term benefits (e.g. long-service leave, post-employment medical benefits). PSAK No. 24 (Revised 2004) replaced PSAK No. 24 issued in 1994, which covered only retirement benefit cost. Upon adoption, the Company accounted for the change in accounting policy retrospectively and restated the financial statements for the year ended December 31, 2004.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. Under this method, the accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and 10% the fair value of plan assets are recognized on a straight-line basis over the expected average remaining working lives of the participating employees. Past-service cost is recognized immediately to the extent that the benefits are already vested, and otherwise, is amortized on a straight-line basis over the average period until the benefits become vested.

m. *Foreign Currency Transactions and Balances*

Transactions involving foreign currencies other than Rupiah are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in currencies other than Rupiah are adjusted to Rupiah to reflect the middle exchange rate published by Bank Indonesia at the last banking transaction date of the year. The resulting gains or losses are credited or charged to current operations.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

As of March 31, 2007, December 31, 2006, 2005 and 2004, the exchange rates used were Rp 9,118, Rp 9,020, Rp 9,830 and Rp 9,290 to US\$ 1, respectively.

n. Income Tax

The Company applied the deferred tax method to determine its tax expense (benefit) in accordance with PSAK No. 46, "Accounting for Income Taxes". Based on the deferred tax method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are off-set on the balance sheet.

o. Use of Estimates

The preparation of financial statements in conformity with Indonesian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

p. Basic Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net income or net loss by the weighted-average number of common shares outstanding during the year.

Diluted earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding as adjusted for the effects of all potential dilution.

q. Provisions

A provision is recognized only if and when (a) the Company has present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

r. Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements, but are disclosed when an inflow of economic benefit is probable.

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**3. RESTATEMENT OF FINANCIAL STATEMENTS**

The Company has restated the financial statements for the year ended December 31, 2004 to conform to PSAK No. 24 (Revised 2004) regarding "Employee Benefits", which is to be applied retrospectively.

The comparison of restated financial statements as of and for the year ended December 31, 2004 with previous financial statements that has been reported is as follows:

	As Previously Reported	As Restated
Accrued expenses	34,279,936,549	37,247,750,600
Total current liabilities	123,383,882,135	126,351,696,186
Deferred tax liabilities - net	31,407,772,780	30,517,428,565
Total non-current liabilities	699,640,017,797	698,749,673,582
Deficit	917,417,189,993	919,494,659,829
Total equity	228,561,913,007	226,484,443,171
Personnel expense	34,782,264,050	34,084,594,621
Total operating expenses	229,926,203,322	229,228,533,893
Operating loss	68,224,759,736	67,527,090,307
Loss before provision for income tax	132,354,213,028	131,656,543,599
Deferred tax expense	166,111,931,370	166,321,232,199
Net loss	298,466,144,398	297,977,775,798

**4. CASH AND CASH EQUIVALENTS**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Cash on hand	296,099,354	996,099,817	1,043,692,011	743,830,445
Cash in banks	51,075,910,233	50,790,635,091	45,584,032,467	22,519,244,639
Time deposits	88,602,390,057	187,637,331,376	207,628,877,000	-
Total	139,974,399,644	239,424,066,284	254,256,601,478	23,263,075,084

Details of cash in banks and time deposits based on the currency:

	March 31, 2007	December 31,		
		2006	2005	2004
Cash in banks				
<u>Rupiah</u>				
PT Bank Central Asia Tbk	11,211,140,252	13,800,542,447	4,596,774,423	2,595,067,914
PT Bank Mandiri (Persero) Tbk	5,654,284,766	10,873,395,041	6,588,389,303	790,508,702
PT Bank Umum Koperasi Indonesia	3,421,565,019	1,909,075,843	1,994,235,325	15,790,024,240
Deutsche Bank Indonesia	2,284,324,912	3,274,524,921	-	-
PT Bank Permata Tbk	2,127,737,038	4,397,051,864	20,551,061,677	1,991,000
PT Bank Tabungan Pensiunan Nasional	1,502,229,786	1,487,540,023	947,177,028	127,294,595

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**4. CASH AND CASH EQUIVALENTS (Continued)**

	March 31, 2007	December 31,		
		2006	2005	2004
PT Bank Danamon Indonesia Tbk	1,435,605,416	2,006,945,101	6,721,250,048	574,039,630
Standard Chartered Bank	845,107,692	845,200,692	-	-
PT Bank Negara Indonesia (Persero) Tbk	584,873,385	660,703,321	75,628,886	123,083,971
PT Bank Mega Tbk	556,603,105	465,396,934	510,918,508	257,252,713
PT Bank Niaga Tbk	260,418,184	259,418,299	4,621,951	539,577,814
PT Bank DBS Indonesia	173,269,989	140,362,647	-	-
PT Bank Ekonomi	62,327,499	62,034,809	4,435,798	67,264,437
PT Bank Syariah Mandiri	52,312,837	291,884,092	36,098,512	573,294,641
PT Bank Lippo Tbk	4,885,107	4,993,107	5,447,107	10,414,408
<u>US Dollar</u>				
PT Bank Permata Tbk	11,324,316,703	7,449,164,743	3,356,420,963	-
Deutsche Bank Indonesia	4,784,999,204	1,761,258,369	-	-
PT Bank DBS Indonesia	3,714,873,158	60,645,159	-	-
PT Bank Danamon Indonesia Tbk	678,790,513	671,260,642	-	-
PT Bank Mandiri (Persero) Tbk	329,733,505	303,574,143	120,610,561	189,877,216
PT Bank Umum Koperasi	66,512,163	65,662,894	70,962,377	879,553,358
<b>Total Cash in Banks</b>	<b>51,075,910,233</b>	<b>50,790,635,091</b>	<b>45,584,032,467</b>	<b>22,519,244,639</b>
<u>Time Deposits</u>				
<u>Rupiah</u>				
PT Bank Permata Tbk	19,500,000,000	33,500,000,000	101,700,000,000	-
PT Bank Mega Tbk	6,693,877,000	6,693,877,000	6,693,877,000	-
PT Bank DBS Indonesia	1,317,984,373	11,300,454,376	-	-
Deutsche Bank Indonesia	-	4,000,000,000	-	-
PT Bank Danamon Indonesia Tbk	-	-	55,000,000,000	-
<u>US Dollar</u>				
PT Bank Permata Tbk	61,090,528,684	128,535,000,000	19,660,000,000	-
PT Bank DBS Indonesia	-	3,608,000,000	-	-
PT Bank Danamon Indonesia Tbk	-	-	24,575,000,000	-
<b>Total Time Deposits</b>	<b>88,602,390,057</b>	<b>187,637,331,376</b>	<b>207,628,877,000</b>	<b>-</b>
<u>Interest rates per annum:</u>				
Deposits in Rupiah	4% - 9%	4% - 12.5%	7% - 10%	-
Deposits in US dollar	4% - 4.25%	4% - 7%	3% - 4.25%	-

**5. SHORT-TERM INVESTMENTS**

This account represents the available-for-sale investments managed by PT Danatama Makmur (Danatama) and PT Recapital Asset Management (Recapital), investment managers, which are based on the fund management agreements signed by the Company and Danatama and Recapital. On September 29, 2006, the Company withdrew all its investments managed by Danatama. The investment as of March 31, 2007 and December 31, 2006, therefore, was 100% managed by Recapital. The fair market value of these investments as of March 31, 2007, December 31, 2006 and 2005 were Rp 56,717,108,426, Rp 54,640,535,962 and Rp 31,555,398,980, respectively, including the unrealized gain on investment of Rp 700,087,722, Rp 743,210,928 and Rp 374,527,158, respectively. The maximum period for this fund insertion is one (1) week up to three (3) months and the earnings yield was 11% - 15% per year.

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**6. TRADE RECEIVABLES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Usage service	120,965,881,139	122,024,251,492	76,848,974,663	58,795,742,057
Connection service	3,946,171,777	3,946,171,777	60,487,295,772	60,808,041,757
Total	124,912,052,916	125,970,423,269	137,336,270,435	119,603,783,814
Less allowance for doubtful accounts	(59,384,169,808)	(55,204,782,526)	(98,302,202,147)	(92,499,349,563)
Trade receivables - net	65,527,883,108	70,765,640,743	39,034,068,288	27,104,434,251

The aging schedule of trade receivables was as follows:

	March 31, 2007	December 31,		
		2006	2005	2004
Up to 30 days	23,979,922,246	47,270,724,146	30,171,292,177	24,499,512,319
Over 30 days - 60 days	1,257,624,605	1,869,173,671	3,873,440,341	1,039,482,327
Over 60 days - 90 days	4,179,387,282	1,914,938,558	989,335,770	994,408,375
Over 90 days	95,495,118,783	74,915,586,894	102,302,202,147	93,070,380,793
Total	124,912,052,916	125,970,423,269	137,336,270,435	119,603,783,814

Changes in the allowance for doubtful accounts of trade receivables were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004
Beginning balance	55,204,782,526	98,302,202,147	92,499,349,563	89,452,247,510
Provisions	4,179,387,282	13,450,570,759	5,802,852,584	3,047,102,053
Written-off of allowance	-	(56,547,990,380)	-	-
Ending balance	59,384,169,808	55,204,782,526	98,302,202,147	92,499,349,563

Trade receivables as of March 31, 2007, December 31, 2006, 2005 and 2004 were used as collateral for long-term loan to PT Bank Mandiri (Persero) Tbk (see Note 17).

Based on jurisdiction decision No. 16/PEND/ HKM/PH PN JAK SEL dated June 30, 2006, the Company has written-off trade receivables of Rp 56,547,990,380.

Based on the results of the examination of each receivable, the Company's management believes that allowance for doubtful accounts as of March 31, 2007, December 31, 2006, 2005 and 2004 were adequate to cover the possibilities of non-collection of trade receivables.

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**7. INVENTORIES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Voucher and starter pack	12,250,035,458	9,715,483,494	2,393,486,581	1,385,531,487
Telecommunication equipment	2,646,845,158	2,657,200,315	2,780,853,539	2,520,238,363
<b>Total</b>	<b>14,896,880,616</b>	<b>12,372,683,809</b>	<b>5,174,340,120</b>	<b>3,905,769,850</b>

Inventories were insured with various insurance companies together with fixed assets (see Note 11), and some were used as collateral for the Company's loan (see Note 17).

**8. ADVANCES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Rent and purchases	39,773,558,795	34,194,076,012	24,753,670,471	8,174,550,650
Department operation	9,569,229,703	5,414,852,983	6,564,724,148	3,158,024,518
<b>Total</b>	<b>49,342,858,498</b>	<b>39,608,928,995</b>	<b>31,318,394,619</b>	<b>11,332,575,168</b>

Advance for department operation represented advances that were not yet liquidated by related departments. Advance for rent and purchases represented advances for Base Transceiver Stations (BTS).

**9. PREPAID EXPENSES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Building and BTS area rental (see Note 34)	64,807,628,306	51,249,269,385	22,344,238,825	15,277,812,909
License	11,998,031,989	6,077,322,584	312,287,094	290,569,557
Outlets	3,006,338,887	3,341,836,122	1,153,259,276	1,569,283,358
Insurance	944,630,071	1,355,481,890	3,282,839,894	3,959,055,651
Others	6,172,998,419	4,364,001,889	3,444,108,209	1,077,399,832
<b>Total</b>	<b>86,929,627,672</b>	<b>66,387,911,870</b>	<b>30,536,733,298</b>	<b>22,174,121,307</b>

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**10. ADVANCE FOR FIXED ASSETS**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Huawei Tech, Investment Co, Ltd	70,450,394,443	71,085,434,880	1,175,850,122	14,160,648,845
Fresnel Microwave System Ltd	16,548,410,736	11,069,421,263	-	2,937,636,633
Redknee (Ireland) Ltd	16,436,026,345	13,144,352,250	5,898,331,256	-
Nortel Networks Singapore Pte, Ltd	8,138,398,447	1,772,820,000	60,900,207	20,202,346,730
PT ECS Indo J	5,312,893,417	1,247,332,201	-	-
PT Lumbang Dwipratama	3,888,269,322	2,470,623,822	-	-
PT Multi Kontrol Nusantara	940,400,001	13,001,353,650	-	-
PT Katarina Utama	403,096,800	403,096,800	1,034,052,561	-
PT Trakindo Utama	-	-	540,519,720	-
PT Tiara Lilin Indonesia	-	-	-	3,214,161,415
Others	4,147,756,350	-	722,574,913	-
<b>Total</b>	<b>126,265,645,861</b>	<b>114,194,434,866</b>	<b>9,432,228,779</b>	<b>40,514,793,623</b>

Advances for fixed assets are intended for the purchase of telecommunication equipments and facilities from suppliers based on the contracts (see Note 34).

