

Issued: May 2008
Financial Statements (unaudited)



QUARTER I, 2008

You can register to receive these highlights automatically through Telkomsel's Corporate Info site on www.telkomsel.com



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

www.telkomsel.com

This document contains certain financial conditions and results of operation, and may also contain certain projections, plans, strategies, and objectives of the Company, which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements, by their nature, involve risk and uncertainty and actual results and development could differ materially from those expressed or implied in these statements. Telkomsel does not guarantee that any action will bring results as expected.

PT TELEKOMUNIKASI SELULAR (TELKOMSEL) JANUARY - MARCH 2008 RESULTS

Telkomsel reports its unaudited financial and operational results for the period ended March 31, 2008. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk.

SUMMARY

Telkomsel continued its strong customer base growth in 1Q08 with 3.44 million new customers, which was higher than the net-adds recorded in the same quarter last year. The customer base growth was contributed by the strong growth on the prepaid *simPATI* product. Operating revenue grew 17% year-on-year (YoY) and operating expenses growth has been manageable with 13% YoY growth, which resulted in strong EBITDA margin growth (20%).

The following is the highlight of Telkomsel financial and operational results for 1Q08:

Operating revenues	Rp.10.15 trillion
EBITDA	Rp.6.79 trillion
Net income	Rp.3.61 trillion
Net add	3.4 million customers
Total customer	51.3 million customers

FINANCIAL RESULTS (UNAUDITED)

Earnings & EBITDA

For the first quarter 2008, Telkomsel's **operating revenues** grew by 17% YoY to Rp.10.15 trillion. This growth was attributable to the 32% YoY customer base growth combined with 13% ARPU decline. Operating revenues in 1Q08 was lower compared to earlier quarter (4Q07). It was because of the high seasonal revenues in fourth quarter due to the Muslim festive seasons, Christmas and New Year when people usually spend more during those periods, as well as the impact of competitive pressures which has brought the effective price per minute further down in 1Q08.

The growth of operating revenues was driven by prepaid products. Prepaid revenues accounted for 79% of operating revenues.

- *Postpaid revenue* grew slightly (1%) to Rp.1.20 trillion.
- *Prepaid revenue* increased 20% to Rp.7.98 trillion on the back of 33% prepaid customer base growth.
- *International roaming revenue* increased 24% to Rp.0.15 trillion, which was mainly contributed by increase in tap-in (Telkomsel's customers roaming abroad) revenue.
- *Interconnection revenue (gross)* increased 9% to Rp.0.81 trillion.

Operating expenses (including depreciation) increased 13% to Rp.4.91 trillion, which was mainly because of the increase in operation & maintenance costs and depreciation expense.

- *Personnel expenses* decreased 2% YoY to Rp.0.32 trillion as there was one time salary adjustment recorded in 1Q07.
- *Operation & maintenance expenses* grew 14% to Rp.1.66 trillion, which was mainly resulting from the network infrastructure growth (BTS grew 23% and overall network capacity increased by 28%), which mainly affected frequency fees, power supply and repair & maintenance costs for the network equipment.
- *General & administrative expenses* decreased 5% YoY to Rp 0.17 trillion, mainly due to lower travel & transportation costs.
- *Marketing expenses* grew 18% YoY to Rp.0.23 trillion, which was mainly attributable to higher advertising costs due to several new programs introduced in 1Q08.
- *Interconnection charges* increased 12% to Rp.0.55 trillion due to traffic increase.
- *Other operating expenses* consist of cost of cards, concession fees & USO charges, account receivable collection costs and provision for bad debt, which mostly will increase in line with sales/customer base growth. It increased 10% to Rp.0.44 trillion in 1Q08, which was mainly because of higher concession & USO fees (in line with revenue growth).
- *Depreciation expenses* increased 17% to Rp.1.55 trillion due to the network infrastructure growth (BTS grew by 23%, while overall network capacity expanded by 28%).

EBITDA for 1Q08 reached Rp.6.79 trillion, a 20% increase compared to Rp.5.66 trillion in 1Q07. EBITDA margin increased from 65% in 1Q07 to 67% in 1Q08.

Other income/(expenses) decreased from a net expense of Rp.65 billion in 1Q07 to a net expense of Rp.53 billion in 1Q08. The increase on net interest expenses in 1Q08 was due to higher outstanding loans balance in 1Q08 as compared to 1Q07.

