annual report 2007

PT Excelcomindo Pratama Tbk.

A TM Company

contents

vision

To be Indonesia's cellular champion -
delighting customers, shareholders and employees!

three core values that are abbreviated as its XL which stands for

Integrity

Trustworthiness and adherence to professional and business ethics.

All **XL** leaders and employees shall be:

- **Honest** in word and action
- **Consistent** in thought, word and behavior
- **Fair** in treating other people
- **Dedicated** to the company
- **Trustworthy** in carrying out promises and tasks

Teamwork

Being supportive of each other and proactively contributing to achieve common goals.

Not all tasks could be accomplished alone. Teamwork makes it possible for us to reach bigger goals. Effective teamwork could be achieved when **XL** employees are:

- **Positive Thinkers and Open-minded** towards others
- **Respectful** of one another's differences
- **Caring** towards others
- **Communicating regularly** in order to develop a common understanding
- **Sharing** knowledge and skills
- **Focused on Common Goals**

Service Excellence

Being passionate in delivering optimum solutions to meet customer's expectations.

The term 'customers' refers to not just the individual and corporate subscribers being served by **XL** but fellow **XL** employees, as well, in other departments or business units.

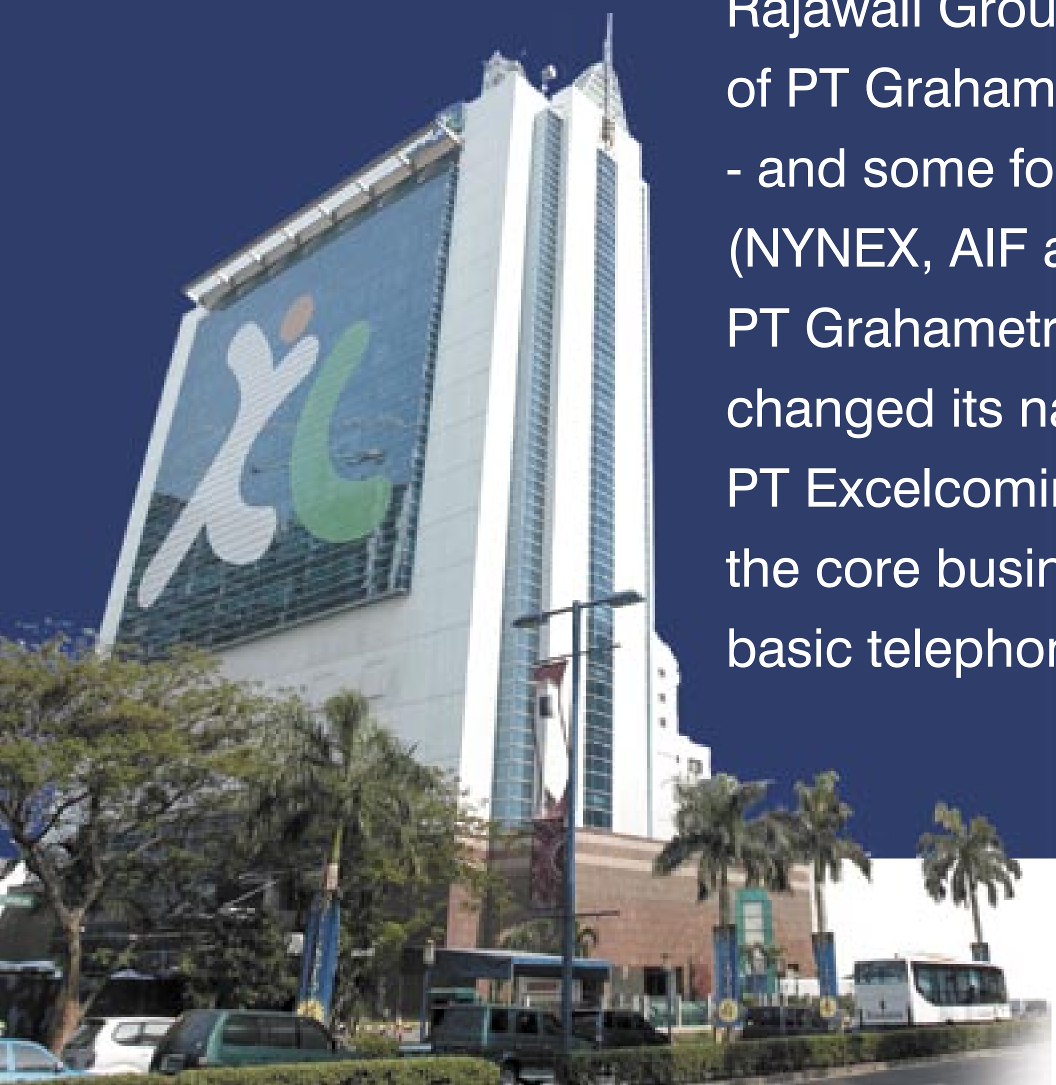
To deliver Service Excellence, **XL** employees should demonstrate the following Core Behaviors:

- **Customer Focused** in all decisions and actions
- **Optimum Solution-Oriented**
- **Efficient and Effective** in providing solutions
- **Passionate** in performing the work
- **Quality Oriented** in products and services provided
- **Proactive**
- **Innovative and Creative** in developing solutions

XL brief history

PT Excelcomindo Pratama Tbk. ("XL" or the "Company") was established on 6 October 1989 under the name of PT Grahametropolitan Lestari with its main business being in trading and general services.

In 1995, in cooperation with Rajawali Group – a shareholder of PT Grahametropolitan Lestari - and some foreign investors (NYNEX, AIF and Mitsui), PT Grahametropolitan Lestari changed its name to PT Excelcomindo Pratama with the core business of providing basic telephony services.



XL started its commercial operations on 8 October 1996, by providing cellular mobile telephony services using the GSM 900 technology. Later, **XL** was also awarded the Cellular Mobile Network License for DCS 1800, and the Closed Regular Network License, as well as licenses for Internet and Service Provider (ISP) and Voice over Internet Protocol (VoIP).

In 2006, **XL** obtained 3G Cellular Mobile Network License and started to launch commercially in September 2006.

1996
Obtained GSM 900 operating license and launched commercially with focus in Jakarta, Bandung and Surabaya

1997
Established an integrated microcell network in Jakarta's Golden Triangle area

1998
Launched proXL**,** the brand name of its prepaid cellular service

2000
Entered Sumatera and Batam markets

2001
- Received a DCS 1800 spectrum allocation and set up finalization of its fiber optic backbone
- Launched M-banking and M-fun services

2002
- Expanded network coverage to Kalimantan and Sulawesi
- Launched leased line and IP (Internet Protocol) services

2004
- Issued USD Bond in the amount of USD 350 million
- Revitalized the **XL** logo and individually marketed its prepaid and postpaid brands

2005
Became a subsidiary of the TM Group and was listed on Bursa Efek Indonesia (previously known as Jakarta Stock Exchange) with ticker code **EXCL**

2006
- Second issuance of USD Bond totaling USD 250 million
- Launched the **XL 3G** "First Widest and Fastest" service

2007
- Introduced Rp 1/second tariff
- Issued IDR Bond in the amount of Rp 1.5 trillion
- ETISALAT became shareholder

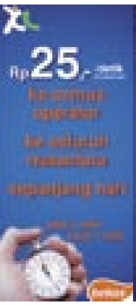
achievements in 2007

18 january
The **jempol** tariff of Rp 99/SMS becomes a permanent tariff, not merely a promotional tariff

10 february
XL simplifies ***bebas*** voice tariff and launches one national flat tariff for all calls- Rp 25/second to all operators 24/7

13 march
XL launches the first Voice Music SMS (VMS) in Indonesia. VMS is the voice message service with a pre-selected song

1 april
XL reduces ***bebas*** voice tariff for all calls to pre-registered **XL** numbers to Rp 10/sec


february

april


may

july


august


september

26 april
XL issues bonds totaling Rp 1.5 trillion which are listed in Bursa Efek Indonesia (previously Bursa Efek Surabaya)

16 may
XL launches the first digital album with the popular **XL** ambassador music group, Samson, in Indonesia through its 3G service. The digital album was Samson's latest full track recording

16 may
XL launches INDONESIA BERPRESTASI AWARD (IBA) in recognition of notable achievements and accomplishments of Indonesian citizens

10 june
XL opens Rp 10/sec voice call tariff to any **XL** number for all ***bebas*** users – without registration

11 june
XL distributes its first dividends to shareholders

12 july
XL launches a highly affordable telecommunications service for Koperasi Seluler Indonesia (KOINSEL), witnessed by President Soesilo Bambang Yudhoyono. This service helps fishermen receive accurate fishing location data

15 july
XL launches the lowest tariff for an Indonesian GSM service at Rp 1/second for ***bebas*** subscribers in Sumatera and Sulawesi that applied above tariff once a certain call duration threshold is reached

18 august
XL launches Rp 1/second voice tariff for **Xplor** subscribers after reaching a certain usage threshold

24 august
XL expands the tariff of Rp 1/second in Central and East Java and Kalimantan after certain call duration threshold is reached

6 september
XL becomes the host of the GSM Asia-Pasific Conference and Exhibition, on 6-7 September 2007 in Bali

15 september
The Rp 1/second voice tariff becomes national after the program was launched in West Java and Jabodetabek

8 october
XL marks its 10,000th BTS on **XL**'s 11th anniversary

november

november

november

november

12 november
XL's submarine Batam Sungai-Rengit Cable System (BRCS) is commissioned, making **XL** the cellular operator that has the widest network backbone in Indonesia

16 november
XL nominates four winners to receive the Indonesia Berprestasi Awards. One of them is Frederick Sitaung, a teacher in the rural area of Papua

19 november
XL supports Kelurahan Pisangan Timur in East Jakarta in implementation of basic public Information Technology (IT). This is an initiative from the Government of Jakarta to develop an e-government platform

28 november
Through **XL Business Solutions**, **XL** supports the Bantul Regency in Yogyakarta by providing data-access tools for public service

1 december
Xplor subscribers can enjoy Rp 1/second voice tariff for calls among **XL** numbers after first three minutes

12 december
ETISALAT, one of the largest telecommunication company in Middle East, takes over 16% of **XL**'s shares owned by Bella Sapphire Ventures Ltd. (an affiliated company of Rajawali Group)

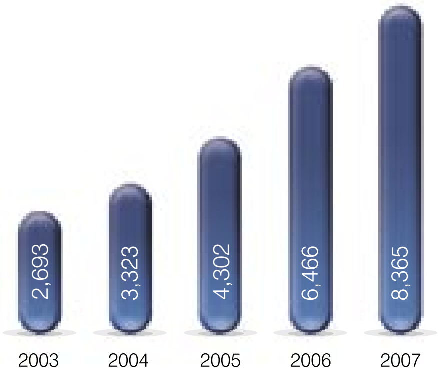
21 december
XL issues Notice of Redemption for tax call on USD 350 million bonds

financial and operational highlights

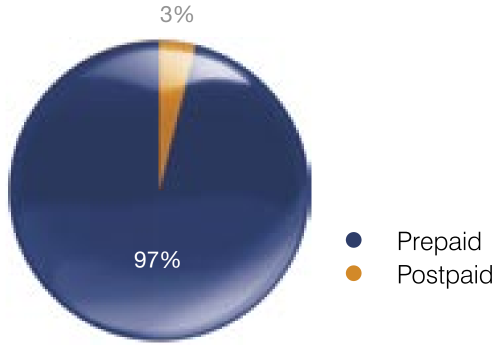
Statement of Income (in Billion Rupiah)	2003	2004	2005	2006	2007	CAGR[a]
Gross Revenue	2,693	3,323	4,302	6,466	8,365	33%
Revenue, Net of Discount	2,625	3,133	3,790	5,778	7,990	32%
Operating Expenses[1]	1,176	1,507	2,055	3,224	4,480	40%
EBITDA[2]	1,449	1,626	1,735	2,554	3,509	25%
Operating Income	575	663	570	1,028	1,760	32%
Income/(Loss) Before Income Tax	581	(47)	(313)	1,002	518	
Net Income/(Loss)	393	(45)	(224)	652	251	
Earning/(Loss) per Share (in full Rp)	69	(8)	(37)	92	35	
Balance Sheet (in Billion Rupiah)						
Total Current Assets	888[b]	803	1,371	1,183	1,679	
Fixed Assets, net of accumulated depreciation	4,413	5,273	7,471	10,462	15,810	
Total Assets	5,514[b]	6,474	9,354	12,637	18,827	
Total Current Liabilities	1,093	896	2,241	2,300[c]	7,380	
Debt (interest bearing)	3,695	4,431	4,089	5,345	9,664	
Total Non-Current Liabilities	3,345[b]	4,548	3,484	6,055[c]	6,983	
Total Liabilities	4,438	5,444	5,725	8,355	14,362	
Total Equity	1,076	1,031	3,629	4,281	4,465	
Ratios %						
EBITDA Margin[3]	54	49	40	39	42	
Operating Income Margin[4]	21	20	13	16	21	
Net Income/(Loss) Margin[5]	15	(1)	(5)	10	3	
Return on Asset[6]	8	(1)	(3)	6	2	
Return on Equity[7]	45	(4)	(10)	16	6	
Current Ratio	81	90	61	51	23	
Debt to Equity Ratio (x)	3.4	4.3	1.1	1.2	2.2	
Debt to Asset Ratio (x)	0.7	0.7	0.4	0.4	0.5	
Debt To EBITDA Ratio (x)	2.6	2.7	2.4	2.1	2.8	
Operational Highlights						
Outgoing MoU (in billion minutes)	0.8	1.0	1.5	2.9	6.8	
Number of Subscribers (in thousand)	2,944	3,791	6,978	9,528	15,469	
Prepaid	2,908	3,743	6,802	9,141	14,988	
Postpaid	36	48	176	387	481	
Number of BTS	1,491	2,357	4,324	7,260	11,157	

[1] Including Interconnection & Telecommunication Service Charges and excluding Depreciation & Amortization
[2] EBITDA = Operating Income + Depreciation & Amortization
[3] EBITDA Margin = EBITDA / Gross Operating Revenue
[4] Operating Income Margin = Operating Income / Gross Revenue
[5] Net Income Margin = Net Income / Gross Revenue
[6] Return on Asset = Net Income / Average Total Asset
[7] Return on Equity = Net Income / Average Total Equity
[a] Compounded Annual Growth Rate
[b] Differs from 2003 Annual Report due to reclassification of assets into liability
[c] Differs from 2006 Annual Report due to reclassification of current liability into non-current liability

Gross Revenue
(in billion Rupiah)

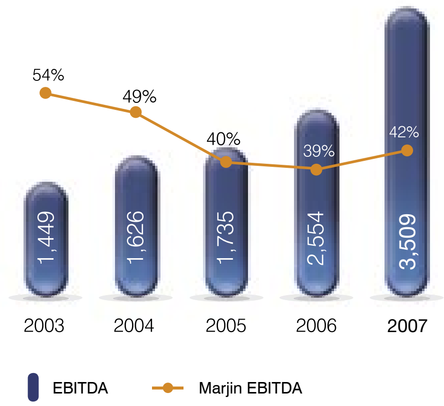


Customer Composition

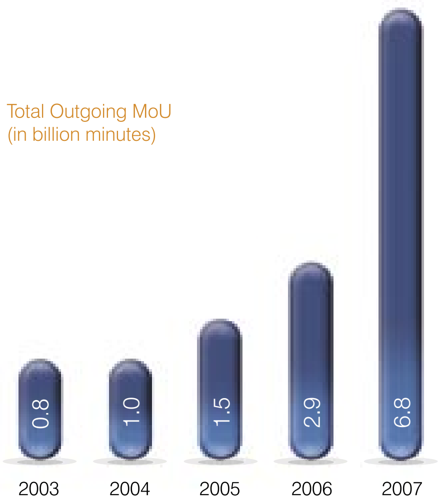


Number of Subscribers
(in thousand)

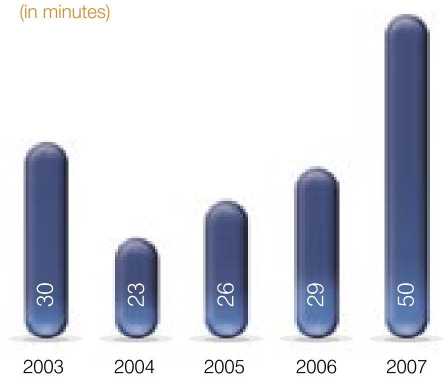
EBITDA and EBITDA Margin
(in billion Rupiah)



Total Outgoing MoU
(in billion minutes)

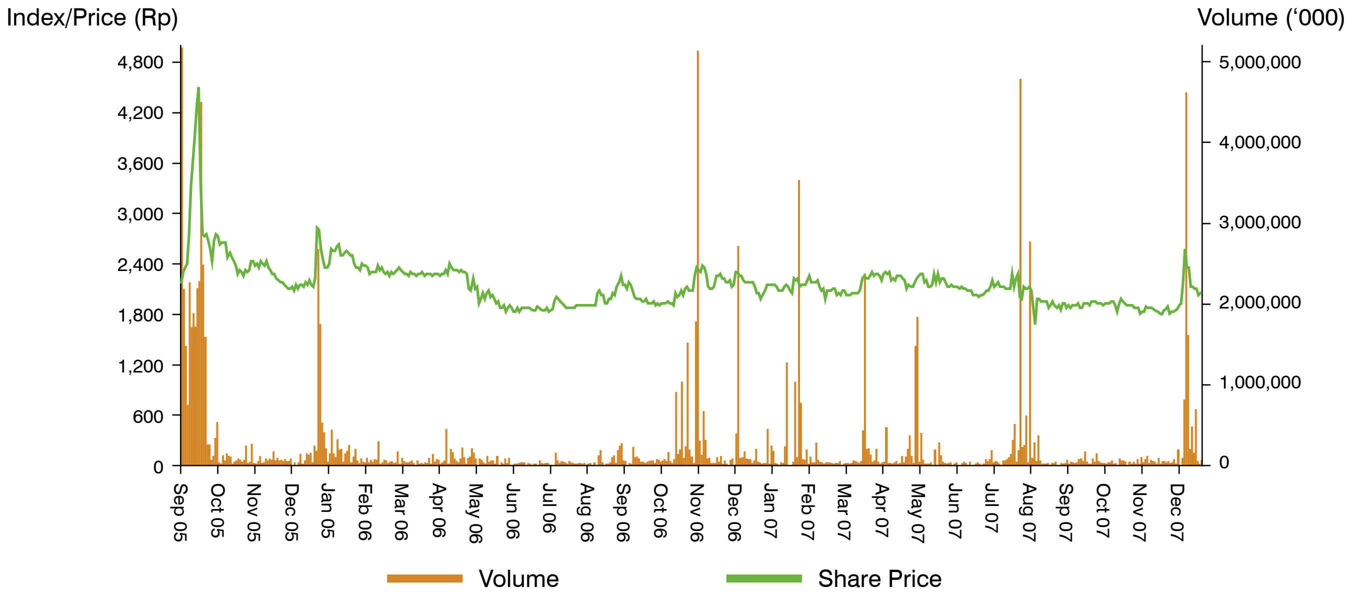


Outgoing MoU/Subscribers
(in minutes)



stock highlights

Share Performance



	2006				2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Highest (Rp)	2,950	2,525	2,375	2,500	2,375	2,425	2,400	2,700
Lowest (Rp)	2,225	1,950	1,950	2,025	2,100	2,150	1,800	1,920
Close (Rp)	2,400	2,000	2,200	2,325	2,175	2,150	2,075	2,175
Volume (in thousand)	10,408	3,280	2,201	17,670	9,584	9,780	12,024	10,362

Chronology of XL Shares Ownership

January 2005	Telekom Malaysia (TM), through its indirect subsidiary TM International (L) Limited ("TMIL"), purchased 23.1% of **XL**'s shares owned by Nynex Indocel Holding Sdn ("Nynex") by acquiring Nynex. After the acquisition, Nynex changed its name to Indocel Holding Sdn ("Indocel"). Subsequently, Indocel changed its status to a private limited company and thereafter changed its name to Indocel Holding Sdn Bhd
June 2005	Indocel increased its ownership in **XL** by acquiring all of **XL** shares from Rogan Partners Incorporated, amounting to 4.2% of **XL**'s total shares.
July 2005	**XL** undertook a stock split in preparation for a public listing.
September 2005	**XL** carried out an Initial Public Offering (IPO) in the Indonesia Stock Exchange (IDX - previously known as Jakarta Stock Exchange), offering up to 1,427,500,000 new shares (20% of authorized shares). Through this IPO, Khazanah Nasional Berhad acquired 16.8% of **XL**'s shares and at the same time Indocel Holding Sdn Bhd acquired 3.2% of **XL**'s shares. **XL**'s outstanding shares traded in the exchange were 9,308,500 shares, including 5,000,000 shares allocated for employees. All proceeds from the IPO are used to fund capital expenditures and to repay short - term debts as approved by **XL**'s general shareholders' meeting held on 31 May 2006.
October 2005	Indocel acquired shares of PT Rajawali Corpora (formerly PT Telekomindo Primabhakti) amounting to 2,265,002,500 shares. Indocel also placed 1,700,000 of its shares to the public. As a result, the ownership of Indocel, the wholly owned subsidiary of TMIL, became 56.9%.
June 2006	Indocel increased its ownership in **XL** by acquiring 195,605,400 shares that were previously held by AIF (Indonesia) Ltd. Throughout the year, Indocel placed more shares to the public amounting to 3,507,000 shares.
May 2007	Indocel took over 523,532,100 shares, previously held by AIF (Indonesia) Ltd., resulting the increase its ownership in **XL** to 67.0%. PT Rajawali Corpora sold its entire portion of **XL** shares, totaling 1,132,497,500 of common stocks to Bella Sapphire Ventures Ltd. (an affiliated company of Rajawali Group).
December 2007	Bella Sapphire Ventures Ltd. sold all of its **XL** shares to Emirates Telecommunications Corporation (ETISALAT) International Indonesia Ltd. ETISALAT is one of the largest telecommunication companies in the Middle East. Throughout the year, Indocel placed 2,050,000 additional shares to the public,bringing the free float of **XL** shares to 0.23%.

XL shareholders 2007:

	Number of Shares	%
Indocel Holding Sdn Bhd	4,749,383,500	67.0%
Khazanah Nasional Berhad	1,191,553,500	16.8%
Emirates Telecommunications Corporation (ETISALAT) International Indonesia Ltd.	1,132,497,500	16.0%
Public	16,565,500	0.2%
Total	**7,090,000,000**	**100%**

As of 31 December 2007, none of the commissioners and directors of **XL** owned shares of the Company individually, with the exception of Joy Wahjudi and Dian Siswarini, directors of the Company, each of whom hold 24,500 shares acquired under the ESA (Employee Stock Allocation) program in 2005.

Dividends

On 26 April 2007, the Annual General Meeting of Shareholders approved the distribution of dividends amounting to 20% of Net Income After Tax after adjusting for unrealized foreign exchange gain/(loss). Cash dividends distributed to all shareholders amounted to Rp 67 billion, was fully paid on 11 June 2007.

report from the president commissioner

The Indonesian telecommunications industry witnessed strong growth in 2007. Compared to other Asian countries, the Indonesian cellular market shows higher tariff per minute with lower call volume.

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
President Commissioner

The average usage per subscriber in Indonesia is around 50-60 minutes compared to 150 minutes in Thailand and 300 minutes in India.

We anticipate Indonesia to move in the same direction as the other two countries. This would imply that acceleration of decline in revenue per minute could only be achieved through lowering of interconnection tariffs. As a result, we also anticipate retail tariff rates to decline in order to stimulate increase in usage per subscriber. Based on those anticipations, we have revamped our pricing strategy in 2007.

By the end of 2007, our revenue increased by 29%. Our subscriber base saw a boost of 62% to reach 15.5 million with a market share of 15%.

In the past, operators focused on subscriber growth through the extension of network coverage. However, the real growth is often difficult to gauge as many subscribers tend to have more than one SIM card. Furthermore, the grace period policy for each operator is different and thus creates non-active subscribers who do not generate real revenue. Therefore, instead of focusing on subscribers' growth, we are now focusing on real revenue growth and increasing minutes of use.

Throughout the year, **XL** covered approximately 90% of the population in Indonesia, adding 3,897 BTS to our total network of 11,157 BTS during the year. However, as most operators today have networks that cover virtually all of Java, especially the Greater Jakarta Area with the highest population density, the coverage area is no longer a competitive issue. Along with declining tariff per minute that will increase usage, subscribers today expect comparable network quality. Hence, the onus of competition will increasingly revolve around capacity.

To balance our subscriber growth with service availability, we have changed our distribution system from direct to hybrid distribution. The hybrid distribution channel combines dealership with direct distribution of our products and services to subscribers. With this new model, we have expanded our distribution channels from 33,599 XL Kita (direct outlets) to more than 400,000 direct and indirect distribution channels. Thus, we are now reaching more of our subscribers while still maintaining reasonable control over our distributors.

With strong commitments to continuously implement good corporate governance, the Board of Commissioners are assisted by the Board of Audit Committee (BAC) in reviewing the effectiveness of internal control systems. In addition, the BAC reviews the self-assessment exercise carried out by Management in order to check the compliance with prevailing laws and regulations and identify potential actions that may have breached certain laws or regulations. The BAC also reviews the audit reports by independent auditors' reports in the Company's consolidated financial statements for the year ended 2007, in accordance with the Indonesian Generally Accepted Accounting Principles.

We would like to express our gratitude to our shareholders, business associates, regulatory authorities, customers, Board of Directors, Audit Committees, management and dedicated staffs for their contribution towards **XL**'s phenomenal performance in 2007.

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
President Commissioner,
PT. Excelcomindo Pratama Tbk.

board of commissioners

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
President Commissioner (66, Malaysian)

Appointed as **XL** President Commissioner in May 2006, he currently holds the position of Chairman and *Non-Independent Non-Executive* Director of TM since July 1999. He graduated with a Diploma in Electrical Engineering in 1962 from Faraday House Engineering College, London and a Master in Science (Technological Economics) degree from the University of Stirling, Scotland, in 1975. Aside from serving as director and chairman of several companies within the TM Group, he has been a Co-Chairman of the Malaysian Industry-Government Group for High Technology (MIGHT) since February 2006.

YB Datuk Nur Jazlan bin Tan Sri Mohamed
Commissioner (42, Malaysian)

Appointed as Commissioner since January 2005, he has served on the Board of Directors of TM as an Independent Non-Executive Director since June 2004. He is also a Director of United Malayan Land Berhad, Prinsiptek Corporation Berhad and various other private companies in Malaysia. He is active in politics and also a member of Parliament in Malaysia. He is a fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and was a Council Member and Chairman of the Public Relations Committee of Malaysian Institute of Accountants (MIA) and a Council Member of the Asean Federation of Accountants.

Rosli bin Man
Commissioner (54, Malaysian)

Appointed as Commissioner in January 2005, he has served on the Board of Directors of TM as Independent Non-Executive Director since July 2000. He is also a board member in several companies within the TM Group. With over 26 years of experience in the telecommunications industry, he holds a Bachelor of Science degree in Electrical and Electronic Engineering (Electrical Design and Instrumentation) from the University of Glasgow, United Kingdom, and a Diploma in Electrical and Electronic Engineering (Communications) from Technical College, Kuala Lumpur.

Datuk Bazlan bin Osman
Commissioner (44, Malaysian)

Appointed as Commissioner since January 2005, he is the Group Chief Financial Officer of TM and also a board member in several companies within the TM Group. He previously served as Chief Financial Officer of Celcom (Malaysia) Berhad from October 2002 to May 2005. He has over 20 years of experience in audit, general finance and corporate finance. He is a fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom, and a member of the Malaysian Institute of Accountants (MIA).

Dato' Yusof Annuar bin Yaacob
Commissioner (42, Malaysian)

Appointed as Commissioner since May 2006, he has extensive experience in investment banking and corporate management of international firms such as S.G. Warburg & Co (now UBS Warburg), ING Barings Securities Singapore and the Merrill Lynch & Co affiliate in Malaysia. He is a member of the Chartered Institute of Management Accountants (CIMA) and Malaysian Institute of Accountants (MIA). He was formerly the Executive Director at OCB Berhad. He has been the Chief Executive Officer of TM International Berhad since June 2005, and serves as a board member of several public and private companies both locally and internationally.

Abdul Farid bin Alias
Commissioner (39, Malaysian)

Appointed as Commissioner in December 2005, he graduated with a Bachelor of Science degree in Accounting and minor in Economics from the Pennsylvania State University in the United States and subsequently obtained his Master of Business Administration degree in Finance from the University of Denver, Colorado. He has 13 years experience in investment banking with Aseambankers, Schroders Malaysia, Malaysian International Merchant Bankers and JP Morgan in Malaysia and also in Singapore and he is currently the Investments Director of Khazanah since March 2005.

Peter J. Chambers
Commissioner (52, Australian)

Appointed as Commissioner in May 2006, he graduated from the Royal Melbourne Institute of Technology in Melbourne, Australia with a Bachelor of Business degree. He has more than 19 years of experience in finance and telecommunications industry which explains why he has been appointed a number of previous important positions in various international companies. These include Sperry New Holland, Coopers and Lybrand, the South East Asian Telecommunications Consulting Practice, LHS Communications, Redfern Broadband Networks and Affinity Internet. He had joined **XL** in 1996 as a Vice President Director and left **XL** in 1999 with his last position as Chief Financial Officer.

Gen (Ret.) Wismoyo Arismunandar
Independent Commissioner (67, Indonesian)

Appointed as Independent Commissioner in May 2005, the former Chief of Army of the Republic of Indonesia graduated from the National Military Academy. During his military career, he held various positions such as Commandant General of the Special Forces Group, Kopasandha, the Commander of the Trikora Military Region, Commander of the Diponegoro Military Region and Commander of Army Strategic Command. After retiring from the military, he chaired the Indonesian National Sports Committee (KONI) for eight consecutive years. For his service to the country and in the military, he receives official recognitions and service awards from the Government of Indonesia and those of neighboring countries including Singapore, Malaysia and Cambodia, as well as South Korea, Japan and Spain.

Ir. Tjahjono Soerjodibroto, MBA
Independent Commissioner (55, Indonesian)

Appointed as Independent Commissioner in August 2005, he was also a partner at Ernst and Young Advisory Services. Previously he served as President Director of Indosat and as President Commissioner of PT Tunas Sepadan Investama. He holds a Master of Business Administration degree from the University of Southern California, USA and is highly experienced in corporate restructuring and the telecommunications industry.