**11. FIXED ASSETS**

The roll-forward analysis of this account was as follows:

	2007				Ending balance March 31
	Beginning balance January 1	Additions	Deductions	Reclassification	
<u>Acquisition costs</u>					
Land rights	3,517,257,329	3,817,000,000	-	-	7,334,257,329
Building	7,731,364,863	-	-	-	7,731,364,863
Telecommunication equipment	1,606,074,999,186	114,895,222,376	-	130,278,626,786	1,851,248,848,348
Telecommunication facilities	159,710,875,848	2,384,826,359	-	(57,270,811,097)	104,824,891,110
Transportation equipment	4,031,706,300	-	-	-	4,031,706,300
Office equipment and fixtures	80,427,486,214	1,172,988,137	-	(40,545,214,917)	41,055,259,434
<b>Total</b>	<b>1,861,493,689,740</b>	<b>122,270,036,872</b>	<b>-</b>	<b>32,462,600,772</b>	<b>2,016,226,327,384</b>
<u>Construction-in-progress</u>					
Telecommunication equipment and facilities	465,431,027,415	37,170,036,227	-	(32,462,600,772)	470,138,462,870
<b>Total Acquisition Cost</b>	<b>2,326,924,717,155</b>	<b>159,440,073,099</b>	<b>-</b>	<b>-</b>	<b>2,486,364,790,254</b>
<u>Accumulated Depreciation</u>					
Building	2,277,552,803	96,371,676	-	-	2,373,924,479
Telecommunication equipment	665,257,945,829	42,876,575,032	-	22,016,484,540	730,151,005,401
Telecommunication facilities	59,064,133,071	1,746,515,827	-	(12,872,569,287)	47,938,079,611
Transportation equipment	2,900,565,467	82,200,913	-	-	2,982,766,380
Office equipment and fixtures	43,171,085,153	583,214,029	-	(9,143,915,253)	34,610,383,929
<b>Total Accumulated Depreciation</b>	<b>772,671,282,323</b>	<b>45,384,877,477</b>	<b>-</b>	<b>-</b>	<b>818,056,159,800</b>
<b>Net Book Value</b>	<b>1,554,253,434,832</b>				<b>1,668,308,630,454</b>

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**11. FIXED ASSETS (Continued)**

	2006				Ending balance December 31
	Beginning balance January 1	Additions	Deductions	Reclassification	
<u>Acquisition costs</u>					
Land rights	3,517,257,329	-	-	-	3,517,257,329
Building	7,731,364,863	-	-	-	7,731,364,863
Telecommunication equipment	1,487,661,481,802	29,145,904,295	-	89,267,613,089	1,606,074,999,186
Telecommunication facilities	120,837,972,614	30,855,173,444	-	8,017,729,790	159,710,875,848
Transportation equipment	3,020,400,000	1,011,306,300	-	-	4,031,706,300
Office equipment and fixtures	47,278,380,594	33,149,105,620	-	-	80,427,486,214
<b>Total</b>	<b>1,670,046,857,202</b>	<b>94,161,489,659</b>	<b>-</b>	<b>97,285,342,879</b>	<b>1,861,493,689,740</b>
<u>Construction-in-progress</u>					
Telecommunication equipment and facilities	47,327,634,258	515,388,736,036	-	(97,285,342,879)	465,431,027,415
<b>Total Acquisition Cost</b>	<b>1,717,374,491,460</b>	<b>609,550,225,695</b>	<b>-</b>	<b>-</b>	<b>2,326,924,717,155</b>
<u>Accumulated Depreciation</u>					
Building	1,890,984,551	386,568,252	-	-	2,277,552,803
Telecommunication equipment	540,536,126,643	124,721,819,186	-	-	665,257,945,829
Telecommunication facilities	47,865,897,561	11,198,235,510	-	-	59,064,133,071
Transportation equipment	2,564,674,204	335,891,263	-	-	2,900,565,467
Office equipment and fixtures	36,701,965,863	6,469,119,290	-	-	43,171,085,153
<b>Total Accumulated Depreciation</b>	<b>629,559,648,822</b>	<b>143,111,633,501</b>	<b>-</b>	<b>-</b>	<b>772,671,282,323</b>
<b>Net Book Value</b>	<b>1,087,814,842,638</b>				<b>1,554,253,434,832</b>
2005					
	Beginning balance January 1	Additions	Deductions	Reclassification	Ending balance December 31
<u>Acquisition costs</u>					
Land rights	3,517,257,329	-	-	-	3,517,257,329
Building	7,731,364,863	-	-	-	7,731,364,863
Telecommunication equipment	1,218,154,458,423	990,559,651	-	268,516,463,728	1,487,661,481,802
Telecommunication facilities	111,453,083,695	9,222,440,703	-	162,448,216	120,837,972,614
Transportation equipment	2,653,400,000	367,000,000	-	-	3,020,400,000
Office equipment and fixtures	41,882,436,834	5,395,943,760	-	-	47,278,380,594
<b>Total</b>	<b>1,385,392,001,144</b>	<b>15,975,944,114</b>	<b>-</b>	<b>268,678,911,944</b>	<b>1,670,046,857,202</b>
<u>Construction-in-progress</u>					
Telecommunication equipment and facilities	9,672,963,718	306,333,582,484	-	(268,678,911,944)	47,327,634,258
<b>Total Acquisition Costs</b>	<b>1,395,064,964,862</b>	<b>322,309,526,598</b>	<b>-</b>	<b>-</b>	<b>1,717,374,491,460</b>
<u>Accumulated Depreciation</u>					
Building	1,504,416,299	386,568,252	-	-	1,890,984,551
Telecommunication equipment	434,769,123,749	105,767,002,894	-	-	540,536,126,643
Telecommunication facilities	38,992,043,255	8,873,854,306	-	-	47,865,897,561
Transportation equipment	2,142,497,524	422,176,680	-	-	2,564,674,204
Office equipment and fixtures	32,352,846,694	4,349,119,169	-	-	36,701,965,863
<b>Total Accumulated Depreciation</b>	<b>509,760,927,521</b>	<b>119,798,721,301</b>	<b>-</b>	<b>-</b>	<b>629,559,648,822</b>
<b>Net Book Value</b>	<b>885,304,037,341</b>				<b>1,087,814,842,638</b>

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**11. FIXED ASSETS (Continued)**

	2004				
	Beginning balance January 1	Additions	Deductions	Reclassification	Ending balance December 31
<u>Acquisition Costs</u>					
Land rights	3,517,257,329	-	-	-	3,517,257,329
Building	2,990,792,802	4,740,572,061	-	-	7,731,364,863
Telecommunication equipment	872,929,192,916	236,585,507,715	-	108,639,757,792	1,218,154,458,423
Telecommunication facilities	88,869,433,024	22,583,650,671	-	-	111,453,083,695
Transportation equipment	2,678,816,892	84,000,000	109,416,892	-	2,653,400,000
Office equipment and fixtures	38,313,370,410	3,569,066,424	-	-	41,882,436,834
<b>Total</b>	<b>1,009,298,863,373</b>	<b>267,562,796,871</b>	<b>109,416,892</b>	<b>108,639,757,792</b>	<b>1,385,392,001,144</b>
<u>Construction-in-process</u>					
Telecommunication equipment	95,041,008,957	23,271,712,553	-	(108,639,757,792)	9,672,963,718
<b>Total Acquisition Costs</b>	<b>1,104,339,872,330</b>	<b>290,834,509,424</b>	<b>109,416,892</b>	<b>-</b>	<b>1,395,064,964,862</b>
<u>Accumulated Depreciation</u>					
Building	1,196,857,583	307,558,716	-	-	1,504,416,299
Telecommunication equipment	355,907,085,846	78,862,037,903	-	-	434,769,123,749
Telecommunication facilities	31,456,459,052	7,535,584,203	-	-	38,992,043,255
Transportation equipment	1,738,534,404	513,380,012	109,416,892	-	2,142,497,524
Office equipment and fixtures	28,247,482,684	4,105,364,010	-	-	32,352,846,694
<b>Total Accumulated Depreciation</b>	<b>418,546,419,569</b>	<b>91,323,924,844</b>	<b>109,416,892</b>	<b>-</b>	<b>509,760,927,521</b>
<b>Net Book Value</b>	<b>685,793,452,761</b>				<b>885,304,037,341</b>

In 2004, the Company sold certain fixed assets with net book value of Rp nil at selling price of Rp 59,045,455. Gain on sale of fixed assets amounting to Rp 59,045,455 was recorded in statement of income.

The details of fixed assets used as collateral for the long-term loan from PT Bank Mandiri (Persero) Tbk (see Note 17) were as follows:

1. CDMA telecommunication equipment and facilities amounting to Rp 400,161,236,276.
2. Transportation equipment amounting to Rp 1,585,000,000.

Depreciation expense charged to operations for the three-month period ended March 31, 2007 and years ended December 31, 2006, 2005 and 2004, amounted to Rp 45,343,877,477, Rp 143,111,633,501, Rp 119,798,721,301 and Rp 91,323,924,844, respectively.



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**11. FIXED ASSETS (Continued)**

Construction-in-progress as of March 31, 2007, December 31, 2006, 2005 and 2004 represents telecommunication equipment and facilities that were being installed with the following percentage of completion:

Description	March 31, 2007		
	Completion (%)	Book Value	Estimated Completion
Telecommunication equipment			
BTS New Tech	80%	334,234,483,054	June 2007
Switching New Tech	90%	17,570,358,108	June 2007
Telecommunication facilities			
Shelter	70%	100,152,213,290	June 2007
Tower New Tech	95%	18,181,408,418	June 2007
Total		470,138,462,870	
Description	December 31, 2006		
	Completion (%)	Book Value	Estimated Completion
Telecommunication equipment			
BTS New Tech	70%	228,742,871,739	June 2007
Switching New Tech	70%	162,889,887,875	June 2007
Telecommunication facilities			
Shelter	70%	16,803,847,072	June 2007
Tower New Tech	70%	56,994,420,729	June 2007
Total		465,431,027,415	
Description	December 31, 2005		
	Completion (%)	Book Value	Estimated Completion
Telecommunication equipment			
BTS New Tech	80%	45,708,492,258	March 2006
Telecommunication facilities			
Tower New Tech	80%	1,619,142,000	March 2006
Total		47,327,634,258	
Description	December 31, 2004		
	Completion (%)	Book Value	Estimated Completion
CDMA Equipment	63%	1,056,449,617	August 2005
Facility CDMA	60%	4,649,882,737	August 2005
Channel Element	67%	3,467,814,325	August 2005
Installation & site material	66%	498,817,039	August 2005
Total		9,672,963,718	

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**11. FIXED ASSETS (Continued)**

Fixed assets, as well as inventories are insured for risk of physical, natural and other business risks based on certain blanket policies with the total sum insured being US\$ 172,082,662 and Rp 1,185,000,000 as of March 31, 2007 and December 31, 2006, US\$ 108,253,914 and Rp 80,590,112,849 as of December 31, 2005 and US\$ 145,307,943 and Rp 63,894,320,877 as of December 31, 2004. The Company's management believes that these sums are adequate to cover the possibilities of loss on insured assets.

Based on the review of fixed assets at the end of the periods, the Company's management believed that there was no indication of impairment of fixed assets as of March 31, 2007, December 31, 2006, 2005 and 2004.