Net income increased 21% to Rp.3.61 trillion in 1Q08.

Non-voice/data revenue (net) in 1Q08 was Rp.3.22 trillion, increased 40% from 1Q07. It contributed 32% to the net operating revenues.

STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2008 (In Billions of Rupiah and Millions of U.S. Dollar)

	2007 Rp.	2008		Growth
		Rp.	US\$ ^(*)	
OPERATING REVENUES				
Post-paid	1,193	1,204	131	1%
Prepaid	6,641	7,985	869	20%
International roaming	122	151	17	24%
Interconnection	747	812	88	9%
Total Operating Revenues	8,703	10,152	1,105	17%
OPERATING EXPENSES				
Personnel	323	316	35	-2%
Operation & maintenance	1,448	1,655	180	14%
General & administrative	177	168	18	-5%
Marketing	193	227	25	18%
Interconnection	496	554	60	12%
Other operating expenses	402	443	48	10%
Depreciation	1,323	1,548	168	17%
Total Operating Expenses	4,362	4,911	534	13%
EBIT (EARNINGS BEFORE INTEREST & TAXES)	4,341	5,241	571	21%
OTHER INCOME/(EXPENSES)				
Interest income & financing charges	(68)	(106)	(11)	56%
Foreign exchange gain	4	13	1	225%
Others - net	(1)	40	4	4100%
Other income/(expenses) - net	(65)	(53)	(6)	-18%
INCOME BEFORE TAX	4,276	5,188	565	21%
INCOME TAX EXPENSE	1,279	1,573	171	23%
NET INCOME	2,997	3,615	394	21%
EBITDA	5,664	6,789	739	20%
EBITDA Margin	65%	67%	67%	2%
ROA	34%	33%	33%	-1%
ROE	49%	51%	51%	2%

Notes:

- (*) US\$ 1 = Rp.9,186 (average end of months Jan-Mar 2008 mid-rate, quoted from Bank Indonesia)
- Revenues are presented net of discounts and international roaming & mobile data provider charges

Balance Sheet

Telkomsel's Total Assets increased 16% to Rp.46.55 trillion. Total liabilities increased 19% to Rp.16.74 trillion. Meanwhile, Total Equities increased 14% to Rp.29.81 trillion.

- Current assets increased 49% to Rp.6.23 trillion, which was mainly due to higher cash balance.
- Non-current assets increased 12% to Rp.40.32 trillion mainly due to the increase in Property, Plant and Equipment (PPE). PPE rose 13% to Rp.38.99 trillion as a result of a significant growth in network infrastructures (23% growth in BTS and 28% expansion in overall network capacity).
- Current liabilities grew 4% to Rp.11.19 trillion, largely because of increase in current maturities of medium-term loans.
- Non-current liabilities increased 70% to Rp.5.56 trillion, which was mainly from the loan facilities secured in 2007.

As of March 31, 2008 Telkomsel's outstanding loans was Rp.6.04 trillion, which was Rp.2.80 trillion recorded as current liabilities and Rp.3.24 trillion was recorded as non-current liabilities. The Rp.6.04 trillion outstanding loan consists of ECA loan facilities totaled Rp.196 billion and loan facilities from local banks amounted to Rp.5.85 trillion.

BALANCE SHEETS
AS OF MARCH 31, 2007 AND 2008
(In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2007	2008		Growth
	Rp.	Rp.	US\$ ⁽¹⁾	
CURRENT ASSETS				
Cash and cash equivalents ⁽²⁾	2,380	4,227	459	78%
Acct./Unbilled receivables	793	771	84	-3%
Prepayments	566	724	78	28%
Others	446	513	56	15%
Total Current Assets	4,185	6,235	677	49%
NON-CURRENT ASSETS				
Long-term investment	9	20	2	122%
Property, plant & equipment - net	34,402	38,988	4,230	13%
Advances for PPE	265	70	8	-74%
Equipment not used in operations - net	150	52	5	-65%
Intangible assets - net	413	366	40	-11%
Others	672	821	89	22%
Total Non-current Assets	35,911	40,317	4,374	12%
TOTAL ASSETS	40,096	46,552	5,051	16%
CURRENT LIABILITIES				
Short-term loans	333	167	18	-50%
Accounts payable & Accr. liabilities	6,534	5,435	590	-17%
Taxes payable	712	914	99	28%
Unearned revenue	1,857	2,037	221	10%
Curr. maturities of med/long-term loans	1,320	2,636	286	100%
Total Current Liabilities	10,756	11,189	1,214	4%
NON-CURRENT LIABILITIES				
Med/Long-term loans - net of current maturities	1,177	3,240	351	175%
Deferred tax liabilities	1,956	2,137	232	9%
Others	137	180	20	31%
Total Non-current Liabilities	3,270	5,557	603	70%
EQUITY				
Capital stock - Rp 1,000,000 par value				
Authorized - 650,000 shares				
Issued and fully paid - 182,570 shares	183	183	20	0%
Additional paid-in capital	1,505	1,505	163	0%
Retained earnings	24,382	28,118	3,051	15%
Total Equity	26,070	29,806	3,234	14%
TOTAL LIAB. & STOCKHOLDERS' EQUITY	40,096	46,552	5,051	16%