Dato' Mohamad Norza bin Haji Zakaria
Independent Commissioner (41, Malaysian)

Appointed as Independent Commissioner in August 2005, he is a member of Chartered Accountant – Malaysian Institute of Accountants (MIA) and has extensive experience in accounting. Currently, he also serves as Political Secretary to the Minister of Finance II in the Ministry of Finance of Malaysia.

report from the president director

We had a good year in 2007 as we underwent significant change, while also operating in some of the most challenging periods ever experienced by the Indonesian telecommunications industry.

Hasnul Suhaimi
President Director

We have seen a better than expected growth in 2007, despite the more intense competition in the Indonesian telecommunication industry. Our revenue has grown by 29% to Rp 8.4 trillion in 2007, driven by strong growth in our subscriber base and 74% increase in Minutes of Use (MoU) per subscriber. Our EBITDA increased by 37% to Rp 3.5 trillion, while EBITDA margin improved by 3% to 42%. We have gained 5.9 million new subscribers, bringing our total subscriber base to 15.5 million at the end of 2007. All of these achievements are attributable to the successful execution of a series of key strategies.

At the end of 2007, there were 11 players in the market with more than 20 different products. The cellular market grew by 50% from around 68 million in 2006 to around 100 million in 2007, which represents penetration rate of around 42%. However, the real penetration is lower since there are users with multiple SIM cards and significant numbers of subscribers who are calling card users. Therefore, we believe that the growth potential is still robust.

In 2007, we have revisited our business model and positioning. Our strategy that includes providing affordable and transparent pricing with comparable quality has been recognized and appreciated by the market. In 1st Quarter 2007, we simplified the tariff for ***bebas*** by offering Rp 25/sec to all operators, anytime, anywhere in Indonesia. With this, we wanted our customer to have simplicity and affordability for voice tariffs . In 2nd Quarter 2007, in order to increase call volume, we introduced special on-net tariff of Rp 10/sec. In 3rd Quarter 2007, we offered Rp 1/sec starting from the 3rd minute to stimulate call duration. As a result, we successfully increased our revenue and voice traffic in the third and fourth quarters of 2007.

With the new pricing strategy, we have also acquired good quality subscribers in 2007, which was reflected by the slightly higher ARPU as compared to 2006, while the general trend in the market is that of a declining ARPU.

Our change in distribution strategy implemented during 2007 has led to a significant growth of number of outlets, also contributing to our results. Our strong XL brand has contributed to this growth too because of its simplicity and consistent look, and in fact we have seen further strengthening of our brand image during the year.

As one of the largest mobile cellular services provider and an operator with its own extensive backbone in Indonesia, we will continue to develop attractive and affordable products and services for our subscribers with comparable quality. We have added 3,897 new BTS in 2007 which brings our total BTS to 11,157 as at the end of 2007 and our population coverage to 90%.

We are in the final stage of process for further expanding a terrestrial digital fiber-optics network across Java, high-capacity digital microwave networks in Kalimantan, Sumatera and Sulawesi; and digital fiber-optics submarine cables linking Java, Bali, Lombok, Sumbawa, Sulawesi, Kalimantan, Sumatera and Malaysia. With fiber-optics backbone network along Indonesia's most concentrated industrial and population clusters, we are strategically positioned to combine digital backbone and cellular networks to cater to both our consumer subscribers and corporate customers.

For the year ahead, we expect operating conditions to remain challenging, with continuous intense competitive environment, but nevertheless see continued growth in our revenue. We are anticipating pricing pressure, meaningful capital expenditure and further regulatory demand and more advanced telecommunication technologies.

The Board of Directors is committed to high standards of corporate governance and considers it as critical to business integrity and to maintain investors' trust in the Company. During 2007, we have formed 5 committees to assist the BOD in decision making, i.e. Revenue Committee, Pricing Committee, Communications Committee, Network Committee and Human Resources Committee.

In 2007, we have refreshed our values and now we have three core values that are abbreviated as its XL, which stands for Integrity, Teamwork and Service Excellence.

For each successful step that we had in 2007, the management of PT. Excelcomindo Pratama Tbk. owes significant gratitude to our shareholders, Board of Commissioners, investors, business partners, loyal and valued customers, as well as our dedicated employees – all 2,136 of them.

Thank you for your trust in us. With your support, we remain confident to meet the challenges that we will come across during 2008.

Hasnul Suhaimi
Board of Directors,
PT. Excelcomindo Pratama Tbk

board of directors

Hasnul Suhaimi
President Director (50, Indonesian)

Appointed as President Director of **XL** in September 2006, he was formerly President Director of Indosat since 2005 and was responsible for various directorship positions in Indosat since 2003. Previously, he served as President Director of Indosat Multi Media Mobile (IM3) and Director of Marketing and Sales in Telkomsel. He graduated from Bandung Institute of Technology (ITB) in 1981 with an Electrical Engineering degree before earning his Master of Business Administration degree from the University of Hawaii in 1992.

Joris de Fretes
Director (54, Indonesian)

Appointed as Human Capital Development Director of the Company in November 2003, he was formerly General Manager of Human Resources at **XL** since 1999. He graduated with a degree in Psychology from the University of Indonesia, and has had extensive experience of more than 20 years in the human resource area with both local and multinational companies.

Md Nasir bin Ahmad

Director (51, Malaysian)

Appointed as Director of Corporate Strategy and Business Development in April 2005, he was formerly the General Manager for Business Development, the Merger Master Plan between TM Touch with Celcom in Malaysia and was a member of the Management Committee of TM International. A graduate of Surrey University, UK with a Bachelor of Science degree in Mechanical Engineering, he proceeded to earn a Master's degree in Business Administration from Multimedia University, Malaysia.

Nicanor V. Santiago III

Director (42, Filipino)

Appointed as Marketing Director in June 2005, he has extensive experience in product sales and marketing and occupied various executive positions in a number of companies in the Philippines including Globe Telecom Inc as Vice President – Service Creation /New Product Development. He graduated from the Ateneo de Manila University with a Bachelor of Science degree in Business Management.

Joy Wahjudi

Director (36, Indonesian)

Appointed as Director of Commerce in September 2006, he has held various senior positions in **XL** since August 1997 and last served as Vice President of Jabodetabek Area. Prior to joining **XL**, he has worked at PT General Motors and PT Mobile Selular Indonesia. He graduated with a Bachelor of Science degree in Business Management from California State University, United States in 1992 and earned a Master of Business Administration degree from the same university in 1993.

Willem Lucas Timmermans

Director (43, Dutch)

Appointed as Finance Director in December 2006, he has extensive experience in Finance and Investor Relations for over 17 years. He was formerly Vice President of Business Control & Investor Relations at PT Telekomunikasi Selular Indonesia (Telkomsel) and Finance Director of PT Bakrie Elektronik (Indonesia) until end of 2000 and also held strategic senior positions at KPN, a Dutch telecommunications company until 1997. He graduated from the University of Groningen, Netherlands in 1988 majoring in Business Economics and Financing.

Dian Siswarini

Director (39, Indonesian)

Appointed as Director of Network of Services in April 2007, she has more than 15 years of experience in the telecommunications industry, mainly in Network and Engineering. She joined **XL** in 1996 and served as Manager of Radio Network Design Engineering and assumed various key positions in the **XL** Network and Engineering Department, serving last as Senior Vice President of Network Planning & Development. She graduated from Bandung Institute of Technology majoring in Telecommunications in 1991.

good corporate governance

With a strong commitment to uphold the principles of GCG, we believe that we can maximize returns, improve performances and enhance the value as well as interests of the Company and those of our stakeholders.

Since its establishment, **XL** is recognized for its consistency in applying Good Corporate Governance (GCG) in its daily business activities. With a strong commitment to upholding the principles of GCG, we believe that we can maximize returns, improve our performanced work by our corporate values as well as protect shareholders' interests. We

“Expanding our reach and touching our customers so that **XL** continously delivers its value and superior services across different regions for a truly customized and fulfilling customers experience.”

MD. Nasir Ahmad
Director

continue to strengthen our GCG framework and guidelines in the face of our rapidly-growing business amid a highly competitive business environment.

To ensure effective GCG implementation, **XL** has formulated a Code of Business Ethics that serves as a guide for both management and employee to undertake their roles and duties in conformance with ethical business practices. The Code of Business Ethics provides clear policies, restrictions, and sanctions that may be taken for violation of business ethics. This code of ethics is further elaborated in the Company Regulations. As a public company with listed shares and bonds, we are committed to comply with all prevailing laws and regulations as a guideline of our responsibility to the general public.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders (GMS) represents the highest body within the corporate structure of **XL**. The GMS, among others, has the authority to appoint and dismiss members of the Board of Commissioners (the “BOC”) and the Board of Directors (the “BOD”), approve changes to the Articles of Association, endorse **XL**’s Annual Report, approve plans to obtain and use proceeds from funding activities, appoint independent auditors, and determine remunerations for members of the BOC and BOD.

Throughout 2007, **XL** held one Annual General Meeting of Shareholders (AGMS) and one Extraordinary General Meeting of Shareholders (EGMS).

BOARD OF COMMISSIONERS

As a distinct entity of the organization responsible for supervising and monitoring, as well as providing guidance to the BOD in managing the Company, **XL** Board of Commissioners (the “BOC”) has been effective in executing its responsibilities.

- **Appointment and Term of Office**
  In accordance with the Articles of Association of the Company, the BOC consists of, at minimum, three members including the President Commissioner. Members of the BOC are elected at the GMS for a period of three years, with a possibility of being re-appointed after the initial term of office or terminated before the expiry of his/her term of office.

- **Members of the BOC**
  Following the listing of the Company in September 2005, the BOC consists of ten members, including the President Commissioner and three Independent Commissioners. This composition is in line with the Circular Letter of the Head of Bapepam No. SE-03/PM/2000 and IDX regulation Number I-A, which require a publicly-listed company to have at least 30% Independent Commissioners within its BOC. The role of the Independent Commissioner is very important for the Company as they represent the public interest in overseeing the management of the Company. One of **XL**’s Independent Commissioners is appointed as the Chairman of **XL** Board of Audit Committee.

- **BOC Meetings**
  The BOC conducts periodic meetings at least once in every three months or at any time as deemed necessary or if requested by one or more Board members. The execution of a BOC meeting follows the guidelines set forth in the Company’s Articles of Association.

Throughout 2007, the BOC conducted five meetings, in which members are either present, or engaged one another through audio and video conferencing, with the following attendance record:

BOC Meetings

Name	Attendance
Tan Sri Dato' Ir Muhammad Radzi bin Haji Mansor President Commissioner	5/5
YB Datuk Nur Jazlan bin Tan Sri Mohamed Commissioner	4/5
Rosli bin Man Commissioner	5/5
Datuk Bazlan bin Osman Commissioner	5/5
Dato' Yusof Annuar bin Yaacob Commissioner	4/5
Abdul Farid bin Alias Commissioner	5/5
Peter J. Chambers Commissioner	4/5
Gen. (Ret.) Wismoyo Arismunandar Independent Commissioner	2/5
Dato' Mohamad Norza bin Haji Zakaria Independent Commissioner	3/5
Ir. Tjahjono Soerjodibroto, MBA Independent Commissioner	5/5

BOARD OF DIRECTORS

The Board of Directors (the "BOD") has the full responsibility of managing the Company in order to achieve its objectives, to represent the Company in and outside of the court of law, as regulated in the Company's Articles of Association.

- **Appointment and Term of Office**
  In accordance with the Articles of Association of the Company, the BOD consists of, at the minimum, three members including the President Director. Members of the BOD are elected at the GMS for a period of three years, with a possibility of being re-appointed after the initial term of office or terminated before the expiry of his/her term of office.

- **Members of the BOD**
  As at year-end 2007, **XL**'s BOD consists of seven members, including the President Director and one Non-Affiliated Director. This composition is in line with the IDX regulation Number I-A which requires listed companies to have at least one Non-Affiliated Director. The Non-Affiliated Director of the Company currently is P. Nicanor V. Santiago III who held this position since 15 June 2005.

Several changes to the composition of the BOD were made in 2007. The AGMS held on 26 April 2007 approved the appointment of Dian Siswarini as a new member of the BOD. The resignation of Ir. Hilmi bin Mohd Yunus as a Director of **XL** was accepted at the EGMS held on 23 November 2007.

- **BOD Meetings**
  The BOD conducts a weekly meeting or at anytime as deemed necessary or at the request of one or more members of the Board. The execution of a BOD meeting follows the guidelines set forth in the Company's Articles of Association. Throughout 2007, the BOD conducted 42 meetings, with the following attendance record:

BOD Meetings

Name	Attendance
Hasnul Suhaimi President Director	41/42
Joris de Fretes Director – Corporate Services	40/42
Md Nasir bin Ahmad Director – Corporate Strategy & Business Development	41/42
Ir. Hilmi bin Mohd Yunus[1)] Director – Technology	30/38
P. Nicanor V. Santiago III Director – Consumer Marketing	40/42
Joy Wahjudi Director – Commerce	40/42
Willem Lucas Timmermans Director – Finance	42/42
Dian Siswarini[2)] Director - Network Services	26/ 29

[1)] ceased to be a member of BOD since 23 November 2007
[2)] appointed as member of BOD since 26 April 2007

BOARD REMUNERATION

By the authorization granted at the GMS, the Nomination and Remuneration Committee has determined the amount of remuneration and benefits to members of the BOC and BOD for the fiscal year of 2007, as follows:

Remuneration and Benefits (in thousand Rupiah)

BOC	2,740,848
BOD	16,986,232
TOTAL	**19,727,080**

COMMITTEES UNDER THE BOD

The BOD is using several committees to govern the initiatives in certain dedicated areas.

Revenue Committee

The Revenue Committee is directly accountable to the BOD. The Committee is established to monitor the Company's revenue growth, and provides recommendations on how the Company can optimize and increase revenue growth.

The committee is chaired by the Director of Finance and the members consist of the Directors of Marketing, Commerce and Network and also several senior managers. Under the Revenue Committee, there are 2 sub-committees:
a. Pricing Committee; and
b. Communications Committee

a. Pricing Committee
This Committee is established to review initiatives relating to the Company's products pricing scheme, relevant promos and programs. The Committee members consist of several key senior managers from relevant business functions with the Vice President of Product Marketing as the Chairperson. The Pricing Committee held 16 meetings in 2007.

b. Communications Committee
This Committee is established to provide and ensure aligned and consistent communications with regard to key messages that are disseminated internally within the Company and externally through the media (printed, TV ad, radio, website, etc.), corporate brand, products and services brand, corporate image, branding guidelines, corporate releases and other information disseminated to the public. The Committee members consist of several key senior managers from relevant business functions with General Manager of Marketing Communications as Chairperson. In 2007, the Communications Committee held 7 meetings.

Network Committee
The Network Committee is directly accountable to the BOD. This Committee is established to drive and secure a controlled and managed growth of the Company's assets and investments. The Committee is chaired by the Director of Network and the members consist of the Directors of Finance, Marketing and Commerce and also several senior managers. In 2007, the Network Committee held 10 meetings.

Human Resources Committee
This Human Resources Committee is directly accountable to the BOD. This Committee is established in order to evaluate and propose the organization structure taking into account the changes within the business environment, including review on policies and rewards and benefit programs. The Committee is chaired by the Director of Corporate Services, and the members consist of the Directors of Finance, Commerce and Network and also several senior managers. In 2007, the Human Resources Committee held 2 meetings.

BOARD AUDIT COMMITTEE
The Board Audit Committee (the "Audit Committee") is responsible to assist the BOC, among other things in evaluating the integrity of the financial reports produced by the BOD, in assessing the effectiveness of the internal control system, and in identifying potential issues arising from the possible breach of applicable laws and regulations.

In carrying out its responsibilities, the Audit Committee refers to the Audit Committee Charter which outlines the roles and duties of the Committee, and also takes into consideration all relevant Bapepam and Stock Exchange regulations.

Members of the Audit Committee
There has been no change in the membership of the Audit Committee since the end of 2006. As of 31 December 2007, the Audit Committee consisted of two Independent Commissioners and two members from outside the Company as follows:

1. Ir. Tjahjono Soerjodibroto, MBA
   Chairman of Audit Committee (55, Indonesian)
   Appointed as the Chairman for the **XL** Audit Committee in October 2005, he is currently also the Independent Commissioner of **XL** since August 2005. He was a partner at Ernst and Young Advisory Services. Previously serving as President Director of Indosat and as President Commissioner of PT Tunas Sepadan Investama. He holds a Master of Business Administration degree from the University of Southern California, USA and is highly experienced in corporate restructuring and telecommunications industry.

2. Dato' Mohamad Norza bin Haji Zakaria,
   Member of Audit Committee (41, Malaysian)
   Appointed as a member of the **XL** Audit Committee in August 2005, he is also an Independent Commissioner of **XL** since August 2005. He is a member of the Chartered Accountant – Malaysian Institute of Accountants (MIA) and has extensive experience in accounting. Currently, he also serves as Political Secretary to the Minister of Finance II in the Ministry of Finance of Malaysia.

3. Heru Prasetyo
   Member of Audit Committee (59, Indonesian)
   Appointed as a member of the **XL** Audit Committee in August 2005. He was the Country Managing Director of Accenture before retiring in 2002. At Accenture he oversaw the telecommunications sector and the mining sector comprising mainly in oil-and-gas. Educated as an industrial engineer and has obtained his Master in Management degree from the Asian Institute of Management, Manila. He once served as Independent Commissioner and Chairman of the Audit Committee of PT Komatsu Indonesia Tbk. He is currently active as Director for Donor and International Relations with the Agency for Rehabilitation and Reconstruction of Aceh and Nias.

4. Dr. Djoko Susanto, MSA
   Member of Audit Committee (57, Indonesian)
   Appointed as a member of the **XL** Audit Committee in July 2005. Previously he served as the Dean of YKPN School of Business, Yogyakarta and professor of International Accounting in the same business school. He is also a National Council Member of Indonesian Institute of Accountants. He holds a PhD and Master of Science degrees in accounting from the University of Arkansas, USA.

The composition of the Audit Committee has met the independent requirements and financial literacy requirements of the IDX. The members also bring with them a broad range of in-depth experience and knowledge that provide an appropriate balance and expertise for effective discharge of the Committee's oversight roles.

Audit Committee Meetings

The Audit Committee held five meetings during fiscal year 2007. The meeting attendances of the Committee members were as follows:

Audit Committee Meetings

Name	Attendance
Ir. Tjahjono Soerjodibroto,MBA Chairman	5/5
Dato' Mohamad Norza bin Haji Zakaria Member	4/5
Heru Prasetyo Member	4/5
Dr. Djoko Susanto, MSA Member	5/5

Certain members of the Board of Directors and the Independent Auditors attended these meetings upon invitation to inform the Committee on specific issues. The Committee also held several private sessions with the Independent Auditors without the presence of Management.

The Quarterly Audit Committee Activity Report was circulated to all members of the Board of Commissioners and significant issues were discussed at the Board of Commissioners meetings.

Audit Committee Report

In 2007, the Audit Committee performed its duties in accordance to the rules and regulations of the Indonesian capital markets and as set forth in the Audit Committee Charter.

As required by Bapepam regulation Number IX.I.5, Attachment to the Decision Letter of Head of Bapepam Number Kep-29/PM/2004 dated 24 September 2004 and Regulation Number I-A, Attachment to the Decision Letter of the JSX Directors Number Kep. 305/BEJ/07-2004, the Audit Committee reports on the following matters:

1. Review of compliance with prevailing laws and regulations.
   The Committee reviewed the self-assessment by the Management on compliance with Laws and Regulations. Based on the self-assessment by Management, the Committee was not aware of any non-compliance (other than potential exposure as disclosed in the notes to the audited financial statements for the year ended 31 December 2007) by the Company with respect to the regulations promulgated by Indonesian Capital Market Supervisory Agency (BAPEPAM), Indonesian Stock Exchange and other laws and regulations relating to the business in which the Company operates. The Committee further noted that the Management continues to exert efforts to implement good corporate governance in 2007.

2. Review of financial results.
   Based on the review of the audit process and the opinion expressed by the Independent Auditors and representation made by the Board of Directors to the Independent Auditors, the Committee was of the view that the annual consolidated financial statements have been prepared in accordance with the Indonesian Generally Accepted Accounting Principles.

   The Committee has recommended to the Board of Directors through the Board of Commissioners that the audited financial statements for the year ended 31 December 2007 be included in the Company's Annual Report to Shareholders, for filing with BAPEPAM.

3. Review of internal controls and risk assessment.
   The Committee reviewed report on the adequacy, effectiveness and reliability of the system of internal control based on controlled self-assessment performed by the Management through the Annual Internal Control Assurance Letter submitted to the Committee. The Company has adopted the COSO (Committee of the Sponsoring Organizations of the Tradeway Commission) Internal Control Integrated Framework for this evaluation process.

   The Committee also reviewed the quarterly update on the Company's Corporate Risk Profile and internal audit report on Risk Management as part of its oversight role with respect to risk management. It is also noted by the Committee that the Risk Management Committee will be established as part of the Company's Corporate Governance structure.

   In addition, the Committee is strongly supported by a well-established Internal Audit function that reports to the Committee on its activities based on the approved annual Internal Audit Plan. The risk-based internal audit plan is developed to cover key compliance, financial, operational and strategic matters that are significant to the overall performance of the Company.

   The Committee receives regular and timely reports from the Head of Internal Audit on audit work and activities. The Internal Audit also coordinates the follow-up reviews on the resolutions of control issues and reports the status to the Committee accordingly.

   Based on the reports submitted by the Management and Internal Audit, the Committee considers the Company's system of internal control and risk management activities to be adequate and at an acceptable level within the context of the Company business environment. The Committee also noted that the Management continues to take measures to strengthen the control environment.

4. Review of independence of the Company's auditors.
   The Committee has reviewed the independence of KAP Haryanto Sahari & Rekan, a member firm of PricewaterhouseCoopers, and has secured a confirmation from KAP Haryanto Sahari & Rekan, a member firm of PricewaterhouseCoopers, attesting to their full independence and absence of any conflict of interest for the financial audit engagement of the Company's consolidated financial statements.

5. Review of implementation of the total remuneration package for the Directors and Commissioners
   The Committee noted that the review on the implementation of the total remuneration package for the Board of Commissioners and Board of Directors has been performed by the Nomination and Remuneration Committee as reported in this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for providing recommendation to the General Shareholders' Meeting with regards to nomination, selection and commendation of candidates as members of the BOC, BOD and the Audit Committee. Another function of this Committee is to formulate the remuneration policy for members of the BOC, BOD and other Committee (if any).

- Roles and Responsibilities
  In line with the Terms of Reference for the Nomination and Remuneration Committee that have been approved by the General Shareholders' Meeting, the roles and responsibilities of the Nomination and Remuneration Committee are as follows:
  1. Recommending candidates of BOC and BOD member to the Shareholders.
  2. Assessing the composition of BOC and BOD, based on the expertise, experience and qualification of members.
  3. Establishing policies, assessment, recommendation and guidelines regarding remuneration issues such as reward structure, facilities and other entitlements for members of the BOC, BOD, Committees (if any) and Senior Management, taking into consideration the Company's Articles of Association.
  4. Providing inputs to Shareholders on the performance of each member of the BOC and BOD, and evaluating the performance and remuneration received by each member of the BOC and BOD.

- Appointment of Members
  As at year-end 2007, the composition of the Nomination and Remuneration Committee were as follows:
  1. Tan Sri Dato' Ir Muhammad Radzi bin Haji Mansor (Chairman)
  2. Dato' Yusof Annuar bin Yaacob (Member)
  3. Abdul Farid bin Alias (Member)
  4. Peter J. Chambers (Member)
  5. Hasnul Suhaimi (Member)

- Meetings
  Throughout 2007, the Nomination and Remuneration Committee held five meetings. The meeting attendances of Committee members are as follows:

Nomination and Remuneration Committee Meetings

Name	Attendance
Tan Sri Dato' Ir Muhammad Radzi bin Haji Mansor Chairman	5/5
Dato' Yusof Annuar bin Yaacob Member	5/5
Abdul Farid bin Alias Member	4/5
Peter J. Chambers Member	5/5
Hasnul Suhaimi Member	5/5

CORPORATE SECRETARY AND DISSEMINATION OF INFORMATION

The roles of Corporate Secretary as required by Bapepam Regulations Number IX.I.4 on Establishment of Corporate Secretary, include: (i) to ensure that all company activities are in compliance with prevailing regulations, particularly Capital Market regulation, (ii) to serve as the main communication liaison between the Company and the Capital Market authorities vis-à-vis information of public interest, (iii) to arrange and coordinate internal and external activities of the BOC and BOD and (iv) to implement transparency and disclosure policies that are in line with GCG.

The post of Corporate Secretary of **XL** is currently held by Ike Andriani, appointed by the BOD in March 2005. In addition to being the Corporate Secretary, Ike Andriani heads the Corporate Legal Division and the Corporate Data Management Division. Previously, she worked as a Corporate Legal Counsel in a reputable law firm in Jakarta and has had more than ten years' experience in handling legal matters, particularly in cases that are related to the capital markets.

As part of the Company's accountability to its public shareholders, **XL** issues timely financial reports on a periodic basis. These reports consist of consolidated financial statements to the Indonesian Capital Market and Financial Institution Supervisory Board ("Badan Pengawas Pasar Modal dan Lembaga Keuangan or Bapepam-LK"), the Indonesia Stock Exchange ("IDX"), as well as other reports pertaining to the operations of **XL** in the areas of telecommunications, investments and capital markets.

XL has consistently disclosed material information to Bapepam, to the IDX and to the public at the latest within two working days after the existence of material information. To ensure a fair and balanced dissemination of information to investors, **XL** provides periodic information regarding business and operational results to investors.

LEGAL PROCEEDINGS

In handling all legal matters and proceedings which the Company is involved in, the Corporate Legal Counsel and as deemed necessary assisted by external legal counsel always ensure that the Company complies with the prevailing laws and regulations as well as secures the Company's interests. During 2007, the Company was party to two significant legal cases, i.e. dispute over the land ownership of one **XL** office in Yogyakarta, and a cartel allegation on SMS tariff. The position of **XL** on these two cases is summarized below.

XL Office Yogyakarta Case

- On 11 January 2007, the Company received a notification letter from the Yogyakarta District Court regarding the execution of North Jakarta District Court Decision (Yogyakarta Distric Court Ruling No.02/Pdt.Eks.Del/2006/PN.YK jo No.49/Eks/2006/PN.Ut. jo No.38/Pdt.G/1994-PN.Jkt.Ut dated 8 January 2007) related to an individual claim over the ownership of the Company's land located in Yogyakarta that was purchased in 2002.
- On 15 January 2007, the Company lodged a counterclaim at the Yogyakarta District Court on the legality of this claim. For this purpose, the Company appointed a legal consultant to retain the Company's rightful ownership of the land located at Jl. Pangeran Mangkubumi 20-22 Yogyakarta. This legal action was made since the Company is the true owner of the land and is legally proven by HGB Certificate No. B117/Gowongan and No.B125/Gowongan.
- On 22 June 2007, the Yogyakarta District Court issued a ruling in favour of the Company (Yogyakarta Distric Court Ruling No.5/Pdt.Plw/2007/PN.YK), reaffirming its rightful ownership to the land, and absolving previous court decisions which ruled otherwise, and ensured that those rulings do not have legal bearing on the Company, including all of the resolutions and memorandums of understanding which could be construed as a continuance of the resolution of the Yogyakarta District Court Ruling No.02/Pdt.Eks.Del/2006/PN.YK jo No.49/Eks/2006/PN.Ut. jo No.38/Pdt.G/1994-PN.Jkt.Ut , dated 8 January 2007.
- On 27 June 2007, the North Jakarta District Court also issued a new ruling which nullified the previous execution No.49/Eks/2006/PN.Ut dated 21 November 2006, and from that point onward, all and any execution rulings by the Yogyakarta District Court on the matter were also nullified of their legal ramifications.
- The defendant submitted an appeal letter to Yogyakarta High Court against the Yogyakarta Distric Court decision No.5/Pdt.Plw/2007/PN.YK, dated 22 June 2007.
- On 28 September 2007, the Company submitted a Contra Appeal Memorandum to Yogyakarta High Court through Yogyakarta District Court.
- On 16 January 2008, Yogyakarta High Court issued a ruling No.59/Pdt/2007/PT.YK which supports the Yogyakarta District Court ruling No.5/Pdt.Plw/2007/PN.YK.

Management believes that the case will not affect the daily operation of the Company in Yogyakarta offices.

SMS Cartel Allegation

- On 15 November 2007, the Company received notice from KPPU (the Commission for Fair Business Practices) concerning the investigation on potential cartelistic practices allegedly involving GSM operators in Indonesia on the perceived high price service charges. If the Company is found guilty of price fixing, based on Article 47 of Law No. 5 of 1999 concerning Anti Monopolistic Practices and Unfair Business Competition (the "Anti Monopoly Law"), the Company may be ordered to terminate the agreement that form the basis of existing prices and to pay certain fines.
- Article 49 of the Anti Monopoly Law further prescribes other sanctions which may be imposed in addition to the aforementioned penalty, in form of revocation of business license, or prohibition of the individual violator to act as a director or commissioner of a company for 2 years at minimum and 5 years at the maximum, or termination of certain activities or actions which result in damages of other parties.

Both the Management and the Company are committed to comply fully with the Anti Monopoly Law, and therefore will make best efforts to avoid the possibility that the Company could be imposed with such potential sanctions.

INTERNAL AUDIT

In discharging its responsibilities pertaining to the review of internal controls and risk assessment, the Audit Committee is supported by the Internal Audit Department which functionally reports to the Committee. The purpose, authority and responsibility of **XL** Internal Audit are clearly articulated in the Internal Audit Charter approved by the Audit Committee. The main focus of **XL** Internal Audit is to independently and objectively evaluate and report on the adequacy, integrity and effectiveness of the Company's overall system of internal control, risk management and governance.

The Head of Internal Audit, periodically reports significant audit findings to the Audit Committee for further assessment and coordinates the follow-up review on the resolutions of the audit/ control issues and reports the status to the Audit Committee accordingly.

During 2007, the audit assignments performed by **XL** Internal Audit covered the Headquarters as well as various regional offices of the Company; focusing on compliance, process effectiveness & efficiency and strategy achievement. The department also carried out periodical and ongoing assessments on the audit work conducted by internal auditors as part of the monitoring review to ensure that internal audit activities add value to the organization.

RISK MANAGEMENT

XL has adopted an enterprise risk management framework called the Enterprise Risk Management (ERM) which functions as a guideline for **XL** in managing company risks holistically. The implementation is conducted across all business units within the organization. At its current stage, the Company's risks profiles are identified, and the required mitigation response plans and actions have been put in place. There are five risk classifications that are monitored, namely strategic, compliance, operational, financial, and system risks. The following are the Corporate Risk Profiles under each classification:

Strategic Risks

The strategic risks identify any potential damage that might lead to financial and non-financial loss, triggered by internal circumstances, i.e. unfavorable management decision and Company's performance as well as external factor, i.e. Government laws and regulations.

