

PT BAKRIE TELECOM Tbk.

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Ticker : BTEL

Major Shareholders:
 PT Bakrie Brothers Tbk. 21.6%
 Public 78.4%

KEY FIGURES:

- Gross revenues decreased from Rp 1,726.9 billion in 1H11 to Rp 1,375.4 billion in 1H12.
- EBITDA decreased from Rp 622.3 billion in 1H11 to Rp 442.4 billion in 1H12.
- Net loss increased from Rp179.7 billion in 1H11 to Rp 749.7 billion in 1H12.

FINANCIAL PERFORMANCE

Statement of Income (in Rp bn)	1H11	1H12	Change
Gross Revenue	1,726.9	1,375.4	-20.4%
Net Revenue	1,378.0	1,118.9	-18.8%
Total Opex	1,396.3	1,406.1	0.7%
EBITDA	622.3	442.4	-28.9%
EBIT	(18.3)	(287.2)	n/a
Net Loss	(179.7)	(749.7)	n/a

Balance Sheet (in Rp bn)	FY11	1H12	Change
Total Assets	12,213.1	11,672.4	-4.4%
Total Liabilities	7,844.4	7,879.1	0.4%
Total Equity	4,368.8	3,793.3	-13.2%

OPERATING PERFORMANCE

Operating Results	1H11	1H12	Change
Subscribers	14,062,580	11,463,989	-18.5%
Blended ARPU	22k	20k	-11.4%
Minutes of Usage	9,451	7,573	-19.9%
BTS	4,019	4,011	-0.2%

FINANCIAL & OPERATING RESULTS

The following analysis and discussion is based on the company's comparative figures of financial statements for the six-month periods ended 30 June 2012 (unaudited) and 30 June 2011 (audited) as well as 31 December 2011 (audited) with other relevant company information.

FINANCIAL RESULTS

GROSS OPERATING REVENUES & NET OPERATING REVENUES

PT Bakrie Telecom Tbk. (BTEL) recorded gross operating revenues of Rp 1,375.4 billion in 1H12, decreased by 20.4% when compared to Rp 1,726.9 billion in 1H11. This was mainly attributed to the 21.4% decrease in telecommunication service revenue from Rp 1,583.6 billion to Rp 1,244.8 billion. The Company is also incurred with Rp 126.0 billion from net expenses of interconnection services and discounts from Rp 205.6 billion in 1H11. Consequently, net revenues during the year decreased 18.8% to Rp 1,118.9 billion from Rp 1,378.0 billion last year.

Operating Revenue (in Rp bn)	1H11	1H12	Change
Gross Revenue	1,726.9	1,375.4	-20.4%
Telecommunication Service Revenue	1,583.6	1,244.8	-21.4%
Net Interconnection and discounts	(205.6)	(126.0)	-38.7%
Net Revenue	1,378.0	1,118.9	-18.8%

Voice revenues decreased by 23.8% yoy to Rp 724.2 billion from Rp 950.4 billion due to usage decline. Non voice revenues, which comprise of SMS, VAS and data experienced 15.4% decline yoy due to a significant drop in VAS revenue caused by the new regulation on SMS premium. On the other hand, Broadband Wireless Access (BWA) continued to show a significant increase in 1H12. BWA contributed to about 6.3% of total gross revenue up from 2.9% in the previous year. This is in line with the company's aim to make BWA as the future growth driver.

Gross Revenue (in Rp bn)	1H11	1H12	Change
Voice	950.4	724.2	-23.8%
Non Voice	587.6	497.3	-15.4%
Others	188.9	153.8	-18.6%
Total	1,726.9	1,375.4	-20.4%

% to Gross Revenue	1H11	1H12
Voice	55.0%	52.7%
Non Voice	34.0%	36.2%
Others	10.9%	11.2%

BWA Revenue (in Rp bn)	1H11	1H12	Change
BWA Revenue	50.1	87.1	74.0%
% BWA revenue to gross revenue	2.9%	6.3%	

OPERATING EXPENSES

1H12 operating expenses are Rp 1,406.1 billion, slightly lower than Rp 1,396.3 billion in the year before.