Notes:
• 2007 figures have been reclassified to conform with 2008 presentations
• (1) US\$ 1 = Rp.9,217 (middle rate of end of the reporting period)
• (2) Consisting of US\$ 81.5 million, Euro 71.0 million and Rp.2.44 trillion for 2008

Cash Flows and Capital Expenditures

Net cash generated from operations in 1Q08 was Rp.4.61 trillion, a 9% increase compared to 1Q07. Net cash used in financing activities increased 21% to Rp.1.0 trillion, which was mainly due to higher loan repayment in 1Q08.

In Billions of Rupiah	1Q07	1Q08	Growth
Cash Flow from Operating Activities *)	4,231	4,608	9%
Cash Flow for Investing Activities	(3,102)	(2,150)	-31%
Cash Flow from Financing Activities	(833)	(1,007)	21%
Net Increase in Cash & Cash Equivalents	296	1,451	390%
Addition to fixed-assets (inc. CIP)	4,047	2,283	-44%
New contracts issued during the period	3,553	4,250	20%

*) Include effect of exchange rate changes

Cash flow for investing activities decreased 31% to Rp.2.15 trillion (approximately USD 234 million), which was mostly to support network infrastructures and capacity growth. The lower spending on capex in 1Q08 as compared to 1Q07 was due to the network development activities in 1Q08 were focused on capacity expansion to cover the significant traffic increase resulted from the successful *simPATI* PeDe, while in 1Q07 was more on coverage expansion to cover new potential market. This capacity enhancement activities required lower capex as compared to coverage expansion to new areas. Telkomsel added Rp.2.28 trillion (USD 249 million) to fixed-assets in 1Q08. There were 894 new BTS (including 156 3G-BTS) installed.

OPERATIONAL RESULTS

Customer Base

At the end of 1Q08, Telkomsel customers reached 51.34 million (32% YoY growth), consisting of 1.88 million postpaid and 49.46 million prepaid customers (representing 4% and 96% of total customers, respectively). Telkomsel added 3.44 million customers in 1Q08, which was 4% higher than the net-addition in 1Q07. The launch of *simPATI* PeDe in December 2007 has received positive response from the market. We added more than 5 million customers on *simPATI* in 1Q08. However, this strong *simPATI* growth has impacted Telkomsel's other products. This is typical in this industry, one successful product may inadvertently affect the company's other own products.

MOU & ARPU

Supported by aggressive promotion on tariff introduced by *simPATI* PeDe in December 2007, Minutes of Use (MoU) has increased significantly. Total MoU increased more than doubled (283%) in 1Q08 YoY of which *simPATI*'s MoU itself increased 445%. With effective revenue per minute declining more than 70% (from 1Q07 to 1Q08) for *simPATI*, elasticity of more than one has been observed.

ARPU is derived from monthly recurring customers' usage. Due to more competitive industry climate, effective price per minute has declined over the last few quarters. It resulted in a drop in ARPU for both postpaid and prepaid. ARPU of postpaid customers decreased 9% YoY to Rp.240K, ARPU for *simPATI* decreased 3% YoY to Rp.76K and ARPU of Kartu As decreased 27% YoY to Rp.40K. As a result, blended ARPU declined 13% to Rp.67K.