Political and Government Risks

Various policies and regulations issued by the Government, negative list of investment regulations, telecommunications laws and regulations including standard operational services, responses to terrorist acts, the implementation of regional autonomy, ethnic disturbances, taxation policies and changing political conditions; all similar kind of risk that can affect the operations of the Company directly or indirectly. These risks are anticipated by stipulating all business units must closely monitor their compliance to prevailing laws and regulations at all times, including the enhancement of the Company's regionalization policy that has been undertaken since 2003.

Compliance Risk

The telecommunications laws and regulations at both national and regional level continue to undergo a maturity process where the revision and addition of new regulations are expected to foster positive and more conducive development. However, the process may either create new opportunities or add more risks to **XL** considering the limited control that the Company has over these possibilities. It is expected that clear and unambiguous regulations will reduce those risks. Currently, compliance risks are mitigated by ensuring **XL**'s business units at both headquarter and regional level conduct close monitoring of compliance to prevailing laws and regulations and specific regional policies.

Financial Risks

Instability of Rupiah toward Foreign Currency Risks

As of 31 December 2007, out of the Company's total debts of Rp 9.7 trillion, around 80% is denominated in USD while the remaining 20% is denominated in IDR. In order to mitigate foreign currency risks, we have entered into several foreign currency contracts for a total notional amount of USD 377.5 million to hedge the exposure from the USD borrowings (or 45% of the total foreign exchange denominated debt).

On 25 January 2008, we managed to redeem all of the US$ 350 million, with a coupon of 8% Guaranteed Notes, due in 2009. This refinancing scheme has been done partly in USD and partly in IDR, and going forward, we will use more of IDR funding to fund future capital expenditure in order to reduce future exposure to foreign exchange rate volatility.

Fraud and Revenue Loss Risks

Internal or external fraud, deceit and embezzlement are also identified as risks that may affect the Company's results of operations and financial condition. In telecommunications, international roaming is a key service that requires agreements with various telecommunications operators around the world. The significant potential risk derived from international roaming fraud can occur over a lengthy period of time and involve a considerable amount of money which may decrease the Company's revenues and profit. In response to this, the Company mitigates risks by adhering to reliable procedures allowing subscribers' request to open international roaming access. The Revenue Assurance Department ensures the examination and validity of customer data records, transaction completion and collection scheme. Thorough risk analysis and assessment are also carried out when developing or launching new products and services.

Operational Risks

Business Continuity Risks

The Company has established an operational risk management framework called Business Continuity Management (BCM). BCM is a derivation of the ERM which ensures business continuity during the occurrence of unexpected events. One measure that has been put in place by the Company to minimize the financial impact of an unforeseen disaster is the Property and Business Interruption Insurance.

System Risk

Information Technology Risks

As a telecommunications company with IT systems as its major assets, **XL** has standardized its IT risk management to offset the associated risks toward increased dependency on advanced technologies. The Company has undertaken initiatives in the reconstruction and enhancement of the entire aspects of technology, i.e.:

- Disaster Recovery Center (DRC) – back-up system located in different physical locations, to ensure no disruption to the Company's business activities
- Information Security through ISO 27001: 2005 - information leakage and fraud toward the possibility of hacker, virus, data stealing, spamming and denial of services (DoS)
- System Performance - enhancement of system performance to support the Company's extended services and operations.

products & services

The core services of **XL** for retail consumers consist of voice call and data communications along with other value added services in cellular telecommunications. To support these services, **XL** operates the GSM 900/DCS 1800 cellular mobile networks as well as the IMT-2000/3G cellular mobile network.

Prepaid and Postpaid

XL has three main GSM products – ***bebas*** and **jempol** for prepaid, and **Xplor** for postpaid, where each product is packaged and targeted to different market segments. The following are the highlights of these **XL** products.

PREPAID PRODUCTS

Launched in August 2004 to replace the previous pro**XL** product, ***bebas*** offers a range of services and features that are suitable for different cellular customers seeking advanced cellular communications services, but with the spending-control feature of a prepaid service. ***bebas***, which is the Indonesian word for freedom, offers many extra services in addition to basic telephony and SMS, including 3G video-calling and data-browsing services, MMS, GPRS downloads and internet browsing. Other services are m-banking, **XL** Mobile Mail, Voice SMS, Voice Music SMS, Xpressive SMS, Secret SMS, **XL** Phonebook, MW@p and **XL** Instant Messenger.

In February 2007, ***bebas*** simplified its pricing by offering a single call tariff of Rp 25/second – for any voice call, at any time, to any operator or destination.

In April 2007, to make the product even more appealing, the call rate for ***bebas*** to any **XL** number was reduced by 60% to the highly affordable rate of Rp10/second.

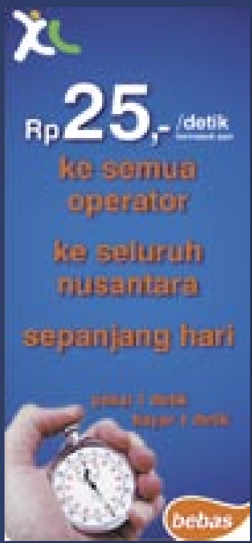
In July 2007, ***bebas*** once again made a move that was unprecedented in the market and especially among the major cellular providers in the country. It further reduced the call tariff rate to Rp1 per second for calls made to other **XL** numbers, provided customers exceed certain call- time durations which vary from one area to another, depending on where the call is made.

To address emerging opportunities in the low-end segment of the market, **XL** launched **jempol** in August 2004 that offers basic voice and SMS tariffs with a reload denomination for as low as Rp 5,000 making it the most affordable prepaid product in the market. Aside from basic voice and SMS services, **jempol** offers standard prepaid services such as Voice Mail, Call Waiting, Caller Line Identification, Who Called and Notify Me. Since then, the **jempol** features have evolved with market demands, offering an expanded range of services which include Ring-Back Tone, MMS, 3G Video Calling, GPRS downloads and internet browsing.

In April 2007, to solidify its position as the most affordable SMS provider in the market, **jempol** reduced its SMS tariff by 55%, offering it at Rp 45 per SMS to other **XL** numbers during off-peak hours, Mondays to Sundays from 10.00 p.m. to 05.59 a.m. Western Indonesia Time (WIB).

P. Nicanor V. Santiago III
Director

"The biggest achievement for XL marketing in 2007 was the way we transformed the market with a product that provides good quality with the cheapest voice tariff – that is ***bebas*** Rp 1/sec. The sales and revenue performance were the results we reaped from an incisive positioning for our product."



Astrid
Artist

"**XL** provides a very clear voice quality with affordable prices. Its SMS and MMS services are also satisfactory while it's 3G network is of fine quality"

Dzulfikar Aulia
Journalist

"I have used **Xplor** for more than 3 years. In all these years, I didn't have any problems with it. The connection is good, the tariff is affordable, the billing is fine, and the customer service is superb. The 3G service is excellent without prior setting and registration needed. Thus, I don't have any reason to switch to other postpaid product."

In June 2007, the off-peak hours were extended from 8 hours to 12 hours, Mondays to Fridays from 10.00 p.m. to 09.59 a.m. WIB, and round-the-clock on Saturdays and Sundays.

On June 29, 2007, in recognizing that many of **jempol** customers have relatives who live abroad, **jempol** also offered an affordable tariff rate for overseas calls starting at Rp16/second to 51 countries through the VoIP (Voice Over Internet Protocol).

POSTPAID

Launched in October 2004, **Xplor** is the brand name for **XL** postpaid services, targeted mainly to the middle- and high-end market segments who not only require top-of-the-line cellular services such as 3G video conferencing, MMS and GPRS capability and internet browsing, but also all of the convenience and flexibility of after-sales servicing and billing.

Xplor offers complimentary Customer Service Hotline, flexibilities in billing presentation, internet-browsing (data plan) and automatic debiting of credit cards for bills payment.

As the first postpaid product in the market that charges voice calls on a per-second basis, **Xplor** further innovated its voice tariff in August 2007 by offering flat tariff rates of Rp 9/second to any **XL** number and Rp 20/second to any fixed line or other operators to any destination, at any time. Later on, starting from December 2007, customers enjoyed a Rp 1/second voice tariff to other **XL** numbers and Rp 9/second to non-**XL** numbers, when they called for more than three minutes.

BUSINESS SOLUTIONS

Business Solutions offers telecommunications services and solutions to corporate customers that have global requirements. The service is supported by **XL**'s partners in other countries that guarantee seamless end-to-end services across regional and global networks.

These solutions include:

1. Fixed-line Communication Services, which include Domestic/International Leased Line, Domestic/International MPLS, Broadband Internet Access (including NAP), VoIP and Collocation.
2. Mobile Communication Services, which include Corporate Users Group, Corporate Data (GPRS/3G), Mobile Data Service – Reseller, Push Mail (XPand, Blackberry), Mobile Application and Corporate SMS Broadcast.
3. Convergence Communication Services, which include Office Zone, GSM PBX Integration, Hosted PBX, Machine to Machine (Wireless ATM, Wireless EDC), Wi Fi over Picocell and Vehicle Tracking System (**XL**ocate).

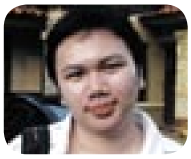
customer service

With the mission to "provide excellent service every time customers contact us," **XL** constantly improves its customer service through its XL Center outlets and XL Contact Center that provides the 818 Hotline service.

As an important component of **XL**'s customer service, the XL Center is managed by well experienced customer-service representatives, providing information about **XL** products and services, bills payment and electronic reload. Through the computer system connectivity, the XL Center can access real-time customer information directly.

Through its Contact Center, **XL** provides its customers with round-the-clock information and services through its 818 Hotline. Via phone, **XL** provides information on customer billing status, on-going promotion programs and other services. Since 2007, the Contact Center extended the customer access to 24-hours a day and 7-days a week non-stop.

In addition to those services, XL Contact Center also offers Video Contact Center - a new feature that provides customer service to XL customers through the use of 3G video calling. This service is available for XL users 7 days a week from 8 AM – 5 PM.



Angga V. S
Student

" I have been using **XL** since I was in junior high school. I am pleased and satisfied with **XL** services. Not just because its tariffs are affordable, but the service is excellent. Also, **XL** customer services officers are very friendly."

distribution channel

To effectively sell good and sophisticated products, an effective distribution channel is required. Products are created to fulfill customer needs, and should therefore be easy to obtain. As such, distribution channel is extremely important for **XL**'s business.

The value of effective distribution becomes even more important amid rising competition among telecommunications operators. Distribution systems have to grow in line with, and be matched with the Company's other strategies in marketing, product innovations and services that never cease to evolve. In that context, effective distribution was a key factor to **XL**'s strong growth in 2007.

Each year, **XL** evaluates its distribution system. In 2007, **XL** implemented a new distribution system that was an improvement of the previous system. Whereas previously **XL** had implemented a direct distribution system, it was changed in 2007 to the so-called hybrid distribution system.

In the hybrid distribution system, XL Sales Representatives supply dealers that are organized by **XL**. These dealers are called XL Dealers and they are divided into three categories: XL National Dealer (DN), XL Regional Dealer (DR) and XL Area Dealer (DA). **XL** needs to implement these systems because it can extend distribution channels without compromising control. This extension is done through dealers, who have different sales targets, number of retailers, product purchasing (quotas), and selling areas. Control still remains with **XL** under the hybrid distribution implementation, especially in areas that are not in the distributor's expertise. Through this system, products can be delivered directly or indirectly.

Area Dealers will only have a single focus over a certain district, whereas Regional Dealers, the second layer, have broader coverage with two or more areas of focus. National Dealers are one layer higher with several broad and

Joy Wahjudi
Director

> "During 2007, we implemented hybrid distribution. As a result, we have significantly expanded our presence in the market and are now as close to our subscribers as our major competitors."

extensive areas of focus. Each layer has certain targets and quotas to achieve and maintain.

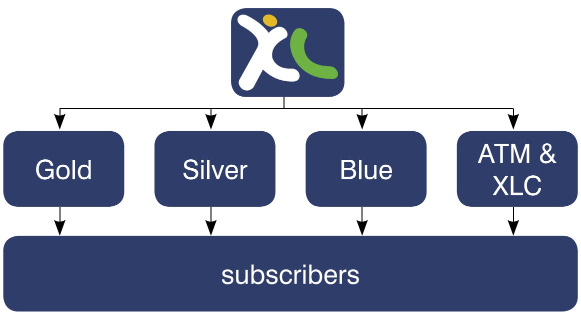
At the end of 2007, there were more than 400,000 direct and indirect XL distribution channels.

Other than XL Kita, there are also XL Centers, which are positioned more as point-of-services rather than point-of-sales. As at the end of 2007, there were 238 XL Centers, which comprised of:

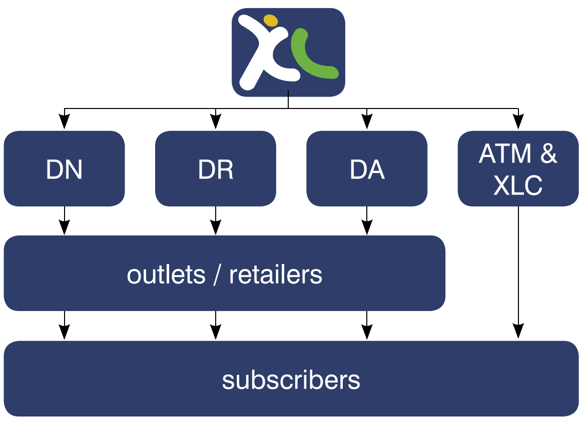
- 106 XL Centers owned by **XL** (including XL Center Mobile)
- 132 XL Center outlets

Furthermore, **XL** also offers the opportunity for companies in retail and consumer merchandise sectors to enter the cellular business with **XL**. Until the end of 2007, there were 11 companies who had become XL partners and categorized as non-traditional dealers. Through partnerships with those companies, **XL** could sell its products not just in Indonesia, but also in Malaysia, Hong Kong, Saudi Arabia, Singapore, Taiwan and Japan.

2006 and before: direct distribution



2007 onward: hybrid distribution



network development

The achievement in network development is marked by our success in expanding our network and billing capacity to accomodate an increase in significant traffic from new XL subscribers due to our affordable tariff.

Dian Siswarini
Director

"2007 was our second year of significant network expansion. By the end of 2007, we covered around 90% of the population, mainly concentrated on the islands of Java, Sumatera and Bali, complemented by selected areas in other parts of the country."

Base Transceiver Station
We are consistently deploying our BTS network to expand network coverage and improve network quality. Our capital expenditure plan for 2007 was USD 700 million. Half of the USD 700 million was used to extend and strengthen network coverage in Java, Bali and Lombok. One third of it was used to build BTS network in Sumatera, and the remaining was used to build BTS network in the Eastern parts of Indonesia. At the end of 2007, our population coverage was 90%.

By year-end 2007, we have expanded our network coverage to East Nusa Tenggara, Maluku and Papua. We are present in the major cities of East Indonesia such as Ambon, Ternate, Jayapura, Sorong, Timika, Merauke and Kupang. As such, our coverage will reach the breadth of Indonesia from Sabang to Merauke.

During 2007, we successfully added 3,897 BTS, which brought our total BTS to 11,157, that spread across Sumatera, Java, Bali, Lombok, Kalimantan, Sulawesi, Maluku and Papua.

At the end of 2007, our national Base Station Subsystem availability was 99.9%.

Transmission
In 2007, we successfully expanded and reinforced our fiber optic network in several big cities in Indonesia. On the island of Java, where more than 62% of our subscribers are located, we have fiber optics network comprising of the main network (backbone) and connector network (ring). This high-capacity fiber optics backbone extends along the main railway line on the island, from West Java to Surabaya and Pasuruan in East Java.

In 2007, we installed more than 3,000 km of fiber optics network, which brings our total network (submarine and land) to more than 9,000 km.

We have built our own submarine cable network with installed capacity up to 10 gigabytes per second from West Java to Bali, Nusa Tenggara and terminating in South Sulawesi. We also have submarine cables that link Central Sulawesi with Sangatta in Kalimantan. Meanwhile, submarine cable in Ancol, North Jakarta, connects to Batam by passing the island of Bangka, to Riau Archipelago, Jambi before terminating in Batam. In inland Sumatera, we have developed terrestrial network that link the major cities of Sumatera. Soon, the main network in Sumatera will be connected to Java through submarine cable from Anyer to Kalianda which is still in development.

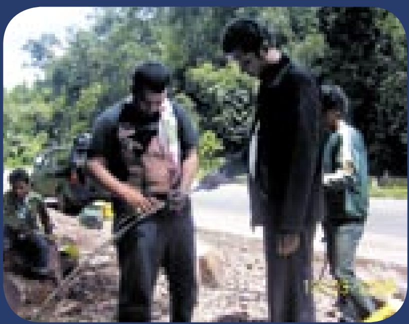
In conjunction with the transmission network expansion, XL succeeded in applying the newest technology by building a multiplex network with a huge capacity (10 Gbps) DWDM network, MPLS and NGN network beside the conventional TDM technology that previously exists i.e. PDH, SDH and C-WDM.

alternative route to connect our network in Indonesia with international networks.

Switching

Currently, **XL** implements the latest switch technology called NGN (New Generation Network), which is a cross between MGW (Media Gateway) and MSC-S (MSC-Serve). This IP-based technology replaces the older TDM-based technology. The use of this latest technology increases capacity availability and network quality.

With this technology, we can always provide high quality service to our subscribers. By end of 2007, our Successful



Access to International Network

In September 2007, we had completed the submarine fiber optics cable construction – Batam-Rengit Cable System (BRCS), linking Batam with Johor, Malaysia. BRCS is our main international network that offers a communication solution to international network with high speed, large capacity and competitive tariffs.

In addition to the national network, we also provide digital network microwave connecting Batam with Singapore, and Batam with Penggarang (Malaysia). These links serve as an

Call Rate was 95%, our Call Completion Rate was 99% and our Blocking Rate was below 1%.

Disaster Recovery Center (DRC)

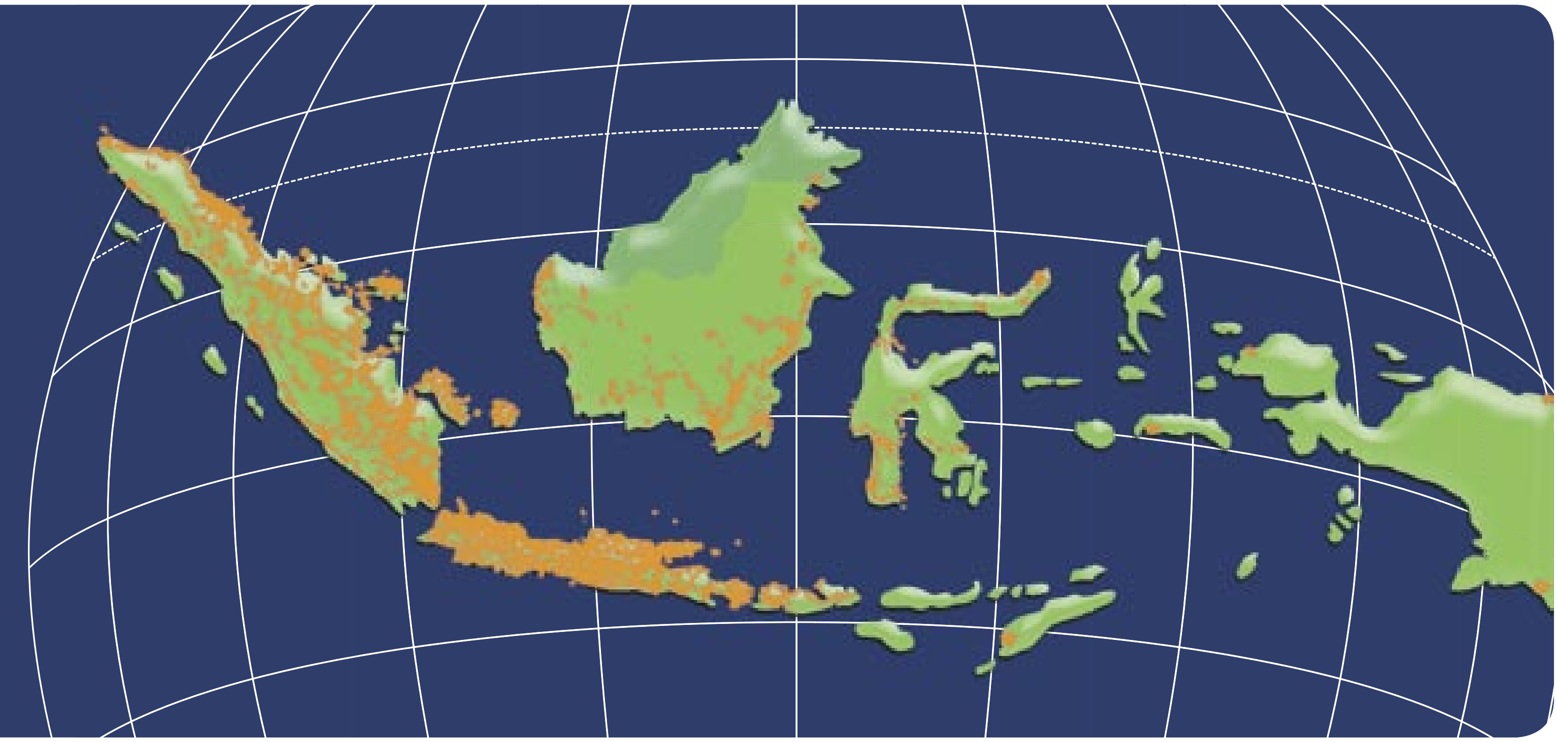
In 2007, we built a special network building in Bintaro. We also plan to build special network buildings in Bandung and Surabaya. The special network buildings are built as part of our long-term strategy to implement DRP system (Disaster Recovery Plan) and also to increase our network capacity.

Billing System

Since 2003, we have become the first operator in Indonesia to implement "Convergence Billing System". As a result, the data of our prepaid and postpaid customers were not processed in separate systems. This system enables us to be more flexible in creating marketing programs for our prepaid and postpaid subscribers with high level accuracy in calculating our subscribers' bill until the last second.

Sulzer Jusman
Professional

"**XL** has excellent network quality and I have experienced it for many years. I hope it will be even better in the future. Managing network infrastructure is challenging, but **XL** has proven that it can and will continue to be able to do it excellently."



Number of BTS

	2003	2004	2005	2006	2007
Java, Bali, Nusra	1,261	1,787	3,284	5,272	7,665
Outside Java, Bali, Nusra	230	570	1,040	1,988	3,492
Total	1,491	2,357	4,324	7,260	11,157

human resources development

Increasing competition in the telecommunication sector has made it crucial for **XL** to develop multi-tasking competences among employees, and manage our human resources sustainably.

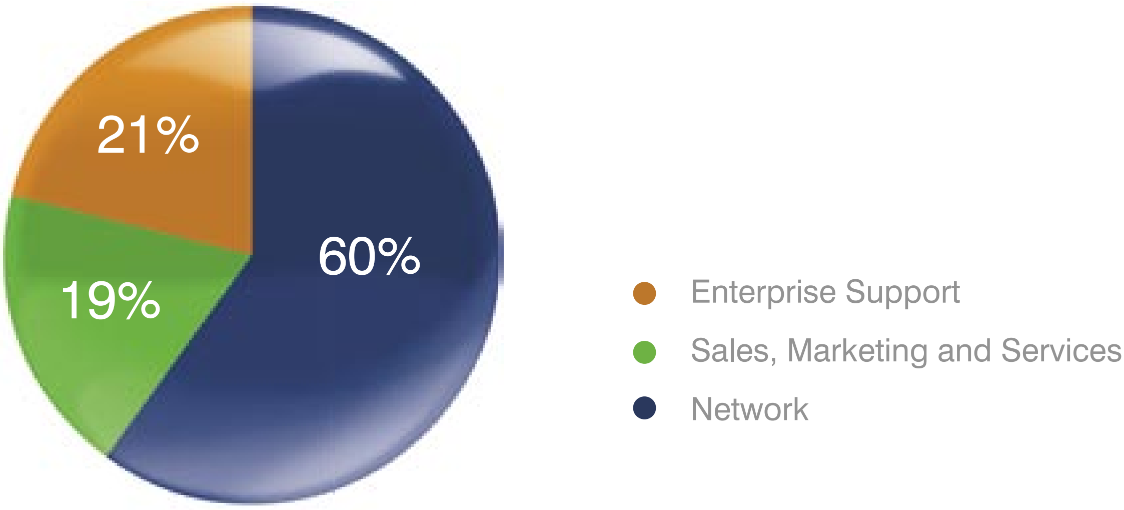
Joris de Fretes
Director

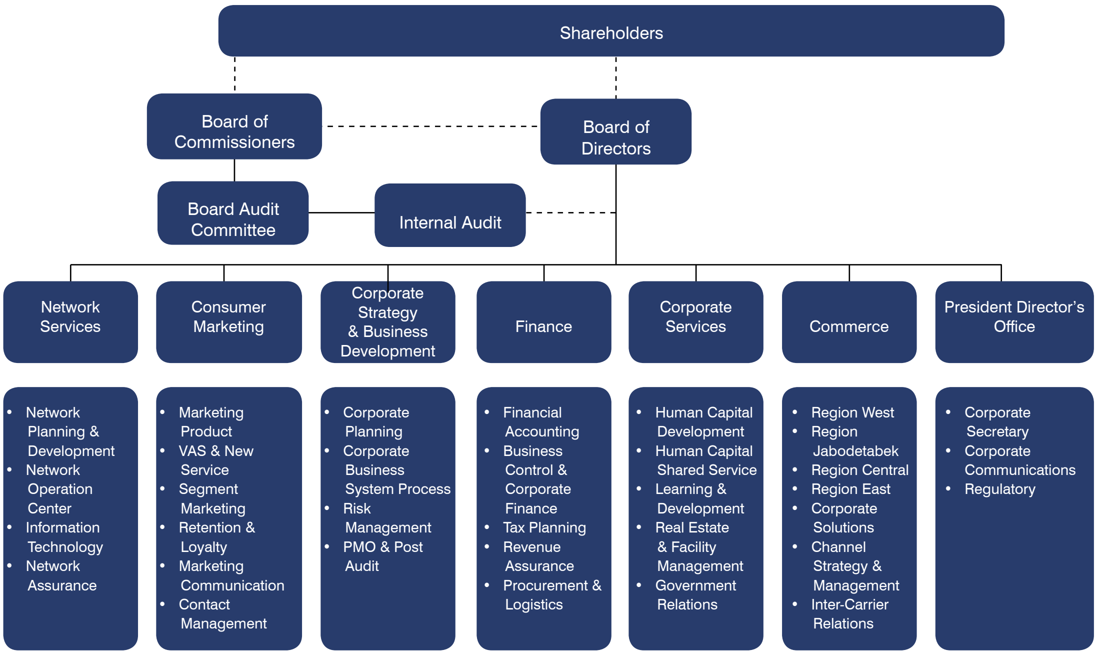
"In 2007, we implemented an integrated learning and development model to enhance managerial skills in senior and middle level management particularly. We have been selected to receive distinction as a company which implements knowledge-based management in its day-to-day business."

XL is aware of the key role of human resources in contributing to the success of any organizational development. Increasing competition in the telecommunications sector has made it crucial for **XL** to develop multi-tasking skills among its employees and manage our human resources sustainably. These activities fall under the responsibility of the Corporate Services Directorate that oversees Human Capital Development, Human Capital Shared Services, Human Capital Learning and Development, Real Estate and Facility Management and Government Relations. At the end of 2007, XL had 2,136 employees in all, an increase of 5% from the year before.

The majority of the **XL** workforce is in the commerce and marketing department, while the rest are equally distributed among network and other support divisions. This composition supported XL's subscriber base growth in 2007, while still focusing on technical competence to provide quality service for the satisfaction of our subscribers.

In line with any progress changes to **XL**, we evaluate our organizational structure from time to time and make necessary adjustments. The diagram below shows the organization structure and department level in each directorate.





Human Resource Development and Planning

Over the years, **XL** has implemented the Competency Based Human Resource Management (CBHRM) in the Company. This system serves as the basis for decision-making processes in human resources management such as recruitment and selection; learning and development; as well as career planning and others.

In order to ensure that each employee's contribution is acknowledged and appreciated, **XL** uses an Employee Performance Management system that requires every employee to prepare an annual Performance Plan that is evaluated by peers and superiors in order to verify their respective achievements. At the end of each year, the employee's performance ratings will be reevaluated and the results will form the basis for remuneration and further development plan.

Human Resources Management

In order to attract and maintain high calibre individuals, **XL** has designed an innovative strategy to maintain and to further motivate employees in competitive ways. **XL** regularly ensures that the "external equity" or the employees compensation package is always updated, competitive and attractive compared to that of their peers in the same industry. An internationally recognised consultant will carry out a compensation survey with comparable information of similar industries (IT and Telecommunication).

To encourage continuous communications and free flowing ideas, Management has implemented a number of communication methods such as Skill-Level Interviews, Honest Talks, Managers Forum and others. The positive attitude and open communication culture helps the Company create a healthy working environment that induces productivity throughout the Company's divisions.

Learning and Development

In order to assure successful implementation of human resources strategy, **XL** has allocated 5% of its human resource overheads into an integrated learning and development program. The program is based on competence assessment and adheres to international standards classified as the following:

- Management Learning
  This training is focused on increasing the skills and competencies of structural leaders.
- Technical Learning
  This training is focused on major business areas such as telecommunication network and information technology.
- Sales, Marketing and Customer Service Learning
  These trainings are focused on sales; marketing and customers services to continuously equip and motivate employees who work in these areas.
- General Learning
  This includes training programs related to the Company's efforts in building a corporate culture, increasing motivation, communications skills and others.

Human Resources Information System (HCIS)

HCIS helps integrate people, processes and technology in order to expand HR services efficiently and effectively. **XL** encourages the use of e-HR portal which allows employees to access relevant human resource information, conduct self-service HR administration process and meet development needs through a 'one stop office'. This HCIS is supported by the application of SAP Human Resources Modules.

Knowledge Management

Since 2003, **XL** has developed a Knowledge Management program across all levels of the organization. The objective of this program is to encourage knowledge-driven culture, to add methods of knowledge development for employees, as well as to create and enhance knowledge pool for all employees in the organization. For instance, the Community of Practice program allows employees to share their knowledge with their fellow employees who have just undergone training programs. On top of that, **XL** also opens opportunities for university students from various disciplines to join the Company's internship program while completing their studies.

On 1 August 2007, **XL** received the coveted distinction for being the top three "Indonesian Most Admired Knowledge Enterprise Winner 2007". In other words, **XL**'s concern, commitment and efforts in developing human resource competency is recognized and appreciated by independent parties.