**12. DEFERRED CHARGES**

This account represents expenses for the development of telecommunication CDMA 2000 1X project, Esia and Wifone brand. The details were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004
Technology development	3,059,154,839	3,418,467,118	4,855,716,274	6,227,744,534
Brand development and selling	9,446,077,466	8,284,479,030	11,811,509,224	21,016,965,159
Total	12,505,232,305	11,702,946,148	16,667,225,498	27,244,709,693

Amortization expenses of deferred charges of Rp 1,853,043,590, Rp 9,556,471,249, Rp 9,896,566,447 and Rp 8,080,179,339 for the three-month period ended March 31, 2007 and years ended December 31, 2006, 2005 and 2004, respectively, were recorded as part of "Other Operating Expense" account in statements of income.

**13. TRADE PAYABLES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
<u>Third parties</u>				
<u>Foreign currencies</u>				
Huawei Tech, Investment Co. Ltd.	92,383,033,628	41,432,426,998	5,333,124,395	21,569,419,810
Nortel Networks Singapore Pte. Ltd.	10,955,754,508	13,360,653,918	22,829,378,496	937,017,270
PT Nasio Karya Pratama	-	3,296,714,320	-	-
Suntec Business Solution Pte. Ltd.	3,475,634,018	2,814,878,720	6,174,891,440	2,073,230,720
Mobile Websurf India Pvt. Ltd.	3,144,636,750	2,775,003,000	3,024,199,500	-
Fresnel Microwave System Ltd.	2,371,365,521	-	1,424,327,818	1,937,457,370
Hughes Network Systems Pte. Ltd.	2,218,662,519	2,219,541,328	2,244,785,220	4,092,814,640
T System ITC Singapore Ltd.	1,462,972,614	1,543,148,096	1,681,722,896	1,589,333,200
PT Sisindokom Lintas Buana	1,161,223,025	-	-	-
Viewqwest Pte. Ltd.	921,750,876	-	-	-
PT Berca Hardaya Perkasa	770,780,897	-	-	-
PT Radio Frequency System Pty. Ltd.	567,832,810	558,544,378	-	-
PT Harrisma Informatika Jaya	534,957,808	-	-	-
IM Technologies Pte. Ltd.	92,580,190	83,279,832	3,236,553,500	850,035,000
PT Askomindo Dinamika	81,712,140	2,478,813,867	-	-

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**13. TRADE PAYABLES (Continued)**

	March 31, 2007	December 31,		
		2006	2005	2004
PT Binareka Tatamandiri	-	2,035,433,992	-	-
PT Telesoft Neutex Pvt. Ltd.	-	1,804,000,000	-	-
PT Paysetter Solution Inc.	-	1,441,396,000	-	-
Others (each below Rp 500 million)	2,279,187,294	1,511,786,274	1,468,930,218	685,806,380
	<u>122,422,084,598</u>	<u>77,355,620,723</u>	<u>47,417,913,483</u>	<u>33,735,114,390</u>
<u>Rupiah</u>				
The Department of Communication and Informatics - The Directorate General of Post and Telecommunication				
	5,602,212,938	2,279,804,550	215,941,575	1,714,478,630
PT Lumbang Dwi Pratama	2,241,078,510	1,595,691,380	205,317,550	-
PT Pelita Maju Multiswakarsa	1,781,136,000	-	-	-
PT Nasio Karya Pratama	1,443,163,461	-	-	-
PT Angkasa Buana Cipta	1,174,800,000	-	-	-
PT Dawamiba Engineering	939,631,287	1,093,909,287	69,124,287	982,607,109
PT Satria Technutama Nusantara	819,000,000	-	-	-
PT Integrated Cards Solution	711,733,000	-	-	-
PT Gencar Moga Sahaja	596,196,480	-	-	-
PT Advance Karir Indonesia	521,903,542	-	-	-
PT Listakwara Putra	471,899,300	972,073,025	105,320,000	-
PT Sempurna Delapan	313,065,000	850,500,000	-	-
PT Biang Gambar	293,700,000	893,970,000	-	-
PT Dian Mentari Pratama	155,715,098	3,560,541,390	4,502,612,127	2,339,924,815
PT Sisindokom Lintas Buana	129,694,078	739,881,417	-	-
PT Mycom Networks	77,226,000	1,178,449,668	-	-
PT ECS Indo Jaya	14,947,680	3,303,779,810	150,938,075	-
PT Elite Permai Metal Works Ltd.	-	891,000,000	-	-
PT Viewquest Pte. Ltd.	-	718,677,127	-	-
PT Outsourching Indonesia	-	650,579,845	-	-
CV Pass Tujuh Belas Associates	-	525,104,740	-	-
PT Estika Jasatama	-	-	2,865,515,430	4,450,693,387
PT Tiara Lilin Indonesia	-	-	-	1,636,127,820
PT Bhanda Graha	-	-	-	1,212,294,308
Others (each below Rp 500 million)	17,593,845,125	9,159,891,366	4,627,644,473	4,500,265,444
Total	<u>34,880,947,499</u>	<u>28,413,853,605</u>	<u>12,742,413,517</u>	<u>16,836,391,513</u>
<u>Interconnection expense (see Note 32)</u>				
PT Telekomunikasi Indonesia (Persero) Tbk	1,476,321,137	175,185,927	-	-
PT Telekomunikasi Selular	1,035,353,593	249,799,465	-	1,205,367,803
PT Excelcomindo Pratama Tbk	880,134,313	408,417,710	748,943,095	-
PT Indosat Tbk	86,363,450	86,363,450	86,363,450	3,837,999,588
	<u>3,478,172,493</u>	<u>919,766,552</u>	<u>835,306,545</u>	<u>5,043,367,391</u>
Total	<u>160,781,204,590</u>	<u>106,689,240,880</u>	<u>60,995,633,545</u>	<u>55,614,873,294</u>
<u>Related party</u>				
PT Multi Kontrol Nusantara	4,784,347,958	2,487,671,393	331,032,139	154,804,800

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**13. TRADE PAYABLES (Continued)**

The aging schedule for trade payables to third parties was as follows:

	March 31, 2007	December 31,		
		2006	2005	2004
Up to 30 days	103,226,737,120	35,914,575,845	27,418,534,343	17,670,041,103
Over 30 days - 60 days	14,639,532,372	42,178,088,971	3,943,189,966	11,100,225,867
Over 60 days - 90 days	591,584,363	21,665,225	4,758,240,105	12,563,274,569
Over 90 days	42,323,350,735	28,574,910,839	24,875,669,131	14,281,331,755
<b>Total</b>	<b>160,781,204,590</b>	<b>106,689,240,880</b>	<b>60,995,633,545</b>	<b>55,614,873,294</b>

**14. OTHER PAYABLES**

This account consists of payables to various individual vendors.

	March 31, 2007	December 31,		
		2006	2005	2004
In Rupiah currency	7,230,289,945	8,486,192,000	2,634,480,953	3,222,603,115
In foreign currencies	1,510,978,503	3,466,769,244	1,951,472,374	3,244,026,140
<b>Total</b>	<b>8,741,268,448</b>	<b>11,952,961,244</b>	<b>4,585,953,327</b>	<b>6,466,629,255</b>

The analysis of aging schedule for other payables was as follow:

	March 31, 2007	December 31,		
		2006	2005	2004
Up to 30 days	4,836,028,516	8,881,362,153	2,369,855,323	655,346,423
Over 30 days - 60 days	2,915,345,644	2,060,841,384	379,858,847	1,114,523,611
Over 60 days - 90 days	117,579,119	166,495,646	112,783,406	865,235,001
Over 90 days	872,315,169	844,262,061	1,723,455,751	3,831,524,220
<b>Total</b>	<b>8,741,268,448</b>	<b>11,952,961,244</b>	<b>4,585,953,327</b>	<b>6,466,629,255</b>

**15. CUSTOMERS' DEPOSIT**

Customer's deposits amounting to Rp 16,711,265,179 Rp 16,437,208,632, Rp 14,693,583,353 and Rp 12,522,878,270 as of March 31, 2007, December 31, 2006, 2005 and 2004, respectively, mostly represent guarantee deposits received from the agent and dealer for purchasing electronic vouchers.

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**16. ACCRUED EXPENSES**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004 (As restated - see Note 3)
Interconnection	32,678,294,356	49,826,389,802	24,812,508,147	19,227,197,431
Rent (see Note 34)	17,418,784,086	11,464,423,193	3,643,032,486	2,432,385,840
Employee benefits obligation (see Note 28)	9,303,911,121	9,303,911,121	7,287,247,469	5,964,802,720
Concession royalty to the Department of Communication and Informatics - the Directorate General of Post and Telecommunication	5,540,091,246	11,385,567,239	5,421,832,479	2,806,444,725
Marketing and promotion	1,642,851,965	460,612,740	13,187,616,937	1,037,632,183
Retention	964,027,459	915,867,459	632,398,647	921,396,425
Electricity and water	883,911,243	1,468,824,387	1,303,930,919	613,072,252
Postage	-	3,354,740	1,068,232,400	1,057,068,400
Freight	-	-	-	2,134,876,023
Others (each amounts below Rp 500 million)	2,114,900,898	6,873,945,210	5,986,095,057	1,052,874,601
<b>Total</b>	<b>70,546,772,374</b>	<b>91,702,895,891</b>	<b>63,342,894,541</b>	<b>37,247,750,600</b>

The Company made interconnection network agreements with certain telephone operators under which the Company is obliged to pay interconnection expense based on the agreements (see Note 32).

Concession royalty to the Department of Communication and Informatics - the Directorate General of Post and Telecommunication represents the royalty for using Expense of Rights Management (ERM) Telecommunications at a rate of 1% of net income after the deduction of allowance for doubtful account expense in the current year, plus an additional Universal Service Obligation (USO) 0.75% of net income after the deduction of allowance for doubtful account expense in the current period.

The Company entered into a rental agreement for telecommunication equipment, installation and maintenance services with PT Cipta Inti Perkasa (see Note 34).

**17. LONG-TERM BANK LOAN**

Loan from PT Bank Mandiri (Persero) Tbk (Bank Mandiri) represents the loan obtained by the Company on April 16, 2003, which consists of refinancing loan, investment CDMA project loan and facilities loan interest during construction with total maximum amount of Rp 548,306,325,000.

	March 31, 2007	December 31,		
		2006	2005	2004
Outstanding loan	460,261,029,165	473,181,001,665	509,356,931,665	498,598,023,708
Less current maturities	(51,679,890,000)	(51,679,890,000)	(36,175,930,000)	(6,459,980,000)
Long-term portion	408,581,139,165	421,501,111,665	473,181,001,665	492,138,043,708

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**17. LONG-TERM BANK LOAN** *(Continued)*

On September 27, 2004, the Company rescheduled these loans, under the following terms and conditions:

A. Rescheduling of Principal Repayment

1. Refinancing Investment Credit

Maximum credit ceiling of Rp 239,400,000,000 has been reduced to Rp 220,248,000,000 with principal payment terms until the fourth quarter of 2011. It has a grace period until the third quarter of 2005, and will be paid quarterly starting fourth quarter of 2005. This credit facility bears interest at 16% per annum.

2. Investment Credit - CDMA project

Maximum credit ceiling of Rp 274,950,000,000 has been reduced to Rp 263,952,000,000 with principal payment terms until the fourth quarter of 2011. It has a grace period until the third quarter of 2005, and will be paid quarterly starting fourth quarter of 2005. This credit facility bears interest at 16% per annum.

3. Credit facility Interest During Construction (IDC) - CDMA Project

Maximum credit ceiling of Rp 33,956,325,000 has been reduced to Rp 32,598,080,000 with principal payment terms until the fourth quarter of 2011. It has a grace period until the third quarter of 2005, and will be paid quarterly starting fourth quarter of 2005. This credit facility bears interest at 16% per annum.

B. Availability of the remaining balance of the facility

1. Refinancing Investment Credit (RIC)

Out of the maximum total credit ceiling of Rp 220,248,000,000 RIC has an unutilized remaining balance of Rp 5,190,670,000.

2. Investment Credit (IC) CDMA Project

Out of the maximum total credit ceiling of Rp 263,952,000,000 IC has an unutilized remaining balance of Rp 16,942,929,891.

