

# BAKRIE TELECOM FIRST HALF RESULTS 2006

## PT BAKRIE TELECOM Tbk.

Wisma Bakrie, 2<sup>nd</sup> Floor  
 Jl HR Rasuna Said Kav B-1  
 Jakarta 12920  
 Indonesia

Phone : 62-21-9101112

Fax : 62-21-9100080

Website: [www.bakrietelecom.com](http://www.bakrietelecom.com)

Ticker: **BTEL**

### Major Shareholders:

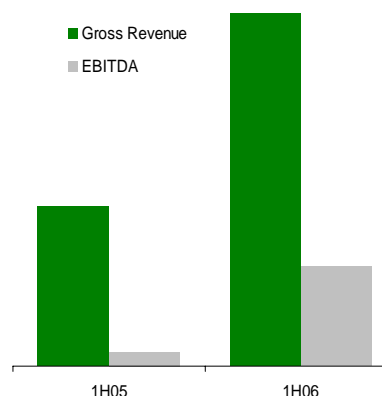
PT Bakrie Brothers Tbk.	50.35%
Richweb Investment Ltd.	2.94%
CMA Fund Management Ltd.	15.10%
PT Bakrie Communication	4.49%
Public	29.29%

## Highlights:

- Total subscribers increased by 325.2% from 249,652 subscribers in 1H05 to 1,061,473 subscribers in 1H06;
- Gross revenue increased by 121.6% to Rp355.12 billion compared to Rp160.26 billion in the same period last year;
- EBITDA surged by 603.9% to Rp100.73 billion in 1H06, versus Rp14.31 billion for the corresponding period last year;
- EBITDA margin widened to 28.4% in 1H06 from 8.9% in 1H05; and
- Net income of Rp14.39 billion in 1H06 is a significant turnaround from a net loss of Rp87.40 billion in 1H05.

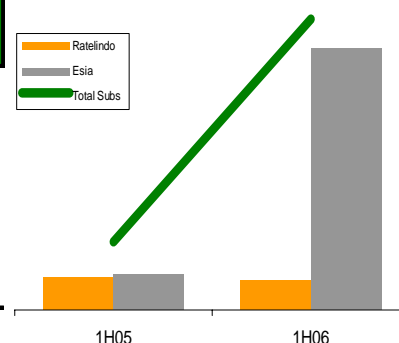
## FINANCIAL HIGHLIGHTS

Key Indicators	IH05	IH06	Growth (%)
	Rp Million	Rp Million	
Gross Revenue	160,262	355,123	121.6%
Net Revenue	101,792	254,126	149.7%
Total OPEX	150,962	222,220	47.2%
EBITDA	14,308	100,726	604.0%
EBITDA Margin	8.9%	28.4%	n/a
EBIT	(49,171)	31,906	n/a
Net Income (Loss)	(87,404)	14,391	n/a



## OPERATIONAL HIGHLIGHTS

Key Indicators	IH05	IH06	Growth (%)
	Rp Million	Rp Million	
Total Subscribers	249,652	1,061,473	325.2%
Ratelindo	119,006	106,646	-10.4%
Esia	130,646	954,827	630.9%
Postpaid	11,888	44,618	275.3%
Prepaid	118,758	910,209	666.4%



**PT BAKRIE TELECOM Tbk. FIRST HALF 2006**  
**OPERATING & FINANCIAL RESULTS**

The following analysis and discussion is based on the company's first half financial statements for 2005 and 2006, with a limited review by public accountants Jimmy Budhi & Partners.

**FINANCIAL RESULTS**

**Gross Revenue & Net Revenue**

In 1H06, PT Bakrie Telecom Tbk. ('BTEL') reported gross revenue of Rp355.123 billion, a 121.6% increase from the 1H05 figure of Rp160.262 billion. 1H06 net revenue reached Rp254.126 billion, up 149.6% from 1H05's Rp101.792 billion. The revenue increase was mainly due to significant growth in BTEL's subscriber base to 1.06 million as of the end of 1H06 from 249,652 subs at the end of 1H05.