- Depreciation expense increased 13.9% to Rp 729.7 billion from Rp 640.6 billion. This is mainly the result of BWA related investments from previous years. Consequently, ratio of depreciation expense to gross revenues also increased from 37.1% to 53.1%.
- Operating & maintenance expenses increased by 25.1% to Rp 255.0 billion from Rp 203.8 billion, mainly due to updated calculation of frequency fees based on usage of bandwidth. As a percentage of gross revenues, operating & maintenance expense rose from 11.8% to 18.5%.
- General & administrative expenses decreased by 16.0 % to Rp 90.5 billion from Rp 107.8 billion as a result of efficiency measures being implemented by the Company. Similarly, BWA related expenses are reduced by 16,8%.
- Personnel cost decreased by 2.0% to Rp 174.3 billion from Rp 177.9 billion. BWA related expenses are lower in 2012 following the integration of operating functions.
- Sales & marketing expenses decreased by 41.2% to Rp 156.6 billion from Rp 266.3 billion, mainly attributed to the application of low budget yet effective advertising strategy in 1H12. The ratio of sales and marketing expenses over the gross revenues has improved significantly, currently 11.4% compared to 15.4% in 1H11. During the examined period, BWA related expenses amounted to Rp 10.3 billion which is considerably lower than in previous year.

Operating Expense (in Rp bn)	1H11	1H12	Change
Depreciation	640.6	729.7	13.9%
Operating & maintenance	203.8	255.0	25.1%
General & administrative	107.8	90.5	-16.0%
Existing Services	101.4	85.3	-16.0%
BWA	6.3	5.3	-16.8%
Personnel	177.9	174.3	-2.0%
Existing Services	165.7	164.2	-0.9%
BWA	12.1	10.0	-17.3%
Sales & marketing	266.3	156.6	-41.2%
Existing Services	239.5	146.3	-38.9%
BWA	26.8	10.3	-61.5%
Total Operating Expense	1,396.3	1,406.1	0.7%

OPEX as % to Gross Revenue	1H11	1H12
Depreciation	37.1%	53.1%
Operating & maintenance	11.8%	18.5%
General & administrative	6.2%	6.6%
Existing Services	5.9%	6.2%
BWA	0.4%	0.4%
Personnel	10.3%	12.7%
Existing Services	9.6%	11.9%
BWA	0.7%	0.7%
Sales & marketing	15.4%	11.4%
Existing Services	13.9%	10.6%
BWA	1.6%	0.7%
Total Operating Expense	80.9%	102.2%

EBITDA & EBIT

BTEL booked a Rp 442.4 billion EBITDA in 1H12. This represents a 28.9% decline compared to Rp 622.3 billion in the previous year. Hence, EBITDA margin also decreased from 36.0% to 32.2%. Operating losses in 1H12 amounted to 287,2 billion following the trend in EBITDA.

EBITDA & EBIT (in Rp bn)	1H11	1H12	Change
EBITDA	622.3	442.4	-28.9%
EBITDA to Gross Revenue	36.0%	32.2%	
EBIT	(18.3)	(287.2)	n/a
EBIT to Gross Revenue	-1.1%	-20.9%	

OTHER INCOME (CHARGES)

Net other charges in 1H12 increased to Rp 633.3 billion from Rp 214.7 billion in the previous year. This is mostly due to 10,3% higher financing charges following the issuance of the global bond, coupled with the loss on foreign exchange translation of Rp 228.6 billion which is in reverse trend from the gain on foreign exchange of Rp 154.4 billion experienced in 1H11.

Other Income / Charges (in Rp bn)	1H11	1H12	Change
Gain on foreign exchange - net	154.4	(228.6)	n/a
Amortization of deferred gain	5.0	5.0	0.0%
Interest income	4.8	0.8	-83.3%
Financing charges	(377.2)	(416.1)	10.3%
Others - net	(1.7)	5.6	n/a
Total other charges	(214.7)	(633.3)	195.0%

NET INCOME (LOSS)

The company posted a net loss of Rp 749.7 billion in 1H12 from Rp 179.7 billion in 1H11 for the abovementioned reasons.

