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Financial Statements (unaudited)



QUARTER III, 2007

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# PT TELEKOMUNIKASI SELULAR (TELKOMSEL) JANUARY - SEPTEMBER 2007 RESULTS

Telkomsel reports its unaudited financial statements and operational results for the period ended September 30, 2007. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk. The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia (Indonesian GAAP).

## SUMMARY

Telkomsel has sustained its growth in 3Q07. Gross operating revenues grew 10% in 3Q07 as compared to earlier quarter despite the intensifying competition and lower net-addition of customer base in 3Q07. Operating expenses growth has been manageable.

The following is the highlight of Telkomsel financial and operational results for 9M07:

Gross operating revenues	Rp.31.68 trillion
EBITDA	Rp.18.52 trillion
Net income	Rp.9.71 trillion
Net Add	8.9 million customers
Total customer	44.5 million customers

With regard to the implementation of the new cost-based interconnection mechanism, which is stipulated in the Minister of Communications and Information Technology decree No.8/Per/M.KOMINFO/02/2006, we report our 2007 revenue on a gross basis. This new cost-based interconnection has resulted in an increase in operating revenues and at the same time an increase in operating expenses.

## FINANCIAL RESULTS

### Earnings & EBITDA

For the nine months 2007, Telkomsel's gross operating revenues grew by 27% year-on-year (YoY) from Rp.24.98 trillion in 9M06 to Rp.31.68 trillion in 9M07, while net operating revenues increased by 34% YoY from Rp.20.92 trillion in 9M06 to Rp.28.06 trillion in 9M07. This growth was attributable to the 37% YoY customer base growth. The recognition of interconnection charges as part of operating expenses in 9M07 contributed to the 34% YoY net operating revenue growth.

The growth of **operating revenues** was driven by prepaid products. Prepaid revenues accounted for 78% of gross operating revenues.

- *Gross postpaid revenue* grew 9% to Rp.3.99 trillion due to the 16% postpaid customer base growth.
- *Gross prepaid revenue* increased 37% to Rp.24.60 trillion due to the 38% prepaid customer base growth.
- *Gross international roaming revenue* increased 10% to Rp.0.67 trillion.
- *Gross interconnection revenue* declined 11% to Rp.2.40 trillion, which was caused by the lower interconnection tariff due to the implementation of the new interconnection regime (cost-based interconnection). The new interconnection tariff caused decline in both interconnection revenue and charges with a net impact of net revenue of Rp.0.84 trillion, which was slightly lower than Rp.0.86 trillion recorded in 9M06.
- *Interconnection/International roaming/Data provider charges* decreased 74% to Rp.0.65 trillion mainly because of the recognition of 9M07 interconnection charges under operating expenses.
- *Discounts* increased 86% to Rp.2.97 trillion, which was in line with the customer base growth and increasing promotional programs.

**Operating expenses** (including depreciation) increased 55% to Rp.13.76 trillion, which was mainly because of the recognition of interconnection charges as part of operating expenses in 9M07 and due to the increase in operation & maintenance costs and depreciation expense. The growth of operation & maintenance and depreciation expenses was as a result of Telkomsel's network infrastructures development.

- *Personnel expenses* increased 35% YoY to Rp.0.96 trillion, which was mainly due to the impact of salary scheme adjustments (as part of company retention program to have a competitive remuneration package) in 4Q06 and also because of the growth of number of employees (by 8%).
- *Operation & maintenance expenses* grew 48% YoY to Rp.4.53 trillion mainly resulting from the network infrastructure growth (BTS grew 39% and overall network capacity increased by 38%), which affected transmission costs, frequency fees and power supply costs.
- *General & administration expenses* increased 6% YoY to Rp.0.56 trillion, which was mainly on rental expenses.
- *Marketing & selling expenses* grew 40% YoY to Rp.0.66 trillion, which was because of higher advertising and sales support costs in supporting larger customer base, increased customer retention program and the Telkomsel Siaga program.
- *Interconnection charges* of Rp.1.56 trillion in 9M07 was due to the implementation of the new interconnection regime starting January 1, 2007. It was Rp.1.83 trillion in 9M06, however, it was presented as negative revenues.
- *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 26% YoY to Rp.1.27 trillion in 9M07, which was mainly because of higher concession & USO fees (in line with revenue growth) and customer call handling costs.
- *Depreciation expenses* increased 36% to Rp.4.22 trillion due to the network infrastructures growth.