3. Investment Credit Interest During Constructions (IC-IDC)

- a. The maximum credit for IC-IDC was Rp 32,598,080,000 that originated from interest on IC loan; and
- b. The maximum withdrawal is until December 31, 2004 with a stipulated condition that 65% of IC CDMA Project will be charged to IC-IDC and 35% will be paid by the remaining balance of the Company.

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**17. LONG-TERM BANK LOAN (Continued)**

The schedules of the required principal payments on IC Refinancing, IC CDMA project and IC-IDC based on the rescheduling of the loan were as follows:

Years	Amounts
2005	6,459,980,000
2006	36,175,930,000
2007	51,679,890,000
2008	51,679,890,000
2009	103,359,780,000
2010	129,199,730,000
2011	138,242,880,000
Total	516,798,080,000

The loan agreement stipulates certain conditions whereby the Company is prohibited from undertaking certain actions without prior approval from Bank Mandiri, such as using the credit facility for other purposes than stated in the agreement, obtaining a new loan, selling or transferring the Company's assets whether or not used as collateral to another party, giving a loan to another party, being a guarantor for another party, making a loan to shareholders, carrying out merger and disposal to another entity, declaring and paying bonus and/or dividend, investing in shares, opening a new branch office, and holding a shareholders' general meeting for the amendment of the Articles of Association, equities, and composition of Directors and/or Commissioners.

The Company obtained written approval from Bank Mandiri dated January 12, 2006 and January 19, 2006 to change certain terms in the loan agreement, among others, omitting the negative covenant for distributing bonuses, dividends and/or distributing other earnings effective from the date of Registration Statements of Issuance of Shares in connection with IPO to chairman of Bapepam dated November 25, 2005.

The Company is required to comply with, among others, the following covenants:

1. Maintain minimum current ratio of 120%; and
2. Maintain maximum debt-to-equity ratio (DER) of 233%.

The current ratio and debt-to-equity ratios of the Company as of March 31, 2007, December 31, 2006, 2005 and 2004 were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004
Current ratio	134%	176%	199%	72%
Debt-to-equity ratio	51%	48%	81%	364%

Based on the above agreement, the Company has to maintain an escrow account in Bank Mandiri, which will be utilized for paying the interest on the loan.

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**17. LONG-TERM BANK LOAN (Continued)**

The loan obtained from Bank Mandiri is collateralized by the following assets:

1. Land located in fifteen (15) areas of total value of Rp 46,229,100,000.
2. Machinery, inventories and equipment of total value Rp 500,039,500,000 collateralized as Fiducia.
3. Transportation equipment of total value Rp 1,585,000,000 collateralized as Fiducia.
4. Trade receivables as of December 31, 2004 of Rp 23,350,492,922 collateralized as Fiducia.
5. Project CDMA consisting of CDMA 2000-1X technology network located in Jakarta, Bogor, Tangerang, Bekasi, Banten and Bandung; Billing System, Shelter and ME of total value Rp 400,161,236,276 collateralized as Fiducia.
6. Deficit cash flow guarantee from PT South East Asia Pipe Industries and PT Bakrie Corrugated Metal Industry, as related parties.
7. Coverage Enhancement and BTS project from September 2004 until November 2005 of total value Rp 228,000,000,000 collateralized as Fiducia.

As of March 31, 2007, the Company had paid Rp 55,555,882,500 which was in accordance with the payment schedule stated in the agreement.

**18. CAPITAL STOCK**

The Company's authorized shares and composition of shareholders as of March 31, 2007, December 31, 2006, 2005 and 2004 were as follows:

Shares	2007, 2006 and 2005		
	Number of Authorized Shares	Nominal (Rp)	Total (Rp)
Common shares series A	10,000,000,000	200	2,000,000,000,000
Common shares series B	32,111,652,195	100	3,211,165,219,500
<b>Total</b>	<b>42,111,652,195</b>		<b>5,211,165,219,500</b>

Shareholders	2007 and 2006		
	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount (Rp)
<u>Common shares series A</u>			
PT Bakrie & Brothers Tbk	4,454,895,515	77.46	890,979,103,000
PT Bakrie Communications	596,606,935	10.37	119,321,387,000
Richweb Investments Limited	390,706,260	6.79	78,141,252,000
CMA Fund Management Ltd.	309,293,740	5.38	61,858,748,000
<b>Total</b>	<b>5,751,502,450</b>	<b>100.00</b>	<b>1,150,300,490,000</b>
<u>Common shares series B</u>			
PT Bakrie & Brothers Tbk	5,000,000,000	38.27	500,000,000,000
CMA Fund Management Ltd.	2,527,913,045	19.35	252,791,304,500
Public	5,500,000,000	42.10	550,000,000,000
Conversion of warrants by retail investor	36,703,200	0.28	3,670,320,000
<b>Total</b>	<b>13,064,616,245</b>	<b>100.00</b>	<b>1,306,461,624,500</b>



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**18. CAPITAL STOCK (Continued)**

Shareholders	2007 and 2006		
	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount (Rp)
<u>Total common shares series A and B</u>			
PT Bakrie & Brothers Tbk	9,454,895,515	50.25	1,390,979,103,000
CMA Fund Management Ltd	2,837,206,785	15.08	314,650,052,500
PT Bakrie Communications	596,606,935	3.17	119,321,387,000
Richweb Investments Limited	390,706,260	2.08	78,141,252,000
Public	5,500,000,000	29.22	550,000,000,000
Conversion of warrants by retail investor	36,703,200	0.20	3,670,320,000
<b>Total</b>	<b>18,816,118,695</b>	<b>100.00</b>	<b>2,456,762,114,500</b>
2005			
Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount (Rp)
<u>Common shares series A</u>			
PT Bakrie & Brothers Tbk	4,454,895,515	77.46	890,979,103,000
PT Bakrie Communications	596,606,935	10.37	119,321,387,000
Richweb Investments Limited	390,706,260	6.79	78,141,252,000
CMA Fund Management Ltd.	309,293,740	5.38	61,858,748,000
<b>Total</b>	<b>5,751,502,450</b>	<b>100.00</b>	<b>1,150,300,490,000</b>
<u>Common shares series B</u>			
PT Bakrie & Brothers Tbk	5,000,000,000	66.42	500,000,000,000
CMA Fund Management Ltd.	2,527,913,045	33.58	252,791,304,500
<b>Total</b>	<b>7,527,913,045</b>	<b>100.00</b>	<b>752,791,304,500</b>
<u>Total common shares series A and B</u>			
PT Bakrie & Brothers Tbk	9,454,895,515	71.20	1,390,979,103,000
CMA Fund Management Ltd	2,837,206,785	21.37	314,650,052,500
PT Bakrie Communications	596,606,935	4.49	119,321,387,000
Richweb Investments Limited	390,706,935	2.94	78,141,252,000
<b>Total</b>	<b>13,279,416,170</b>	<b>100.00</b>	<b>1,903,091,794,500</b>
2004			
Shares	Number of Authorized Shares	Nominal (Rp)	Total (Rp)
Preferred shares	400,000,000	1,000	400,000,000,000
Common shares	1,600,000,000	1,000	1,600,000,000,000
<b>Total</b>	<b>2,000,000,000</b>		<b>2,000,000,000,000</b>

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**18. CAPITAL STOCK (Continued)**

Shareholders	2004		
	Number of Shares Issued and Fully Paid	Percentage of Ownership (%)	Amount (Rp)
<u>Preferred shares</u>			
PT Bakrie & Brothers Tbk	178,195,821	17.28	178,195,821,000
Richweb Investments Limited	15,628,250	1.52	15,628,250,000
CMA Fund Management Ltd.	12,371,750	1.20	12,371,750,000
	<u>206,195,821</u>	<u>20.00</u>	<u>206,195,821,000</u>
<u>Common shares</u>			
PT Bakrie & Brothers Tbk	712,783,282	69.14	712,783,282,000
Richweb Investments Limited	62,513,002	6.06	62,513,002,000
CMA Fund Management Ltd.	49,486,998	4.80	49,486,998,000
	<u>824,783,282</u>	<u>80.00</u>	<u>824,783,282,000</u>
Total	<u>1,030,979,103</u>		<u>1,030,979,103,000</u>

Based on the Stockholders decision in lieu of a Stockholders General Meeting, which was notarized under notarial deed No. 39 of Agus Madjid, S.H. of September 23, 2005, the shareholders agreed the following:

1. Approval for IPO to offer common shares series B with maximum value of Rp 750 billion and issue inherent warrant of up to 35% for those shares issued and fully paid before IPO.

In accordance with the IPO of five billion five hundred million (5,500,000,000) shares of nominal value of one hundred Rupiah (Rp 100) per share and one billion one hundred million (1,100,000,000) Warrant series I with registered shares series B, for which 29.29% from 18,779,415,495 were issued and fully paid shares, the Company obtained the following:

- a. The Effective Statement Letter from the Chairman of BAPEPAM on January 23, 2006 through Letter No. S-123/PM/2006.
- b. A written approval from Bank Mandiri through Letter No. CBG.TRE/RD9.069/2006 dated January 12, 2006 concerning the changes of credit terms regarding the negative covenants in relation to the distribution of bonuses, dividends and/or other benefits as stated in Loan Agreement No. KP-COD/014/PK-KI/2004 and Notarial Deed No. 52 of Imas Fatimah, S.H. dated September 27, 2004.

The offering shares in accordance with the IPO were registered on the Jakarta Stock Exchange on February 3, 2006.

2. Approval to change the Company's shares nominal value as follows:
  - a. Each common share series A with nominal value amounting to Rp 1,000 per share is converted into five (5) shares with nominal value of Rp 200 per share.
  - b. Each common share series B with nominal value amounting to Rp 500 per share is converted into five (5) shares with nominal value of Rp 100 per share.

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**18. CAPITAL STOCK (Continued)**

Based on the Stockholders Resolution in lieu of a Stockholders General Meeting, which was notarized under the notarial deed No. 15 dated June 30, 2005 of Muchlis Patahna, S.H, the shareholders agreed the following:

1. Convert the Company's payable to CMA Fund Management Ltd. (CMA) of Rp 252,791,304,500 and payable to PT Bakrie & Brothers Tbk (BB) of Rp 500,000,000,000 into paid-in capital of the Company.
2. Change the Company's preferred shares and common shares with nominal value of Rp 1,000 and Rp 500, respectively, to common shares series A and B.
3. Increase the Company's authorized capital from Rp 2,000,000,000,000, divided into 400,000,000 preferred stock and 1,600,000,000 common shares, to Rp 5,211,165,219,500, divided into 2,000,000,000 common shares series A with nominal value of Rp 1,000 per share and 6,422,330,439 common shares series B with nominal value of Rp 500 per share.

The Deed was accepted and noted by Directorate General Administration of General Law-Department of Law and Human Rights on August 5, 2005.

Based on the Stockholders Resolution in lieu of a Stockholders General Meeting, which was notarized under the notarial deed No. 23 dated January 31, 2005 of Ilmiawan Dekrit Supatmo, S.H, the shareholders agreed to convert the Company's payable to PT Bakrie Communications (BC) of Rp 4,321,387,000 to Company's paid-in capital.

Based on the Stockholders Resolution dated December 20, 2004, the shareholders agreed to convert the Company's payable to BC to paid-in capital of Rp 115,000,000,000. As of December 31, 2004, this was recorded as Deposit for Future Stocks Subscription, awaiting letter from Department of Law and Human Rights. Subsequently, the said stockholders resolution was received and recorded by the Directorate General Administration of General Law - Department of Law and Human Rights dated March 16, 2005 through letter No. C-06832 HT.01.04.TH.2005.

**19. ADDITIONAL PAID-IN CAPITAL**

Through the initial public offering in February 2006, the Company received Rp 605,000,000,000 for the offering of five billion five hundred million (5,500,000,000) shares with nominal value of one hundred Rupiah (Rp 100) and with offering price of one hundred and ten Rupiah (Rp 110).

For the purposes of this public offering, the Company shall simultaneously issue one billion and one hundred million (1,100,000,000) series I warrants accompanying the registered series B shares with a face value of one hundred Rupiah (Rp 100) per share, an exercise price of one hundred thirty-five Rupiah (Rp135) per share, which may be exercised from the period of August 3, 2006 to February 2, 2009.