OPERATIONAL INDICATORS AS OF MARCH 31, 2007 AND 2008

	Unit	2007	2008	Growth
CUSTOMER BASE				
Net Additions				
<i>kartuHALO</i>	Subscriber (000)	52	(33)	-163%
<i>simPATI</i>	Subscriber (000)	(131)	5,190	4062%
Kartu As	Subscriber (000)	3,384	(1,713)	-151%
Total	Subscriber (000)	3,305	3,444	4%
Customer Base				
<i>kartuHALO</i>	Subscriber (000)	1,714	1,880	10%
<i>simPATI</i>	Subscriber (000)	21,247	29,176	37%
Kartu As	Subscriber (000)	15,942	20,279	27%
Total	Subscriber (000)	38,903	51,335	32%
MOU (excluding free & incoming mins)	Billion minutes	5.4	20.7	283%
ARPU				
Total (3 months average)				
<i>kartuHALO</i>	Rp. '000 per mo.	263	240	-9%
<i>simPATI</i>	Rp. '000 per mo.	78	76	-3%
Kartu As	Rp. '000 per mo.	55	40	-27%
Blended	Rp. '000 per mo.	77	67	-13%
Non-voice/Data (3 months average)				
<i>kartuHALO</i>	Rp. '000 per mo.	47	49	4%
<i>simPATI</i>	Rp. '000 per mo.	22	22	0%
Kartu As	Rp. '000 per mo.	19	22	16%
Blended	Rp. '000 per mo.	22	23	5%
NETWORK DATA				
Network Capacity				
Base stations installed (GSM/DCS/3G)	Unit	17,644	21,752	23%
Overall capacity all network elements	Subs. mln.	41.9	53.6	28%
Quality of Service				
Call success rate	%	95.49%	95.28%	-0.21%
Call completion rate	%	99.47%	98.58%	-0.89%
EMPLOYEE DATA				
Total employees	Person	3,865	4,020	4%
Efficiency ratio	Subs./employee	10,065	12,770	27%

ACTIVITY HIGHLIGHTS

- Telkomsel launched in January 2008 "Free Flash Modem" for *kartuHALO* subscribers. With one year subscription, *kartuHALO* users on the Telkomsel Flash service will get a free Telkomsel Flash USB modem.
- In February 2008, Telkomsel launched "SMS Get Cheaper" for Kartu As subscribers. This program provides Kartu As users with 200 SMS (on-net) and 50% discount for off-net for only Rp.10,000 (valid for 14 days).

- In February 2008, Telkomsel launched "M-Komik" which enable users to enjoy reading comic through their mobile phones.
- In March 2008, Telkomsel launched an extensive rewards program for *kartuHALO* subscribers: Talk Bonus (free minutes to Telkomsel numbers), Point Bonus (50-100 extra reward points) and Mail Bonus (free monthly fee for You've Got Mail service).
- In March 2008, we launched a new program for Kartu As users "Call 2 minutes to any number, get the next 3 free minutes to all operators".
- Telkomsel launched in March 2008 "SMS Chatbox" for Kartu As users. With a subscription fee of IDR 9,900 per month customer can freely chat, send text and multimedia files in real time.
- On April 1, 2008, Telkomsel introduced a new tariff structure for both postpaid and prepaid products. This is to comply with the new regulation on retail tariff structure as a result of the implementation of the new interconnection tariff.

LOAN/DEBT

Telkomsel's outstanding loans balance as at end of March 2008 totalled Rp.6.04 trillion and mostly in IDR:

Original Currency	Equivalent in bln IDR	%
IDR 5.85 trln	5,846.67	96.7
USD 9.68 mln	89.24	1.5
EUR 7.34 mln	106.81	1.8
Total in IDR	6,042.72	

Telkomsel has to observe certain agreed financial covenants related to its loans/debts. As of March 31, 2008 these covenants were as follows:

	Covenants t/b maintained	Required	Actual
ECA Facilities	Debt to equity ratio	≤ 2	0.20
	Debt service coverage ratio	> 1.25	7.31
	Permitted indebtedness	≤ Rp. 53.41 trln	Rp. 6.04 trln
Bank Loans	EBITDA to debt service	≥ 1.25	7.46
	Debt to tangible net worth	≤ 2.00	0.21

OUTLOOK 2008

In 2008, we estimate that the mobile cellular market will grow around 20 million customers, which we aim to capture 50% of this market growth. Operating revenue is expected to grow 15% or better. Margins may potentially decline 2-3%. Our cash spending for capex is expected to be between USD 1.5-1.7 billion.