(in Rp bn)	1H11	1H12	Change
Net loss	(179.7)	(749.7)	n/a

BALANCE SHEETS

Total assets stood at Rp 11,672.4 billion in 1H12, showing a 4.4% decrease compared to Rp 12,213.1 billion in FY11.

- Current assets decreased by 4.9% from Rp 948.4 billion to Rp 901.9 billion on account of the reduction on prepaid taxes movement due to VAT refund.
- Non-current assets decreased by 4.4% to Rp 10,770.5 billion. This was due to 6.0% decrease in fixed assets from Rp 10,630.4 billion in FY11 to Rp 9,995.9 billion in 1H12 mainly due to lower capital expenditure and disposals.

Total liabilities in 1H12 are Rp 7,879.1 billion, slightly decreased from Rp 7,844.4 billion during FY11.

- Current liabilities increased by 8.5% to Rp 3,207.3 billion due to the increase of accrued expenses mainly as a result of increased frequency fees for usage of bandwidth.
- Non-current liabilities decreased by 4.4% to Rp 4,671.8 billion mainly due to the reduction of lease liabilities.

Total equity decreased by 13.2% to Rp 3,793.3 billion from Rp 4,368.8 billion in FY11 in effect of current year loss.

Balance Sheet (in Rp bn)	FY11	1H12	Change
Cash & cash equivalents	162.3	245.4	51.2%
Short term investment	7.4	2.5	-66.1%
Other current assets	778.6	654.0	-16.0%
Total Current Assets	948.4	901.9	-4.9%
Fixed asset - net	10,630.4	9,995.9	-6.0%
Other non current assets	634.3	774.6	22.1%
Total Non Current Assets	11,264.8	10,770.5	-4.4%
Total Assets	12,213.1	11,672.4	-4.4%
Current maturities of long term debt	1,052.4	1,054.5	0.2%
Other current liabilities	1,903.3	2,152.8	13.1%
Total Current Liabilities	2,955.8	3,207.3	8.5%
Long term debt	4,689.9	4,555.7	-2.9%
Other non current liabilities	198.7	116.0	-41.6%
Total Non Current Liabilities	4,888.6	4,671.8	-4.4%
Total Liabilities	7,844.4	7,879.1	0.4%
Total Equity	4,368.8	3,793.3	-13.2%

CASH FLOWS

- Net cash provided by operating activities were Rp 356.9 billion during 1H12, 10.1% lower than Rp 397.1 billion in the previous year due to the decrease of cash receipts from operating activities. The impact of this decline was eased by the refund of VAT payments in 2Q12.
- Net cash outflow used in investing activities also decreased 87.6% to Rp 97.3 billion, on the back of the decrease in the acquisition of fixed assets and the reduction of short-term financial investment during 1H12. Additionally net cash from investing activities was further enhanced by the proceeds from sale of un-utilized equipment related to subduct in 2Q12.
- Net cash outflow used in financing activities were Rp 171.7 billion that was mostly for payment of finance lease.

Cash Flow Statement (in Rp bn)	1H11	1H12	Change
Net cash provided by operating activities	397.1	356.9	-10.1%
Net cash used in investing activities	(782.7)	(97.3)	-87.6%
Free cash flow	(385.6)	259.7	n/a
Net cash provided by (used in) financing activities	428.8	(171.7)	n/a
Net decrease in cash and cash equivalent	43.2	88.0	103.5%
Cash & cash equivalent at beginning of year	333.7	162.3	-51.4%
Cash & cash equivalent at end of year	370.5	245.4	-33.8%

DESCRIPTION OF DEBTS

The company's total outstanding debt as of 30 June 2012 amounted to Rp 5,610.3 billion, consisting of:

- Rp 2.7 billion loans from BCA.
- US\$ 380 million global bond issuance due in 2015.
- Rp 650 billion Rupiah bond I issuance due in 2012.
- Rp 1,391.9 billion in financial lease liabilities.