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**19. ADDITIONAL PAID-IN CAPITAL (Continued)**

Net excess of price over par value of shares between nominal price and offering price was recognized as additional paid-in capital.

	Excess of Price over Par Value of Shares	Issuance Cost of Shares	Net excess of Price over Par Value of Shares-Net
Issuance of 5,500,000,000 (full amount) shares through public offering	55,000,000,000	27,228,645,472	27,771,354,528
Issuance of 36,703,200 (full amount) shares through exercise of warrant	1,284,612,000	-	1,284,612,000
<b>Total</b>	<b>56,284,612,000</b>	<b>27,228,645,472</b>	<b>29,055,966,528</b>

**20. REVENUES**

Operating revenues represent revenues from fixed line and limited mobility telephone revenues, with details as follows:

	March 31, 2007	2006	December 31,	
			2005	2004
Prepaid:				
Esia	209,283,955,179	583,341,229,878	119,761,509,503	40,067,005,606
Postpaid:				
Esia	48,775,429,154	103,566,001,540	31,797,124,342	-
Ratelindo	13,080,943,034	142,453,677,338	217,496,231,331	234,961,947,655
Total revenues	271,140,327,367	829,360,908,756	369,054,865,176	275,028,953,261
Interconnection expense and discount	(47,231,163,014)	(221,440,260,244)	(125,297,567,277)	(113,327,509,675)
Revenues - net	223,909,164,353	607,920,648,512	243,757,297,899	161,701,443,586

The details for revenues based on the service type were as follows:

	March 31, 2007	2006	December 31,	
			2005	2004
Usage charge	240,322,061,538	725,548,565,157	303,125,589,181	208,095,853,362
Connection service	10,768,582,571	35,599,327,926	10,840,242,256	3,291,718,343
Subscription	8,874,750,000	42,331,354,400	38,421,719,650	39,240,095,765
Others	11,174,933,258	25,881,661,273	16,667,314,089	24,401,285,791
<b>Total</b>	<b>271,140,327,367</b>	<b>829,360,908,756</b>	<b>369,054,865,176</b>	<b>275,028,953,261</b>

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**21. OPERATING AND MAINTENANCE EXPENSE**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Rent	43,438,388,588	20,324,282,175	10,439,220,802	6,358,533,131
Electricity	5,331,045,099	15,223,399,025	9,331,233,480	7,533,561,956
Concession fees to the Department of Communication and Informatics - the Directorate General of Tourism, Post and Telecommunication	3,905,095,444	10,127,937,553	4,232,402,190	2,806,444,724
License	3,191,332,056	15,666,271,730	13,508,845,991	3,068,775,336
Repairs and maintenance	683,951,951	2,497,942,789	3,946,961,192	5,376,905,066
Insurance	447,520,568	3,868,589,686	4,408,176,219	4,196,990,210
Modification of telecommunication network	10,355,157	177,675,959	578,296,843	592,218,702
Single subscriber unit (SSU) collection expense	5,355,000	5,355,000	576,900,000	769,210,000
Others (each amounts below Rp 100 million)	86,966,362	427,660,200	181,355,966	25,000,000
<b>Total</b>	<b>57,100,010,225</b>	<b>68,319,114,117</b>	<b>47,203,392,683</b>	<b>30,727,639,125</b>

**22. GENERAL AND ADMINISTRATIVE EXPENSE**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Professional fees	9,057,624,700	23,675,869,244	16,999,506,746	10,506,496,477
Transportation	3,746,734,416	13,369,377,043	5,607,127,606	5,065,573,880
Rent	2,190,002,632	9,332,187,999	5,942,928,369	3,452,629,467
Office supplies	1,708,278,139	6,041,399,932	3,381,040,283	3,074,148,342
Telephone, electricity and water	1,078,908,139	3,727,851,533	2,555,139,501	2,353,553,672
Gifts and donations	773,828,925	3,175,522,000	448,985,280	881,016,097
Postage	711,582,199	2,896,824,125	2,851,012,961	2,921,351,553
Sports and recreation	576,603,800	129,993,700	10,633,800	-
Office maintenance	437,965,468	854,861,735	734,411,853	1,075,022,107
Permits, licenses and customs clearance	285,181,082	699,146,993	582,527,844	666,944,285
Uniform	283,638,535	544,525,860	354,793,000	359,297,500
Representation and entertainment	234,332,504	2,175,266,343	804,674,584	2,708,168,086
Membership	216,324,996	673,499,619	38,346,930	-
Meals consumption	125,997,047	416,840,573	262,307,811	-
Security	121,892,651	1,156,069,659	302,803,505	564,309,349
Recruitment	106,767,750	1,596,889,052	259,855,389	-
Multimedia	91,215,418	47,431,717	671,979,953	782,816,357
Taxes	49,592,803	312,927,508	1,791,974,669	2,641,090,557
Others (each amounts below Rp 100 million)	96,768,390	900,643,670	96,458,872	1,479,273,609
<b>Total</b>	<b>21,893,239,594</b>	<b>71,727,128,305</b>	<b>43,696,508,956</b>	<b>38,531,691,338</b>

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**23. PERSONNEL EXPENSE**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004 (As restated - see Note 3)
Salaries, wages and employee benefits (see Note 28)	21,291,163,260	57,651,438,821	32,639,859,635	25,147,569,315
Transportation	4,539,858,217	11,742,034,090	7,736,971,754	4,883,732,903
Medical allowance	1,048,556,527	3,389,967,313	2,972,160,006	2,517,912,424
Meals allowance	577,109,470	1,808,481,764	1,556,594,753	1,253,625,475
Training	73,159,190	652,022,473	531,226,665	281,754,504
<b>Total</b>	<b>27,529,846,664</b>	<b>75,243,944,461</b>	<b>45,436,812,813</b>	<b>34,084,594,621</b>

**24. SALES AND MARKETING EXPENSE**

This account consists of:

	March 31, 2007	December 31,		
		2006	2005	2004
Advertising and promotion	17,274,768,750	95,201,334,079	75,279,552,902	24,072,673,786
Exhibition	1,306,611,487	4,307,388,415	947,208,681	975,416,184
Rent	577,129,947	1,601,583,490	1,408,046,313	1,146,549,652
Others	50,113,242	5,408,899	34,483,928	285,865,004
<b>Total</b>	<b>19,208,623,426</b>	<b>101,115,714,883</b>	<b>77,669,291,824</b>	<b>26,480,504,626</b>

**25. OTHER INCOME (CHARGES)**

a. Financial expenses

	March 31, 2007	December 31,		
		2006	2005	2004
Interest income	3,488,105,591	38,511,965,156	11,515,110,761	177,275,798
Interest expenses	(18,927,240,074)	(80,422,281,659)	(80,943,539,998)	(56,446,983,389)
Bank charges	(1,030,596,810)	(4,856,120,145)	(5,892,041,414)	(7,401,460,017)
<b>Total - net</b>	<b>(16,469,731,293)</b>	<b>(46,766,436,648)</b>	<b>(75,320,470,651)</b>	<b>(63,671,167,608)</b>

b. Foreign exchange

	March 31, 2007	December 31,		
		2006	2005	2004
Gain on foreign exchange	1,064,850,873	6,146,630,657	1,549,294,384	4,544,897,689
Loss on foreign exchange	(1,478,149,432)	(3,624,745,480)	(3,020,869,755)	(3,223,398,982)
<b>Total - net</b>	<b>(413,298,559)</b>	<b>2,521,885,177</b>	<b>(1,471,575,371)</b>	<b>1,321,498,707</b>

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**26. TAXATION**

a. Prepaid tax

	March 31, 2007	December 31,		
		2006	2005	2004
Value added tax	28,702,668,828	30,779,408,189	4,001,458,700	3,571,671,487
Income tax				
Article 22	8,869,667,978	8,869,667,978	-	-
Article 23	6,284,392,402	4,387,316,455	-	-
Stamp duty	348,332,008	175,849,208	137,181,358	148,680,866
Total	44,205,061,216	44,212,241,830	4,138,640,058	3,720,352,353

b. Estimated claim for tax refund

	March 31, 2007	December 31,		
		2006	2005	2004
Income tax				
Article 22	2,385,380,329	2,385,380,329	2,435,304,004	825,803,786
Article 23	2,189,467,200	2,189,467,200	3,441,247,834	2,683,505,854
Total	4,574,847,529	4,574,847,529	5,876,551,838	3,509,309,640

c. Taxes payable

	March 31, 2007	December 31,		
		2006	2005	2004
Income tax				
Article 21	566,939,783	3,309,087,190	995,168,080	2,384,368,995
Article 23	4,158,895,208	2,207,052,855	1,271,340,219	3,275,575,344
Total	4,725,834,991	5,516,140,045	2,266,508,299	5,659,944,339

d. Tax Benefit (Expense)

Reconciliation between income (loss) before provision for income tax benefit (expense) as shown in the statements of income and the estimated fiscal losses for the three-month period ended March 31, 2007 and years ended at December 31, 2006, 2005 and 2004 were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004 (As restated - see Note 3)
Income (loss) before for tax benefit (expense) per statements of income	29,877,832,119	75,397,928,293	(176,860,122,330)	(131,656,543,599)

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**26. TAXATION (Continued)**

	December 31,			
	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
<u>Temporary differences:</u>				
Provision for doubtful accounts	4,179,387,282	13,450,570,759	5,802,852,584	3,047,102,053
Provision for employee benefits	-	2,016,663,652	1,322,444,749	1,583,014,798
Depreciation	(4,757,600,008)	(47,935,640,062)	(62,102,254,782)	(111,306,449,857)
Write-off of allowance for doubtful accounts	-	(56,547,990,380)	-	-
	(578,212,726)	(89,016,396,031)	(54,976,957,449)	(106,676,333,006)
<u>Permanent differences:</u>				
Taxes	4,316,756,159	65,462,298	744,988,554	2,445,506,222
Salaries, wages and employee benefits	3,534,651,733	3,389,967,313	2,972,160,006	5,020,179,941
Entertainment, donation and representation	1,117,459,176	17,093,629,837	1,172,566,549	2,860,149,528
Interest income already subjected to final tax	(3,488,105,591)	(38,511,965,156)	(11,515,110,761)	(177,275,798)
Telephone	-	391,981,298	-	-
Miscellaneous	1,091,289,497	817,332,653	569,570,004	1,134,569,637
	6,572,050,974	(16,753,591,757)	(6,055,825,648)	11,283,129,530
Estimated fiscal income (loss) of the year/period	35,871,670,367	(30,372,059,495)	(237,892,905,427)	(227,049,747,075)
Fiscal loss compensation of				
Year 2000	-	-	(71,811,455,734)	(71,811,455,734)
Year 2003	(16,223,684,878)	(16,223,684,878)	(16,223,684,878)	(4,040,530,054)
Year 2004	(227,049,747,075)	(227,049,747,075)	(227,049,747,075)	-
Year 2005	(237,892,905,427)	(237,892,905,427)	-	-
Year 2006	(30,372,059,495)	-	-	-
Total	(511,538,396,875)	(481,166,337,380)	(315,084,887,687)	(75,851,985,788)
Adjustment for fiscal loss for year 2003 based on Tax Assesment Letter	2,651,714,511	2,651,714,511	2,651,714,511	(12,183,154,824)
Adjustment for fiscal loss for year 2004 based on Tax Assesment Letter	(49,584,596,461)	(49,584,596,461)	-	-
Adjustment for fiscal loss for year 2005 based on Tax Assesment Letter	8,975,476,656	-	-	-
	(37,957,405,294)	(46,930,881,950)	2,651,714,511	(12,183,154,824)
Fiscal loss utilization				
Year 2003	13,571,970,367	-	-	-
Year 2004	22,299,700,000	-	-	-
Expired fiscal loss for year 2000	-	-	71,811,455,734	-
	35,871,670,367	-	71,811,455,734	-
Estimated cumulative fiscal loss of the Company	(513,624,131,802)	(558,471,278,825)	(478,514,622,869)	(315,084,887,687)