**EBITDA** for 9M07 reached Rp.18.52 trillion, a 22% increase compared to Rp.15.13 trillion in 9M06. EBITDA margin over gross revenues decreased from 61% in 9M06 to 58% in 9M07. Due to the recognition of interconnection charges as part of operating expenses in 9M07, it resulted in higher net operating revenues and caused EBITDA margin over net revenues declined from 72% in 9M06 to 66% in 9M07.

**Other income/(expenses)** increased from a net expense of Rp.37 billion in 9M06 to a net expense of Rp.375 billion in 9M07. It was mainly because of higher interest expenses due to higher average outstanding loans balance in 9M07 as compared to 9M06, combined with foreign exchange loss recorded in 9M07. Other expense in 3Q07 increased from earlier quarter, which was due to the recorded tax expense resulted 2004 - 2005 tax audit.

**Net income** increased 16% from Rp.8.37 trillion in 9M06 to Rp.9.71 trillion in 9M07.

**Non-voice/data revenue** (gross) in 9M07 was Rp.8.59 trillion, increased 45% from 9H06. It contributed 27% of the gross operating revenues.

## STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2007 (In Billions of Rupiah and Millions of U.S. Dollar)

	2006 Rp.	2007		Growth
		Rp.	US\$ (1)	
<b>OPERATING REVENUES</b>				
Post-paid	3,662	3,993	438	9%
Prepaid	18,018	24,605	2,698	37%
International roaming	611	675	74	10%
Interconnection	2,687	2,404	264	-11%
<b>Gross Operating Revenues</b>	<b>24,978</b>	<b>31,677</b>	<b>3,474</b>	<b>27%</b>
<b>Less:</b>				
- Discounts	1,598	2,970	326	86%
- Intercon. / intl. roam. / data provider charges	2,464	651	71	-74%
<b>Net Operating Revenues</b>	<b>20,916</b>	<b>28,056</b>	<b>3,077</b>	<b>34%</b>
<b>OPERATING EXPENSES</b>				
Personnel	712	959	105	35%
Operation & maintenance	3,067	4,535	498	48%
General & administrative	526	557	61	6%
Marketing & selling	467	656	72	40%
Interconnection	-	1,559	171	-
Other operating expenses	1,011	1,269	139	26%
Depreciation	3,111	4,222	463	36%
<b>Total Operating Expenses</b>	<b>8,894</b>	<b>13,757</b>	<b>1,509</b>	<b>55%</b>
<b>EBIT (EARNINGS BEFORE INTEREST &amp; TAXES)</b>	<b>12,022</b>	<b>14,299</b>	<b>1,568</b>	<b>19%</b>
<b>OTHER INCOME/(EXPENSES)</b>				
Interest income & financing charges	16	(197)	(22)	-1331%
Foreign exchange gain	112	(24)	(3)	-121%
Others - net	(165)	(154)	(16)	-7%
<b>Other income/(expenses) - net</b>	<b>(37)</b>	<b>(375)</b>	<b>(41)</b>	<b>914%</b>
<b>INCOME BEFORE TAX</b>	<b>11,985</b>	<b>13,924</b>	<b>1,527</b>	<b>16%</b>
<b>INCOME TAX EXPENSE</b>	<b>3,616</b>	<b>4,212</b>	<b>462</b>	<b>16%</b>
<b>NET INCOME</b>	<b>8,369</b>	<b>9,712</b>	<b>1,065</b>	<b>16%</b>
<b>EBITDA</b>	<b>15,133</b>	<b>18,521</b>	<b>2,031</b>	<b>22%</b>
<b>EBITDA Margin - over gross oper. revenues</b>	<b>61%</b>	<b>58%</b>	<b>58%</b>	<b>-3%</b>
<b>EBITDA Margin - over net oper. revenues</b>	<b>72%</b>	<b>66%</b>	<b>66%</b>	<b>-6%</b>
<b>ROA</b>	<b>40%</b>	<b>33%</b>	<b>33%</b>	<b>-7%</b>
<b>ROE</b>	<b>60%</b>	<b>58%</b>	<b>58%</b>	<b>-2%</b>