Debts (in Rp bn)	1H11	1H12	Change
Bank loans	3.3	2.7	-18.5%
Global Bonds	3,391.6	3,565.9	5.1%
Rupiah Bonds	649.1	649.8	0.1%
Financial lease	1,698.3	1,391.9	-18.0%
Total	5,742.4	5,610.3	-2.3%

OPERATING RESULTS

SUBSCRIBERS

BTEL subscribers have reached 11,463,989 in the end June 2012 or decreased by 18.5% when compared the last year's figure of 14,062,580. As part of our strategy to have more productive subscribers, we cleaned up low ARPU subscribers in 1Q12. Post cleaning up, we recorded a positive net addition of 296,155 subscribers in 2Q12 compared to 1Q12.

Compared to the same period last year, prepaid subscribers decreased by 18.5% to 11,413,400 on the back of 21.0% decline in Esia subscribers' to 10,892,866.

If we compare between the last two consecutive quarters for Esia prepaid subscribers, there is an increase of 235k subscribers from 1Q12 to 2Q12.

At the end of June 2012, broadband data subscribers, including dongle and smartphone, have amounted to 521,880 or increased 150.4% from 208,392 in 1H11.

Subscribers	1H11	1H12	Change
Prepaid	14,003,579	11,413,400	-18.5%
Esia	13,795,629	10,892,866	-21.0%
Non Dongle	-	190,560	n/a
Dongle	207,950	329,974	58.7%
Postpaid	59,001	50,589	-14.3%
Esia	58,559	49,243	-15.9%
Dongle	442	1,346	204.5%
Total	14,062,580	11,463,989	-18.5%

SERVICE USAGE

Total minutes of usage (MoU) up to the end of 1H12 was 7,573 billion or 19.9% lower than 9,451 billion in the previous year on the back of declining usage. The Company has stopped all free minutes promotions and continued to apply new tariff scheme that resulted in declining usage.

1H12 blended ARPU stood at Rp 20k or 11.4% lower than Rp 22k in 1H11. This was the result of a much higher proportion of on-net traffic and first time subscribers that have not recorded an optimum level of usage yet. On QoQ basis, our 2Q12 blended ARPU increased 16.7% to Rp 21k from Rp18k in 1Q12. This revealed the positive effect of cleaning up 'the low ARPU customers' in the previous quarter.

Service Usage	1H11	1H12	Change
Minutes of Usage <i>(in mn minutes)</i>	9,451	7,573	-19.9%
ARPU			
Prepaid	21k	20k	-7.1%
Postpaid	112k	117k	4.6%
Blended	22k	20k	-11.4%

NETWORK INFRASTRUCTURE

Optimizing the network in our existing coverage, BTEL has 4,011 BTS installed at the end of June 2012, where 68.0% were located in Greater Jakarta, Banten and West Java (JBJB) areas. Following the launch of broadband wireless data business, 2,360 BTS were already equipped with EVDO equipment. In line with our assets light strategy, 94.0% of the BTS were co-located.

Number of BTS	1H11	1H12
Total BTS	4,019	4,011
BTS: Voice & SMS	4,019	4,011
EVDO	2,349	2,356

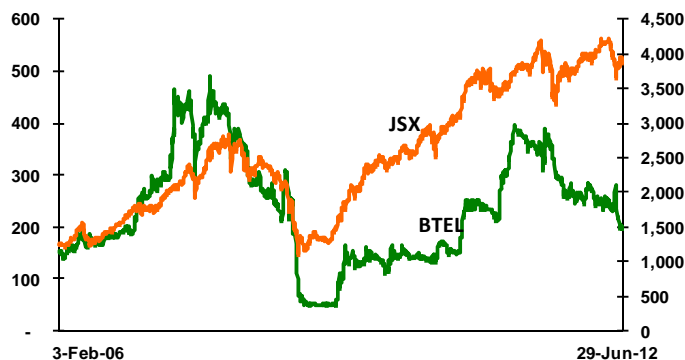
DISTRIBUTION CHANNEL

To maintain customer access to Esia services, BTEL continued aggressively to broaden its sales and distribution network by adding more Gerai Esia, dealers and outlets. By 1H12, BTEL's product and services were available through 70 Gerai Esia, 117 dealers and more than 5,000 outlets across all of our operating areas.