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**26. TAXATION (Continued)**

e. Deferred tax

Calculations of provision for deferred income tax expense due to the effect of timing differences at maximum tax rate of 30% were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004 (As restated - see Note 3)
Current fiscal loss and adjustment on fiscal loss compensation of the previous years	(13,454,144,108)	23,986,996,787	49,028,920,554	(134,318,332,297)
Allowance for doubtful accounts	1,253,816,185	(12,929,225,886)	1,740,855,775	914,130,616
Depreciation	(1,427,280,000)	(14,380,692,019)	(18,630,676,435)	(33,391,934,957)
Employee benefits	-	604,999,095	396,733,425	474,904,439
Provision for deferred tax income (expenses)	(13,627,607,923)	(2,717,922,023)	32,535,833,319	(166,321,232,199)

The deferred tax assets and liabilities as of March 31, 2007, December 31, 2006, 2005 and 2004 were as follows:

	March 31, 2007	December 31,		
		2006	2005	2004 (As restated - see Note 3)
<u>Deferred tax assets</u>				
Accumulated fiscal losses	154,087,239,540	167,541,383,648	143,554,386,861	94,525,466,307
Allowance for doubtful accounts	17,815,250,944	16,561,434,759	29,490,660,645	27,749,804,870
Employee benefits	2,791,173,337	2,791,173,337	2,186,174,241	1,666,704,774
Gain on sale of fixed assets	295,605,252	295,605,252	295,605,252	295,605,252
Total deferred tax assets	174,989,269,073	187,189,596,996	175,526,826,999	124,237,581,203
<u>Deferred tax liabilities</u>				
Depreciation	(189,316,394,264)	(187,889,114,264)	(173,508,422,245)	(154,755,009,768)
Total deferred tax assets (liabilities) - net	(14,327,125,191)	(699,517,268)	2,018,404,754	(30,517,428,565)

The Company did not provide any provision for corporate income tax expense for the years ended December 31, 2006, 2005 and 2004 since the Company was in a fiscal loss position.

Based on the Indonesian tax law, fiscal loss can be compensated for up to 5 years. Tax on profit is calculated progressively using the maximum rate of 30% and computed on a self-assessment basis. The tax authority can assess the Company's tax returns up to 10 years from the date of filing.

The Company's management believes that taxable income can be used to recover deferred tax assets on fiscal loss.

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**26. TAXATION (Continued)**

f. Tax Assessment Letter

Based on Tax Assessment Letter (SKP) of income tax for the years 2003, 2004 and 2005, with its Decision Letter numbers 00031/406/03/018/04, 00122/406/04/054/06 and 00094/406/05/054/07, dated July 20, 2005, July 18, 2006 and March 25, 2007, respectively, the fiscal profit/loss of the Company has been assessed as follows:

Year	Based on SKP	Based on SPT	Difference
2003	(13,571,970,368)	(16,223,684,879)	2,651,714,511
2004	(276,634,343,536)	(227,049,747,075)	(49,584,596,461)
2005	(228,917,428,771)	(237,892,905,427)	8,975,476,656
Total	(519,123,742,675)	(481,166,337,381)	(37,957,405,294)

**27. TRANSACTIONS WITH RELATED PARTIES**

In the normal course of business, the Company entered into transactions with related parties. The following transactions with related parties have been conducted on an arms' length basis:

	March 31, 2007	December 31,		
		2006	2005	2004
Purchase from Koperasi Karyawan Usaha Bersama Bina Nusantara	-	-	-	1,369,804,508
Rental to PT Bakrie & Brothers Tbk	-	-	-	1,826,738,557
Rental to PT Bakrie Swasakti Utama	294,683,320	1,778,212,800	3,164,327,536	560,388,845
Revenues from:				
PT Bakrie Communications	1,800,000	10,385,080	32,004,296	84,254,505
PT Bakrie Swasakti Utama	42,880,468	382,454,458	482,251,251	129,745,252
Repair service of equipment to PT Multi Kontrol Nusantara	-	8,706,690,000	3,190,970,000	1,012,030,000

The balances of accounts with related parties resulting from the above transactions were shown below:

	March 31, 2007	December 31,		
		2006	2005	2004
PT Multi Kontrol Nusantara	4,784,347,958	2,487,671,393	331,032,139	-
CMA Fund Management Ltd.	-	-	-	158,804,320,791
PT Quantum Bahana Enterprise	-	-	10,275,879,811	12,684,289,181
PT Bakrie Communications	-	-	-	4,321,387,305
PT Bakrie & Brothers Tbk	-	-	-	284,204,032
Total	4,784,347,958	2,487,671,393	10,606,911,950	176,094,201,309

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**27. TRANSACTIONS WITH RELATED PARTIES (Continued)**

On December 23, 2003, the Company entered into settlement agreement with PT Quantum Bahana Enterprise (QBE) whereby the two parties agreed to write-off the Company's interest payable of Rp 7,917,736,270. The Company's loan to QBE after the write-off as of December 31, 2003 was Rp 13,487,092,287. Subsequently, this loan was paid in June 2006.

The loans obtained from CMA Fund Management Ltd. and BC in 2004 were non-interest bearing and were used by the Company to support its working capital requirements. In 2005, these loans were converted to Capital stock (see Note 18).

Nature of accounts and transactions with related parties were as follows:

	Nature of Related Parties	Nature of Transactions
PT Bakrie & Brothers Tbk	shareholder	loan
CMA Fund Management Ltd.	shareholder	loan
PT Bakrie Communications	shareholder	loan
PT Quantum Bahana Enterprise	affiliate	loan
PT Multi Kontrol Nusantara	affiliate	service
PT Bakrie Swasakti Utama	affiliate	rental

	March 31, 2007	December 31,		
		2006	2005	2004
Due to related parties				
to total liabilities	0.62%	0.34%	1.53%	21.36%
Expense to related parties				
to total expenses	0.15%	1.85%	0.92%	1.16%
Revenue from related parties to				
total operating revenue	0.02%	0.06%	1.52%	0.08%

**28. EMPLOYEE BENEFITS**

The Company applied PSAK No. 24 (Revised) regarding "Employee Benefits" as the framework to recognize employee benefits in the financial statements as of March 31, 2007, December 31, 2006 and 2005 and restated the prior years' financial statements to conform with the standards (see Note 3).

Valuation of employee benefits was based on the reports of PT Dian Artha Tama, an independent actuarial firm, in its reports dated February 26, 2007 and March 1, 2006. The calculation used was "Projected Unit Credit" method with the following assumptions:

	March 31, 2007	December 31,		
		2006	2005	2004
Discount rate per annum	12%	12%	12%	10%
Salary growth rate	5%	5%	5%	5%
Early retirement rate	3%	3%	3%	0.5%

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**28. EMPLOYEE BENEFITS** *(Continued)*

Employee benefits expense for the current year was recorded in “Personnel expense” in the statements of income. Reconciliation between present value of employee benefits with accrued employee benefits was as follows:

		December 31,		
	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
Present value of benefit obligation	(6,546,245,961)	(6,546,245,961)	(7,265,298,424)	(8,662,803,071)
Unrecognized actuarial loss (gain)	(2,757,665,160)	(2,757,665,160)	(21,949,045)	2,698,000,351
Net liabilities recorded in balance sheet (see Note 16)	<u>(9,303,911,121)</u>	<u>(9,303,911,121)</u>	<u>(7,287,247,469)</u>	<u>(5,964,802,720)</u>

The recognized expenses in the statements of income:

		December 31,		
	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
Current services costs	-	1,422,014,314	1,316,678,822	1,088,920,737
Interest costs	-	799,182,827	1,039,536,369	492,117,797
Recognized actuarial losses	-	-	76,229,558	1,976,264
Total	<u>-</u>	<u>2,221,197,141</u>	<u>2,432,444,749</u>	<u>1,583,014,798</u>

The reconciliation against expenses and liabilities recognized in balance sheets were as follows:

		December 31,		
	March 31, 2007	2006	2005	2004 (As restated - see Note 3)
Liabilities at beginning of year/period	(9,303,911,121)	(7,287,247,469)	(5,964,802,720)	(4,381,787,922)
Employee benefits paid	-	204,533,489	1,110,000,000	-
Expenses current year	-	(2,221,197,141)	(2,432,444,749)	(1,583,014,798)
Total liabilities at end of year/period (see Note 16)	<u>(9,303,911,121)</u>	<u>(9,303,911,121)</u>	<u>(7,287,247,469)</u>	<u>(5,964,802,720)</u>

The Company didn't calculate provision for employee benefit for the three-month period ended March 31, 2007 because management believes that the amount will not be material.

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**29. ASSETS AND LIABILITIES IN FOREIGN CURRENCY**

As of March 31, 2007, December 31, 2006, 2005 and 2004, the Company had monetary assets and liabilities denominated in foreign currency as follows:

	March 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
<u>Assets</u>				
Cash and cash equivalents				
US Dollar	81,989,753,930	141,860,247,171	47,782,993,901	1,069,683,159
Security deposits				
US Dollar	2,904,404,227	2,873,187,775	2,913,037,535	2,772,275,294
Total Assets				
US Dollar	84,894,158,157	144,733,434,946	50,696,031,436	3,841,958,453
<u>Liabilities</u>				
Trade payables				
US Dollar	122,422,084,598	77,355,620,723	47,417,913,483	33,735,114,390
Other payables				
US Dollar	1,510,978,503	3,466,769,040	1,951,472,374	3,244,026,140
Total liabilities				
US Dollar	123,933,063,101	80,822,389,763	49,369,385,857	36,979,140,530
Net	(39,038,904,944)	63,911,045,183	1,326,645,579	(33,137,182,077)

**30. BASIC EARNINGS (LOSS) PER SHARE**

This account consists of:

	March 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Net income (loss)	16,250,224,196	72,680,006,270	(144,324,289,011)	(297,977,775,798)
Weighted average number of ordinary shares	18,816,118,695	18,456,677,877	8,946,511,529	1,034,749,595
Weighted average number of diluted shares	19,345,790,707	18,560,650,837	-	-
Basic earnings (loss) per share	0.86	3.94	(16.13)	(287.97)
Basic earnings per diluted share	0.84	3.92	-	-

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### **31. TELECOMMUNICATIONS TARIFFS**

Under the Law No. 36 Year 1999 dated September, 8 1999 concerning “Telecommunication” and Government Regulation No. 52 Year 2000 dated July 11, 2000 regarding “providing of telecommunication”, tariffs for the use of telecommunication network and telecommunication services are determined by providers based on the structure and tariff category with consideration of a price formula set by the government.

#### Tariff of Telephone for Wireless Fixed Line with Limited Mobility

Based on Decision Letters of Minister of Transportation No. 35 Year 2004, dated March 11, 2004 regarding the provision of “Local Wireless Fixed Line with Limited Mobility”, the structure of tariffs for wireless fixed line with limited mobility is as follows:

1. Tariffs for post-paid services are as follows:
  - a) Activation fee
  - b) Subscription fee
  - c) Usage charge
  - d) Additional facilities fee
  
2. Tariffs for prepaid services are as follows:
  - a) Activation fee
  - b) Usage charge
  - c) Additional facilities fee

The tariff for fixed line is charged to network access and usage charge. Access fee includes activation fee, which is charged only once and a monthly subscription fee. Usage charge is in Rupiah per minute and is categorized as local or long distance calls. The tariff amount depends on call distance, call duration, call time and special days in a week and holidays.

The tariff for fixed line was based on KM. 19/2001 concerning “Tariff for Domestic Call Service and Domestic Birofax”. The regulation for basic tariff for domestic telecommunication services is based on the Decision Letter of Minister of Transportation KM No. 12 year 2002 dated January 29, 2002 (KM. 12 year 2002) regarding the amendment of Decision Letter of Minister of Tourism, Post and Telecommunication (currently Department of Transportation) No. KM. 79 year 1995 concerning (KM. 79 year 1995) “Adjustment for Domestic Telecommunication Tariffs and Services”.