### Notes:

- (1) US\$ 1 = Rp.9,118 (average end of months Jan-Sep 2007 mid-rate, quoted from Bank Indonesia)

For a convenient purpose, we provide herewith the comparison of net operating revenues, operating expenses and EBITDA based on the old reporting format and the pro-forma of 9M06.

in Rp. billions	Old Reporting Format		
	9M06	9M07	Growth
Net Operating Revenues	20,916	26,497	27%
Operating Expenses (incl. depreciation)	8,894	12,198	37%
EBITDA	15,133	18,521	22%
EBITDA Margin - over net oper. revenues	72%	70%	-2%

in Rp. billions	New Format with Proforma 9H06		
	9M06	9M07	Growth
Net Operating Revenues	22,741	28,056	23%
Operating Expenses (incl. depreciation)	10,719	13,757	28%
EBITDA	15,133	18,521	22%
EBITDA Margin - over net oper. revenues	67%	66%	-1%

### Balance Sheet

Telkomsel's Total Assets increased 36% to Rp.44.0 trillion. Total Liabilities increased 72% to Rp.20.72 trillion. Meanwhile, Total Equities increased 15% to Rp.23.28 trillion.

- Current assets increased 50% to Rp.6.19 trillion, which was due to higher cash balance and higher prepayments.
- Non-current assets increased 34% to Rp.37.82 trillion mainly due to the increase in Property, Plant and Equipment (PPE). PPE rose 39% to Rp.37.18 trillion as a result of a significant growth in network infrastructures (39% growth in BTS and 38% expansion in overall network capacity).

- Current liabilities grew 82% to Rp.16.63 trillion, largely because of increase in accounts payable & accrued liabilities (mostly for network infrastructures procurement), dividend payable and current maturities of med/long-term loans.
- Non-current liabilities increased 40% to Rp.4.10 trillion, which was mainly from increase in deferred tax liabilities.

As of September 30, 2007 Telkomsel's outstanding loans was Rp.4.85 trillion, which was Rp.3.07 trillion recorded as current liabilities and Rp.1.78 trillion was recorded as non-current liabilities. The Rp.4.85 trillion outstanding loans consists of ECA loan facilities totaled Rp.349 billion and loan facilities from local banks amounted to Rp.4.5 trillion.

**BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2006 AND 2007**  
(In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2006	2007		Growth
	Rp.	Rp.	US\$ <sup>(1)</sup>	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents <sup>(2)</sup>	2,046	2,827	309	38%
Acct. / Unbilled receivables	785	900	99	15%
Prepayments	1,193	2,024	222	70%
Others	101	434	47	330%
<b>Total Current Assets</b>	<b>4,125</b>	<b>6,185</b>	<b>677</b>	<b>50%</b>
<b>NON-CURRENT ASSETS</b>				
Long-term investment	9	15	2	67%
Property, plant & equipment - net	26,777	37,181	4,069	39%
Advances for PPE	583	140	15	-76%
Equipment not used in operations - net	384	63	7	-84%
Intangible assets - net	407	389	43	-4%
Others	32	31	3	-3%
<b>Total Non-current Assets</b>	<b>28,192</b>	<b>37,819</b>	<b>4,139</b>	<b>34%</b>
<b>TOTAL ASSETS</b>	<b>32,317</b>	<b>44,004</b>	<b>4,816</b>	<b>36%</b>
<b>CURRENT LIABILITIES</b>				
Short-term loans	1,000	900	99	-10%
Accounts payable & Accrued liabilities	3,695	5,986	655	62%
Taxes payable	1,393	1,364	149	-2%
Unearned revenue	1,739	2,088	228	20%
Dividend payable	-	4,120	451	-
Curr. maturities of med/long-term loans	1,315	2,171	238	65%
<b>Total Current Liabilities</b>	<b>9,142</b>	<b>16,629</b>	<b>1,820</b>	<b>82%</b>
<b>NON-CURRENT LIABILITIES</b>				
Med/long-term loan - net of current maturities	1,833	1,778	194	-3%
Deferred tax liabilities	1,005	2,183	239	117%
Others	77	134	15	74%
<b>Total Non-current Liabilities</b>	<b>2,915</b>	<b>4,095</b>	<b>448</b>	<b>40%</b>
<b>EQUITY</b>				
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	165	0%
Retained earnings	18,572	21,592	2,363	16%
<b>Total Equity</b>	<b>20,260</b>	<b>23,280</b>	<b>2,548</b>	<b>15%</b>
<b>TOTAL LIAB. &amp; STOCKHOLDERS' EQUITY</b>	<b>32,317</b>	<b>44,004</b>	<b>4,816</b>	<b>36%</b>