BRAND AWARENESS

Despite fierce competition within the industry, Esia maintained its strong image as the country's leading budget operator. Based on periodical survey conducted by independent global marketing research consultant up to the end of June 2012, the brand continued to be on the high side in terms of spontaneous brand awareness, the brand that offers the cheapest tariffs as well the top recommended brand by both consumers and frontliners.

BTEL SHARE PRICE



BTEL shares began trading on the Jakarta Stock Exchange on 3 February 2006 with an Initial Public Offering price of Rp 110 per share. Throughout 2Q12, the share was traded between 198 to 280.

Price (in Rp)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
High	360	395	390	320	285	280
Low	200	330	310	245	240	198
Close	355	365	330	260	255	200

1H12 IMPORTANT EVENTS

“Launch of Esia Max-D”

In the early of June 2012, BTEL launched Esia Max-D, a broadband internet data services that offers maximum quality at a minimum price. It provides high-speed internet access service based on CDMA EVDO network with the same speed for all internet package of up to 3.1 Mbps. Subscribers can enjoy all the benefits and convenience provided by only paying for Rp 99,000.

At the launch date, BTEL exerted its employees to get down to the market in order to help the sales force distributing the products. It was the first time such program is held, where all products can be distributed in 3,000 outlets in 5 hours. This is also the way the Company builds sense of belonging of all its employees and create a good teamwork between employees across division and directorate.



APRIL

- Held Extraordinary General Meeting of Shareholders to obtain an approval on Non-Preemptive Rights Issue transaction amounting to Rp755 billion.

MAY

- Launched “BTEL Cultural Integrity”, a corporate culture book series, that elaborate 7 characters of BTEL integrity: Honesty, Responsibility, Visionary, Discipline, Teamwork, Fairness and Care
- Received 9 awards in Indonesian Contact Center Award 2012: Platinum award for Inbound Agent category, Gold Award for Technology Innovation, Back Office Operations, Quality Assurance, Telesales, and Tele-nonsale and Bronze Award for Operations, Quality Assurance and Trainer.

JUNE

- Conducted a special program between Esia and West Cikarang police station to facilitate efficient operational communication in the region.
- Held Annual General Meeting of Shareholders to obtain an approval on activities and financials of the Company for the fiscal year 2011.

PT Bakrie Telecom Tbk. Profile

PT Bakrie Telecom Tbk. (BTEL) provides wireless communication services under the brand Esia. The company utilizes CDMA 2000 1x technology within the 800MHz frequency band, which resulted in a very clear voice service and data transfer capability up to 153Kbps. In the middle of 2010, the company launched its broadband wireless access (BWA) services business that utilized CDMA EVDO technology.

BTEL began its first operation in 1996 through its original Ratelindo service. Following its relaunch in September 2004, BTEL has continually recorded positive operating as well as financial performance. In 2004, BTEL only had 192,000 subscribers. The company acquired its first one million subscribers in 2Q06. By 1H12, BTEL has surpassed the 11.5 million subscribers mark, spread across 82 cities nationwide.