Furthermore, the Minister of Transportation of the Republic of Indonesia issued Letter No. PK.304/1/3/PHB-2002 dated January 29, 2002 concerning limitation for basic tariff increase in the telecommunication service. Based on the letter, the increase of tariff for domestic fixed line telephone for a 3-year period is 45.49% and for 2002 the average increase in tariff was 15%. The increase began on February 1, 2002.

The maximum tariff for activation fee for new activation number was Rp 450,000. The maximum tariff for subscription fee was Rp 50,000.

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**31. TELECOMMUNICATIONS TARIFFS (Continued)**

The usage charges to customers who have made a call to other customers were as follows:

Type of Calls	Max Post Paid (Rp/minute)	Max Pre Paid (Rp/minute)	Max FWP (Rp/minute)
Local	250	250	250
Long Distance:			
- Short Distance Zone (<200 km)	1,290	1,290	1,290
- Medium Distance Zone (200 – 500 km)	1,815	3,000	1,815
- Long Distance Zone (>500 km)	2,270	3,000	2,270
Mobile:			
Local	550	800	500
Long Distance:			
- Short Distance Zone (<200 km)	2,100	2,100	1,700
- Medium Distance Zone (200 – 500 km)	2,625	3,800	2,225
- Long Distance Zone (>500 km)	3,080	3,800	2,680

In February 2006, the Minister of Information and Communication issued regulation No. 09/per/M.KOMINFO/02/2006 concerning “The Basic Tariff of Fixed Network Service”, which amended the prior regulations and decrees issued by the Minister of Tourism, Post and Telecommunication (currently Department of Transportation). Based on this regulation, the determination of basic tariff should be based on a cost based formula.

Telephone Booth Rate (Wartel)

On August 7, 2002, the Minister of Transportation of the Republic Indonesia issued Decision Letter KM No. 46 year 2002 concerning service provision by “Public Phone Kiosk (wartel)”. This decision letter stipulates that the Company deserves a maximum of 70% and 92% from the basic rate of local calls and international calls, respectively.

Based on the publication of Ministry of Communications and Information Technology regulation No.05 year 2006 on January 30, 2006, regulates that the Company has the right to gain 70% maximum from the basic wartel tariff for local calls on net and local off-net (after interconnection expenses) and 92% maximum from the basic wartel tariff for international calls. The decision letter (KM) No. 46 of 2002 is no longer valid upon the issuance of this regulation.

**32. INTERCONNECTION**

On February 8, 2006, Minister Decree No. 08/Per/M.KOMINFO/02/2006 (PM. 08/2006), the regulation regarding interconnection was issued, prescribing interconnection tariff structures between mobile cellular telecommunication networks and Public Switched Telephone Networks (PSTNs), mobile cellular telecommunication network, and other domestic mobile cellular telecommunication networks, international telecommunication networks and PSTNs and other domestic PSTNs.

Starting January 1, 2007, the Company used the cost-based computation for interconnection transactions in accordance with Minister Decree PM. 08/2006.

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**32. INTERCONNECTION (Continued)**

The computation of interconnection cost from each telecommunication operator is based on a cost-based formula as stated in PM.08/2006. The Company had an Agreement Note of cooperative interconnection between telecommunication networks with fixed network or cellular network.

Based on the Agreement Note, the calls from the Company to another operator (origination) will charge “interconnection expense” that is chargeable to the Company (originator) who made the call. On the other hand, the calls from another operator to the Company (termination), will charge “interconnection revenue” that is chargeable to the other operator who made the call.

Type of Calls	Interconnection Charge (Origination)	Interconnection Revenue (Termination)
PSTN local	Rp 73 per minute	Rp 73 per minute
Long distance call		
- Direct interconnection	Rp 174 per minute	Rp 174 per minute
- Through transit	Rp 510 per minute	Rp 174 per minute
International call	-	Rp 549 per minute
Cellular (local)		
- Direct interconnection	Rp 361 per minute	Rp 152 per minute
- Through transit	Rp 453 per minute until Rp 807 per minute	Rp 152 per minute
Cellular long distance call		
- Direct interconnection	Rp 471 per minute	Rp 152 per minute
- Through transit	Rp 563 per minute until Rp 807 per minute	Rp 152 per minute

**33. TELECOMMUNICATION SERVICE LICENSE**

On June 30, 2000, the Company was granted permission to organize service system facilities as “Internet Service Provider” based on Decision Letter of the General Director of Post and Telecommunication, Department of Communication and Information No. 237/Dirjen/2006.

On August 25, 2004, the Company obtained a local fixed telecommunication service and basic telephone service license “License for Local Fixed Network with Radio Access and Basic Telephone License” based on the Decision Letter of Minister of Transportation of the Republic of Indonesia No. KP.282. The license was given for (i) Local Fixed network with radio access frequency bandwidth of 825 Mhz 835 Mhz and pair-off with 870 MHz 880 Mhz and (ii) Basic Telephone service covering DKI Jakarta, West Java and Banten province. This Local Fixed network service with Radio Access and Basic Telephone Service is in accordance with Law No. 36/1999 of Telecommunication.

Based on the Decision Letter from General Director of Post and Telecommunication, Department of Communication and Information No. 16/Dirjen/2006 on January 23, 2006, the Company obtained a license to operate Internet Telephone Service for Public Needs (ITKP) with national coverage. The license of organizing ITKP is based on Constitution No. 36/2000 of Telecommunication.



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**33. TELECOMMUNICATION SERVICE LICENSE** *(Continued)*

On December 12, 2006, the Company received a principal license for Local Fixed Network service and Basic Telephone Service with nationwide coverage, based on the Decision Letter of the Minister of Communication and Information of the Republic of Indonesia No. 181/KEP/M. KOMINFO/12/2006 about Canal Allocation of Radio Frequency bandwidth 800 Mhz for Wireless Local Fixed Network with Limited Mobility and Mobility Network Cellular. This was also approved by the Government on December 12, 2006 based on letter No. 142/DJPT. 1/KOMINFO/12/2006. In accordance with this, the Company was given permission to use frequency bandwidth 800 Mhz with canal number: 37, 78 and 119, to organize (i) local fixed network with radio access and (ii) basic telephone service with national coverage.

**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS**

As of March 31, 2007, the Company had outstanding significant agreements and commitments, as follows:

Third Parties

a. PT Cipta Inti Perkasa

On December 14, 2006, the Company entered into a rental agreement with PT Cipta Inti Perkasa (CIP) for a term of three (3) years. The monthly rental fee is US\$ 812,500. Under the agreement, CIP has an obligation to provide the Company with telecommunication equipment, installation, and also maintenance services (see Notes 16 and 21).

b. Suntec Business Solutions Pvt. Ltd

On June 30, 2006, the Company and Suntec Business Solutions Pvt. Ltd. (Suntec) entered into a support services agreement for the implementation of TBMS 3.1.2. Support service fee is calculated at 15% per annum of the license fee subject to minimum support service fee of US\$ 20,000 per quarter. Suntec shall provide twenty (20) person-days per year presence in Indonesia by one of Suntec's engineers, as part of the above support. These charges shall be paid by the Company yearly in advance (see Note 10).

c. PT Indosat Tbk (Indosat)

1. On September 23, 2005, the Company signed an Memorandum of Understanding (MoU) regarding Operational and Network Use Agreement with Indosat.

Based on that MoU the Company and Indosat entered into cooperation for feedback and non-exclusive network and service use by both Indosat and the Company, respectively, with the concept for a Mobile Virtual Network Operator (MVNO).

The Company and Indosat are in the process of entering into a service cooperation in the 800 Mhz frequency band in all areas where the Company or Indosat are licensed to operate at this frequency, whereby the Company will cooperate with Indosat for usage of the Company's 800 Mhz frequency in all Company licensed areas and vice versa.

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

This MoU will continue as long as Indosat still has customers that use the Company's telecommunication network and frequency, and vice versa, unless decided otherwise by related parties in the Implementation Agreement.

The Company guarantees to provide sufficient capacity to Indosat for the distribution of telecommunication traffic service by Indosat using the Company's telecommunication network, and Indosat likewise promises to provide sufficient capacity to the Company for distribution of telecommunication traffic by the Company using Indosat's telecommunication network. This guarantee must still be upheld if one party makes another similar cooperation agreement with another operator.

2. On November 21, 2005, the Company and PT Indosat Tbk (Indosat) signed a Cooperation Agreement No. INDOSAT 329/100-ICO/LGL/05 and No. BAKRIETEL 0349/EST-PKS/ISAT Jartap/X/2005 ("PKS 2005") concerning "Interconnection of Indosat's Fixed Line and Bakrie Telecom's Local Fixed Line", to revoke the previous cooperation agreement that had been signed by the parties.

Based on PKS 2005 both parties agreed to expand their network interconnection cooperation area to cover the following:

- The users of local fixed line of Indosat being able to make local connection by end-to-end to the Company's local fixed line and vice versa;
- The users of local fixed line of Indosat being able to make long distance calls (with access code 011) by end-to-end to Company's local fixed line and vice versa;
- The users of the Company's local fixed line being able to make long distance calls (with access code 011) by end-to-end to other local fixed lines and vice versa using fixed line long distance call of Indosat;
- The users of the Company's local fixed line being able to make international calls using the international call services of Indosat, with access code 001 or 008;
- Customers of the Company being able to receive calls from a foreign telecommunication network distributed by the fixed lines of international calls of Indosat;
- Customers of Indosat being able to send SMS to Company's customers and vice versa; and
- Cooperation in completing interconnection finance's rights and obligations of both parties.

Based on the PKS 2005, the Company is obliged, among others, to pay the local interconnection fee to Indosat for any local interconnection call by a user of the Company's local fixed line.

The PKS 2005 is valid for three (3) years effective from November 1, 2005, subject to renewal after the written approval of the parties. If both parties have no intention of changing or terminating PKS 2005, it will automatically be renewed and remain effective for the next three (3) years.

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

3. Subsequently, on December 29, 2006, based on the agreement between the Government, the Regulatory Organization of Telecommunication Indonesia (BRTI) and General Director Postel with the Board of Telecommunication, the Company signed an Agreement Note with Indosat, the "Implementation of Cost-Based on Mobility Network Interconnection of Indosat's Fixed Line and Bakrie Telecom's Local Fixed Line". The agreement covers the following, among others:

- The implementation of local and long distance (JJ) interconnection cost for the customers who are using the Company's fixed line telephone with cost of Rp 73 per minute for local call termination and Rp 174 per minute for long distance call termination.
- The implementation of international interconnection cost of Rp 549 per minute for international call termination.
- The implementation of local interconnection cost for customers who used mobile cellular network of Rp 152 per minute for local call termination.
- The implementation of SMS service interconnection cost of Rp 38 per SMS for the Company's customers and vice versa.

Based on this Agreement Note, the Company had an obligation to submit the data of post-paid and pre-paid numbers of the Company and the changes from time to time.

The Agreement Note with Indosat is effective from January 1, 2007 until December 31, 2007 or can be ended by itself when the new joint interconnection agreement has been signed by both parties, whichever comes first.

d. PT Telekomunikasi Indonesia (Persero) Tbk

The Company entered into a Joint Interconnection Agreement with PT Telekomunikasi Indonesia (Persero) Tbk (Telkom), whereby each party agreed on the following:

- Telecommunication network interconnection between the Company's wireless radio wave based on telecommunication system (STLR) and Telkom's Public Switched Telephone Network (PSTN) for local, long distance (SLJJ) and international calls (SLI);
- The Company has an obligation to pay interconnection revenue to Telkom from outgoing calls through local conversion, SLJJ, and SLI; and
- The agreement with Telkom is valid for three (3) years, effective from May 5, 1997 and automatically renewable each succeeding three (3) years.

Referring to the interconnection expense implementation, which was based on Decree of Minister of Transportation dated March 11, 2004 KM No. 32 in 2004 concerning "Interconnection Expense of Telecommunication Management", the Company entered into an agreement about New Interconnection Scheme with Telkom on December 6-7, 2004. Significant terms in the agreement were as follows:

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

- Obtained Local Interconnection Rate for local extension customers who use limited mobility with local interconnection rate of Rp 73 per minute starting January 1, 2005.
- Obtained Interconnection Rate for long distance calls (JJ) for customers who use limited mobility in accordance with the agreement between Telkom and Indosat amounting to 41.25% from collected rate of SLJJ and Rp 240 per minute for calls of SLJJ from PSTN Telkom to Company starting February 1, 2005.
- Use of Local Interconnection Rate and Interconnection Rate for long distance calls (JJ) for customers using fixed line calls at the same rate as limited mobility customers starting April 1, 2005.