SIGNIFICANT ACCOUNTING POLICIES

Indonesian GAAP

Revenue Recognition

Revenues from new connections are recognized upon delivery of starterpacks/SIMcard to distributors, dealers or directly to customers. Airtime, value-added services and monthly subscription charges are recognized when earned. Prepaid vouchers are initially recorded as unearned income and then proportionately recognized as usage revenue based on successful calls made or the usage of value added services by subscribers or whenever the unused stored value of the voucher has expired.

Revenues from interconnection with other operators (usage revenue) are recognized monthly on the basis of the actual recorded traffic for the month. Operating revenues for interconnection services under interconnection agreements based on revenue-sharing arrangement are reported on a net basis, after interconnection expenses/charges. Operating revenues for interconnections that are not made under contractual sharing agreements are reported on a gross basis, before interconnection expenses/charges.

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets (infrastructures 5 and 10 years; supporting facilities and measurement equipment 3-10 years).

Property, Plant and Equipment are insured to cover any possible losses caused by destruction or damage by riots, strike and malicious acts and any damage which cause business interruption.

Intangible Asset

Upon winning the right to operate the 3G license, the Company is required to pay an upfront fee and annual rights of usage fee for the next ten years. The upfront fee is recognized as intangible asset and amortized over the term of the license (10 years). The annual right of usage is recognized as expense when incurred.

Significant Differences Between Indonesian GAAP and U.S. GAAP Foreign Exchange Differences Capitalized for Property Under Construction

Under Indonesian GAAP, foreign exchange losses from borrowings used to finance property under construction are capitalized only during severe devaluation or depreciation of a currency. Under U.S. GAAP, foreign exchange differences are charged to the results of operations.

Interest Capitalized on Property under Construction Under Indonesian GAAP, qualifying assets to which interest cost can be capitalized, are those that take a substantial period of time to be prepared for intended use or sale, i.e. minimum 12 months. Under U.S. GAAP, there is no limit to the length of the construction period in which the interest cost may be capitalized. The interest income arising from any unused borrowings is recognized directly to the results of operations.

Employee Benefits Under U.S. GAAP (FAS No.158, effective December 2006), unrecognized gain or losses, past service cost and the transition of asset or obligation, net of tax, are recognized as other comprehensive income. Indonesian GAAP does not include such provision.

RECONCILIATION TO U.S. GAAP FOR THE PERIODS ENDED MARCH 31, 2008 AND 2007

(In billions of Rupiah)	2008	2007
Net Income as reported under Indonesian GAAP	3,615	2,997
U.S. GAAP adjustments - Incr./decr. due to:		
Capitalization of foreign exchange differences	6	6
Capitalization of interest expense	5	23
Capital leases	5	(3)
Employee benefits	0	0
Amortization of landrights	(6)	(3)
Asset retirement obligations	(4)	(3)
Depreciation of PPE on contracts contain derivative	(2)	-
Revenue recognition	-	0
Deferred income tax effect on U.S. GAAP adjustments	(3)	(7)
Net adjustments	1	13
Net Income in accordance with U.S. GAAP	3,616	3,010
S/H Equity as reported under Indonesian GAAP	29,806	26,070
U.S. GAAP adjustments - Incr./decr. due to:		
Capitalization of foreign exchange differences	(16)	(38)
Capitalization of interest expense	285	241
Capital leases	(12)	(3)
Employee benefits	(80)	(114)
Amortization of landrights	(50)	(35)
Asset retirement obligations	(29)	(17)
Forex gain (net of depreciation) on contracts contain derivative	46	-
Revenue recognition	-	(1)
Deferred income tax effect on U.S. GAAP adjustments	(85)	(58)
Net adjustments	59	(25)
S/H Equity in accordance with U.S. GAAP	29,865	26,045

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is for 65% owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX: TLKM; NYSE: TLK; LSE: TKIA) and for 35% by SingTel Mobile, a 100% owned subsidiary of Singapore Telecommunications Ltd. ("SingTel": SGX: ST; ASX: SGT). Telkomsel is the largest mobile telecommunication company in Indonesia with market share of subscribers of approximately 50%.