XL's Family Gathering

Leadership Lounge

XL's Management Building Block Training

XL's employee sharing session

corporate social responsibility

Being a part of the Indonesian community, XL is proud to participate in corporate social responsibility (CSR) activities that seek to alleviate some of the social problems found in most Indonesian communities. XL is eager to assist in developing solutions using the relevant skills and resources at the company's disposal.

XL Care

The Company implements CSR programs that are widely known as XL Care. XL Care's priority concern is education, without put aside another field. In addition, XL Care also supports programs related to Community Development which include humanity aid (disaster relief).

Along with **XL**'s broad coverage within Indonesia, the **XL** CSR programs also reach areas where **XL** signals are present and in some cases programs, also extend far enough to areas where **XL** signals are still unreachable. For example, Sampoinet sub-district, West Aceh, Nangroe Aceh Darussalam, **XL** built nine school libraries in that area as a part of the Tsunami disaster relief.

In the year 2007, the "Education for All" programs have executed the following:

a. Building bamboo homes in TPA (Garbage Process Area) in Cakung, Cilincing
b. Rumba Ranu Pani in Ranu Pani village in Semeru mountain, Lumajang, East Java
c. Building nine libraries located around Sampoinet sub-district, about 42 km from the capital of Aceh Jaya, Calang, 114 km from Banda Aceh
d. Rebuilding SMA 2 Bantul, Yogyakarta damaged in 2006 by the earthquake. **XL** also provided computers and school equipments.
e. Supplying school equipments to SDN 101734 Sei Semayang, Deli Serdang, North Sumatera.

Programs encouraging the implementation of information technologies were:

a. Taman Pintar, Yogyakarta. **XL** equipped a learning centre that provided facilities ranging from telecommunication, computer operations and internet connection for young children.
b. Providing voice activated computers to blind people in Yayasan Mitra Netra
c. Giving "Multiplexer" transmission equipment to 14 universities in Indonesia
d. Internet Sehat program was a joint **XL** and ICT Watch initiative. The aim was to introduce and familiarise the use of the internet in several education institutions
e. Supporting the Indonesian Olympiad Physic Team (Tim Olimpiade Fisika Indonesia/TOFI)

For Community Development, projects carried out by XL Care:

a. Building 20 Semai Benih kindergartens in Java and Sumatera, with a library and computers
b. Providing XL mobile libraries to poor people in Jabodetabek area
c. Raising funds for natural disaster victims such as flood victims in Jabodetabek, earthquake victims in Yogyakarta and Bengkulu, and preparing for Gunung Kelud eruption

Along with XL network coverage expansion plan in 2008, potential locations for CSR program will also be extended. Some areas in Eastern Indonesia especially East Nusa Tenggara, Maluku and Papua are already part of this initiative organized by the XL Care program.

Indonesia Berprestasi

Since 2006, **XL** has continued to support developments in education and community care. Through the XL Care program, high achievers Indonesians are awarded with Indonesia Berprestasi Award (IBA) with the aim of uplifting Indonesian pride and prestige. This award scheme began in 2007. For first year, IBA awards are presented in four categories: Science, Technology, Education and Culture.

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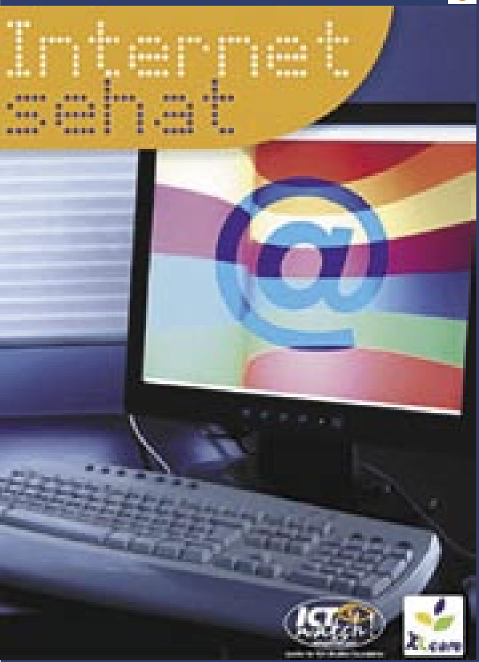

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XL CSR 2007 :

1. Donation for earthquake victims in Yogyakarta.
2. Welcoming the TOFI team supported by **XL** in APHO (Asia Physic Olympiad).
3. The Minister of Communication and Information - Mr. Mohammad Nuh visited XL Care's post for Bengkulu earthquake victims.
4. Collaboration between **XL** and Taman Pintar Yogyakarta in providing internet connection.
5. Mobile library donation for Nurani Dunia Foundation.
6. Booklet "internet sehat" - **XL** collaborated with ICT Watch to introduce proper internet usage.
7. Books donation at Ranu Pani village.
8. Donation for Griya Karya Cakung-Cilincing.
9. Internet connection Donation for TOFI and support to APHO & IPHO (International Physic Olympiad).
10. Multiplexer donation and training for 14 universities in Indonesia.

awards in 2007

PR Program & People of the Year

XL receives the “PR Program & People of the Year Award” from Mix magazine as the 2nd Runner Up in the Overall Categories for Product-Brand PR Programs, on 19 January 2007 in Jakarta.

Gold Service Quality Award

Granted by Marketing Magazine and Center of Customer Satisfaction & Loyalty. XL Center wins the Gold Service Quality Award which is 2nd highest level of award of this kind. The award was given based on customers feedback collected via face to face interviews.

The Best Marketing Innovation

XL Business Solutions received the award for The Best Innovation in Marketing.

Indonesian MAKE Winner 2007

XL is acknowledged as the “Indonesian MAKE (Most Admired Knowledge of Enterprise) Winner of 2007” on 1 August 2007. The award was given based on studies conducted by Dunamis Organization Services, a leading consultancy service in Indonesia, in cooperation with Teleos, a world-renown independent research firm.

The Best E-Corp 2007

XL receives “The Best E-Corp 2007” award for “The Best IT System” category from SWA Magazine on 4 April 2007.

Best Customers Care Operator

XL was awarded The Best Customer Care Cellular Award 2007 for Customer Service from Selular Magazine on 4 April 2007.

Best Prepaid GSM

XL receives The Best Prepaid GSM Cellular Award 2007 for the ***bebas*** prepaid card on 4 April 2007.

Group CEO Merit Award for Performance Improvement Program

XL was awarded the Group CEO Merit Award for Performance Improvement Program from Telekom Malaysia. The award was given to **XL** for its innovation in network construction by creating a 30-feet BTS tower structure more popularly known as “The Triangle Tower”. The special features of the Triangle Tower are its structural strength, safety and simplicity, as well as its short production time (1 month), and its cost-effective construction costing nearly 40% less in construction cost than conventional towers.

MURI Record for the Largest Spiderman Sticker

The Indonesian Museum of Records (MURI) declares that the super large Spiderman sticker on the wall of the grha XL building is the largest sticker in Indonesia. Measuring 37.7 x 41.86 meters. This sticker is part of the ***bebas*** tariff campaign of Rp 1/second. **XL** receives the MURI Award at grha XL in Jakarta on 27 June 2007.

Award from FORSEL Magazine

“The Best Tariff” for ***bebas*** prepaid card during 2007, the award was given in December 2007.

management discussion & analysis

By revisiting our business model and positioning in 2007, we have managed to record a strong growth both in revenue and subscriber base despite the more intensive competition.

“A fresh approach with regards to cost management, highly aligned to our strategy has allowed us to grow operational profitability while aggressively expanding our position in the market at the same time.”

Willem Lucas Timmermans
Director

Introduction

In 2007, we grew 29% in gross revenue to Rp 8.4 trillion and our Minutes of Use (MoU) increased by 136% to 6.8 billion minutes while our customer base increased by 62% to 15.5 million subscribers, the highest growth compared to the previous years. These achievements are attributable to the successful execution of a series of key strategies.

Our new pricing strategy created significant impact on our achievements. Starting with tariff simplification in the first quarter of 2007, we offered Rp 25 per second for both on-net and off-net calls to all ***bebas*** subscribers. With this, we want our customer to have simplicity and affordability for voice tariffs. It was then followed by another promotion in the second quarter of 2007. We offered a special on-net tariff of Rp 10 per second. With this offer, we recorded progressive increase in call volume. In the third quarter of 2007, we tried to stimulate duration per call by launching Rp 1 per second for on-net tariff and Rp 10 per second for off-net tariff. As a result, we successfully boosted our revenue and voice traffic in third and fourth quarters of 2007. At the end, this pricing strategy could bring us an increase on our Minutes of Use (MoU) by 136% to 6.8 billion minutes. We believe this strategy also helped us to obtain subscribers with good quality which was reflected in slightly increased blended ARPU to Rp 47 thousand.

Another key success factor in 2007 was deployment of our network infrastructure. We ended this year with 11,157 BTS or an additional 3,897 BTS in 2007. As of end of December 2007, we have reached 90% population coverage, which mainly concentrated on the islands of Java, Sumatera and Bali, complemented by specific areas in the other parts of the country.

Our new approach for distribution channel management also contributes to our achievement in 2007. Starting from January 2007, we have implemented hybrid distribution system, a new distribution system which is a refinement of our prior direct distribution system. With the implementation of the new system, we expanded our channel to more than 400,000 direct and indirect distribution channels.

Financial Results

Gross Revenue

We achieved a strong growth in gross revenue in 2007. This was contributed by increase in customer base and higher MoU as a result of our successful effort to stimulate usage which was done through a revamp of pricing strategy and positioning, and change in distribution system.

- Our gross revenue increased by 29% to Rp 8.4 trillion. This growth was mainly attributable to our prepaid product which contributed 67% of our gross revenue.

- Gross postpaid revenue increased by 30% to Rp 821 billion due to increase in postpaid subscriber by 24% despite a decline in postpaid ARPU. Postpaid ARPU was Rp 155 thousand or decreased by 10%.

- Gross prepaid revenue increased by 38% to Rp 5.6 trillion, mainly due to increase in prepaid subscriber by 64% to 15 million subscribers. Prepaid ARPU slightly increased to Rp 43 thousand compared to last year. Despite the reduction in average tariff per minute, which was in line with the industry trend, we had successfully managed to stimulate usage per subscriber which results in slightly higher ARPU.

- Gross Interconnection & Inroaming revenue slightly increased by 8% to Rp 1.1 trillion. The increase was mainly caused by 33% increase in interconnection revenue of **jempol** product, due to an increase in incoming minutes despite lower interconnection tariffs applied in January 2007. Our inroaming revenue increased significantly with 39% to Rp 219 billion.

- Gross Other GSM revenue decreased by 27% to Rp 355 billion mainly due to lower starter pack revenue. In 2007, we changed the presentation of starter pack revenue. Previously, we separately recorded the amount received from the sales of starter packs as revenue and discount as well. In 2007, the recording of starter pack revenue was changed by netting the sales amount with its discount.

- Gross Non GSM revenue increased by 74% to Rp 480 billion mainly due to increase in number of customers from our leased line, internet service provider and MPLS business. Gross Non GSM revenue contributed 6% to our gross revenue, compared to last year of 4%. Even though growth in non GSM showed a good result, but it only contributed 6% to our gross revenue, while growth in gross GSM revenue was 27% but it contributed 94% to our gross revenue.

- Non voice/data revenues increased by 30% to Rp 2.4 trillion, which was slightly higher than total gross revenue growth. Therefore, in 2007 non voice/data revenues contributed 29% of gross revenues which was the same with contribution in 2006. The non voice/data revenues mainly (around 84%) consist of SMS revenue.

- Discounts decreased by 45% to Rp 375 billion, which was due to our decision to change the discount scheme from providing bonus pulsa to direct reduction in tariff, as we believe that the later is more effective in this market.

Operating Expenses

Operating expenses (including interconnection and telecommunication service charges and excluding depreciation and amortization) increased by 39% to Rp 4.5 trillion in 2007, which was mainly caused by increase in interconnection & telecommunication service charges, infrastructure expenses and marketing expense & sales commission. Aggressive marketing campaign and network development grew our customer base, channel distribution and number of BTS.

- Interconnection and telecommunication service charges consists of interconnection cost, VAS costs, BHP fee, USO fee, starter pack, voucher costs and Non GSM costs, all of which increase in line with revenue growth. In 2007, the figure increased by 40% to Rp 1.5 trillion, which was largely driven by 31% increase in interconnection cost.

- Salaries and employment benefit grew 16% to Rp 574 billion mainly due to salary adjustment and 5% growth in number of headcount.

- Marketing expenses & sales commission increased by 37% to Rp 896 billion mainly attributable to higher sales commission and advertising & promotion.

In billion of Rupiah	2006	2007	Growth
Sales commission	322	463	44%
Advertising & Promotion	332	433	30%
Total	**654**	**896**	**37%**

- Network infrastructure expenses increased by 76% to Rp 1,077 billion. This was mainly attributable to increase in frequency fee which was in line with growth in our BTS number. This frequency fee accounted for 44% of total infrastructure expenses. The remaining increase was contributed by utilities expenses for our BTS, repair & maintenance expenses and rental expenses for our BTS sites.

In billion of Rupiah	2006	2007	Growth
Frequency fee	200	472	136%
Repair & Maintenance	168	235	39%
Rental fee for network infrastructure	133	188	41%
Utilities	112	182	63%
Total	**613**	**1,077**	**76%**

- Support & overhead expenses increased by 10% to Rp 404 billion, which was mainly driven by increase in utilities expense for our XL Center, professional fee and insurance fee.

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased by 37% to Rp 3.5 trillion. Our EBITDA margin over gross revenue increased from 39% to 42% resulting from a strong focus on cost control, productivity and efficiency.

Depreciation & Amortization Expenses

Depreciation and amortization expenses increased by 15% to Rp 1.7 trillion, mainly due to 54% increase in number of BTS to 11,157 BTS.

Other Income / Expenses

Other income / (expenses) increased from net expenses of Rp 25 billion to net expenses of Rp 1.2 trillion due to:

- Interest expense increased by 67% to Rp 694 billion due to new debts issued in 2007 i.e. Rp 1.5 trillion Rupiah Bond and new bank loans of Rp 2.6 trillion; consisted of USD 230 million and Rp 0.4 trillion and withholding tax on USD bonds interest for period 2007 as well.
- Recording of forex loss of Rp 204 billion in 2007 from forex gain of Rp 345 billion in 2006. Rupiah/USD rate as of 31 December 2007, 2006 and 2005 are Rp 9,419/USD, Rp 9,020/USD and Rp 9,830/USD, respectively.
- Other expenses increased by 6811% to Rp 394 billion due to recording of withholding tax on USD bonds interest for period 2004 – 2006.

Net Income

Net income decreased by 62% to Rp 251 billion. The net income margin was 3%, lower from 2006 of 10%. The lower net income margin was the result of:

- Management decision to recognize the WHT on the USD bonds interest for period 2004-2007, amounting to 368 billion.
- Booking of forex loss (which was mostly unrealized due to restatement of our USD denominated debts), due to depreciation of Rupiah as of end of 2007.

In billion of Rupiah	2006	2007	Growth
Net Income	652	251	-62%
Less Unrealized Forex (gain)/ plus unrealized forex loss	(316)	135	N/A
Impact from WHT on USD bonds interest (net of tax)	-	336	N/A
Normalized Net Income	**336**	**721**	**115%**

Balance Sheet

As a result of our investment and business activities, our total assets increased by 49% to Rp 18.8 trillion. Total liabilities increased by 72% to Rp 14.4 trillion while total equity increased by 4% to Rp 4.5 trillion.

- Current assets increased by 42% to Rp 1.7 trillion mainly due to an increase in cash and cash equivalent, account receivables, prepaid taxes and advances & other prepayments.
- Non-current assets increased by 50% to Rp 17.1 trillion mainly due to significant growth in network infrastructure (the 54% increase in number of BTS) and adjusment to the calculation of the decelerated depreciation expense due to extended useful life of fiber optic and BTS related network equipment from 8 years to 10 years resulting lower depreciation expense in 2007.
- Current liabilities increased by 221% to Rp 7.4 trillion mostly due to re-classification of the USD 350 million bond from long term to current liabilities which was called at par on 25 January 2008 and increase in trade payables.
- Non-current liabilities increased by 15% to Rp 7.0 trillion due to issuance of Rp 1.5 trillion Rupiah Bond in April 2007 and new bank loans of USD 230 million and Rp 0.4 trillion.

Cash Flow

- Net cash flow from operating activities was Rp 4.0 trillion which was driven by 36% increase in cash receipt from customers and other operators resulting from 62% growth in subscriber.

- Net cash flow used in investing activities was Rp 7.1 trillion, mainly due to additional fixed assets which was attributable to additional 3,897 new BTS in 2007.

- Net cash flow from financing activities was Rp 3.4 trillion. Our cash flow from financing activities came from the issuance of Rp 1.5 trillion Rupiah Bond and new bank loans of Rp 2.6 trillion; consisted of USD 230 million and Rp 0.4 trillion. At the end of 2007, our cash and cash equivalent stood at Rp 806 billion.

In billion of Rupiah	2006	2007
Net cash flows provided from operating activities	2,861	3,959
Net cash flows used in investing activities	(4,518)	(7,127)
Free Cash Flows	(1,657)	(3,168)
Net cash flows provided from financing activities	1,367	3,383
Net (decrease)/increase in cash and cash equivalents	(291)	215
Cash and cash equivalents at the beginning of the year	880	587
Effect of exchange rate changes on cash and cash equivalents	(3)	4
Cash and cash equivalents at the end of the year	587	806

Operational Result

MoU and Customer Base

Supported by intensive improvement on network coverage, quality and capacity, we launched our off-net tariff Rp 25 per second with promotion off-net tariff Rp 10 per second and on-net tariff Rp 10 per second with promotion on-net tariff Rp 1 per second. As a result of the reduction in on-net and off-net tariff, our MoU per subscriber increased significantly with 74% to 50 minutes. Therefore our ARPU was slightly increased to Rp 47 thousand despite the reduction in average tariff per minute.

ARPU from ***bebas*** services increased by 7% to Rp 47 thousand, while **jempol** ARPU decreased by 5% to Rp 37 thousand. Overall, our prepaid ARPU slightly increased to Rp 43 thousand compared to last year. ARPU from **Xplor** decreased by 10% to Rp 155 thousand. Our pricing strategy was the key factor to maintain our ARPU and improve our gross revenue.

Our customer base showed a significant growth in 2007 whereas we acquired 5.9 million new subscribers. At the end of 2007, our customer base was 15.5 million, 62% growth compared to 2006.

Our customer base mostly consisted of prepaid subscribers which represented 97% of our total customer base. Net-adds from prepaid subscribers contributed 98% from our total net-adds customer base or equal to 5.8 million prepaid subscribers. The increase in prepaid subscribers mainly derived from our ***bebas*** subscribers which represented 88% from total net-adds and recorded 107% of growth. This was a result of new pricing strategy of Rp 1 per second which was launched in July 2007. At the end of 2007, we recorded 15 million prepaid subscribers which consist of 10.1 million ***bebas*** subscribers and 4.9 million **jempol** subscribers.
Our postpaid services (**Xplor**) grew 24% to 481 thousand subscribers or represented 3% of our total customer base.

We expanded our network coverage in 2007 to improve our quality of services. As of the end of 2007, our population coverage was around 90%. Around 75% of our 2007 capex was spent for coverage and the rest was spent for capacity. In 2007, our focus was still mainly in Java, Bali and Lombok. As a result, 67% of our new subscribers are from Java, Bali and Lombok. We haves also expanded our coverage in Sumatera, as one-third of the new BTS in 2007 was deployed in Sumatera. Our subscribers in Sumatera grew by 99%. As a result, our subscribers in Sumatera represent 17% of our total customer base in 2007, compared to 14% in 2006.

Capital Expenditures

We added 3,897 BTS to total 11,157 BTS at the end of 2007 or 54% growth compared to last year. We added Rp 7.1 trillion to fixed assets for network infrastructure and other investment. The expenditures were mostly to improve our network coverage and capacity.

Our capital expenditures were financed by net cash flow from operation and external debt financing.

In billion of Rupiah and In million of USD	2006 USD	2006 IDR	2007 USD	2007 IDR	Growth
Capitalized capex	530	4,503	700	7,088	57%
Paid capex*	446	4,027	729	6,868	71%
Commitments entered into for current year**	500	4,509	668	6,288	39%
Commitments entered into for following year**	25	228	126	1,189	421%

* The original amount is in IDR, converted to USD using closing rate 31 Dec 2007 and 2006. Exchange rate Rupiah against USD as of 31 Dec 2007 and 2006 were Rp 9,419/USD and Rp 9,020/USD, respectively.

** The original amount is in USD, converted to IDR using closing rate 31 Dec 2007 and 2006.

Dividends

In April 2007, Annual General Meeting of Shareholders (AGMS) had approved allocation of Rp 67 billion for cash dividend from net profit for the year 2006 or equal to 20% of normalized net income (net income adjusted with unrealized forex gain/(loss)). This was the first dividend paid in **XL** history.

Loan/Debt

On 26 April 2007, we issued IDR bond amounting to IDR 1.5 trillion with 5 years tenor and 10.35% which is paid quarterly. This bond is rated AA(idn) from PT. Fitch Ratings Indonesia, and idAA- from PT. Pemeringkat Efek Indonesia.
At the end of 2007, our interest bearing debts were Rp 9.7 trillion which consist of:

- USD 350 million bond due in January 2009, which was called at par on 25 January 2008
- USD 250 million bond due in January 2013
- IDR 1.5 trillion bond due in April 2012
- Bank loan from credit facilities. The credit facilities consist of:

Bank's Name	Loan Facility	Utilization	Balance	Year of Maturity
USD Loan (in million)				
Bank Mizuho Indonesia	50	50	-	2010
Standard Chartered Bank	100	100	-	2010
Standard Chartered Bank	110	-	110	-
Bank DBS Indonesia	50	50	-	2010
JP Morgan Chase	30	30	-	2010
IDR Loan (in trillion)				
Bank DBS Indonesia	0.7	-	0.7	-
BCA	2.0	-	2.0	-
Bank Mandiri	4.0	0.4	3.6	Amortizing every year, final repayment is in 2012

We also entered into several foreign currency contracts for a total notional amount of USD 377.5 million to hedge the exposure from the USD borrowings and at the end of 2007 **XL** had covered 45% from total foreign exchange denominated debt.

Since we have several bonds (in USD and Rupiah), we are rated by several credit rating companies and the latest credit ratings issued are as follows:

	Foreign Currency	Local Currency	Outlook
Moody's	Ba2	-	Stable
Standard & Poor's	BB-	-	Stable
Fitch Ratings	-	AA(idn)	Stable
Pefindo	-	idAA-	Stable

Withholding Tax Issue

In June 2006, we received 2004 tax assessment result on withholding tax (WHT) applicable for offshore interest including its penalty for a total amount of Rp 34.3 billion, which was based on WHT rate of 10%. We have submitted an objection on the 2004 tax assessment result in September 2006. However, the objection was rejected by the Directorate General of Taxation in August 2007 and we were assessed to pay the WHT for period 2004 at 20% rate. Therefore, the WHT on interest for period 2004 including its penalty was Rp 68.5 billion and had been fully paid to the Tax Office in third quarter 2007. The WHT including its penalty was recoded under Other Expenses.

In June 2007, we received 2005 tax assessment result for the similar issue amounting to Rp 86.7 billion. The tax assessment was based on WHT rate of 20%. The result of the underpayment of WHT including its penalty has been paid to the tax office in July 2007; the WHT including its penalty had been booked under Other Expenses.

As for 2006 WHT, we had recorded the WHT on interest on USD bonds at a rate of 20% including its penalty in third quarter of 2007 and booked under Other Expenses with total amount of Rp 102.9 billion.

The total WHT for period 2004 – 2007 including penalty booked in 2007 was Rp 368 billion. The total amount of WHT paid in 2007 was Rp 226 billion.

corporate information

Corporate Data
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PT Excelcomindo Pratama Tbk.
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Kawasan Mega Kuningan
Jakarta 12950
Tel: 62 21 576 1881
Fax: 62 21 576 1880

XL Subsidiaries
GSM One (L) Limited
P.O. Box 3151, Road Town
Tortola, British Virgin Island

GSM Two (L) Limited
P.O. Box 3151, Road Town
Tortola, British Virgin Island

Excel Phoneloan 818 B.V.
Leidseplein 29
1017 PS Amsterdam
The Netherlands

Excelcomindo Finance Company B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

Corporate Secretary
Ike Andriani
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Fax: 62 21 579 59928

Investor Relations
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Fax: 62 21 579 59025

Corporate Communications
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Fax: 62 21 579 59036

Customer Service
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Tel: 62 21 579 59818 (from PSTN)
or 818 (from mobile phone)

Special for Corporate Customer
Tel: 62 21 579 59819 (from PSTN)
or 819 (from mobile phone)
Fax: 62 21 579 59808

Business Solutions
email: business_solutions@XL.co.id
Tel: 62 21 576 1881
Fax: 62 21 579 59650

Ticker Symbol
EXCL

Listed Stock Exchange
Indonesia Stock Exchange

Listed USD Bond
Singapore Stock Exchange

Listed IDR Bond
Indonesia Stock Exchange

Rating Company
- PT. PEFINDO (Pemeringkat Efek Indonesia)
  Setiabudi Atrium 8th Floor, suite 809-810
  Jl. H.R. Rasuna Said Kav. 62
  Jakarta 12920, Indonesia

- PT Fitch Ratings Indonesia
  Ged. Plaza DM, 24th Fl, Suite 2406
  Jl. Jend. Sudirman kav. 25
  Jakarta 12920

- Moody's Singapore Pte Ltd.
  50 Raffles Place #23-06
  Singapore Land Tower
  Singapore 048623

- Standard & Poor's
  30 Cecil Street
  17th Floor, Prudential Tower
  Singapore, 049712

Share Registrar
- PT Datindo Entrycom
  Jl. Jend Sudirman Kav. 34
  Jakarta 10220
  Indonesia

- PT Kustodian Sentral Efek Indonesia
  Plaza Bapindo
  Bank Mandiri Tower, Lantai 21-22
  Jl. Jend. Sudirman Kav. 54-55
  Jakarta 12190

Public Accountant
KAP Haryanto Sahari & Rekan
(a member firm of PricewaterhouseCoopers)
Jl. H.R. Rasuna Said Kav. X-7 No. 6
Jakarta 12940 - INDONESIA

Board of Commissioners' and Board of Directors' Statement Regarding Responsibility for 2007 Annual Report of the Company

We, the undersigned herewith, the Board of Commissioners and the Board of Directors of PT Excelcomindo Pratama Tbk. (the "Company"), hereby fully acknowledge the performance of the Company during 2007 financial year as stated in the Company's 2007 Annual Report herewith and therefore fully accountable for the accuracy of information declared herein.

This statement is made truthfully in accordance with the requirement of Company's Articles of Association and Bapepam Rule No. X.K.6., attachment to the Decision of Chairman of Bapepam-LK No. Kep-1334/BL/2006 dated 7 December 2006 regarding the Obligation of Annual Report Submission for the Issuer or Public Company.

Board of Commissioners

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
President Commissioner

YB Datuk Nur Jazlan bin Tan Sri Mohamed
Commissioner

Rosli bin Man
Commissioner

Datuk Bazlan bin Osman
Commissioner

Dato' Yusof Annuar bin Yaacob
Commissioner

Peter J. Chambers
Commissioner

Abdul Farid bin Alias
Commissioner

Gen (Ret.) Wismoyo Arismunandar
Independent Commissioner

Dato' Mohammad Norza bin Haji Zakaria
Independent Commissioner

Ir. Tjahjono Soerjodibroto, MBA
Independent Commissioner

Board of Directors

Hasnul Suhaimi
President Director

Md. Nasir Ahmad
Director

Willem Lucas Timmermans
Director

P. Nicanor V. Santiago III
Director

Joris de Fretes
Director

Joy Wahjudi
Director

Dian Siswarini
Director

PT Excelcomindo Pratama Tbk and Subsidiaries

Consolidated Financial Statements

31 December 2007 and 2006

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PT Excelcomindo Pratama Tbk.
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Kawasan Mega Kuningan
Jakarta 12950 - Indonesia
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www.xl.co.id

PT EXCELCOMINDO PRATAMA TBK AND SUBSIDIARIES

DIRECTORS' STATEMENT
REGARDING RESPONSIBILITY FOR PT EXCELCOMINDO PRATAMA TBK AND SUBSIDIARIES ("THE GROUP") CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007 AND 2006 AND FOR THE YEARS THEN ENDED

We, the undersigned:

1.	Name	: Hasnul Suhaimi
	Office Address	: Menara Prima, 8th floor Jl. Lingkar Mega Kuningan Blok 6.2 Kawasan Mega Kuningan Jakarta 12950, Indonesia
	Address of domicile/ based on ID card or other identity document	: Komp. Qoryah Thayibah Srengseng, Kembangan Jakarta Barat
	Telephone No.	: 021 - 5870056
	Position	: President Director
2.	Name	: Willem Lucas Timmermans
	Office Address	: Menara Prima, 8th floor Jl. Lingkar Mega Kuningan Blok 6.2 Kawasan Mega Kuningan Jakarta 12950, Indonesia
	Address of domicile/ based on ID card or other identity document	: Setiabudi Residences, Tower A Unit 704/788 Jl. Setiabudi Selatan Raya No.1 Jakarta Selatan
	Telephone No.	: 021 - 57946697
	Position	: Director

declare that:

1. We are responsible for the preparation and presentation of the Group's consolidated financial statements;
2. The Group's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
   b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the Group's internal control systems.

This is our declaration, which has been made truthfully.

For and on behalf of the Board of Directors

JAKARTA,
19 February 2008

Hasnul Suhaimi
President Director

Willem Lucas Timmermans
Director

Haryanto Sahari & Rekan

A member firm of PricewaterhouseCoopers

Kantor Akuntan Publik
Haryanto Sahari & Rekan
PricewaterhouseCoopers
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF

PT EXCELCOMINDO PRATAMA Tbk.

We have audited the accompanying consolidated balance sheets of PT Excelcomindo Pratama Tbk. (the "Company") and subsidiaries as at 31 December 2007 and 2006 and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 audit to obtain reasonable assurance 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 management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Excelcomindo Pratama Tbk. and subsidiaries as at 31 December 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Indonesia.

JAKARTA
19 February 2008

Drs. Haryanto Sahari
License of Public Accountant No. 98.1.0286

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated financial statements and their utilization are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.

The standards, procedures and practices utilized in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.