On December 28, 2006, the Company released the latest addendum to the interconnection cooperation agreement with Telkom. The content of the agreement is related to interconnection services, obligations, and rights of both parties, settlement and interconnection cost. Both parties have an obligation to note the incoming and outgoing calls of interconnection, which are calculated on a cost basis as per Minister Regulation No. 08 2006.

This amendment is effective from January 1, 2007 until December 31, 2007 or can be ended by itself when the new joint interconnection agreement has been signed by both parties, whichever comes first.

e. PT Excelcomindo Pratama Tbk

The Company entered into the Financial Termination of Transit Interconnection of Cooperative Agreement with PT Excelcomindo Pratama (Excelcom), whereby each party agreed on the following:

- Interconnection between the Company's STLR and Excelcom's Cellular Mobile Telephone Network (STBS) Global System for Mobile Communication (GSM) to make outgoing or receive incoming calls through Excelcom's network and Company's STLR and send SMS and receive calls or SMS from each Company's customers;
- The Company has an obligation to pay Excelcom for the net interconnection revenue from outgoing calls made through Excelcom's network based on government regulation; and
- The agreement with Excelcom is effective from January 12, 2004 and valid for future years unless terminated by six (6) months written notice by either party.

On December 22, 2006, the Company entered into an Agreement Note with Excelcom about the "Implementation of Cost-Based Interconnection". Both parties agreed to expand the cooperation, which includes cost, rights and obligations, settlement and billing reconciliation, and which is in accordance with the agreement between the Government, BRTI and General Director Postel with the Board of Telecommunication.

This amendment is effective from January 1, 2007 until December 31, 2007 or can be ended by itself when the new joint interconnection agreement has been signed by both parties, whichever comes first.

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

f. PT Telekomunikasi Selular

On March 3, 2004, the Company and PT Telekomunikasi Selular (Telkomsel), a subsidiary of PT Telkom entered into an Interconnection Agreement whereby each party agreed, among others, on the following:

- Interconnection of the Company's telecommunication network with Telkomsel network to make outgoing or receive incoming calls and short message service (SMS) through Telkomsel and the Company's network from a customer of either party;
- The Company has an obligation to pay interconnection expense to Telkomsel revenue based on the government regulation from outgoing calls made through Telkomsel's networking; and
- The original agreement with Telkomsel, effective from March 3, 2004 was to remain valid and could be terminated at any time within three (3) months after written notice from either of the parties, or terminated based on a government decree.

On December 28, 2006, the Company entered into an Agreement Note with Telkomsel, in the "Implementation of Cost-Based Cooperative Mobility Network Interconnection of Telkomsel's Cellular Network with Bakrie Telecom's Fixed Local Network", and agreed to expand the cooperative interconnection network, which includes the use of access code, interconnection cost, providing interconnection spare-parts, settlement, and billing reconciliation.

This amendment is effective from January 1, 2007 until December 31, 2007 or can be ended by itself when the new cooperative interconnection agreement has been signed by both parties, whichever comes first.

g. PT Komunikasi Selular Indonesia (Komselindo)

On January 30, 2004, the Company, PT Komunikasi Selular Indonesia (Komselindo), and PT Metro Selular Nusantara (Metrosele) entered into a Interconnection Agreement whereby each party agreed, among others, on the following:

- Interconnection of the Company's telecommunication network with cellular lines of Komselindo and Metrosele network to make outgoing or receive incoming calls and SMS through Komselindo, Metrosele and the Company's network from a customer of each party;
- The Company has an obligation to pay interconnection to Komselindo and Metrosele revenue based on the government regulation for outgoing calls made through Komselindo and Metrosele networking; and
- The agreement with Komselindo and Metrosele, effective from January 30, 2004 was valid and could be terminated at any time within six (6) months after written notice from either of the parties, or terminated based on a government decree.

h. Fresnel Microwave System Ltd

On March 31, 2005, the Company and Fresnel Microwave System Ltd (Fresnel), England, entered into a Supply and Service Agreement whereby Fresnel will supply the equipment for CDMA 2000 1X Microwave Radio Link and Antene Link Indonesia, with contract price of US\$ 1,154,599. The agreement shall include equipment and services maintenance to implement a BTS network (see Note 10).

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

i. Redknee (Ireland) Ltd

On October 6, 2004, the Company and Redknee (Ireland) Ltd. (Redknee) entered into Software License and Support Agreement, whereby Redknee was willing to design, supply, deliver, install, test, train, maintain and provide all other services needed by the Company's Intelligent Networks (IN) and Short Message Service (SMS-C).

This agreement has twice been amended, the latest being on December 28, 2005, with contract value of US\$ 2,329,314 and concerning some modifications of the terms in the previous agreement (see Note 10).

j. Huawei Tech. Investment Co. Ltd.

On October 15, 2003, the Company and Huawei Tech. Investment Co. Ltd. (Huawei), Hong Kong entered into a Supply and Service Agreement whereby Huawei will supply the equipment for a CDMA 2000 1X Wireless Local Loop Network in Bandung, Indonesia for a contract price of US\$ 7,496,640. The agreement shall include equipment and services to implement a network with 70,000 anticipated aggregate subscriber lines. Huawei shall deliver the equipment and grant to the Company a non-exclusive license to use all software associated with and integral to the hardware.

On March 1, 2006, the Company and Huawei signed a Supply and Service Agreement for IN & SMSC project, CDMS BTS, MSC/BSC Bandung Expansion and Carrier Expansion with a total contract amount of US\$ 19,035,837 (see Note 10).

k. Nortel Networks Singapore Pte., Ltd.

On April 30, 2002, the Company and Nortel Networks Singapore Pte. Ltd. (Nortel Networks), Singapore entered into a Supply Agreement whereby Nortel Networks will supply the equipment for a CDMA 2000 1X Wireless Local Loop Network in Jakarta, Bogor, Tangerang and Bekasi (Jabotabek), Indonesia for a contract price of US\$ 18,308,786. The equipment shall include software, materials and services to implement a network with 100,000 anticipated aggregate subscriber lines. On October 19, 2004 and June 8, 2004, the Company constructed twelve (12) BTS with a contract price of US\$ 98,885 and thirty-two (32) BTS with a contract price of US\$ 1,154,401 in the Jabotabek area.

On January 24, 2006, the Company and Nortel Networks signed an agreement of procurement for XCEM card for a contract price amounting to US\$ 2,249,486.

Subsequently, on February 7, 2006, the Company and Nortel Networks signed another Supply and Service Agreement for phase 1 of the STP project and 123 BTS Expansion project with a total contract amount of US\$ 1,117,842, and Offshore Supply Agreement 123 BTS Expansion project amounting to Tranche A Supplies of US\$ 423,418, Tranche B Supplies of US\$ 2,216,551 and Tranche C Supplies of US\$ 2,217,923.

In addition, on February 7, 2006, the Company and Nortel Networks signed Local Supply Agreement 123 BTS Expansion Project amounting to US\$ 594,332 (see Note 10).

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**34. SIGNIFICANT AGREEMENTS AND COMMITMENTS** (*Continued*)

l. PT Tiara Lilin Indonesia.

On December 28, 2004, the Company and PT Tiara Lilin Indonesia (Tiara) entered into a Supply and Service civil works and mechanical electrical Agreement whereby Tiara will supply the equipment for BTS include electrical tools, with contract price of US\$ 546,272 and Rp 20,589,781,575.

Related Parties

a. PT Multi Kontrol Nusantara

On February 20, 2006, the Company and PT Multi Kontrol Nusantara (MKN) signed the Agreement on Antenna IBS Equipment Working and Installation with thirty-eight (38) location in accordance with the Telecommunication Facilities Development on JABODETABEK Area and West Java. On the same date, the Company and MKN signed the Agreement of Civil Works & ME Procurement of Telecommunication facilities development.

b. PT Bakrie Swasakti Utama

On January 12, 2007, the Company extended its rental agreement with PT Bakrie Swasakti Utama from January 1, 2007 until August 31, 2008, subject to renewal after the expiration date. The new rent and service charges per month are Rp 110,446,050 for basement floor, Rp 80,948,400 for second floor, Rp 111,442,500 for fifth floor and Rp 117,777,075 for eight and ninth floors.

**35. OTHER SIGNIFICANT INFORMATION**

Based on the Extraordinary Shareholders' General Meeting dated November 30, 2006 as notarized by Deed No. 61 of Agus Madjid, S.H. concerning the Company's plan to obtain financing for the purpose of expanding the network and settlement of the existing loan (see note 17), in which it was resolved that part or all of the Company's identified assets would be used as collateral.

**36. EFFECTS OF ECONOMIC CONDITIONS ON THE ACTIVITIES OF THE COMPANY**

During the three-month period ended March 31, 2007 and years ended December 31, 2006, 2005 and 2004, the Company has focused its efforts on increasing its subscriber base to generate adequate revenues to cover its operating expenses, as well as in improving facilities and telecommunication networks. The Company recorded accumulated deficits as of March 31, 2007, December 31, 2006, 2005 and 2004 of Rp 974,888,718,374, Rp 991,138,942,570, Rp 1,063,818,948,840 and Rp 919,494,659,829, respectively.

As part of the Company's continuing efforts in addressing the above mentioned condition, the Company has implemented and plans to continue with the following measures:

Operation sector

- The Company is committed to continue its expansion through increasing its coverage area. For such purposes, the Company has obtained a license to roll out its coverage nationwide so that the Company would be operating in other areas of Java Island, as well as Sumatra, Kalimantan, Sulawesi and other areas throughout Indonesia.

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**36. EFFECTS OF ECONOMIC CONDITIONS ON THE ACTIVITIES OF THE COMPANY**  
*(Continued)*

- Expand and increase the quality of its network and coverage, and collaborate with other operators for interconnection purposes on a mutually beneficial basis.
- Increase the services such as SMS and data, as well as develop the product with CDMA 2000 1X capability and adding Value Added Services (VAS).

Marketing sector

- Pursue its marketing strategy based on the concept of disruptive innovation through various campaigns similar to the “Semua Untung”, “Gile Bener”, “Hujan Duit” and “Talk Time” campaigns.
- Strive to increase Esia brand awareness in its target market segments through focused marketing and promotional programs.
- Develop new brands for different market segments.

Distribution sector

- The Company collaborates with third parties for the distribution of starter packs and vouchers, the opening of outlets, point of sales and permanent booths in locations within the Esia coverage area and apply a one-stop service concept for Esia products.
- The Company develop refill voucher distribution channels through collaboration with electronic refill voucher agents like E-pay and Nusapro, and banks consisting of Bank BCA, Bank Mandiri, Bank Danamon, Citibank, Bank BNI, Bank Permata, Bank Mega, Bank Ekonomi, Bank Bukopin, etc.

Customer satisfaction sector

- The Company will develop Customer Relationship Management (CRM) programs as part of the effort to improve the quality of the products and services offered to customers so as to ensure customer satisfaction.

Human resources sector

- The Company will continue to increase the competency of human resources quality, high motivation and customer satisfaction oriented towards being a world-class Company.

The Company also plans to maintain the number of Ratelindo customers but not add new ones. This is because the E-TDMA technology used by Ratelindo is already obsolete and not being upgraded.

The management believes that the above mentioned plan will effectively counter the effects of the current economic condition on the Company. It is not possible to determine the future effects of the economic conditions on the Company’s liquidity and earnings, including the effects flowing through from customers, suppliers, creditors and shareholders.



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**37. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in the financial statements for the years ended December 31, 2006, 2005 and 2004 have been reclassified to conform with the presentation of account in the financial statements for the three-month period ended March 31, 2007.

**38. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company have been approved for issue by the Boards of Directors on May 7, 2007.