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

FINANCIAL & OPERATING SUMMARY

	1Q11	2Q11	1H11	3Q11	4Q11	FY11	1Q12	2Q12	1H12
Total Subscribers	13,623,585	14,062,580	14,062,580	14,422,407	14,635,422	14,635,422	11,167,834	11,463,989	11,463,989
Prepaid	13,561,936	14,003,579	14,003,579	14,365,531	14,580,708	14,580,708	11,115,439	11,413,400	11,413,400
Postpaid	61,649	59,001	59,001	56,876	54,714	54,714	52,395	50,589	50,589
ARPU Blended (Rp)	23k	20k	22k	17k	18k	20k	18k	21k	20k
Prepaid	22k	20k	21k	17k	18k	19k	18k	21k	20k
Postpaid	111k	112k	112k	117k	117k	114k	114k	120k	117k
Minutes Of Usage (in mn)	4,761	4,689	9,451	4,285	4,111	17,846	3,966	3,607	7,573
BTS	3,992	4,019	4,019	3,994	4,016	4,016	4,011	4,011	4,011
City Coverage	82	82	82	82	82	82	82	82	82
(In Rp billion)									
Gross Revenue	900.0	826.8	1,726.9	721.8	746.8	3,195.5	673.3	702.0	1,375.4
Net Revenue	717.9	660.1	1,378.0	592.8	620.2	2,591.0	526.6	592.3	1,118.9
Total Operating Expenses	705.0	691.3	1,396.3	696.1	672.7	2,765.0	697.0	709.1	1,406.1
Depreciation	314.2	326.3	640.6	337.9	343.8	1,322.3	361.8	367.9	729.7
Operating & Maintenance	102.1	101.7	203.8	83.2	106.6	393.6	130.5	124.5	255.0
General & Administrative	57.6	50.2	107.8	52.2	48.0	207.9	42.2	48.3	90.5
Personnel	79.1	98.8	177.9	102.1	93.4	373.4	85.3	89.0	174.3
Marketing & Sales Expense	152.0	114.3	266.3	120.8	80.9	467.9	77.1	79.5	156.6
EBITDA	327.2	295.1	622.3	234.6	291.4	1,148.3	191.4	251.0	442.4
<i>EBITDA / Gross Revenue (%)</i>	<i>36.4%</i>	<i>35.7%</i>	<i>36.0%</i>	<i>32.5%</i>	<i>39.0%</i>	<i>35.9%</i>	<i>28.4%</i>	<i>35.8%</i>	<i>32.2%</i>
<i>EBITDA / Net Revenue (%)</i>	<i>45.6%</i>	<i>44.7%</i>	<i>45.2%</i>	<i>39.6%</i>	<i>47.0%</i>	<i>44.3%</i>	<i>36.4%</i>	<i>42.4%</i>	<i>39.5%</i>
EBIT	13.0	(31.2)	(18.3)	(103.3)	(52.5)	(174.0)	(170.4)	(116.9)	(287.2)
<i>EBIT / Gross Revenue (%)</i>	<i>1.4%</i>	<i>-3.8%</i>	<i>-1.1%</i>	<i>-14.3%</i>	<i>-7.0%</i>	<i>-5.4%</i>	<i>-25.3%</i>	<i>-16.6%</i>	<i>-20.9%</i>
Other Income/ (Charges)	(74.6)	(140.0)	(214.7)	(296.2)	(303.0)	(813.9)	(266.4)	(366.9)	(633.3)
Financing charges - net	(196.6)	(175.8)	(372.4)	(199.0)	(187.9)	(759.3)	(209.8)	(429.1)	(638.9)
Others	121.9	35.8	157.7	(97.2)	(115.1)	(54.6)	(56.6)	62.2	5.6
Loss Before Tax	(61.7)	(171.3)	(232.9)	(399.5)	(355.5)	(987.9)	(436.7)	(483.8)	(920.5)
Tax Benefit	20.6	32.7	53.2	80.7	71.3	205.2	81.1	89.8	170.9
Net Loss	(41.1)	(138.6)	(179.7)	(318.8)	(284.2)	(782.7)	(355.6)	(394.0)	(749.7)
Current Assets	1,615.0	1,245.5	1,245.5	1,254.3	948.4	948.4	946.3	656.6	656.6
Non Current Assets	11,075.6	11,378.5	11,378.5	11,223.5	11,264.8	11,264.8	11,082.1	10,770.5	10,770.5
Total Assets	12,690.6	12,624.1	12,624.1	12,477.9	12,213.1	12,213.1	12,028.5	11,672.4	11,672.4
Current Liabilities	1,616.9	1,860.2	1,860.2	2,839.3	2,955.8	2,955.8	3,272.7	3,207.3	3,207.3
Non Current Liabilities	5,929.4	5,719.2	5,719.2	4,968.9	4,888.6	4,888.6	4,723.8	4,671.8	4,671.8
Total Liabilities	7,546.3	7,579.5	7,579.5	7,808.2	7,844.4	7,844.4	7,996.5	7,879.1	7,879.1
Total Equity	5,144.3	5,044.6	5,044.6	4,669.7	4,368.8	4,368.8	4,031.9	3,793.3	3,793.3