**Operating Expenses**

Whilst net revenue increased by 149.6%, Operating expenses increased only by 47.2% to Rp222.220 billion versus Rp150.962 billion in the same period last year. This increase was due to BTEL's efforts to develop its business through network expansion, strengthening the *Esia* brand image, and strategic hiring of world class professionals to provide improved products and services to meet customer demand. The main contributors to the increase are as follows:

- Depreciation expense increased by 9.8% to Rp64.370 billion in 1H06 from Rp58.640 billion in 1H05. This was mainly as a result of an expansion of CDMA network & infrastructure;
- Operating & maintenance expense increased by 38.5% to Rp28.600 billion in 1H06 from Rp20.647 billion in 1H05, in line with network expansion in our operating area;
- General & administrative expense grew 68.5% to Rp34.347 billion in 1H06 from Rp20.383 billion in 1H05, mainly from increased activities to accommodate our significant subscriber growth;
- Personnel expense increased by 44.2% to Rp30.748 billion in 1H06 from Rp21.321 billion in 1H05 as a result of a higher payroll, especially from strategic hires and a larger sales force; and
- Marketing & sales expense grew by 137.6% to Rp59.706 billion in 1H06 from Rp25.133 billion in 1H05. This significant increase is due to greater marketing and sales resulting in higher subscriber acquisitions compared to the same period last year.

### EBITDA & EBIT

EBITDA surged 603.8% to Rp100.726 billion in 1H06 from Rp14.308 billion in 1H05. EBITDA margin in 1H06 widened to 28.4% compared to 8.9% in 1H05. BTEL reported 1H06 EBIT of Rp31.906 billion, while in 1H05 EBIT remained negative.

### Net Income

BTEL recorded net income of Rp14.391 billion for 1H06, compared to a net loss of Rp87.404 billion in the first half of 2005.

## OPERATING RESULTS

### Subscribers

Total subscribers by the end of 1H06 was 1,061,473 subs, representing a 325.2% increase from 1H05's 249,652 subs. Our CDMA *Esia* Prepaid subscriber base increased by 666.4% to 910,209 subs in 1H06 from 118,758 subs in 1H05. Our CDMA *Esia* Postpaid subscriber base increased by 275.3% to 44,618 subs in 1H06 from 11,888 subs in 1H05. Meanwhile, our *Ratelindo* subscriber base decreased by 14.8% to 133,982 subs in 1H06 from 157,204 subs in 1H05, mostly as a result of subscribers converting to *Esia*, which has better quality and features. The increase in the *Esia* subscriber base was driven by a successful *Talktime* marketing campaign, improved network quality, and strong brand image/awareness, as well as the introduction of several benefits during 1H06, such as 'bonus Talktime', savings of up to 90% by using *Esia* for long distance calls, a bundled package with Nexian (Rp300,000 handset) and bundled packages with Motorola, Samsung and Nokia.

The Government has required all prepaid cards to be registered by 28 April, 2006. Since December 2005, we have taken various steps to reach and educate our prepaid subscribers to register as soon as possible. As of the end of April 2006, BTEL had successfully registered 98.0% of its prepaid subscriber base.

### Service Usage

Below are the Average Revenue per User (ARPU) figures for BTEL's products:

ARPU	1H05	1H06
<i>Ratelindo</i>	Rp157,204	Rp134,608
<i>Esia Blended</i>	Rp84,977	Rp69,737
<i>Esia Postpaid</i>	Rp203,036	Rp195,218
<i>Esia Prepaid</i>	Rp70,023	Rp62,823
<i>Blended</i>	Rp126,053	Rp79,641

Generally, the industry experiences a declining ARPU trend in line with increased market penetration. This is especially pronounced for BTEL, as the company's target markets are the middle to low income segments.

## **SALES & DISTRIBUTION**

To enable improved customer access to its *Esia* services, BTEL has continued aggressively to broaden its sales and distribution network by adding more distributors, authorized outlets (*Bandar*), and *E-Voucher* and *Inject* dealers. By 1H06, BTEL had 40 distributors, 31 authorized outlets, 13 *E-Voucher* and 189 *Inject* dealers, and 12,957 outlets spread across our operating area.