Nomor Izin Usaha: KEP-131/KM.6/2004

PT EXCELCOMINDO PRATAMA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2007 AND 2006
(Expressed in thousand Rupiah, except par value per share)

	Notes	2007	2006
CURRENT ASSETS			
Cash and cash equivalents	2a,3,21b	805,768,794	587,176,395
Trade receivables - net of allowance for doubtful accounts	2e		
- Third parties	4	257,342,679	187,395,919
- Related parties	2c,21c	51,058,502	16,902,019
Other receivables			
- Third parties		2,153,240	3,767,409
- Related parties	2c,21d	-	6,446
Inventories	2f	58,959,920	35,376,788
Prepaid taxes	2m,20a	283,890,820	185,535,217
Advances and other prepayments	5	219,904,864	167,095,423
Other assets	6	230,025	148,305
Total current assets		1,679,308,844	1,183,403,921
NON-CURRENT ASSETS			
Fixed assets - net of accumulated depreciation	2g,2l,7	15,810,223,069	10,462,009,661
Derivatives receivable	2k,23	125,723,105	-
Other assets	2h,6	1,212,012,177	991,162,178
Total non-current assets		17,147,958,351	11,453,171,839
TOTAL ASSETS		18,827,267,195	12,636,575,760
CURRENT LIABILITIES			
Trade payables:			
- Third parties	8	2,674,249,839	1,664,883,959
- Related parties	2c,21e	3,427,867	6,621,242
Taxes payable	2m,20b	96,035,007	46,220,252
Other payables and accruals			
- Third parties	9	511,968,082	325,694,721
- Related parties	2c,21f	3,666	-
Deferred revenue	2d	410,417,633	256,786,819
Current maturity of long term loan	2i,10	400,000,000	-
Current maturity of long term bond	2j,11	3,283,434,104	-
Total current liabilities		7,379,536,198	2,300,206,993
NON-CURRENT LIABILITIES			
Trade payables - third parties	8	322,516,345	282,170,298
Long term loan	2i,10	2,166,370,000	-
Deferred tax liabilities	2m,20d	613,729,228	347,152,940
Long term bonds	2j,11	3,814,081,697	5,345,184,876
Derivatives payable	2k,23	-	42,154,808
Provision for employee benefits	2n,12a	66,227,659	38,511,362
Total non-current liabilities		6,982,924,929	6,055,174,284
EQUITY			
Share capital - authorised capital 22,650,000,000 ordinary shares, issued and fully paid capital 7,090,000,000 ordinary shares, with par value of Rp 100 per share	13	709,000,000	709,000,000
Capital surplus	2j,13	2,691,684,344	2,691,684,344
Retained earnings			
- Appropriated	15	100,000	-
- Unappropriated		1,064,021,724	880,510,139
Total equity		4,464,806,068	4,281,194,483
TOTAL LIABILITIES AND EQUITY		18,827,267,195	12,636,575,760

The accompanying notes form an integral part of these consolidated financial statements.

PT EXCELCOMINDO PRATAMA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expressed in thousand Rupiah, except earning per share)

	Notes	2007	2006
REVENUE			
Gross revenue		8,364,710,680	6,466,056,941
Discount		(375,191,884)	(688,400,247)
Interconnection and telecommunication service charges		(1,529,748,597)	(1,095,982,174)
Revenue net of interconnection and telecommunication service charges	2d,17 21g,21h,21i	6,459,770,199	4,681,674,520
OPERATING EXPENSES	2d		
Depreciation expenses	2g,7	1,705,409,714	1,508,019,737
Infrastructure expenses	18	1,076,675,957	613,350,983
Marketing expenses and sales commission	19	896,048,534	653,707,317
Salaries and employee benefits	2n,12b,21k	573,906,998	494,407,569
Supplies and overhead expenses	21j	403,915,377	366,681,930
Others	2h	44,031,593	17,645,629
		4,699,988,173	3,653,813,165
OPERATING INCOME		1,759,782,026	1,027,861,355
OTHER (EXPENSE)/INCOME			
Interest expense		(694,388,122)	(416,203,300)
Interest income		50,749,207	51,667,952
Foreign exchange (loss)/gain - net	2k,2l	(204,362,068)	344,793,611
Others	20e	(393,749,838)	(5,697,320)
		(1,241,750,821)	(25,439,057)
INCOME BEFORE INCOME TAX		518,031,205	1,002,422,298
INCOME TAX EXPENSE			
- Current	2m,20c	(674,664)	(2,030,963)
- Deferred	2m,20c	(266,576,288)	(348,507,882)
		(267,250,952)	(350,538,845)
NET INCOME		250,780,253	651,883,453
NET INCOME PER SHARE:			
BASIC	2o,16	35	92
DILUTED	2o,16	35	92

The accompanying notes form an integral part of these consolidated financial statements.

PT EXCELCOMINDO PRATAMA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expressed in thousand Rupiah)

	Notes	Share capital	Capital surplus	Retained Earnings – Appropriated	Retained Earnings – Unappropriated	Total
Balance at 1 January 2006		709,000,000	2,691,684,344	-	228,626,686	3,629,311,030
Net income for the year		-	-	-	651,883,453	651,883,453
Balance at 31 December 2006		709,000,000	2,691,684,344	-	880,510,139	4,281,194,483
Net income for the year		-	-	-	250,780,253	250,780,253
Dividends	2p,14	-	-	-	(67,168,668)	(67,168,668)
Appropriation to statutory reserve	15	-	-	100,000	(100,000)	-
Balance at 31 December 2007		709,000,000	2,691,684,344	100,000	1,064,021,724	4,464,806,068

The accompanying notes form an integral part of these consolidated financial statements.

PT EXCELCOMINDO PRATAMA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expressed in thousand Rupiah)

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and other operators		8,039,046,366	5,902,480,398
Interest income received		51,180,099	51,588,710
Payments for suppliers and operating expenses		(3,637,355,408)	(2,670,463,515)
Payments of corporate income tax		(33,353,421)	(33,411,453)
Payments to employees		(460,157,536)	(389,620,693)
Net cash flows provided from operating activities		3,959,360,100	2,860,573,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(6,868,396,218)	(4,027,420,081)
Additions of other assets		(263,971,955)	(493,098,124)
Proceeds from sale of fixed assets and insurance claims	7	5,094,369	2,616,484
Net cash flows used in investing activities		(7,127,273,804)	(4,517,901,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bond issue costs	2j	(7,865,448)	(30,597,809)
Payment of long term loan interest		(51,424,731)	-
Cash dividends paid	14	(67,168,668)	-
Payment of bond interest		(494,115,960)	(351,180,270)
Proceeds from long term bond		1,500,000,000	2,440,862,725
Proceeds from long term loan		2,503,455,000	-
Repayment of short term lenders loan		-	(688,100,000)
Payment of short term lenders loan interest		-	(4,187,058)
Net cash flows provided from financing activities		3,382,880,193	1,366,797,588
Net increase/(decrease) in cash and cash equivalents		214,966,489	(290,530,686)
Cash and cash equivalents at beginning of year		587,176,395	880,484,818
Effect of exchange rate changes on cash and cash equivalents		3,625,910	(2,777,737)
Cash and cash equivalents at end of year	3	805,768,794	587,176,395
Consisting of:			
- Cash on hand		1,463,045	1,269,990
- Cash in bank		105,668,749	233,646,405
- Time deposits, mature within three months		698,637,000	352,260,000
		805,768,794	587,176,395
ACTIVITIES NOT AFFECTING CASH FLOWS:			
Purchase of fixed assets by means of trade payables		219,282,981	475,631,460

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

a. Establishment

PT Excelcomindo Pratama Tbk ("the Company") was previously established under the name PT Grahametropolitan Lestari and has its legal domicile in Jakarta. The Company is a limited liability company under the laws of the Republic of Indonesia and was established under Deed of Establishment No. 55, dated 6 October 1989, as amended by Deed No. 79, dated 17 January 1991. The preparation of both deeds was overseen by Rachmat Santoso, SH, Notary in Jakarta. The deeds were approved by the Minister of Justice of the Republic of Indonesia in the Ministry's Decision Letter No. C2-515.HT.01.01.TH.91, dated 19 February 1991, registered in the District Court of South Jakarta under No. 670/Not/1991/PN.JKT.SEL and No. 671/Not/1991/ PN.JKT.SEL, dated 21 August 1991, and published in the State Gazette of the Republic of Indonesia No. 90, Supplement No. 4070, dated 8 November 1991.

The Company's Articles of Association have been amended several times. The last amendment was based on a Shareholders' Resolution dated 19 July 2005, as stated in Deed No. 127, dated 19 July 2005, by which, in relation to the Initial Public Offering of the Company, all of the Company's Articles of Association were entirely amended by Deed No. 8, dated 2 August 2005, prepared before Aulia Taufani, SH, substitute for Sutjipto, SH, Notary in Jakarta. This amendment was accepted and approved by the Minister of Law and Human Rights of the Republic of Indonesia in Letter No. C-21651.HT.01.04.TH.2005, dated 4 August 2005, and C-21974.HT.01.04.TH.2005, dated 8 August 2005, registered by the Company Registrar of the District of South Jakarta under registration No. 947/RUB.09.03/VIII/2005, dated 16 August 2005, and published in the State Gazette of the Republic of Indonesia No. 70, dated 1 September 2005, Supplement No. 9425 Year 2005.

Based on an increase in the number of issued and fully paid shares in the Company, Article 4 paragraphs 2 and 3 of the Company's Articles of Association were amended, as stated in Deed No. 47, dated 6 October 2005, prepared before Sutjipto, SH, Notary in Jakarta. This amendment was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in Letter No. C-28115.HT.01.04.TH.2005, dated 12 October 2005, registered by the Company Registrar of the District of South Jakarta under registration No. 1331/RUB.09.03/X/2005, dated 28 October 2005, and published in the State Gazette of the Republic of Indonesia No. 103, dated 27 December 2005, Supplement No. 1218 Year 2005.

b. Company's public offerings

On 23 October 2003, the Company issued a bond known as Obligasi Excelcom I Year 2003 (the "Excelcom Bond") with a nominal value of Rp 1.25 trillion (full amount) over a five-year period, listed on the Indonesia Stock Exchange. The bond was bought back on 21 July 2005.

On 27 January 2004, the Company's wholly owned subsidiary, Excelcomindo Finance Company B.V., domiciled in Amsterdam, issued USD 350 million-worth of five-year notes, which are listed on Singapore Exchange Securities Trading, Ltd. (refer to Note 11a).

On 16 September 2005, the Company acquired an effective statement from the Indonesian Capital Market Supervisory Agency (Bapepam) No. S-2531/PM/2005 in order to perform an initial public stock offering of 1,427,500,000 of its shares with a par value of Rp 100 (full amount).

All of the Company's issued shares were listed on the Indonesia Stock Exchange on 29 September 2005 at the offering price of Rp 2,000 (full amount) per share.

1. GENERAL (continued)

b. Company's public offerings (continued)

Based on the Resolution of an Extraordinary General Meeting of Shareholders, as stated in Deed No. 127, dated 19 July 2005, prepared before Aulia Taufani, SH, substitute for Sutjipto, SH, Notary in Jakarta, the Company's shareholders approved the plan of implementing an employees' stock option program through Employee Stock Allocation (ESA) which was realised together with the Company's initial stock public offering.

The members of ESA received free shares from the Company totalling 5,000,000 shares which were distributed proportionally to the Company's employees based on their respective working periods and positions. This program was only valid for permanent employees who had been working for a minimum of 12 months on the date of listing on the Stock Exchange.

The shares from the ESA program will be returned to the Company if the employee resigns or has his/her contract terminated within one year of the date on which the shares were recorded. Shares for this program cannot be sold within one year of listing on the Stock Exchange and cannot be taken as cash by the member of the ESA.

On 18 January 2006, Excelcomindo Finance Company B.V. issued a second USD bond amounting to USD 250 million of seven year notes which are listed on Singapore Exchange Securities Trading, Ltd. (refer to Note 11a).

On 26 April 2007, the Company issued a second IDR bond with a nominal amount of Rp 1,500,000 million (full amount) for a five year period in the Indonesia Stock Exchange (refer to Note 11b).

c. Investment licence

In accordance with its Articles of Association, the Company's objective is to engage in telecommunications services and/or telecommunications networks and/or multimedia services.

The Company obtained permission, or *Ijin Usaha Tetap* ("IUT"), to provide basic telecommunications services based on Decree Letter No. 437/T/PERHUBUNGAN/2003 from the Investment Coordination Board ("BKPM"), dated 20 November 2003. The licence is valid for 30 years starting from October 1995.

The Company obtained approval from BKPM for the expansion of investment into facilities supply and the operation of telecommunication networks based on approval letter No. 243/11/PMA/2003, dated 20 November 2003. BKPM approved the extension of the project's completion period in letter No. 1531/III/PMA/2005, dated 29 December 2005.

On 7 December 2004, the Company obtained approval from BKPM regarding the changes to services and to the Company's production area pursuant to approval letter No. 933/B.1/A.6/2004. The changes were made in accordance with the rules on service area modification as provided by Law No. 36 of 1999 on Telecommunication Services.

(Expressed in thousand Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Investment licence (continued)

Furthermore, the Company obtained approval regarding the expansion of a foreign capital investment company based on an approval letter from BKPM No.948/T/TELEKOMUNIKASI/2006, dated 1 December 2006. The licence is valid for 30 years starting from the date the approval expansion project commercially began in July 2006 until June 2036. The licence was amended based on Decree Letter No. 06/P-IUT/2007 from BKPM, dated 26 January 2007, for production area and project location.

On 22 February 2007, the Company obtained approval from BKPM regarding the expansion of capital investment based on approval letter No. 55/II/PMA/2007 which is also valid as the approval in principal of a fiscal facility and as a temporary approval until the Company obtain the expansion licence.

d. Operating licence

The Company is principally involved in the provision of basic telephony service, internet access services (‘ISP’), leased line, Voice Over Internet Protocol (‘VoIP’) and internet interconnection services (‘NAP’).

The Company was granted several telecommunication licences by the Indonesian Government. These licences are valid for an unlimited period as long as the Company complies with prevailing laws and telecommunication regulations. However there will be an overall evaluation every five years based on annual reports and a quarterly *ITKP/*VoIP reports submitted to the Indonesian Directorate General of Post and Telecommunication. The reports comprise factors such as operational performance, revenues, universal service contribution and coverage areas.

Details of these licences and their effective periods are as follows:

Licence	Licence No.	Type of services	Grant date/latest renewal date*
Modern Licence to operate Cellular Mobile Network	100/KEP/M.KOMINFO /10/2006*	GSM 900/DCS1800 i.e. 2G, IMT-2000/3G and basic telephony services	11 October 2006
Modern Licensing to operate Internet Access Services (‘ISP’)	197/Dirjen/2006	Internet services	24 May 2006
Modern Licensing to operate a Fixed Closed Network	159/2003	Fixed closed network	7 May 2003
Modern Licence to operate Internet Telephony Services for Public Interest	207/Dirjen/2004	*ITKP/*VOIP	29 June 2004
Modern Licence to operate Internet Interconnection Services (‘NAP’)	17/Dirjen/2005	Internet interconnection	16 February 2005

* For 2G and 3G, the use of frequency licence is limited to ten years and can be extended for the next ten years.

(Expressed in thousand Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Operating licence (continued)

Based on Decree No. 19/KEP/M.KOMINFO/2/2006 of the Minister of Communication and Information, dated 14 February 2006, on the Determination of Successful Applicant for IMT-2000 Cellular Mobile Network on 2,1 GHz Radio Frequency Band ("KM.19 Year 2006"), the Company has been chosen as one of the winners of the 3G licence tender for the 2x5 MHz block as stipulated in Decree No. 100/KEP/M.KOMINFO/10/2006 of the Minister of Communication and Information, dated 11 October 2006, regarding its Operating Licence for a Cellular Mobile Network.

In accordance with KM.19 Year 2006, the Company was obliged to pay an upfront fee equalling twice the bid price, amounting to Rp 376 billion (full amount) within 30 working days after the settlement date. The Company was also obliged to set up a Performance Bond to the amount of Rp 20 billion (full amount) as well as pay the following annual Spectrum Frequency Band Usage Fee:

Year of Payment	BI Rate (%)	Multiplying Index	Annual BHP Frequency
Year 1			20% x HL
Year 2	R1	I1 = (1+R1)	40% x I1 x HL
Year 3	R2	I2 = I1(1+R2)	60% x I2 x HL
Year 4	R3	I3 = I2(1+R3)	100% x I3 x HL
Year 5	R4	I4 = I3(1+R4)	130% x I4 x HL
Year 6	R5	I5 = I4(1+R5)	130% x I5 x HL
Year 7	R6	I6 = I5(1+R6)	130% x I6 x HL
Year 8	R7	I7 = I6(1+R7)	130% x I7 x HL
Year 9	R8	I8 = I7(1+R8)	130% x I8 x HL
Year 10	R9	I9 = I8(1+R9)	130% x I9 x HL

Notes :
a. HL = Tender result per 2x5 MHz block (referring to the lowest winner bid price of Rp 160 billion, full amount)
b. Ri = Average Rate BI for the preceding year.
c. Multiplying Index is the index which is utilised to conduct an adjustment of the Bid Price every year.

Expenses related to the Company's operations, i.e. Telecommunication Service Fee, Universal Service Obligations, Spectrum Frequency Usage Band Fee and Annual Spectrum Frequency Usage Fee for 3G Band for the years ended 31 December 2007 and 2006, amount to Rp 593,720,581 and Rp 286,079,225 respectively.

The Company has to comply with the regulations stipulated in the Decree of the Minister of Communication and Information No. 100/KEP/M.KOMINFO/10/2006, dated 11 October 2006, in applying the Operating Licence for Cellular Mobile Network.

(Expressed in thousand Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Board of Directors, Commissioners and Audit Committee

The composition of the Company's Board of Directors and Board of Commissioners as of 31 December 2007 was based on the resolution of the Extraordinary General Meeting of Shareholders held on 23 November 2007, as stated in the Deed of Resolution No. 121, dated 23 November 2007, prepared before Sutjipto, SH, Notary in Jakarta.

The composition of the Company's Board of Directors and Board of Commissioners as of 31 December 2007 and 2006 is as follows:

		2007	2006
Board of Directors			
President Director	:	Hasnul Suhaimi	Hasnul Suhaimi
Directors	:	Joris de Fretes Md. Nasir Ahmad P. Nicanor V. Santiago III Joy Wahjudi Willem Lucas Timmermans Dian Siswarini	Joris de Fretes Md. Nasir Ahmad P. Nicanor V. Santiago III Hilmi bin Mohd Yunus Joy Wahjudi Willem Lucas Timmermans
Board of Commissioners			
President Commissioner	:	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	YBhg Tan Sri Dato' Ir Muhammad Radzi bin Haji Mansor
Commissioners	:	Dato' Yusof Annuar bin Yaacob YB Datuk Nur Jazlan bin Tan Sri Mohamed Rosli bin Man Datuk Bazlan bin Osman Peter J. Chambers Abdul Farid bin Alias	Dato' Yusof Annuar bin Yaacob YB Datuk Nur Jazlan bin Tan Sri Mohamed Rosli bin Man Datuk Bazlan bin Osman Peter J. Chambers Abdul Farid bin Alias
Independent Commissioners	:	Jend. (Purn) Wismoyo Arismunandar Ir. Tjahjono Soerjodibroto, MBA YBhg Dato' Mohamad Norza bin Haji Zakaria	Jend. (Purn) Wismoyo Arismunandar Ir. Tjahjono Soerjodibroto, MBA YBhg Dato' Mohamad Norza bin Haji Zakaria

The Company's Board of Audit Committee was established on 28 February 2005. The composition of the Board of Audit Committee as of 31 December 2007 and 2006 is as follows:

Chairman	:	Ir. Tjahjono Soerjodibroto, MBA
Members	:	Dr. Djoko Susanto, M.S.A Heru Prasetyo YBhg Dato' Mohamad Norza bin Haji Zakaria

The Company's head office is currently located at grhaXL, Jalan Mega Kuningan Lot. E4-7 No.1 Kawasan Mega Kuningan, Jakarta 12950, Indonesia.

1. GENERAL (continued)

f. Subsidiaries

The Company has direct investments in subsidiaries as follows:

	Percentage of ownership	Country of domicile	Business activities	Year of participations
Excel Phoneloan 818 B.V.	100%	Netherlands	Financing company	1997
GSM One (L) Limited	100%	Malaysia	Financing company	1996
GSM Two (L) Limited	100%	Malaysia	Financing company	1997
Excelcomindo Finance Company B.V.	100%	Netherlands	Financing company	2003

Total subsidiaries' assets before elimination are as follows:

	2007	2006
Excel Phoneloan 818 B.V.	13,101,543	20,384,388
GSM One (L) Limited	9	9
GSM Two (L) Limited	9	9
Excelcomindo Finance Company B.V.	5,850,946,740	5,580,742,586

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of PT Excelcomindo Pratama Tbk and its subsidiaries (together, "the Group") were prepared by the Board of Directors and completed on 19 February 2008.

Presented below are the significant accounting policies adopted for the preparation of the consolidated financial statements of the Group, which conform to the accounting principles generally accepted in Indonesia and the regulations from the Indonesian Capital Market Supervisory Agency and Financial Institution No. VIII.G.7 regarding Guidelines for the preparation of Financial Statements and No. SE-02/PM/2002 regarding Guidelines for the preparation of Financial Statements for Emiten and Public Telecommunication Companies.

a. Basis for preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost concept and accrual basis, except for derivative instruments (Note 2k) which are stated at fair value.

The consolidated statements of cash flow present the sources and uses of cash and cash equivalents according to operating, investing and financing activities. Short term time deposits with original maturities of three months or less are considered as cash equivalents. The consolidated statements of cash flow are prepared using the direct method.

Figures in the consolidated financial statements are rounded to and stated in thousands of Rupiah unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation

The consolidated financial statements include the accounts of entities controlled by the Company and in which the Company directly or indirectly has ownership of more than 50% of the voting rights or if there is an indication of control.

The subsidiaries are consolidated from the date on which effective control was transferred to the Company and are no longer consolidated when the Company ceases to have effective control.

The effects of all transactions and balances between companies within the Group have been eliminated when preparing the consolidated financial statements.

The accounts of subsidiaries domiciled outside Indonesia are translated into Rupiah amounts on the following basis:

- Monetary balance sheet accounts are translated using the prevailing Bank of Indonesia middle rate at the balance sheet date as mentioned in Note 2l. Non monetary balance sheet accounts are translated using the historical rate at the transaction date.

- Statement of income accounts are translated using the average rate during the period as follows (full amount):

	2007	2006
United States Dollar (USD)	9,130.42	9,208.75
Euro (EUR)	12,472.76	11,512.00
Singapore Dollar (SGD)	6,050.74	5,776.07

Differences arising from the translation of balance sheets and statement of income accounts of subsidiaries are recognised in the current period's consolidated statement of income on the basis that the operations of the foreign subsidiaries formed an integral part of the operations of the Company and, as a result, the transactions of the foreign subsidiaries have been considered as if they had been carried out by the Company.

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the subsidiaries unless otherwise stated.

c. Related party transactions

The Company and its subsidiaries have transactions with related parties. The definition of related parties used is in accordance with SFAS No. 7 "Related Party Disclosures".

All material transactions with related parties not eliminated on consolidation are disclosed in the notes to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Revenues and expenses recognition

Revenue from prepaid services is derived from the sale of starter packs and vouchers. Starter packs consist of a SIM (Subscriber Identity Module) card and voucher. The revenue of starter packs and any discount granted is recognised upon sale to distributors or directly to customers, excluding value added taxes.

Revenue from sales of vouchers for prepaid services is not recognised at the time of sale. When a voucher is sold, the full amount of airtime sold is credited, without deduction of any commission, to the “Deferred Revenue” account.

As prepaid customers use the prepaid airtime or upon expiration of the voucher, the charges are debited from the “Deferred Revenue” account and the amount used or expired is recognised as cellular telecommunication revenue in the income statement.

Revenue for the use of the Company’s network by postpaid customers, including charges for airtime, local interconnection, domestic long distance, international long distance and international roaming, is recognised based on applicable tariffs and the duration of successful calls made through the network. Revenue is recognised at the time when the service is rendered based on the call duration by customers.

Non-voice revenue, such as monthly service charges and value added services, is recognised on a monthly basis upon billing.

Revenue from interconnection with other operators is recognised on the basis of actual call recorded traffic.

Inbound roaming revenue from overseas telecommunication providers for calls made and received by customers on the Company’s network is recognised at the time when the call is rendered based upon applicable tariffs.

Revenue from leased lines and internet service provider revenue is recognised on a monthly basis upon billing based on prices agreed with customers. When unearned revenue is received, the amounts received are recorded as deferred revenue and recognised as revenue when the services are provided.

Revenue from *ITKP*/VoIP services is recognised at the time when the service is rendered based upon applicable tariffs.

Expenses are recognised on an accrual basis.

e. Trade receivables

Trade receivables are presented at their estimated recoverable amount after an allowance for doubtful accounts. An allowance for doubtful accounts is made based on management’s evaluation of the status of the accounts at each balance sheet date. Accounts are written-off in the period during which they are determined to be uncollectable.

(Expressed in thousand Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Inventories

Inventories, mainly comprising vouchers and SIM cards, are valued at the lower of cost or net realisable value. Cost is calculated using the moving average method.

A provision for obsolete and slow moving inventory is determined on the basis of the estimated future sales of individual inventory items.

g. Fixed assets and depreciation

Fixed assets are stated at acquisition cost, which includes any applicable import taxes, customs duties, freight costs, handling costs, storage costs, site preparation costs, installation costs, and internal labour costs less accumulated depreciation. Depreciation is applied from the date the assets are put into service or when the assets are ready for service using the straight line method over their estimated useful lives resulting in the following annual percentages of cost:

Buildings	: 5%, 12.5%
Network equipment	
- GSM tower	: 6.25%
- Fibre optic	: 10%, 12.5%
- Other network equipments	: 10%, 12.5%, 25%, 50%
Leasehold improvements	: 25%
Office machinery and equipment	: 25%
Furniture and fixtures	: 25%
Support systems	: 25%
Motor vehicles	: 25%

Land is not depreciated.

Management conducts regular reviews and ensures that the carrying amount of the Company's assets is never higher than their estimated recoverable amounts.

The accumulated costs of network equipment are initially capitalised as Assets Under Construction. These costs are subsequently reclassified to fixed asset accounts when the assets are put into service.

Normal maintenance expenses are charged to the income statement for the current period, while repairs, renovations and improvements which increase the useful life of assets are capitalised.

Interest to finance the construction of fixed assets is capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

The cost of upgrading software is capitalised and the previously recorded balance is written off at the time the software upgrade is performed.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the current period's statements of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Fixed assets and depreciation (continued)

The Company made provision for dismantling the cost of the Base Transceiver Stations (BTS) at the end of the contract period conforming with SFAS 16 "Fixed Assets". The provision is provided based on the contracts, or if the contracts do not specify the amount of obligation, the Company uses the best estimate. Management conducts a regular review on the estimation used.

Change in economic useful lives estimation

In order to reflect better economic useful lives, commencing on 1 January 2007, the Company changed the estimated useful lives of certain components of fibre optics and other network equipment from eight years (12.5%) to ten years (10%) and will be depreciated over the remaining new useful lives.

Management is of the opinion that the calculation on the effect of change on the useful lives estimate to the current and future periods is not practical, therefore the calculation will not be presented in these consolidated financial statements.

h. Intangible asset

The 3G spectrum licence is shown at historical cost. It has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of the asset (ten years). The amortisation commences from the date when the assets are available for use and amortisation costs are charged to operating expenses.

Management conducts regular reviews and ensures that the carrying amount of the Company's intangible assets is never higher than their estimated recoverable amounts.

The accounting principles generally accepted in Indonesia do not provide clear and explicit guidance on whether the commitment to pay annual fees over ten years as a consequence of obtaining the 3G spectrum licence is a liability and whether the ten-year annual fees (*biaya hak penggunaan* or BHP) are to be considered as part of the acquisition costs of the licence. Management assesses that continuation of payment of annual fees will no longer be required if the Company no longer uses the licence. Management considers the annual payment as a usage fee based on management's interpretation of the licence conditions and written confirmation from the Directorate General of Post and Telecommunications. These annual fees are therefore not considered as part of the acquisition cost for obtaining the licence.

If in future, the regulations and conditions with regards to payment of the annual fees are changed with the consequence that payment of remaining outstanding annual fees cannot be avoided upon the company returning the licence, the Company will gross up its balance sheets by recognising intangible assets and the corresponding liability at the present value of remaining annual fees at that point in time.

i. Loans

Loans are recognised initially at the proceeds received. Loans are subsequently stated at any difference between proceeds and the redemption value.

(Expressed in thousand Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Bond and share issue costs

Bond issue costs are directly deducted from the issue proceeds in the consolidated balance sheets as a discount and are amortised using the straight line method over the period of the bonds.

Share issue costs are directly deducted from the capital surplus on the consolidated financial statements.

k. Derivative financial instruments

In implementing its risk management policies, the Company periodically enters into forward foreign currency contracts with external counterparties.

In order to qualify for hedge accounting, SFAS 55 "Accounting for Derivative Instruments and Hedging Activities" sets out certain criteria, such as the documentation that should be created at the inception of the hedge, and that the hedge should be effective.

Derivative instruments are measured at fair value and recognised as either assets or liabilities on the balance sheet. Changes in the fair value of derivatives are recognised in earnings or as part of equity depending on the designated purpose of the derivaties and whether they qualify for hedge accounting.

l. Foreign currency translation

Transactions denominated in foreign currencies are translated into Rupiah at the rates prevailing at the date of the transaction.

At the balance sheet date, monetary assets and monetary liabilities denominated in foreign currencies are translated into Rupiah using the Bank of Indonesia middle rate prevailing at that date. The exchange rates of the major foreign currencies used are as follows (full amount):

	2007	2006
United States Dollar (USD)	9,419.00	9,020.00
Euro (EUR)	13,759.76	11,858.15
Singapore Dollar (SGD)	6,502.38	5,878.73
Swiss Franc (CHF)	8,260.48	7,381.65
Australian Dollar (AUD)	8,228.92	7,133.48

Realised and unrealised foreign exchange gains or losses arising from transactions in foreign currency and from the translation of foreign currency monetary assets and liabilities are recognised in the current year statements of income.

In 1997 and 1998, as permitted under the Interpretation of Statement of Financial Accounting Standard (ISFAS) No. 4 "Interpretation of Paragraph 32 of Statement of Financial Accounting Standard No. 10 on the Allowed Alternative Treatment for Exchange Difference", certain foreign exchange losses were capitalised into the cost of fixed assets in recognition of the severe depreciation in the value of the Rupiah against the US Dollar. Since 1 January 1999, the conditions for "unusual depreciation" are no longer met and all foreign exchange differences in 1999 and subsequent years have been charged/(credited) to the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Taxation

In accordance with Indonesian Taxation Law, corporate income tax is calculated for the Company and each of its subsidiaries on the understanding that they are separate legal entities (consolidated financial statements are not permitted for computing corporate income tax).

Deferred income tax is provided for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carrying forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

n. Employee benefits

Short term employee benefits

Short term employee benefits are recognised when they are accrued to the employees.

Long term and post-employment benefits

Long term and post-employment benefits such as retirement, severance, service payments and other benefits are calculated based on Labour Law No. 13/2003 (“Law 13/2003”).

In relation to pension benefits, in April 2002 the Company entered into a defined contributions pension plan organised by PT Asuransi Jiwa Manulife Indonesia. This program is provided to all permanent employees who were under 50 years of age at the commencement of the program in April 2002. Contributions to the plan are 10% of the net base salary, comprising 7% from the Company and 3% from the employee. Employees are entitled to benefits from the pension plan, comprising pension fund contributions and accumulated interest, on retirement, disability or death.

In accordance with Law 13/2003, the Company has further payment obligations if the benefit provided by the existing plan does not adequately cover the obligations under Law 13/2003.

The liabilities recognised in the consolidated balance sheets are the present values of the defined benefit obligations at the balance sheet date in accordance with Law 13/2003 or the Company’s regulations (whichever is higher), less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

Long term and post-employment benefits (continued)

The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. In calculating the long term and post-employment benefits, the independent actuary has considered the contribution made by the Company to PT Asuransi Jiwa Manulife Indonesia.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in Rupiah, in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligations are charged or credited to profit and loss over the employees' expected average remaining service lives.

Past-service costs are recognised immediately in the consolidated statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The current service cost is recorded as an expense in the prevailing period.

o. Earning/(loss) per share

Basic earning/(loss) per share is computed by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year.

Diluted earning/(loss) per share is calculated by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year, adjusted to assume conversion of all potential dilutive ordinary shares. Net income/(loss) is adjusted to eliminate the interest expenses of the potential dilutive ordinary shares during the year.

p. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

q. Management's use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Expressed in thousand Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

	2007	2006
Cash on hand	1,463,045	1,269,990
Cash in bank		
Rupiah		
- JPMorgan Chase Bank, N.A.	46,540,868	1,247,231
- PT Bank Central Asia Tbk	28,978,535	193,403,093
- Deutsche Bank AG	5,038,001	5,150,056
- PT Bank Negara Indonesia (Persero) Tbk	4,852,707	4,278,748
- PT Bank Mandiri (Persero) Tbk	4,763,921	3,112,184
- PT Bank Danamon Indonesia Tbk	1,143,746	4,842,515
- Others (individual amount less than Rp 3 billion)	6,839,264	10,776,721
US Dollar		
- JPMorgan Chase Bank, N.A.	7,457,659	10,021,283
- Standard Chartered Bank	53,954	50,826
- Deutsche Bank AG	86	763,748
- Bank Mizuho Indonesia	8	-
	105,668,749	233,646,405
Time deposits (mature within three months)		
Rupiah		
- PT Bank DBS Indonesia	180,000,000	-
- PT Bank UOB Indonesia	100,000,000	-
- PT Bank Niaga Tbk	90,000,000	75,000,000
- Deutsche Bank AG	67,000,000	1,300,000
- PT Bank Mega	45,000,000	-
- PT Bank Internasional Indonesia Tbk	-	40,000,000
- PT Bank NISP Tbk	-	28,500,000
US Dollar		
- PT Bank DBS Indonesia	122,447,000	-
- PT Bank NISP Tbk	94,190,000	-
- Bank of Tokyo Mitsubishi	-	126,280,000
- ABN AMRO Bank N.V.	-	45,100,000
- PT Rabobank International Indonesia	-	36,080,000
	698,637,000	352,260,000
	805,768,794	587,176,395

The annual interest rates of the above time deposits are as follows:

	2007	2006
Rupiah deposit	7.30% - 9.75%	3.00% - 15.00%
US Dollar deposit	5.15% - 5.60%	4.15% - 5.40%

(Expressed in thousand Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES

	2007	2006
Domestic partners		
- PT Mora Telematika Indonesia	46,326,408	26,858,679
- PT Nettocyber Indonesia	10,098,351	4,561,623
- PT Indo Pratama Teleglobal	5,534,779	3,308,524
- PT Telekomunikasi Indonesia Tbk	4,991,921	8,327,798
- PT Indosat Tbk	2,395,549	17,670,327
- PT Bakrie Telecom (previously PT Radio Telepon Indonesia)	1,873,490	3,618,592
- PT Telekomunikasi Selular	-	3,183,657
- Others (individual amount less than Rp 3 billion, in USD and Rupiah)	268,308,632	182,220,126
	339,529,130	249,749,326
International partners		
US Dollar		
- Shinetown Telecommunication Ltd.	6,792,281	5,816,364
- Telstra Corporation Ltd. - Australia	6,040,018	3,260,496
- Unifone Pte. Ltd.	4,491,831	3,845,792
- Others (individual amount less than Rp 3 billion)	19,494,900	9,539,478
	36,819,030	22,462,130
	376,348,160	272,211,456
Allowance for doubtful accounts	(119,005,481)	(84,815,537)
	257,342,679	187,395,919

Ageing analysis of trade receivables is as follows:

	2007	2006
Current	152,455,543	151,552,568
Overdue 1 - 30 days	56,931,731	39,209,175
Overdue 31 - 60 days	23,389,194	8,400,764
Overdue > 61 days	143,571,692	73,048,949
	376,348,160	272,211,456

Changes in the amounts of the allowance for doubtful accounts are detailed as follows:

	2007	2006
Allowance for doubtful accounts - beginning	84,815,537	17,897,484
Bad debt expenses	58,861,805	68,036,542
Doubtful debts written off	(24,671,861)	(1,118,489)
Allowance for doubtful accounts - ending	119,005,481	84,815,537

(Expressed in thousand Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES (continued)

Based on a review of the status of the individual receivable accounts at the balance sheet date, management believes that the allowance for doubtful accounts is sufficient to cover possible losses from non-collection of these accounts.

5. ADVANCES AND OTHER PREPAYMENTS

This account represents advances to employees, related parties and third parties for the payment of the Company's operational expenses, such as utilities expenses and prepaid expenses for rental, insurance and maintenance.

	2007	2006
Prepayments - current portion	215,411,533	158,387,586
Advances on operational expenses	4,493,331	8,707,837
	219,904,864	167,095,423

6. OTHER ASSETS

	2007	2006
- Prepayments - long term portion	670,484,834	522,784,264
- Downpayment to suppliers	167,877,301	87,837,021
- Deferred charges	39,054,330	8,057,202
- Restricted bank deposits and bank	856,134	243,999
- Others	10,741,533	9,580,980
	889,014,132	628,503,466
Intangible assets - 3G licence:		
Acquisition cost	376,000,000	376,000,000
Accumulated amortisation	(52,771,930)	(13,192,983)
	1,212,242,202	991,310,483
Deduct:		
- Restricted bank deposits and bank - current	(230,025)	(148,305)
Other assets - non-current	1,212,012,177	991,162,178

(Expressed in thousand Rupiah, unless otherwise stated)

7. FIXED ASSETS

	2007				
	01/01/2007	Additions	Disposals	Transfers	31/12/2007
Cost					
Land	117,025,470	14,403,616	-	80,000	131,509,086
Buildings	48,298,176	3,474,956	-	1,471,761	53,244,893
Network equipment	14,410,483,655	4,440,405,228	(180,208,903)	736,898,864	19,407,578,844
Leasehold improvements	108,618,041	487,799	(1,403,085)	(177,933)	107,524,822
Office machinery and equipment	254,320,846	70,593,988	(7,697,714)	22,448,049	339,665,169
Furniture and fixtures	22,793,655	7,973,750	(457,968)	2,993,987	33,303,424
Support systems	123,576,445	52,443,664	-	22,733,191	198,753,300
Motor vehicles	37,867,767	3,338,224	(387,559)	61,350	40,879,782
	15,122,984,055	4,593,121,225	(190,155,229)	786,509,269	20,312,459,320
Assets under construction	1,406,478,586	2,494,557,974	(10,042,687)	(786,509,269)	3,104,484,604
	16,529,462,641	7,087,679,199	(200,197,916)	-	23,416,943,924
Accumulated depreciation					
Buildings	(13,587,014)	(4,938,822)	-	(746,141)	(19,271,977)
Network equipment	(5,667,873,932)	(1,602,462,465)	156,584,912	-	(7,113,751,485)
Leasehold improvement	(78,789,714)	(12,686,807)	1,205,974	709,568	(89,560,979)
Office machinery and equipment	(173,705,900)	(47,929,785)	7,556,370	122,607	(213,956,708)
Furniture and fixtures	(11,915,987)	(5,898,136)	407,024	(76,440)	(17,483,539)
Support systems	(91,014,957)	(27,311,428)	-	(9,594)	(118,335,979)
Motor vehicles	(30,565,476)	(4,182,271)	387,559	-	(34,360,188)
	(6,067,452,980)	(1,705,409,714)	166,141,839	-	(7,606,720,855)
Net book value	10,462,009,661				15,810,223,069

	2006				
	01/01/2006	Additions	Disposals	Transfers	31/12/2006
Cost					
Land	101,082,744	15,690,149	-	252,577	117,025,470
Buildings	31,266,333	9,956,266	-	7,075,577	48,298,176
Network equipment	10,856,531,528	3,336,779,835	(340,436,615)	557,608,907	14,410,483,655
Leasehold improvements	98,453,470	12,639,893	(85,447)	(2,389,875)	108,618,041
Office machinery and equipment	210,040,099	41,656,653	(5,838,906)	8,463,000	254,320,846
Furniture and fixtures	14,657,529	7,500,829	(150,838)	786,135	22,793,655
Support systems	105,382,012	16,691,183	(18,456)	1,521,706	123,576,445
Motor vehicles	33,867,263	4,807,530	(807,026)	-	37,867,767
	11,451,280,978	3,445,722,338	(347,337,288)	573,318,027	15,122,984,055
Assets under construction	923,971,931	1,057,329,203	(1,504,521)	(573,318,027)	1,406,478,586
	12,375,252,909	4,503,051,541	(348,841,809)	-	16,529,462,641
Accumulated depreciation					
Buildings	(11,384,533)	(3,530,006)	-	1,327,525	(13,587,014)
Network equipment	(4,574,226,949)	(1,431,108,991)	338,086,338	(624,330)	(5,667,873,932)
Leasehold improvement	(63,036,684)	(14,510,952)	85,447	(1,327,525)	(78,789,714)
Office machinery and equipment	(144,333,149)	(35,522,692)	5,631,646	518,295	(173,705,900)
Furniture and fixtures	(8,614,570)	(3,591,192)	150,838	138,937	(11,915,987)
Support systems	(75,043,537)	(15,951,975)	13,457	(32,902)	(91,014,957)
Motor vehicles	(27,555,246)	(3,803,929)	793,699	-	(30,565,476)
	(4,904,194,668)	(1,508,019,737)	344,761,425	-	(6,067,452,980)
Net book value	7,471,058,241				10,462,009,661

(Expressed in thousand Rupiah, unless otherwise stated)

7. FIXED ASSETS (continued)

The Company owns land located throughout Indonesia with Building Use Rights (*Hak Guna Bangunan* or "*HGB*") for periods of 20-30 years which will expire between 2012-2039.

As of 31 December 2007, there are 210 locations with a book value of Rp 52,747,524 and for which *HGB* certificates are in process.

Management believes that there will be no difficulty in renewing the land rights.

Assets under construction

Assets under construction consist of:

	2007	2006
Network equipment	2,861,627,565	1,335,077,342
Non network equipment	242,857,039	71,401,244
	3,104,484,604	1,406,478,586

Assets under construction mainly represent new BTS equipment and other equipment which is still to be installed or is currently being installed. When the equipment units are finally installed, their carrying values are reclassified to fixed assets (network equipment).

Management believes that there are no significant obstacles to the completion of the assets under construction mentioned above.

The calculation of the loss on sale and write-off of fixed assets is as follows:

	2007	2006
Cost	200,197,916	348,841,809
Accumulated depreciation	(166,141,839)	(344,761,425)
Net book value	34,056,077	4,080,384
Sales and insurance proceeds	(5,094,369)	(2,616,484)
Loss on sale and write-off of fixed assets	(28,961,708)	(1,463,900)

As at 31 December 2007, the fixed assets of the Company and its subsidiaries are insured by insurance policies covering "property, all risks and business interruption" for USD 1,769.4 million to a third party, PT MAA General Assurance, which management believes is adequate to cover possible losses.

In 1997 and 1998 the Company capitalised foreign exchange losses into the cost of fixed assets amounting to Rp 147,949 million (full amount) and Rp 492,751 million (full amount), respectively (refer to Note 2l). Included in the fixed assets net book value of the Company as at 31 December 2007 and 2006 are the remaining balance of foreign exchange losses capitalised amounting to Rp 4,752 million (full amount) and Rp 5,541 million (full amount) respectively.

(Expressed in thousand Rupiah, unless otherwise stated)

7. FIXED ASSETS (continued)

On 11 January 2007, the Company received a notification letter from the Yogyakarta District Court regarding the execution of North Jakarta District Court Decision (Yogyakarta Distric Court Ruling No.02/Pdt.Eks.Del/2006/PN.YK jo No.49/Eks/2006/PN.Ut. jo No.38/Pdt.G/1994-PN.Jkt.Ut dated 8 January 2007) related to an individual claim over the ownership of the Company's land located in Yogyakarta that was purchased in 2002.

On 15 January 2007, the Company lodged a counterclaim at the Yogyakarta District Court on the legality of this claim. For this purpose, the Company appointed a legal consultant to retain the Company's rightful ownership of the land located at Jl. Pangeran Mangkubumi 20-22 Yogyakarta. This legal action was made since the Company is the true owner of the land and is legally proven by HGB Certificate No. B117/Gowongan and No.B125/Gowongan.

On 22 June 2007, the Yogyakarta District Court issued a ruling in favour of the Company (Yogyakarta Distric Court Ruling No.5/Pdt.Plw/2007/PN.YK), reaffirming its rightful ownership to the land, and absolving previous court decisions which ruled otherwise, and ensured that those rulings do not have legal bearing on the Company, including all of the resolutions and memorandums of understanding which could be construed as a continuance of the resolution of the Yogyakarta District Court Ruling No.02/Pdt.Eks.Del/2006/PN.YK jo No.49/Eks/2006/PN.Ut. jo No.38/Pdt.G/1994-PN.Jkt.Ut , dated 8 January 2007.

On 27 June 2007, the North Jakarta District Court also issued a new ruling which nullified the previous execution No.49/Eks/2006/PN.Ut dated 21 November 2006, and from that point onward, all and any execution rulings by the Yogyakarta District Court on the matter were also nullified of their legal ramifications.

The defendant submitted an appeal letter to Yogyakarta High Court against the Yogyakarta Distric Court decision No.5/Pdt.Plw/2007/PN.YK, dated 22 June 2007.

On 28 September 2007, the Company submitted a Contra Appeal Memorandum to Yogyakarta High Court through Yogyakarta District Court.

On 16 January 2008, Yogyakarta High Court issued a ruling No.59/Pdt/2007/PT.YK which supports the Yogyakarta District Court ruling No.5/Pdt.Plw/2007/PN.YK.

Management believes that the case will not affect the daily operation of the Company in Yogyakarta offices.

8. TRADE PAYABLES - THIRD PARTIES

Trade payables mostly consist of payables for capital expenditure, payables for operational expenditure and payables for interconnection charges and roaming services.

	2007	2006
PT Alita Praya Mitra	498,619,851	298,990,897
Ericsson AB	378,171,890	348,249,004
Amdocs Software Solution Kft.,	320,994,848	-
Huawei Tech Investment Co. Ltd	143,371,843	33,100,161
PT Ericsson Indonesia	105,962,673	101,704,197
PT Huawei Tech Investment	99,651,062	46,314,691
PT Alcatel Indonesia	81,580,725	21,562,036

(Expressed in thousand Rupiah, unless otherwise stated)

8. TRADE PAYABLES - THIRD PARTIES (continued)

	2007	2006
PT Suryajaya Teknotama	61,970,312	10,360,271
PT Industri Telekomunikasi	48,548,108	50,722,853
PT Nokia Networks (formerly PT Siemens Indonesia)	38,833,493	22,064,658
PT Datacom Diangraha	31,726,333	9,856,650
PT Graha Sumber Prima Elektronik	21,247,883	15,940,457
PT Sas International	20,481,235	-
PT Dentsu Indonesia Interadmar	18,728,965	-
PT Bukaka Teknik Utama	17,538,127	6,822,826
PT Citramasjaya Teknikmandiri	16,160,433	1,032,039
PT Dawamiba Engineering	14,438,284	9,958,001
PT Ciptakomunindo Pradipta	13,412,585	4,509,598
PT Kokoh Semesta	12,492,370	12,236,437
PT Indonusa Mora Prakarsa	10,453,688	3,045,016
PT MAC Sarana Djaya	9,082,064	17,510,719
PT Dunia Tehnik	8,240,012	11,611,464
PT Sisindokom Lintasbuana	7,315,125	11,479,718
PT QDC Technologies	4,106,036	18,085,918
Ericsson AB (EAW)	3,250,912	120,338,845
PT Inpurema Konsultama	1,493,196	22,400,829
Siemens Network Gmbhn Co. KG. (formerly Siemens AG)	1,362,559	72,924,777
PT Silkar National Ltd	559,259	11,150,249
PT Metrodata E-Bisnis	-	19,946,991
Others (individual amount less than Rp 10 billion, in USD and Rupiah)	1,006,972,313	645,134,955
	2,996,766,184	1,947,054,257

Trade payables based on currency are as follows:

	2007	2006
Rupiah	762,282,200	669,638,116
Foreign currencies	2,234,483,984	1,277,416,141
	2,996,766,184	1,947,054,257
Less: Current portion	(2,674,249,839)	(1,664,883,959)
Non-current portion	322,516,345	282,170,298

9. OTHER PAYABLES AND ACCRUALS - THIRD PARTIES

	2007	2006
Interest payable	231,499,099	191,068,535
Accrued telecommunication services	147,565,235	61,928,485
Accrued salaries and employee benefits	75,333,333	57,971,892
Customer deposits	13,809,632	10,073,451
Others	43,760,783	4,652,358
	511,968,082	325,694,721

(Expressed in thousand Rupiah, unless otherwise stated)

10. LONG TERM LOAN

	2007
Standard Chartered Bank	941,900,000
Bank Mizuho Indonesia	470,950,000
PT Bank DBS Indonesia	470,950,000
PT Bank Mandiri (Persero) Tbk	400,000,000
JPMorgan Chase Bank, N.A.	282,570,000
	2,566,370,000
Less: current portion	(400,000,000)
Long term portion	2,166,370,000

Standard Chartered Bank

On 8 January 2007, the Company entered into a credit agreement with Standard Chartered Bank amounting to USD 50,000,000. The facility will be available for drawdown commencing 8 January 2007 up to the termination date on 30 May 2007. Based on the agreement, the Company agreed to pay a floating rate of interest at quarterly intervals of three months LIBOR plus 1.05% margin per annum. The loan will mature 36 months from the first drawdown date.

On 18 April 2007, the Company signed the credit agreement amendment to increase the credit facility to USD 100,000,000, which will be available up to 31 December 2007 with a floating rate of interest at quarterly intervals of three months SIBOR plus 1.05%. The loan will mature 36 months from each drawdown.

On the same date, the Company made its first drawdown on its credit facility from Standard Chartered Bank which amounted to USD 10,000,000. On 26 July 2007, 9 and 16 August 2007, and 19 December 2007, the Company made further drawdowns amounted to USD 30,000,000, USD 10,000,000, USD 10,000,000 and USD 40,000,000 respectively. As of 31 December 2007, the total facility that has already been withdrawn by the Company from Standard Chartered amounted to USD 100,000,000.

On 26 December 2007, the Company entered into a credit agreement amendment with Standard Chartered Bank as follows:

- To amend the availability period until 31 March 2008 and automatically extend it for another six month period unless otherwise amended.
- To add a bridging loans facility to buy back existing USD bonds and/or repayment of other debt amounting to USD 110,000,000. This facility will be available up to 31 March 2008, with a floating rate of interest at quarterly intervals of quarterly intervals of three months SIBOR plus 1.25% margin per annum for the first six months and quarterly intervals of three months SIBOR plus 1.50% per annum for the remaining three months. The loan will mature nine months from each drawdown date, but not later than 31 December 2008.

The Company is required to comply with certain conditions, such as the Company should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

10. LONG TERM LOAN (continued)

Bank Mizuho Indonesia

On 15 January 2007, the Company entered into a credit agreement with Bank Mizuho Indonesia amounting to USD 50,000,000. The facility will be available for drawdown commencing 30 January 2007 up to 30 April 2007. Based on the contract, the Company agreed to pay a floating rate of interest at quarterly intervals of three months LIBOR plus 0.95% margin per annum. The loan will mature on 29 January 2010. On 30 January 2007 and 28 March 2007, the Company made drawdowns each amounting to USD 25,000,000.

The Company is required to comply with certain conditions, such as the ownership of Telekom Malaysia Berhad's (TM Berhad) in the Company should not be less than 51%.

PT Bank DBS Indonesia

On 19 April 2007, the Company signed a credit facility agreement with PT Bank DBS Indonesia which amounted to USD 50,000,000. The facility will be available for drawdown until 30 December 2007. Based on the contract, the Company agreed to pay a floating rate of interest at quarterly intervals of three months LIBOR plus 1.00% margin per annum. The loan will mature 36 months from the first drawdown date. On 26 April 2007 and 9 May 2007, the Company made its drawdowns amounting to USD 15,000,000 each. And on 28 June 2007, the Company made its third drawdown which amounted to USD 20,000,000.

As of 31 December 2007,the total facility that has already been withdrawn by the Company from PT Bank DBS Indonesia amounted to USD 50,000,000.

On 15 November 2007, the Company signed the credit agreement amendment with PT Bank DBS Indonesia to add another credit facility amounting to Rp 700,000,000. The facility will be available for drawdown until 31 March 2008. Based on the amendment, the Company agreed to pay a floating rate of interest at *Sertifikat Bank Indonesia* (*SBI*) rate plus 1.00% margin per annum. The loan will mature three years from the first drawdown date.

On 24 December 2007, the Company signed another credit agreement amendment with PT Bank DBS Indonesia in which the Rupiah credit facility amounting to Rp 700,000,000 as stated above can be drawn down in USD. However, on the ninth month after the first drawdown, the Company shall be obliged to convert the facility into Rupiah currency.

JP Morgan Chase Bank, N.A.

On 13 August 2007, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A. amounting to USD 30,000,000. The facility will be available for drawdown commencing 13 August 2007 up to the termination date on 31 December 2007. Based on the agreement, the Company agreed to pay a floating rate of interest at quarterly intervals of three months LIBOR plus 1.00% margin per annum. The loan agreement will mature 36 months from the first drawdown date.

On 30 August 2007 and 6 September 2007, the Company made its drawdown amounting to USD 20.000.000 and USD 10.000.000, respectively.

The Company is required to comply with certain conditions, such as the Company should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

(Expressed in thousand Rupiah, unless otherwise stated)

10. LONG TERM LOAN (continued)

PT Bank Mandiri (Persero) Tbk

On 17 December 2007, the Company signed a credit facility agreement with PT Bank Mandiri (Persero) Tbk amounting to Rp 4,000,000,000. The facility will be available for 12 months period since the signing date. Based on the contract, the Company agreed to pay a floating rate of interest at monthly intervals of monthly JIBOR plus 1.50% margin per annum. The loan will mature gradually, 10% from credit limit each for the first four years, and the remaining 60% in the fifth year. On 27 December 2007, the Company made its first drawdown amounting to Rp 400,000,000.

The Company is required to comply with certain conditions, such as the Company should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

The above credit facilities were headed for loan payment, capital expenditure, and acquisition of fixed assets.

11. LONG TERM BONDS

	2007	2006
Excelcom Notes - USD	5,651,400,000	5,412,000,000
Excelcom Notes - IDR	1,500,000,000	-
	7,151,400,000	5,412,000,000
Unamortised discount	(53,884,199)	(66,815,124)
	7,097,515,801	5,345,184,876
Less: current portion	(3,283,434,104)	-
Long term portion	3,814,081,697	5,345,184,876

a. Excelcom Notes - USD

On 27 January 2004, the Company's wholly-owned subsidiary domiciled in Amsterdam, Excelcomindo Finance Company B.V., issued a bond amounting to USD 350 million with an offering price of 99.495% and a coupon of 8% valid for five year notes ("The Notes"). The Notes are listed on the Singapore Exchange Securities Trading, Ltd. The difference between the nominal principal and the issue price was deferred as a bond discount and is being amortised over five years.

Interest is payable semi-annually in arrears on 27 January and 27 July of each year, commencing on 27 July 2004. The Notes will mature on 27 January 2009.

The Notes are unsecured senior obligations and are guaranteed by the Company on a senior unsecured basis. The trustee for the Notes is the Bank of New York. On 1 December 2005 and 19 May 2006, the notes are rated BB- and Ba3 by Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Since 18 October 2007, the notes are rated Ba2 by Moody's Investors Service, Inc.

The Company is required to comply with certain conditions, such as limitations on asset sales and/or transfer transactions, and the Consolidated Leverage Ratio not exceeding 3.5 to 1.0 on or prior to 27 January 2005, and 3.0 to 1.0 thereafter.

11. LONG TERM BONDS (continued)

a. Excelcom Notes - USD (continued)

On 5 August 2005, the Company and Excelcomindo Finance Company B.V. declared the amendment of USD Bond requirements as follows:

(a) Before the Company becomes a subsidiary of TM Berhad, the Consolidated Leverage Ratio should not exceed 3.5 to 1.0 on or prior to 27 January 2006, and 3.0 to 1.0 thereafter; and

(b) After the Company becomes a subsidiary of TM Berhad, the Consolidated Leverage Ratio should exceed 5.0 to 1.0 on or prior to 27 January 2007, and 4.5 to 1.0 thereafter, but before 27 January 2008 and 4.0 to 1.0 thereafter.

On 21 December 2007, the Company's subsidiary, Excelcomindo Finance Company B.V. declared the Company's plan to buy back their USD Bond amounting to USD 350 million on 25 January 2008 at a price of 100% of the nominal value.

On 18 January 2006, the Company's owned subsidiary, Excelcomindo Finance Company B.V., issued the second bond amounting to USD 250 million with an offering price of 99.323% and a coupon of 7.125% valid for seven year notes ("The Notes"). The Notes are listed on the Singapore Exchange Securities Trading, Ltd. The difference between the nominal principal and the issue price was deferred as a bond discount and is being amortised over seven years.

Interest is payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2006. The Notes will mature on 18 January 2013.

The Notes are unsecured senior obligations and are guaranteed by the Company on a senior unsecured basis. The trustee for the Notes is the Bank of New York.

Since 19 May 2006, the notes are rated BB- and Ba3 by Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Since 18 October 2007, the notes are rated Ba2 by Moody's Investors Service, Inc.

The Company is required to comply with certain conditions, such as limitations on asset sales and/or transfer transactions, and the Consolidated Leverage Ratio not exceeding 5.0 to 1.0 on or prior to 27 January 2007, and 4.5 to 1.0 thereafter.

b. Excelcom Notes - IDR

On 26 April 2007, the Company issued a second IDR bond amounting to Rp 1,500,000 million (full amount) and coupon rate of 10.35%. The Excelcom Bond is valid for five year period and listed on the Indonesian Stock Exchange.

The interest is payable quarterly in arrears commencing on 26 July 2007. The Excelcom Bond matures on 26 April 2012. The Excelcom Bonds are unsecured senior obligations and are guaranteed by the Company on a senior unsecured basis.

The Notes are rated idAA- by PEFINDO and AA(idn) by FITCH Ratings since the Excelcom Bond was issued, and there were no further changes at the time the consolidated financial statements were completed.

(Expressed in thousand Rupiah, unless otherwise stated)

11. LONG TERM BONDS (continued)

b. Excelcom Notes – IDR (continued)

The Company is required to comply with certain conditions, such as limitations on assets sale and/or transfer transactions, and that the Company should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

As of 31 December 2007, the Company was in compliance with the covenants of its three bonds, both IDR and USD.

12. PROVISION FOR EMPLOYEE BENEFITS AND EMPLOYEE COSTS

a. Provision for employee benefits

The movements of the provision for employee benefits recognised in the consolidated balance sheets are as follows:

	2007	2006
Beginning balance	38,511,362	30,542,601
Provision made during the year	29,471,668	9,499,243
Amounts paid during the year	(1,755,371)	(1,530,482)
Ending balance	66,227,659	38,511,362

The provisions for employee benefits recognised in the consolidated balance sheets are as follows:

	2007	2006
Present value of obligations	92,296,416	47,945,945
Unrecognised actuarial losses	(32,063,081)	(16,009,191)
Unrecognised past service costs	5,994,324	6,574,608
Liability in the balance sheet	66,227,659	38,511,362

Estimations of actuarial obligations as of 31 December 2007 and 2006 were based on the latest actuarial valuation prepared by PT Mercer Indonesia and PT Watson Wyatt Purbajaga, an independent actuary, as of 31 December 2007 and 31 December 2006 as stated in its report dated 25 January 2008 and 26 January 2007.

The provision for employee benefits expenses charged in the consolidated statements of income is as follows:

	2007	2006
Current service costs	10,755,440	5,799,395
Interest expenses	6,771,681	3,845,328
Amortisation of unrecognised actuarial loss	12,524,830	434,803
Amortisation of unrecognised past service costs	(580,283)	(580,283)
Provision for employee benefits expenses	29,471,668	9,499,243

(Expressed in thousand Rupiah, unless otherwise stated)

12. PROVISION FOR EMPLOYEE BENEFITS AND EMPLOYEE COSTS (continued)

a. Provision for employee benefits (continued)

As of 31 December 2007 and 2006, the pension benefit obligation was determined based on actuarial valuation by PT Mercer Indonesia and PT Watson Wyatt Purbajaga using the "Projected Unit Credit" method with the following assumptions:

	2007	2006
Discount rate (per annum)	10.25%	10.5%
Salary increment rate (per annum)	10%	9%
Rate of mortality	Indonesian Mortality Table 1999 (TMI'99)	Indonesian Mortality Table 1999 (TMI'99)
Rate of disability	10% of TMI '99	10% of TMI '99
Rate of resignation	10% per annum up to age 25 years old and reducing linearly up to 1% per annum at age 46 years old; 1% per annum for 46 - 55 years old	10% per annum up to age 25 years old and reducing linearly up to 1% per annum at age 46 years old; 1% per annum for 46 - 55 years old
Retirement rate	100% at normal retirement age of 56 years	100% at normal retirement age of 56 years

b. Employee numbers and costs

	2007	2006
Number of employees (permanent employees)	2,136	2,042
Total employee costs:		
- Salaries and allowances	561,434,843	508,794,367
- Payment to defined contribution pension plan	13,994,974	11,883,471
- Provision for employee benefits	29,471,668	9,499,243
Total employee costs	604,901,485	530,177,081
Internal labour cost capitalised as part of the fixed assets costs	(30,994,487)	(35,769,512)
Salaries and employee benefits (including outsource)	573,906,998	494,407,569

The number of employees for the year ended 31 December 2006 has been restated to conform to the presentation in the consolidated financial statements as at 31 December 2007.