## **MARKETING**

During 1H06, BTEL continued to promote its brands aggressively through its various bundled packages:

- “*Hape untuk kita*”, bundle with a Nexian handset for Rp300,000 and 100 free minutes talk-time per month (on-net) for six months;
- “*Dobel-Dobel Mantap*”, bundle with a Motorola handset for Rp579,000 and 150 minutes free talk-time per month (on-net) for six months;
- “*Paket Untung Gede-Gedean*”, bundle with a Samsung handset for Rp895,000 and 100 free minutes talk-time per month (on-net) for six months;
- “*Bonus Talk-Time 2x Lipat*”, bundle with a Nokia 2225 handset for Rp1,375,000; and
- “*Paket Gilee beneeerrr 2x*” for Rp800,000.

Besides offering these promotions, BTEL also ran advertising campaigns on TV, radio and print media.

### **Brand Awareness**

BTEL brand/advertising impact is second in the industry (GSM and CDMA). Research conducted by Taylor Nelson Sofres (TNS) indicates that *Esia*’s ads score very high on unaided recall compared to other brands.

### **PT Bakrie Telecom Tbk. Profile**

PT Bakrie Telecom Tbk. (BTEL) owns the *Esia* brand of wireless communication products and services, and has been serving the public since 1996 through its original *Ratelindo* service. Since the company's relaunch in September 2004, BTEL has recorded positive operating and financial performance.

BTEL provides wireless communication services using the CDMA 2000 1x technology. This technology uses the 800MHz frequency band, resulting in a very clear voice service and data transfer capability of up to 153Kbps. BTEL's main product offerings are *Ratelindo*, *Wartel*, *Esia Prepaid*, and *Esia Postpaid*.

In 2004, BTEL had only 192,000 customers. The company's subscriber base increased by 153% in 2005, when BTEL was successfully reaching 487,000 subscribers. By June 2006, BTEL had passed the 1 million subscriber level.

Bakrie Telecom listed on the Jakarta Stock Exchange in February 2006 with the ticker symbol BTEL.

### **IMPORTANT RECENT EVENTS**

#### **February 2006**

The company listed on the Main Board of the Jakarta Stock Exchange via an Initial Public Offering of 5.5 billion shares priced at Rp110 per share. The total stake offered represents a 29.29% public ownership of BTEL. The total capital raised by the IPO was Rp605 billion.

#### **March 2006**

- BTEL funds the “*Program Pelajar Bersih, Transparan dan Professional (BTP)*” anti-corruption drive in several high schools in Jakarta, in cooperation with the Middle and Higher Education Board (*Dikmenti*) of the DKI Jakarta region.
- BTEL and Motorola collaborate to launch BTEL's “*Dobel-Dobel Mantap!*” bundle..
- BTEL extends the “*1 Jam cuma Rp1000*” Talktime campaign offering one hour of Talktime for Rp1,000 – In the midst of increasing tariffs in telecommunications, electricity and toll roads, BTEL has consistently provided its customers an affordable telecommunications tariff by using the Talktime concept.

#### **April 2006**

BTEL launched a bundled package with Nokia using the “*Gile Bener 2X*” campaign. Following the success of the previous “*Gile Bener 1*” campaign launched in September 2004, BTEL and Nokia offer an *Esia* starter pack and handset for Rp800,000. Other bonuses included in this bundle include 100 free minutes Talktime (on-net) on weekends and 300 free sms per month for three months.

**May 2006**

BTEL sign a cooperation agreement with Bank Central Asia (BCA) to provide Payment Point facilities for BTEL and BCA customers. With BCA's extensive branch network, the cooperation will expand BTEL's distribution channels.

**June 2006**

- The cities of Bogor, Cilegon, Serang and Cirebon enter commercial operation. Another 11 cities which are already wired up will follow in the next quarter.
- BTEL hits 1.061 million subscribers by the end of June 2006.
- BTEL commits to providing affordable and high quality telecommunications to support Indonesia's cooperatives and small and medium enterprises (SME) by signing the '*Koperasi Karyawan Garuda Maintenance Facilities AeroAsia*' agreement.