13. SHARE CAPITAL AND CAPITAL SURPLUS

Share Capital

Authorised share capital as of 31 December 2007 and 2006 is 22,650,000,000 shares, with par value Rp 100 (full amount) per share. Issued and fully paid share capital is 7,090,000,000 shares.

(Expressed in thousand Rupiah, unless otherwise stated)

13. SHARE CAPITAL AND CAPITAL SURPLUS (continued)

Share Capital (continued)

The composition of the Company's shareholders as of 31 December 2007 is as follows:

	Number of shares	Amount	%
Indocel Holding Sdn. Bhd. (formerly Nynex Indocel Holding Sdn.)	4,749,383,500	474,938,350	66.99
Khazanah Nasional Berhad	1,191,553,500	119,155,350	16.81
Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd.	1,132,497,500	113,249,750	15.97
Public	16,565,500	1,656,550	0.23
	7,090,000,000	709,000,000	100.00

Etisalat's shares ownership in the Company has been registered by PT Datindo Entrycom through Parkmix Ltd., which represents Etisalat's local custodian in Indonesia.

As at 31 December 2007, within 16,565,500 shares owned by the public were included with shares owned by directors of the Company, who hold 49,000 shares.

The composition of the Company's shareholders as of 31 December 2006 based on records maintained by PT Datindo Entrycom, the shares administrator of the Company, was as follows:

	Number of shares	Amount	%
Indocel Holding Sdn. Bhd. (formerly Nynex Indocel Holding Sdn.)	4,227,901,400	422,790,140	59.63
Khazanah Nasional Berhad	1,191,553,500	119,155,350	16.81
PT Rajawali Corpora (formerly PT Telekomindo Primabhakti)	1,132,497,500	113,249,750	15.97
AIF (Indonesia) Ltd.	523,532,100	52,353,210	7.38
Public	14,515,500	1,451,550	0.21
	7,090,000,000	709,000,000	100.00

As at 31 December 2006, within 14,515,500 shares owned by public were included with shares owned by director of the Company, who hold 24,500 shares.

The chronology of changes in the Company's shareholders from 1 January 2006 to 31 December 2007 is as follows:

a. In June 2006, AIF (Indonesia) Ltd. sold its 195,605,400 shares to Indocel Holding Sdn. Bhd. Accordingly, Indocel Holding Sdn. Bhd.'s ownership became 59.67% as at 30 June 2006.

(Expressed in thousand Rupiah, unless otherwise stated)

13. SHARE CAPITAL AND CAPITAL SURPLUS (continued)

Share Capital (continued)

b. Indocel Holding Sdn. Bhd. has committed to increase the Company's liquidity on the Indonesia Stock Exchange by steadily releasing its shares to the public, whilst as at 31 December 2006 Indocel Holding Sdn. Bhd. owns 59.63%.

c. In May 2007, PT Rajawali Corpora sold its entire portion of Company shares, totalling 1,132,497,500 ordinary shares to Bella Sapphire Ventures Limited (an affiliated company of Rajawali Group domiciled in Seychelles Islands). AIF (Indonesia) Ltd. has also sold its entire portion of Company shares, totalling 523,532,100 ordinary shares to Indocel Holding Sdn. Bhd. Accordingly Indocel Holding Sdn. Bhd.'s Ownership increased to 67.00%.

d. During 2007, Indocel Holding Sdn. Bhd. steadily released its shares to the public, whilst as at 31 December 2007 Indocel Holding Sdn. Bhd. owns 66.99%.

e. In December 2007, Bella Sapphire Ventures Limited sold its entire portion of Company shares, totalling 1,132,497,500 ordinary shares, to Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd.

Capital Surplus

Capital surplus as of 31 December 2007 and 2006 is as follows:

Additional paid in capital	2,712,250,000
Share issue costs	(44,815,247)
Exchange rate difference due to paid-in capital	24,249,591
	2,691,684,344

Through the initial stock offering in September 2005, the Company received USD 278,213,143.70 and Rp 18,617,000,000 (full amount) for the offering of 1,427,500,000 shares with a nominal value amounting to Rp 100 (full amount) per share. As stated in the prospectus, the price value of the share was converted to Rupiah using the exchange rate USD 1.00 = Rp 10,195 (full amount).

The remaining Capital Surplus balance amounting to Rp 24,249,591 was the difference between the exchange rate of Rupiah/USD on the date on which payment was received for the shares purchase, and the exchange rate stated in the shareholders' agreement and prospectus.

The Company's majority shareholder, Indocel Holding Sdn. Bhd. is a wholly owned subsidiary of TM International (L) Limited and is an integral part of Telekom Malaysia Berhad (TM Berhad) Group.

14. DIVIDENDS

At the Annual General Meeting of Shareholders held on 26 April 2007, the shareholder agreed to distribute a final cash dividend from 2006's net income which amounted to Rp 67,168,668. The dividend amounted to Rp 9.47 per share. The cash dividend was paid on 11 June 2007.

(Expressed in thousand Rupiah, unless otherwise stated)

15. APPROPRIATED RETAINED EARNINGS

Under Indonesian Company Law No. 1/1995, which subsequently has been amended to Indonesian Company Law No. 40/2007, Indonesian companies are required to set up a statutory reserve amounting to at least 20% of the Company's issued and paid up capital.

At the Annual Meeting of Shareholders held on 26 April 2007, the shareholders approved an appropriation to the statutory reserve amounting to Rp 100,000 from 2006's net income.

16. EARNING PER SHARE

	2007	2006
Net income attributable to the shareholders	250,780,253	651,883,453
Number of ordinary shares outstanding	7,090,000,000	7,090,000,000
Basic earning per share (full amount)	35	92
Diluted earning per share (full amount)	35	92

On 31 December 2007 and 2006, there were no convertible securities that would give rise to a dilution of net income per share.

17. REVENUE

	2007	2006
Cellular Telecommunication service		
Voice	3,866,302,195	2,747,182,913
Non voice	2,632,500,422	2,239,392,072
Monthly service charge	1,920,534	920,793
	6,500,723,151	4,987,495,778
Cellular Interconnection service		
Domestic interconnection	886,995,326	866,259,714
International roaming	465,304,681	306,911,935
SMS interconnection	25,893,914	23,711,962
Others	5,407,797	4,902,500
	1,383,601,718	1,201,786,111
Gross cellular revenue	7,884,324,869	6,189,281,889
Discount	(375,084,828)	(688,087,513)
Gross cellular revenue net of discount	7,509,240,041	5,501,194,376
Interconnection charges	(1,120,306,884)	(852,843,143)
Other cellular telecommunication charges	(338,828,226)	(211,184,240)
Cellular revenue net of interconnection charges and other cellular telecommunication charges	6,050,104,931	4,437,166,993

(Expressed in thousand Rupiah, unless otherwise stated)

17. REVENUE (continued)

	2007	2006
Revenue from other telecommunication services		
Leased lines	408,710,158	238,687,686
Internet service provider	58,779,029	28,747,188
Others	12,896,624	9,340,178
Gross revenue from other telecommunication services	480,385,811	276,775,052
Discount	(107,056)	(312,734)
Gross revenue from other telecommunication services net of discount	480,278,755	276,462,318
Other telecommunication services cost	(70,613,487)	(31,954,791)
Revenue from other telecommunication services net of other telecommunication services cost	409,665,268	244,507,527
Revenue net of interconnection and telecommunication service charges	6,459,770,199	4,681,674,520

For transactions with related parties please refer to note 21.

18. INFRASTRUCTURE EXPENSES

	2007	2006
Licence fee	471,835,469	199,800,966
Repair and maintenance	234,501,335	168,183,085
Rental expense	187,886,312	133,182,902
Utilities expense	182,452,841	112,184,030
	1,076,675,957	613,350,983

19. MARKETING EXPENSES AND SALES COMMISSION

	2007	2006
Sales commission	463,026,938	321,423,824
Advertising and promotion	433,021,596	332,283,493
	896,048,534	653,707,317

(Expressed in thousand Rupiah, unless otherwise stated)

20. TAXATION

a. Prepaid taxes

	2007	2006
Value Added Tax - net	135,055,763	39,270,960
Income taxes		
- Article 22	80,276,427	41,432,405
- Article 23/26	57,653,357	100,604,811
- Article 25	10,905,273	4,227,041
	283,890,820	185,535,217

b. Taxes payable

	2007	2006
Corporate income tax payable		
- The Subsidiaries	4,423,282	3,656,607
Employee income tax (article 21)	3,571,260	3,609,383
Withholding tax on rent and other services (article 23/26)	88,040,465	38,954,262
	96,035,007	46,220,252

c. Corporate income tax expense

	2007	2006
Current - The Subsidiaries	(674,664)	(2,030,963)
Deferred - The Company	(266,576,288)	(348,507,882)
	(267,250,952)	(350,538,845)

The reconciliation between the Company's income tax expense and the theoretical tax amount on the Company's income before income tax for the periods ended 31 December 2007 and 2006 is as follows:

	2007	2006
Consolidated income before income tax	518,031,205	1,002,422,298
Less: net income before tax - The Subsidiaries	(3,174,487)	(5,512,580)
Income before income tax - The Company	514,856,718	996,909,718
Tax calculated at effective rates	(154,457,015)	(299,072,915)
Income subject to final tax	13,913,353	14,361,377
Non deductible expenses	(123,499,881)	(42,164,081)
Prior year's tax adjustment	(2,532,745)	(21,632,263)
Income tax expense		
- Deferred - The Company	(266,576,288)	(348,507,882)
- Current - The Subsidiaries	(674,664)	(2,030,963)
	(267,250,952)	(350,538,845)

(Expressed in thousand Rupiah, unless otherwise stated)

20. TAXATION (continued)

c. Corporate income tax expense (continued)

The reconciliation between the Company's income before income tax as shown in the consolidated financial statements and the estimated tax loss for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Income before income tax	514,856,718	996,909,718
Temporary differences:		
- Difference between commercial and fiscal depreciation and amortisation	(1,000,275,712)	(514,608,084)
- Difference between commercial and fiscal gain/ (loss) on disposal of assets and assets write-off	3,756,757	(44,534,454)
- Provision for employee benefits	27,716,297	7,968,761
- Allowance for bad debt expense	34,189,944	66,918,053
- Allowance for salaries and employee benefits	60,266,666	-
	(874,346,048)	(484,255,724)
Permanent differences:		
- Non-deductible expenses	411,666,270	140,546,937
- Interest income subject to final tax	(46,377,843)	(47,871,255)
	365,288,427	92,675,682
Taxable income	5,799,097	605,329,676
Accumulated tax losses:	(127,316,475)	(793,128,443)
Tax loss adjustment 2004	-	32,219,621
Tax loss adjustment 2005	8,442,483	28,262,671
Tax loss adjustment 2006	2	-
Tax losses	(113,074,893)	(127,316,475)

The tax loss carry forward balance as of 31 December 2007, which amounted to Rp 113,074,893, can be utilised until fiscal year 2010.

The Corporate Income Tax Return for fiscal year 2007 will be reported on 31 March 2008 based on the prevailing regulation.

(Expressed in thousand Rupiah, unless otherwise stated)

20. TAXATION (continued)

d. Deferred tax liabilities

	2006	Charged to consolidated statement of income	Prior year's adjustment charged to consolidated statement of income	2007
Difference between commercial and fiscal depreciation and amortisation	(422,345,951)	(298,955,686)	-	(721,301,637)
Allowance for bad debt expense	25,444,661	10,256,983	-	35,701,644
Provision for employee benefits	11,553,408	8,314,889	-	19,868,297
Allowance for salaries and employee benefits	-	18,080,000	-	18,080,000
Tax losses carried forward	38,194,942	(1,739,729)	(2,532,745)	33,922,468
	(347,152,940)	(264,043,543)	(2,532,745)	(613,729,228)

	2005	Charged to consolidated statement of income	Prior year's adjustment charged to consolidated statement of income	2006
Difference between commercial and fiscal depreciation and amortisation	(254,115,614)	(167,742,761)	(487,576)	(422,345,951)
Employee stock allocation	3,000,000	-	(3,000,000)	-
Allowance for bad debt expense	5,369,245	20,075,416	-	25,444,661
Provision for employee benefits	9,162,780	2,390,628	-	11,553,408
Tax losses carried forward	237,938,532	(181,598,903)	(18,144,687)	38,194,942
	1,354,943	(326,875,620)	(21,632,263)	(347,152,940)

As at 31 December 2007, the Company recognised the deferred tax assets derived from the carrying forward of 2005 tax losses amounting to Rp 33,922,468 on the basis that the deferred tax assets will be offset by sufficient taxable profits in the foreseeable future. Under the taxation laws of Indonesia, the accumulated tax losses are available to be carried forward and offset against future years' taxable profits for a period of up to five years.

The basis for the recognition of deferred tax assets will be reviewed regularly by management.

e. Tax assessments

2001 fiscal year

a. On 26 May 2003, the Director General of Taxation (DGT) issued tax assessments for withholding Income Tax Articles 21, 23/26, and final Income Tax Article 4(2), which resulted in underpayments totalling Rp 24,803,577. The Company paid Rp 9,775,794 of these underpayments on 25 June 2003 and 22 July 2003. The remaining balance was offset with the 2002 withholding tax payments. Included in this tax assessment letter was an assessment for withholding tax article 26 on international roaming amounting to Rp 855,360, which the Company believes should not be subject to Income Tax Article 26. On 12 August 2003, the Company submitted an objection letter to the DGT concerning this matter, which was rejected by the tax office on 21 April 2004.

20. TAXATION (continued)

e. Tax assessments (continued)

2001 fiscal year (continued)

On 20 July 2004, the Company submitted an appeal letter to the Tax Court, which was granted by the Tax Court in Decision Letter No. Put.05969/PP/M.VII/13/2005 dated 22 July 2005, and recorded in the 2005 consolidated statement of income under “other income/(expense)”.

On 16 November 2005, the DGT submitted a reconsideration to the Supreme Court with respect to the Tax Court’s Decision Letter No. Put.05969/PP/M.VII/13/2005, through Reconsideration Memorandum No. S-407/PJ-4/2005. Up to the date of this report, the Company has not received a response from the Supreme Court regarding the reconsideration submitted by DGT.

b. On 26 January 2004, the Company submitted an objection letter to the DGT for the reconsideration of several tax assessment letters on VAT for the fiscal period January to December 2001 totalling Rp 4,575,511, which have been rejected by the DGT. On 27 December 2004, 30 December 2004 and 17 January 2005, the Company submitted appeal letters to the Tax Court and these were granted by the Tax Court through Decree No. 07165-07169/PP/M.VII/16/2005 and 07200-07204/PP/M.VII/16/2005**,** dated 21 and 23 December 2005 respectively. The amount was recorded in the 2005 consolidated statement of income under “other income/(expense)”.

   On 8 June 2006, the DGT through the Tax Court submitted a reconsideration to the Supreme Court with respect to the Tax Court’s Decision Letters No. Put.07166R/PP/M.VII/16/2006 and Put.07200R/PP/M.VII/16/2006 regarding the VAT appeal decision for October and April of the 2001 fiscal year through a Reconsideration Memorandum No. S-332/PJ-54/2006 and S-333/PJ-54/2006. Up to the date of this report, the Company has not received a response from the Supreme Court regarding the reconsideration submitted by DGT.

c. On 21 April 2004, the DGT approved the Company’s application to reduce the interest penalties in the assessment for withholding Income Tax Article 26 amounting to Rp 1,559,961. This reduction was used to offset the May 2004 payment of income tax article 21 amounting to Rp 1,556,098 and the remaining balance was compensated against late payment penalties for several fiscal years’ withholding tax article 21, article 23 and VAT.

2002 fiscal year

On 31 May 2005, the DGT issued tax assessment letters for corporate income tax, VAT, Income Tax Article 21, Income Tax Articles 23/26, Final Income Tax Article 4(2) and a tax underpayment letter for VAT which resulted in underpayments totalling Rp 8,767,761. The Company settled these underpayments on 28 June 2005. On 30 August 2005, the Company submitted objection letters for tax assessments of VAT and Income Tax Article 26 amounting to Rp 2,429,186 and Rp 1,045,192 respectively. Subsequently, on 2 February 2006, the DGT issued a Decision Letter to reject the objection letters for tax assessment of VAT and Income Tax Article 26 submitted by the Company.

20. TAXATION (continued)

e. Tax assessments (continued)

2002 fiscal year (continued)

On 1 May 2006, the Company submitted appeal letters to the Tax Court for tax assessments of VAT and Income Tax Article 26, which were granted by the Tax Court in Decision Letter No. Put.09329/PP/M.VII/16/2006**,** dated 8 November 2006**,** and No. Put.09608/PP/M.VII/13/2006**,** dated 20 December 2006. The compensated amount was recorded in the 2006 consolidated statement of income under “other (expense)/income”.

On 5 March 2007, the DGT, through the Tax Court, submitted a consideration letter to the Supreme Court with respect to the Tax Court’s Decision Letter No. Put.09329/PP/ M.VII/16/2006 regarding the VAT appeal decision for January - December 2002 through a Reconsideration Memoranda No. S-505/PJ.074/2007. Up to the date of this report, the Company has not received a response from the Supreme Court regarding the reconsideration submitted by the DGT.

On 17 April 2007, the DGT through the Tax Court, submitted a reconsideration letter to the Supreme Court with respect to the Tax Court’s Decision Letter No. Put.09608/PP/ M.VII/13/2006 regarding the withholding Income Tax Article 26 appeal decision for 2002 fiscal year through a Reconsideration Memoranda No. S-1171/PJ.07/2007. Up to the date of this report, the Company has not received a response from the Supreme Court regarding the reconsideration submitted by DGT.

2003 fiscal year

For the 2003 fiscal year, the tax audit has not been performed.

2004 fiscal year

On 26 June 2006, the DGT issued a tax assessment letter resulting in overpayment of corporate income tax and underpayment of Income Tax Article 21, Income Tax Articles 23/26, Final Income Tax Article 4(2), and VAT. The DGT also issued a tax underpayment letter for VAT, Final Income Tax Article 4(2) and Income Tax Article 26. Based on the tax assessment and tax underpayment letters the Company received overpayment of corporate income tax amounting to Rp 30,915,691, after compensating with existing withholding tax payable.

On 20 September 2006, the Company submitted an objection letter on the tax assessment letter for Income Tax Article 26 and VAT. On 14 August 2007, the DGT partially approved the Company’s objection to the VAT assessment letter. The DGT has decided to reduce the underpayment of VAT amounting to Rp 190,251.

On 27 August 2007, the DGT rejected the Company’s objection to the assessment for withholding Income Tax Article 26 and increased the underpayment of withholding income Tax Article 26 amounting to Rp 34,251,453. The Company has paid the tax underpayment on 14 August and 26 September 2007 and this was recorded in the 2007 consolidated statement of income under “other (expense)/income”.

On 23 October 2007, the Company submitted an appeal letter to the Tax Court for tax assessment of Income Tax Article 26. Up to the date of this report, the Company has not received the Decree from the Tax Court regarding this appeal letter.

(Expressed in thousand Rupiah, unless otherwise stated)

20. TAXATION (continued)

e. Tax assessments (continued)

2005 fiscal year

On 18 June 2007, the DGT issued tax assessments for overpayment of Corporate Income Tax and tax assessments for underpayment of Income Tax Articles 21, Article 23/26, final Income Tax Article 4(2), and VAT. The DGT also issued a tax underpayment letter on withholding Income Tax Articles 26 and VAT. Total underpayment based on the tax assessments and tax underpayment letters of Rp 88,811,597 has been paid on 17 July 2007, after compensation for the overpayment of Corporate Income Tax which amounted to Rp 44,340,752. On 3 and 14 September 2007, the Company submitted objection letters to the tax assessment letter for underpayment of Income Tax Article 26 and VAT. Up to the date of this report, the DGT has not given a response to the Company's objection letters.

Referring to the above tax assessments on underpayment of Income Tax Article 26, there is a possibility that the DGT will issue a similar tax assessment letter for the 2006 and 2007 fiscal years, especially on interest payments to Excelcomindo Finance Company BV. To reduce future increases in tax penalty, the Company has paid the withholding tax article 26 for interest payment which matures on July 2007 amounting to Rp 147,417 million (full amount).

The tax assessment letter for Income Tax Article 26 was recorded in the 2007 consolidated statement of income under "other (expense)/income".

2006 fiscal year

For the 2006 fiscal year, the tax audit is still being performed for all types of taxes. Up to the date of this report, the DGT has not issued any tax assessment letters.

Under the taxation laws of Indonesia, the Company calculates, paid and submits tax returns on the basis of self assessment. The Director General of Tax (DGT) may assess or amend taxes within ten years of the time the tax becomes due, or until the end of 2013, whichever is earlier. There are new rules applicable to fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years of the time the tax becomes due.

21. RELATED PARTY INFORMATION

a. Nature of transaction and relationships with related parties

The nature of transactions and relationships with related parties are as follows:

Related parties	Nature of the relationships with related parties	Nature of transactions
TM Berhad	Ultimate shareholder	*ITKP*/VoIP revenue, leased line revenue, interconnection charges, other telecommunication services cost and reimbursement of expenses
Telekom Malaysia - Hongkong	Entity under common control	*ITKP*/VoIP and leased line revenue
Telekom Malaysia (S) Pte., Ltd.	Entity under common control	*ITKP*/VoIP revenue, interconnection charges and other telecommunication services cost

(Expressed in thousand Rupiah, unless otherwise stated)

21. RELATED PARTY INFORMATION (continued)

a. Nature of transaction and relationships with related parties (continued)

Related parties	Nature of the relationships with related parties	Nature of transactions
Celcom (Malaysia) Berhad	Entity under common control	*ITKP*/VoIP and International roaming revenue, interconnection charges and reimbursement of expenses
Dialog Telekom Limited (formerly MTN Networks (Pvt.) Limited)	Entity under common control	International roaming revenue and interconnection charges
Telekom Malaysia International (Cambodia) Co. Ltd (formerly Cambodia Samart Communications Co. Ltd.)	Entity under common control	International roaming revenue and interconnection charges
TM International (Bangladesh) Limited	Entity under common control	International roaming revenue and interconnection charges
PT Rajawali Corpora (formerly PT Telekomindo Primabhakti)	Entity under common control	Reimbursement of expenses and building rental
MobileOne Ltd	Entity under common control	International roaming revenue and interconnection charges
Spice Communications Limited	Entity under common control	International roaming revenue and interconnection charges
TM International Berhad (formerly TM International Sdn. Bhd.)	Entity under common control	Reimbursement of expenses
Lippo Bank	Entity under common control	Leased line revenue

b. Cash and cash equivalents

	2007	2006
Lippo Bank	1,119,222	-
(As a percentage of total cash and cash equivalents)	0.14%	0.00%

c. Trade receivables

	2007	2006
Celcom (Malaysia) Berhad	27,310,813	9,162,183
TM Berhad	11,128,917	7,315,293
Lippo Bank	10,971,717	-
MobileOne Ltd	1,555,211	-
Telekom Malaysia - Hongkong	65,933	378,620
Dialog Telekom Limited (formerly MTN Networks (Pvt.) Limited)	25,911	45,923
	51,058,502	16,902,019
(As a percentage of total trade receivables - net)	16.56%	8.27%

(Expressed in thousand Rupiah, unless otherwise stated)

21. RELATED PARTY INFORMATION (continued)

d. Other receivables

	2007	2006
Celcom (Malaysia) Berhad	-	6,446
(As a percentage of total other receivable)	0.00%	0.17%

e. Trade payables

	2007	2006
TM Berhad	3,117,650	6,541,529
Telekom Malaysia (S) Pte., Ltd.	231,625	67,626
Spice Communications Limited	54,221	-
Telekom Malaysia International (Cambodia) Co. Ltd. (formerly Cambodia Samart Communications Co. Ltd.)	22,807	8,019
TM International (Bangladesh) Limited	1,079	4,068
Celcom (Malaysia) Berhad	485	-
	3,427,867	6,621,242
(As a percentage of total trade payables)	0.11%	0.34%

f. Other payables and accruals

	2007	2006
TM International Berhad (formerly TM International Sdn. Bhd.)	3,666	-
(As a percentage of total other payables and accruals)	0.00%	0.00%

g. Revenue

	2007	2006
Celcom (Malaysia) Berhad	98,630,255	22,411,418
TM Berhad	25,231,649	13,204,623
MobileOne Ltd	17,038,471	-
Lippo Bank	14,074,960	-
Telekom Malaysia - Hongkong	2,506,369	4,988,270
Telekom Malaysia (S) Pte., Ltd.	1,245,792	964,914
Spice Communications Limited	137,355	-
Dialog Telekom Limited (formerly MTN Networks (Pvt.) Limited)	107,575	124,039
Telekom Malaysia International (Cambodia) Co. Ltd. (formerly Cambodia Samart Communications Co. Ltd.)	6,034	4,200
TM International (Bangladesh) Limited	2,538	12,810
	158,980,998	41,710,274
(As a percentage of gross revenue net of discount)	1.99%	0.72%

(Expressed in thousand Rupiah, unless otherwise stated)

21. RELATED PARTY INFORMATION (continued)

h. Interconnection charges

	2007	2006
TM Berhad	3,781,947	7,137,132
MobileOne Ltd	3,680,172	-
Telekom Malaysia (S) Pte., Ltd.	2,487,947	1,294,697
Celcom (Malaysia) Berhad	2,026,181	1,694,525
Spice Communications Limited	214,225	-
Telekom Malaysia International (Cambodia) Co. Ltd. (formerly Cambodia Samart Communications Co. Ltd.)	77,197	39,170
Dialog Telekom Limited (formerly MTN Networks (Pvt.) Limited)	24,723	25,605
TM International (Bangladesh) Limited	11,818	20,936
	12,304,210	10,212,065
(As a percentage of interconnection charges)	1.10%	1.20%

i. Other telecommunication services cost

	2007	2006
TM Berhad	17,913,567	527,904
Telekom Malaysia (S) Pte., Ltd.	-	33,901
	17,913,567	561,805
(As a percentage of other telecommunication service cost)	25.37%	1.76%

j. Rental expense

	2007	2006
PT Rajawali Corpora (formerly PT Telekomindo Primabhakti)	4,618,440	5,929,899
(As a percentage of operating expenses)	0.10%	0.16%

On 15 December 2006, the Company made a rental prepayment for the period 1 November 2006 to 30 June 2012. As at 31 December 2007 and 2006, the balance of the rental prepayment amounting to Rp 20,782,982 and Rp 25,401,422, respectively, consists of Rp 4,618,440 current portion and Rp 16,164,542 and Rp 20,782,962 non current portion.

21. RELATED PARTY INFORMATION (continued)

k. Salaries and allowances for Board of Directors and Commissioners

	2007	2006
Salaries and allowances for Board of Directors and Commissioners	19,727,080	28,774,778
(As a percentage of total employee costs)	3.26%	5.43%

The percentage of salaries and allowances for Board of Directors and Commissioners to employee costs for the year ending 31 December 2006 has been adjusted due to reclassification of operating expenses details accounts (refer to note 29b).

The transactions with related parties are made under terms and conditions as though the transactions were made at an arm's length basis with third parties.

22. COMMITMENTS

a. Capital commitments

The Company has made various purchase commitments related to the expansion of the network against which the Company has made downpayments, as follows:

	2007	
	(In million USD)	(Equivalent billion Rp)
Purchase commitments	416	3,916
Downpayments	(6)	(55)
	410	3,861

b. Operating lease commitments

In 1999 the Company entered into an office rental agreement denominated in Rupiah with PT Caraka Citra Sekar Lestari (third party) for a term of ten years. On 23 March 2007, Company ammended the office rental agreement until 31 October 2020, with a total commitment as follows:

	2007
Payable within one year	11,088,000
Payable within one and two years	29,937,600
Payable within two and thirteen years	191,822,400
	232,848,000

The rental expense related to this commitment for the years ending 31 December 2007 and 2006 amounts to Rp 10,956,000 and Rp 10,560,000 respectively.

22. COMMITMENTS (continued)

b. Operating lease commitments (continued)

On 6 September 2007, the Company entered into an office rental agreement denominated in Rupiah with PT Wiratara Prima (third party) for a term of six years, with a total commitment as follows:

Year 1-3 = 10,049,002 per year
Year 4-6 = based on a market value with a minimum increase of 10% and maximum 15% from prior rent fee.

Rental expense related to this commitment for the year ended 31 December 2007 amounts to Rp 2,092,463.

c. 3G annual fees commitments

The Company has committed to pay annual fees within ten years, as long as the Company holds the 3G licence. The amount of annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information (refer to Note 1d). No penalty will be imposed in the event of the Company returning the licence.

d. Foreign currency commitment

The Company has entered into foreign currency forward contracts with HSBC & ABN AMRO for the period May 2007 until December 2007 (refer to Note 27).

e. Credit facility commitment

On 26 September 2007, the Company signed a credit facility agreement with PT Bank Central Asia Tbk. amounting to Rp 1,000,000,000. On 26 November 2007, the Company signed a credit agreement amendment to increase the credit facility to Rp 2,000,000,000. The facility will be available for drawdown until six months from the signing date. Based on the contract, the Company agreed to pay a floating rate of interest at quarterly intervals of JIBOR plus 1.25% margin. The loan will mature three years from the last drawdown date.

On 22 January 2008, the Company made drawdown on the credit facility with PT Bank Central Asia Tbk. amounting to Rp 600 billion (full amount) (refer to Note 30h).

The Company is required to comply with certain conditions, such as limitations on asset sales or transfer, and should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

(Expressed in thousand Rupiah, unless otherwise stated)

23. DERIVATIVES

	2007		2006	
	Receivable	**Payable**	**Receivable**	**Payable**
Forward Foreign Currency Contracts	105,583,637	-	-	42,154,808
Foreign Currency Swap	20,139,468	-	-	-
	125,723,105	-	-	42,154,808

On 7 and 11 December 2006, 3 to 5 January 2007, and 8 to 9 May 2007, the Company entered into fifteen forward foreign currency contracts to hedge the payment of long term loans in USD.