**OUTLOOK 2006**

- Fundamental customer demand for mobile telephony product is expected to continue to be strong
- BTEL will continue its effort to expand geographic coverage and gain market share in current geography through strong, aggressive, well funded and innovative marketing program

**BAKRIE TELECOM**  
**FIRST HALF RESULTS 2006**

• **PT Bakrie Telecom Tbk.**

**Operational & Financial Results**

	2004*	1H05**	2H05	2005*	1H06**
<b>Total Subscribers</b>	<b>192,029</b>	<b>249,652</b>	<b>486,604</b>	<b>486,604</b>	<b>1,061,473</b>
Ratelindo	120,990	119,006	114,475	114,475	106,646
Esia	71,039	130,646	372,129	372,129	954,827
<i>Postpaid</i>	9,350	11,888	20,303	20,303	44,618
<i>Prepaid</i>	61,689	118,758	351,826	351,826	910,209
<b>ARPU (Rp)</b>	<b>142,271</b>	<b>126,053</b>	<b>107,770</b>	<b>116,913</b>	<b>79,641</b>
Ratelindo	158,076	157,204	148,914	153,059	134,608
Esia	76,836	84,977	83,095	84,036	69,737
<i>Postpaid</i>	106,327	203,036	210,949	206,992	195,218
<i>Prepaid</i>	70,644	70,023	72,775	71,399	62,823
<b>BTS</b>	<b>126</b>	<b>165</b>	<b>235</b>	<b>235</b>	<b>291</b>
<b>Bank Debt (Rp Mn)</b>	<b>492,138</b>	<b>515,817</b>	<b>509,357</b>	<b>509,357</b>	<b>491,269</b>
<b>Gross Revenue (Rp Mn)</b>	<b>275,029</b>	<b>160,262</b>	<b>208,793</b>	<b>369,055</b>	<b>355,123</b>
<b>Net Revenue (Rp Mn)</b>	<b>161,701</b>	<b>101,792</b>	<b>141,965</b>	<b>243,757</b>	<b>254,126</b>
<b>Total OPEX (Rp Mn)</b>	<b>229,229</b>	<b>150,962</b>	<b>192,739</b>	<b>343,701</b>	<b>222,220</b>
Depreciation (Rp Mn)	91,324	58,640	61,159	119,799	64,370
Operating & Maintenance (Rp Mn)	30,728	20,647	26,556	47,203	28,600
General & Administrative (Rp Mn)	38,532	20,383	23,314	43,697	34,347
Personnel (Rp Mn)	34,085	21,321	24,116	45,437	30,748
Marketing & Sales (Rp Mn)	26,481	25,133	49,864	74,997	59,706
Other Expense (Rp Mn)	8,080	4,839	7,730	12,569	4,450
<b>EBITDA (Rp Mn)</b>	<b>28,830</b>	<b>14,308</b>	<b>9,641</b>	<b>23,949</b>	<b>100,726</b>
<b>EBITDA/Gross Revenue (%)</b>	<b>10.5%</b>	<b>8.9%</b>	<b>4.6%</b>	<b>6.5%</b>	<b>28.4%</b>
<b>EBIT (Rp Mn)</b>	<b>(67,527)</b>	<b>(49,171)</b>	<b>(50,773)</b>	<b>(99,944)</b>	<b>31,906</b>
<b>EBIT/Gross Revenue (%)</b>	<b>-24.6%</b>	<b>-30.7%</b>	<b>-24.3%</b>	<b>-27.1%</b>	<b>9.0%</b>
<b>Financial Charges (Rp Mn)</b>					
Net Interest (Rp Mn)	(63,671)	(41,427)	(33,894)	(75,320)	(21,146)
Others (Rp Mn)	(458)	(2,576)	980	(1,596)	(4,321)
<b>Pretax Income (Loss) (Rp Mn)</b>	<b>(131,657)</b>	<b>(93,173)</b>	<b>(83,687)</b>	<b>(176,860)</b>	<b>6,439</b>
<b>Tax (Rp Mn)</b>	<b>(166,321)</b>	<b>5,769</b>	<b>26,767</b>	<b>32,536</b>	<b>7,952</b>
<b>Net Income (Rp Mn)</b>	<b>(297,978)</b>	<b>(87,404)</b>	<b>(56,921)</b>	<b>(144,324)</b>	<b>14,391</b>

\* Audited

\*\* Limited Review