The details of forward foreign currency contracts are as follows:

		Notional amount USD	Fair Value 2007		Fair Value 2006	
			Receivable	**Payable**	**Receivable**	**Payable**
Forward Foreign Currency Contracts:						
a	JPMorgan Securities (S.E.A.) Limited	25,000,000	3,007,487	-	-	15,375,736
b	Standard Chartered Bank	25,000,000	3,872,631	-	-	14,614,231
c	JPMorgan Securities (S.E.A.) Limited	25,000,000	5,108,771	-	-	6,804,246
d	Standard Chartered Bank	25,000,000	6,005,225	-	-	5,360,595
e	Standard Chartered Bank	25,000,000	12,907,317	-	-	-
f	JPMorgan Securities (S.E.A.) Limited	25,000,000	6,850,542	-	-	-
g	Standard Chartered Bank	25,000,000	14,520,651	-	-	-
h	Standard Chartered Bank	25,000,000	9,129,055	-	-	-
i	JPMorgan Securities (S.E.A.) Limited	25,000,000	8,522,632	-	-	-
j	JPMorgan Securities (S.E.A.) Limited	12,500,000	4,063,922	-	-	-
k	Standard Chartered Bank	12,500,000	4,233,567	-	-	-
l	HSBC	12,500,000	5,601,856	-	-	-
m	JPMorgan Chase Bank	12,500,000	8,975,365	-	-	-
n	Standard Chartered Bank	12,500,000	5,847,739	-	-	-
o	JPMorgan Securities (S.E.A.) Limited	12,500,000	6,936,877	-	-	-
	Sub-total		**105,583,637**	**-**	**-**	**42,154,808**

(Expressed in thousand Rupiah, unless otherwise stated)

23. DERIVATIVES (continued)

		Strike rate (full amount)	Period	Premium per annum
Forward Foreign Currency Contracts:				
a	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	7 December 2006 - 16 January 2013	3.49%
b	Standard Chartered Bank	1 USD = Rp 9,000	7 December 2006 - 16 January 2013	3.49%
c	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	11 December 2006 - 23 January 2009	3.90%
d	Standard Chartered Bank	1 USD = Rp 9,000	11 December 2006 - 23 January 2009	3.90%
e	Standard Chartered Bank	1 USD = Rp 9,000	3 January 2007 - 16 January 2013	2.65%
f	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	3 January 2007 - 23 January 2009	3.15%
g	Standard Chartered Bank	1 USD = Rp 9,000	4 January 2007 - 16 January 2013	2.50%
h	Standard Chartered Bank	1 USD = Rp 9,000	4 January 2007 - 23 January 2009	2.555%
i	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	5 January 2007 - 23 January 2009	2.43%
j	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	8 May 2007 - 23 January 2009	2.60%
k	Standard Chartered Bank	1 USD = Rp 9,000	8 May 2007 - 23 January 2009	2.84%
l	HSBC	1 USD = Rp 9,000	8 May 2007 - 23 January 2009	2.59%
m	JPMorgan Chase Bank	1 USD = Rp 9,000	8 May 2007 - 16 January 2013	2.80%
n	Standard Chartered Bank	1 USD = Rp 9,000	9 May 2007 - 23 January 2009	1.45%
o	JPMorgan Securities (S.E.A.) Limited	1 USD = Rp 9,000	9 May 2007 - 16 January 2013	2.48%

The Premium on the forward foreign currency contracts will be paid semi-annually.

On 18 April to 10 May 2007 the Company entered into cross currency swap contracts to hedge the payment of the principal and interest of a long term loan in USD.

Below are details of cross currency swap contracts:

		Notional amount	Fair Value			
			2007		2006	
		USD	Receivable	Payable	Receivable	Payable
Foreign Currency Swap:						
a	Standard Chartered Bank	10,000,000	317,477	-	-	-
b	JPMorgan Chase Bank	25,000,000	3,833,731	-	-	-
c	Standard Chartered Bank	15,000,000	1,215,739	-	-	-
d	DBS Bank Indonesia	15,000,000	8,431,669	-	-	-
e	Standard Chartered Bank	12,500,000	6,340,852	-	-	-
			20,139,468	**-**	**-**	**-**

23. DERIVATIVES (continued)

a. On 18 April 2007, the Company entered into a cross currency swap contract with Standard Chartered Bank. Based on the contract commencing on 18 April 2007, the Company would swap, at the final exchange date (termination date) on 16 April 2010, a total of Rp 90,880,000 for USD 10,000,000. The Company will make quarterly payments in Rupiah every 18 January, 18 April, 18 July and 18 October up to the termination date, at the amount of USD 10,000,000 times fixed interest rate of 9.65% per annum with a strike rate of Rp 9,088 per USD, and will receive payment in USD amounting to USD 10,000,000 times the floating rate of interest at quarterly intervals of three months SIBOR plus 1.05%.

b. On 23 April 2007, the Company entered into a cross currency swap contract with JPMorgan Chase Bank. Based on the contract commencing on 23 April 2007, the Company would swap, at the final exchange date (termination date) on 29 January 2010, a total of Rp 225,000,000 for USD 25,000,000. The Company will make quarterly payments in Rupiah every 30 January, 30 April, 30 July and 30 October up to the termination date, at the amount of USD 25,000,000 times the fixed interest rate of 9.99% per annum with a strike rate of Rp 9,000 per USD, and will receive payment in USD amounting to USD 25,000,000 times the floating rate of interest at quarterly intervals of three months LIBOR plus 0.95%.

c. On 26 April 2007, the Company entered into a cross currency swap contract with Standard Chartered Bank. Based on the contract commencing on 26 April 2007, the Company would swap, at the final exchange date (termination date) on 26 April 2010, a total of Rp 135,000,000 for USD 15,000,000. The Company will make quarterly payments in Rupiah every 26 January, 26 April, 26 July and 26 October up to the termination date, at the amount of USD 15,000,000 times the fixed interest rate of 9.825% per annum with a strike rate of Rp 9,000 per USD, and will receive payment in USD amounting to USD 15,000,000 times the floating rate of interest at quarterly intervals of three months LIBOR plus 1%.

d. On 9 May 2007, the Company entered into a cross currency swap contract with DBS Bank Indonesia. Based on the contract commencing on 9 May 2007, the Company would swap, at the final exchange date (termination date) on 26 April 2010, a total of Rp 135,000,000 for USD 15,000,000. The Company will make quarterly payments in Rupiah every 26 January, 26 April, 26 July and 26 October up to the termination date, at the amount of USD 15,000,000 times the fixed interest rate of 8.20% per annum with a strike rate of Rp 9,000 per USD, and will receive payment in USD amounting to USD 15,000,000 times the floating rate of interest at quarterly intervals of three months LIBOR plus 1%.

e. On 10 May 2007, the Company entered into a cross currency swap contract with Standard Chartered Bank. Based on the contract commencing on 10 May 2007, the Company would swap, at the final exchange date (termination date) on 29 January 2010, a total of Rp 112,500,000 for USD 12,500,000. The Company will make quarterly payments in Rupiah every 28 June, 28 September, 28 December and 28 March up to the termination date, at the amount of USD 12,500,000 times the fixed interest rate of 7.73% per annum with a strike rate of Rp 9,000 per USD, and will receive payment in USD amounted to USD 12,500,000 times the floating rate of interest at quarterly intervals of three months LIBOR plus 0.95%.

The fair values on forward foreign currency contracts and cross currency swap contracts have been calculated using rates quoted by the Company's bankers to terminate the contracts at the balance sheet date.

23. DERIVATIVES (continued)

On 8 January 2008, the Company terminated one of the forward foreign currency contracts with JPMorgan Securities (S.E.A.) Limited (refer to Note 30c).

24. CONTINGENCY

On 15 November, the Company received notice letter from KPPU (the Commission for Fair Business Practices) concerning the investigation of potential cartelistic practices allegedly involving GSM operators in Indonesia in relation to the perceived price SMS charges. If the Company is found guilty of price fixing, based on Article 47 of Law No. 5 of 1999 concerning Anti Monopolistic Practices and Unfair Business Competition (the ”Anti Monopoly Law”), the Company may be ordered to ammend the agreement that forms the basis of existing prices and to pay certain fines and other sanctions as deemed enforceable by the Anti Monopoly Law.

The investigation is still in process and currently the outcome cannot be determined.

25. TARIFF SYSTEM

In January 2007, the government implemented Decree No.08/Per/M.KOMINFO/02/2006 of the Minister of Communication and Information Technology regarding Interconnection. By this Decree, a tariff system was implemented based on KM No. 12/Per/M.KOMINFO/02/2006 dated 28 February 2006 regarding Terms and Conditions for Rate Determination of the Changes of Basic Cellular Mobile Network Telecommunication Service.

Based on KM No. 12/Per/M.KOMINFO/02/2006 the tariff structure for basic telecommunications through cellular mobile networks is as follows:

- Activation fee
- Monthly charges
- Usage charges
- Value added service charges

The calculation tariff formula for a postpaid and prepaid subscriber is based on the decree using the floor price.

The calculation is as follows:

a. Cellular usage charges :
Floor price = origination charges + termination charges

b. Fixed local cellular usage charges :
Floor price = origination charges + fixed local network termination charges

c. Fixed long distance cellular usage charges :
Floor price = origination charges + fixed long distance network termination charges

d. International cellular usage charges :
Floor price = origination cost + fixed international network termination charges

25. TARIFF SYSTEM (continued)

Interconnection Tariff

The Company entered into several bilateral agreements with other domestic telecommunications operators regarding interconnection tariff sharing for each interconnection call. These agreements are in accordance with the prevailing regulations.

Based on Decree No. 8/Per/M.KOMINFO/02/2006 of the Minister of Communication and Information Technology dated 8 February 2006, the interconnection tariff will be charged based on cost, which is offered in the Documents of Interconnection Offer from each operator and effective from the date the Decree was signed. All operators have to apply a cost allocation principle in calculating the interconnection cost as soon as this is approved by the government. During the transition period, bilateral interconnection agreements are technically still valid as long as they are approved by both parties and aligned with this Decree. Since 1 January 2007, the Regulation applies to all operators.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES

The Company entered into several significant contract agreements with third parties as follows:

a. General purchase agreement with Ericsson AB

On 11 July 2007, the Company signed a general purchase agreement with Ericsson AB for the supply of network equipment and various network-related services. This agreement valid until 31 December 2010 or earlier if terminated by either party in accordance with the agreement. This contract sets out terms and conditions for the purchase of various products and services which may be supplied by Ericsson AB from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements signed previously.

Purchase orders issued for the years ended 31 December 2007 amounting to USD 233,127,721.

b. General purchase and maintenance agreements with Siemens Network Gmbhn Co. KG. (formerly Siemens AG)

On 28 October 1998, the Company signed a general purchase agreement and a maintenance agreement with Siemens Network Gmbhn Co. KG. for the supply of network equipment and various network-related services. This agreement was valid until 31 December 2004 and was extended until 30 June 2005. This agreement was then further extended until 29 February 2008. The contract sets out terms and conditions for the purchase for various products and services which may be supplied by Siemens Network Gmbhn Co. KG. from time to time, following the issue of one or more purchase orders by the Company. If payment of any due sum is delayed, Siemens Network Gmbhn Co. KG. shall be entitled to receive interest at the rate of LIBOR +3% on the amount unpaid during the period of delay.

Purchase orders issued for the years ended 31 December 2007 and 2006 amounting to EUR 516,000 and EUR 8,161,469 respectively.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

c. Maintenance agreements with PT Ericsson Indonesia

On 14 October 2002, the Company signed a maintenance agreement with PT Ericsson Indonesia for the supply of maintenance services for the Company's telecommunications network. The agreement was valid until 31 December 2004 and has been extended until 31 December 2007. For this system support service, the Company will be charged based on the number of Transmission Receiver Units (TRU) in the network. If payment of any due sum is delayed, PT Ericsson Indonesia shall be entitled to receive interest at a rate of 15% per annum on the overdue amount, limited to a maximum of 10% of the total amount of delayed payment.

On 27 September 2007, the Company signed a maintenance agreement with PT Ericsson Indonesia for the supply of maintenance services for the Company's telecommunications network. This agreement is valid until the last purchase order or the date on which the agreement is terminated by notice by either party in accordance with the terms of the agreement.

This agreement replaces all other agreements signed previously.

Purchase orders issued for the year ended 31 December 2007 amount to Rp 173,121,071 and USD 28,011,842 and for the year ended 31 December 2006 amounting to Rp 51,932,700.

d. System implementation and integration agreement with AMDOCS

On 1 July 2005, the Company signed a Professional Services Agreement with AMDOCS for services related to the currently installed AMDOCS system. This agreement commences with effect from the agreement signing date, and, unless extended, ends on 31 December 2010 or earlier if terminated by either party in accordance with the agreement.

On 1 January 2007, the Company signed a Software Licence and Maintenance Agreement with AMDOCS which grants the Company a licence to use the AMDOCS software, and the maintenance service. This agreement commences with effect from the agreement signing date for five years unless terminated by the mutual written consent of both parties or terminated otherwise as provided in this agreement.

e. Equipment supply agreement, equipment installation agreement and equipment maintenance agreement with Huawei Tech. Investment Co., Ltd. ("Huawei")

On 12 June 2003, the Company signed an equipment supply agreement, equipment installation agreement and equipment maintenance agreement with Huawei for the supply of network equipment and various network-related services. This contract sets out terms and conditions for the purchase for various products and services which may be supplied by Huawei from time to time, following the issue of one or more purchase orders by the Company. The agreement is valid from 12 June 2003 for a five-year period and will be automatically extended for a further one-year period unless terminated by one of the parties.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

f. Supply and installation agreement with PT Huawei Tech Investment ("HTI")

On 14 May 2004, the Company signed a supply and installation agreement with HTI for the supply and installation of a Knock Down Shelter, not including shelter foundation for its Base Transceiver Station, in order to provide and support a mobile telecommunications system throughout Indonesia. The agreement is valid from 14 May 2004 until the end of the warranty period, which is 12 months from the date of the final acceptance certificate, unless terminated earlier by either party.

On 8 June 2006, the Company signed a supply and installation agreement with HTI for the supply and installation of 3G, to provide and support a mobile telecommunications system throughout Indonesia. The agreement is valid from 8 June 2006 to 8 June 2011, unless terminated earlier by either party.

Purchase orders issued for the years ended 31 December 2007 and 2006 amounting to USD 22,638,492 and USD 2,656,948 respectively.

g. Cable installation agreement with Norddeutche Seekabelwerke Gmbh & Co. KG. ("NS")

On 21 February 2003, the Company signed a cable installation agreement with NS for developing a submarine fibre optic cable system, to support the existing network capacity. Based on this agreement, the Company will own the whole system infrastructure at the end of the project. This agreement is valid from 21 February 2003 until the end of the warranty period, which is five years after the date of final acceptance of the system. The contract price amounts to USD 9,396,207. If the Company neglects to make the payment on the invoice due date, NS reserves the right to impose late payment interest at the LIBOR rate plus 1.5% calculated on the overdue amount on a daily basis for each day of the delay.

h. Cable installation agreement with NSW Submarine Cable System Sdn. Bhd. ("NSW Malaysia")

On 12 April 2004, the Company signed a cable installation agreement with NSW Malaysia to establish a submarine fibre optic cable system, to provide services between Lombok (Senggigi) and Bali (Sanur); Bali (Jimbaran) and East Java (Puger); and West Java (Ancol) and Belitung (Tanjung Kiras); and by a variation of the order from the Company, an additional link between Belitung (Tanjung Kiras) and Bangka (Tempilang). This agreement is valid from 12 April 2004 until the end of the warranty period, which is five years after the date of final acceptance of the system, unless terminated earlier by either party.

i. Cable installation agreement and repair and maintenance agreement with PT Nusa Sakti Waskita ("NSW")

On 21 February 2005, the Company signed a cable installation agreement with NSW to establish a submarine fibre optic cable system to provide services between Bangka Island (Sungai Liat) and Sumatra Island (Kuala Tungkal). This agreement is valid from 21 February 2005 until the end of the warranty period or until terminated earlier by either party. The warranty period started on the date of provisional acceptance and ends five years after the date of final acceptance of the system.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

j. Equipment supply, maintenance and installation agreement with PT Alita Praya Mitra ("APM")

On 24 July 2003, the Company signed equipment supply and equipment installation agreements with APM for:

1. Procurement of products to provide and support a mobile telecommunications system throughout Indonesia. This agreement is valid from 24 July 2003 and continues until the earliest; of; the first date on which the purchase period has ended ; or the warranty period for all products delivered under the agreement has expired ; or the date on which the agreement is terminated by notice by either party in accordance with the terms of the agreement. On 16 September 2005 the Company agreed to change the period of the agreement, which is now valid from 24 July 2003 to 31 December 2007.

   On 16 April 2007, the Company agreed to amend the contract price, which was applicable from 1 January 2007, and also agreed to amend the contract working scope, which was applicable from 16 March 2007. Up to the date of this report, the proposal for the amendment of the agreement has not been signed by both parties.

   Purchase orders issued for the years ended 31 December 2007 and 2006 amounting to USD 42,314,044 and USD 37,203,495 respectively.

2. Supply of mobile telecommunications equipment installation services. This agreement commences with effect from 24 July 2003 and continues until the end of the warranty period for the last service item delivered under this agreement, or until this agreement is terminated earlier by either party in accordance with the terms of the agreement.

   APM may terminate this agreement if the Company neglects to make any payment in excess of USD 250,000 which is overdue.

   On 16 April 2007, the Company agreed to amend the contract working scope, which was applicable from 16 March 2007. Up to the date of this report, the proposal for the amendment of the agreement has not been signed by both parties.

   Purchase orders issued for the years ended 31 December 2007 and 2006 amounting to Rp 61,876,435 and Rp 36,944,558 respectively.

k. Cable installation agreement with Global Marine System Limited ("GMSL")

On 6 November 2006, the Company signed a cable installation agreement with GMSL to establish a submarine fibre optic cable system, to provide services between Batam (Indonesia) and Sungai Rengit (Malaysia). This agreement is valid from 17 November 2006 until the end of the warranty period, which is one year after the date of final acceptance of the system, unless terminated earlier by either party.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

l. Fibre optic cable installation along the railroad in Java island agreement with PT Kereta Api (Persero) ("PTKA")

On 20 December 1996, the Company signed an agreement with PTKA to install a fibre optic cable along the railroad in Java island, in Agreement No. Perumka 342/HK/TEk/96, or No. Excelcomindo PKS.18/XL/XII/96. This Agreement is effective from 20 December 1996 with a one-year grace period for the project's development stage, and ends on 19 December 2017 at which time payment of rent is to be executed in two phases. This agreement can be extended with both parties' approval. To ensure the validity of such an extension of the Agreement, the Company should submit a written proposal at the latest three months prior to the expiry date of the Agreement. If the Company fails to pay rent on the due date, PTKA shall reserve the right to claim a late payment charge at 1‰ (one per mile) per day from the due amount, and these late payment charges are capped at a maximum of 5% (five percent).

On 15 September 2006, the Company signed a contract amendment related to the second phase payment (according to Agreement No. Perumka 342/HK/TEk/96, or No. Excelcomindo PKS.18/XL/XII/96) to determine the rental extension period, which, according to Agreement No. Perumka 342/HK/TEk/96, or No. Excelcomindo PKS.18/XL/XII/96, was to expire on 19 December 2017. This agreement was extended until 19 December 2022.

m. Interconnection agreements

Interconnection agreements concern the sharing of facilities with PT Telekomunikasi Indonesia Tbk ("Telkom"), PT Telekomunikasi Selular ("Telkomsel") and PT Indosat Tbk and others. These agreements outline the tariffs, rights and obligations of the parties, settlements, reconciliation of billing, and penalties.

n. International roaming agreements

The Company has entered into International roaming agreements with several international roaming partners (approximately 343 partners as of 31 December 2007). These agreements outline charges and tariffs, billing and accounting, services provided for roaming subscribers, liability of parties, and settlement procedures. International roaming revenue calculation is based on GSM International Roaming Agreements (AA14).

o. Leased line agreements

Leased line agreements exist with PT Mora Telematika Indonesia, PT Nettocyber Indonesia, PT Lippo Bank, PT Cyberindo Aditama and TM Berhad. These agreements outline lease costs and terms of payment, rights and obligations of the parties, penalties, restitution and termination procedures.

26. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

p. Cooperation Agreement with Vodafone Marketing Sarl ("VMS")

On 25 January 2006 the Company entered into a Cooperation Agreement with VMS in which VMS will make its products and services available to the Company, and the Company will implement, use, market, promote, sell and offer to sell Vodafone Global Products and Services.

The Company should pay an initial investment and an annual fee which is based on a certain percentage of annual revenue. This agreement is valid for three years from the effective date, and shall be extended by two years if no written notice is served by either party at least six months prior to the expiry date of this Agreement.

q. Licence Agreement (Segmented Dual Branding) with Vodafone Ireland Marketing Limited ("VIML")

On 25 January 2006, the Company entered into a Licence Agreement (Segmented Dual Branding) with VIML whereby VIML granted the Company a licence to use the Vodafone mark, included as part of the Dual Brand Logo (Vodafone mark and Company mark), for the purposes of the Cooperation Agreement. The Company agrees to grant VIML and Vodafone Group a licence to use the Company mark, included as part of the Dual Brand Logo.

The Company will pay VIML a recurring annual fee which is based on a certain percentage of annual revenue, for any period of time following the second anniversary of the Agreement.

The Agreement will terminate automatically on the termination or expiry (for whatever reason) of the Cooperation Agreement.

r. Memorandum of Understanding

On 25 May 2007, the Company signed a Memorandum of Understanding (MoU) on the Construction of National Optical Fibre Network Palapa Ring Phase I: Eastern Indonesia with PT Bakrie Telecom Tbk, PT Indosat Tbk, PT Infokom Elektrindo, PT Macca System Infokom, PT Powertek Utama Internusa and PT Telekomunikasi Indonesia Tbk, acknowledged by Ministry of Communication and Information Technology of the Republic of Indonesia. In the MoU, all parties commited to participate in the construction of the Palapa Ring Project. This MoU shall have an initial term of one year from the signing date unless terminated based on the agreement of the parties.

In December 2007, the Company signed the MoU with four operators regarding the lease of the tower owned by the Company. This MoU set out amongst other things the period and amount of the lease, rights and obligations of the Company and lessee. This MoU is also the basis for the Tower Rental Agreement which will be entered in the near future.

(Expressed in thousand Rupiah, unless otherwise stated)

27. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	2007			2006		
	Foreign currencies (full amount)		Equivalent to million Rupiah	Foreign currencies (full amount)		Equivalent to million Rupiah
Assets						
Cash and cash equivalents	USD	23,797,505	224,149	USD	24,201,314	218,295
Trade receivables	USD	10,796,026	101,688	USD	6,378,078	57,530
Total Assets			325,837			275,825
Liabilities						
Trade payables	USD	234,080,435	2,204,804	USD	132,421,494	1,194,442
	EUR	2,321,155	31,939	EUR	7,494,784	88,874
	AUD	40,000	329	SGD	112,563	662
	SGD	117,556	764	CHF	8,062	59
	CHF	9,221	76			
Other payables	USD	21,545,819	202,940	USD	21,182,764	191,069
Current portion of long term bond	USD	350,000,000	3,296,650	USD	-	-
Long term loan	USD	230,000,000	2,166,370	USD	-	-
Long term bond - principal	USD	250,000,000	2,354,750	USD	600,000,000	5,412,000
Total Liabilities			10,258,622			6,887,106
Net Liabilities			**9,932,785**			**6,611,281**

Since the Company's revenues are mainly denominated in Rupiah and the Company's liabilities are mainly denominated in US Dollars, the Company is exposed to fluctuations in foreign exchange rates resulting mainly from its debt denominated in US Dollars. Most of the liabilities denominated in US Dollars are long term and management is continually evaluating feasible long term hedging structures.

The Company regularly purchases USD currency to meet monthly obligations by using Spot (two days settlement) or Tom (one day settlement) transaction. In addition to this regular USD purchase, the Company entered into foreign currency forward contracts with HSBC and ABN AMRO for the period of May 2007 until December 2007.

The following table presents strike rates of foreign exchange forwards entered into in 2007:

HSBC	: USD1 Million per month at Rp 8,999
ABN AMRO	: USD1 Million per month at Rp 8,995

The terms and conditions for each bank are as follows:

a. If the spot rate is higher than Rp 9,225, no USD should be bought in the respective month.
b. If the spot rate is between strike rate and Rp 9,225, the Company will buy USD 1,000,000 at the strike rate in the respective month.
c. If the spot rate is below the strike rate, the Company is obliged to buy USD 2,000,000 at the strike rate in the respective month.

(Expressed in thousand Rupiah, unless otherwise stated)

28. SEGMENT INFORMATION

The Group operates and manages the business under one segment which provides GSM mobile and telecommunication network services to its customers. Management allocates resources and assesses performance at the Group level.

29. RECLASSIFICATION OF ACCOUNTS

a. Part of the customer deposit account in the other payables and accruals account as at 31 December 2006 was reclassified to deferred income amounting to Rp 128,064,972 to conform to presentation in the consolidated financial statements as at 31 December 2007. This reclassification does not affect the current liabilities as previously stated.

b. The operating expenses accounts details for the year ended 31 December 2006 were reclassified to conform to presentation in the consolidated financial statements as at 31 December 2007. This reclassification does not affect the operating income as previously stated.

30. SUBSEQUENT EVENTS

a. The Company's monetary assets and liabilities on 31 December 2007 were reported in Rupiah using the rate 1 USD = Rp 9,419.00, 1 EUR = Rp 13,759.76, 1 SGD = Rp 6,502.38, 1 CHF = Rp 8,260.48 and 1 AUD = Rp 8,228.92. Since 31 December 2007, those rates have been changed to 1 USD = Rp 9,137.00, 1 EUR = Rp 13,407.19, 1 SGD = Rp 6,473.27, 1 CHF = Rp 8,352.69 and 1 AUD = Rp 8,336.15 on 19 February 2008. If the Company reports monetary assets and liabilities in foreign currency from 31 December 2007 using these rates, unrealised foreign exchange loss will decrease in the amount of Rp 297,207,879. In the future, the rates might fluctuate, and Rupiah might depreciate or appreciate significantly compared to other currencies.

b. On 7 January 2008, the Company entered into a foreign currency contract with Standard Chartered Bank to hedge the payment of the quarterly interest of a long term loan in USD amounting to USD 97,500,000. Based on the contract commencing on 7 January 2008, the Company will pay fixed interest loan as follows:

	Creditor	Notional Amount	Fixed Interest rate	Maturity date of loan principal
a	JPMorgan Chase Bank	USD 15,000,000	4.675%	30 August 2010
b	Standard Chartered Bank	USD 30,000,000	4.73%	26 July 2010
c	Standard Chartered Bank	USD 10,000,000	4.73%	9 August 2010
d	Standard Chartered Bank	USD 10,000,000	4.73%	16 August 2010
e	PT Bank DBS Indonesia	USD 20,000,000	4.635%	26 April 2010
f	Bank Mizuho Indonesia	USD 12,500,000	4.575%	29 January 2010

30. SUBSEQUENT EVENTS (continued)

c. On 8 January 2008, the Company terminated one of the forward foreign currency contracts with JPMorgan Securities (S.E.A.) Limited the purpose of which was to hedge the payment of long term loan in USD in 2009 amounting to USD 25,000,000.

d. On 15 January 2008, the Company withdrew the credit facility from PT Bank DBS Indonesia amounting to Rp 700 billion (full amount).

e. On 18 January 2008, the Company entered into a credit agreement amendment with Standard Chartered Bank as follows :
   - to amend the availability period until 31 August 2008 and automatically extended for another six month period unless otherwise amended.
   - to add a bridging loans facility to retire existing USD bonds and/or other debt amounting to USD 110,000,000 and a maximum of Rp 1,000,000,000,000 (full amount), which can be drawdown in USD and Rupiah. The facility will be available for drawdown until 31 August 2008, with a floating rate of interest at monthly intervals of *SBI* plus 1.10% margin per annum.

   On 22 January 2008, the Company made drawdown on its credit facility with Standard Chartered Bank which amounted to Rp 1,000 billion (full amount).

   The Company is required to comply with certain conditions, such as the Company should not obtain a new debt if it causes the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

f. On 18 January 2008, the Company signed a credit facility agreement with HSBC which amounted to USD 50,000,000. The facility will be available for drawdown until six months from the signing date. Based on the contract, the Company agreed to pay a floating rate of interest at quarterly intervals of three months SIBOR plus 1.75% margin per annum. The loan facility will mature one year from the first drawdown date. On 23 January 2008, the Company made its first drawdown which amounted to USD 50,000,000.

   The Company is required to comply with certain conditions, such as limitations on asset sales and/or transfers, and should not obtain a new debt if it cause the Debt to EBITDA Ratio to exceed 4.5 to 1.0.

g. On 21 January 2008, the Company signed a credit facility agreement with ABN AMRO amounted to USD 50,000,000. Based on the contract, the Company agrees to pay a floating rate of interest at quarterly intervals of three months LIBOR plus 1.20% margin per annum. The loan will mature one year from the first drawdown date.

   The Company is required to comply with certain conditions, the main requirement being that the ownership of TM Berhad's in the Company should not be less than 51%.

h. On 22 January 2008, the Company made drawdown on its credit facility with PT Bank Central Asia Tbk. and ABN AMRO which amounted to Rp 600 billion (full amount) and USD 50,000,000 respectively.

i. On 25 January 2008, the Company's subsidiary, Excelcomindo Finance Company B.V. bought back its USD Bond amounting to USD 350 million at a price of 100% of the nominal value as declared on 21 December 2007.

j. On 6 February 2008, TM International Berhad and Indocel Holding Sdn. Bhd. ("Indocel") entered into a Shares Sale and Purchase agreement with Khazanah Nasional Berhad ("Khazanah") for the proposed acquisition by Indocel of all of Khazanah's equity interest in the Company.

31. NEW ACCOUNTING STANDARDS

The Indonesian Institute of Accountants has issued the following revised accounting standards which may affect to the Company's financial statements:

- SFAS 16 (Revised 2007) - Fixed Assets (applicable for financial statements covering periods beginning on or after January 1, 2008)
- SFAS 13 (Revised 2007) - Investment Property (applicable for financial statements covering periods beginning on or after January 1, 2008)
- SFAS 30 (Revised 2007) - Lease (applicable for financial statements covering periods beginning on or after January 1, 2008)
- SFAS 50 (Revised 2006) - Financial Instruments: Presentation and Disclosures (applicable for financial statements covering periods beginning on or after January 1, 2009)
- SFAS 55 (Revised 2006) - Financial Instruments: Recognition and Measurement (applicable for financial statements covering periods beginning on or after January 1, 2009)

The Company is still evaluating the possible impact of these standards on the financial statements.

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