**Notes:**

- 2006 figures have been reclassified to conform with 2007 presentations
- (1) US\$ 1 = Rp.9,137 (middle rate of end of the reporting period)
- (2) Consisting of US\$ 81.7 million, Euro 70.7 million and Rp.1.17 trillion for 2007

**Cash Flows and Capital Expenditures**

Net cash generated from operations in 9M07 was Rp.15.39 trillion, a 34% increase compared to 9M06. Net cash used in financing activities increased 69% to Rp.4.31 trillion, which was mainly due to higher repayment of loans in 9M07.

In Billions of Rupiah	9M06	9M07	Growth
Cash Flow from Operating Activities	11,477	15,392	34%
Cash Flow for Investing Activities	(8,733)	(10,335)	18%
Cash Flow from Financing Activities	(2,559)	(4,315)	69%
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>185</b>	<b>742</b>	<b>301%</b>
Addition to Fixed-Assets	8,341	9,560	15%
New Contracts Issued during the Period	14,426	9,110	-37%

Cash flow for investing activities increased 18% to Rp.10.33 trillion (approximately USD 1.13 billion), which was mostly for acquisition of network infrastructures. Telkomsel capitalized Rp.9.56 trillion (USD 1.05 billion) to additional assets in 9M07. There were 3,710 new BTS (including 657 3G-BTS) installed and 9.1 million subscriber capacity added in 9M07.

**OPERATIONAL RESULTS**

**Customer Base**

At the end of 9M07, Telkomsel customers reached 44.46 million (37% YoY growth), consisting of 1.89 million postpaid and 42.57 million prepaid customers (representing 4% and 96% of total customers, respectively). Telkomsel added 8.86 million customers in 9M07, which was 8% higher than the net-addition in 9M06. Kartu As contributed approximately 89% of total net-addition in 9M07. Kartu As, which is targeted at lower market segment, has been growing significantly during the last few months. It indicates that we are reaching lower market segments, which lead to low *simPATI* net-addition during the 9M07. Overall, lower net-addition in 3Q07 compared to earlier quarters in 2007 was a result of the following factors:

- shifted focus to customer retention program and quality improvement
- postponement of entering the price war
- slow-down of network deployment, particularly in 2Q07.

The growth contribution from outside Java has been increasing, which contributed approximately 69% of total net-addition in 9M07.

**ARPU**

ARPU is derived from monthly recurring customers usage. ARPU of postpaid customers decreased 4% YoY from Rp.277K to Rp.265K and ARPU for *simPATI* decreased 2% YoY, from Rp.83K to Rp.81K. However, ARPU of Kartu As increased 10% YoY from Rp.52K to Rp.57K, which was attributable to higher usage from the per-second tariff introduced in April 2006 and higher SMS usage. Blended ARPU declined 7% to Rp.79K.

**OPERATIONAL INDICATORS AS OF SEPTEMBER 30, 2006 AND 2007**

	Unit	2006	2007	Growth
<b>CUSTOMER BASE</b>				
<b>Net Additions</b>				
<i>kartuHALO</i>	Subscriber (000)	157	229	46%
<i>simPATI</i>	Subscriber (000)	4,307	789	-82%
Kartu As	Subscriber (000)	3,733	7,842	110%
<b>Total</b>	<b>Subscriber (000)</b>	<b>8,197</b>	<b>8,860</b>	<b>8%</b>
<b>Customer Base</b>				
<i>kartuHALO</i>	Subscriber (000)	1,627	1,891	16%
<i>simPATI</i>	Subscriber (000)	20,312	22,167	9%
Kartu As	Subscriber (000)	10,527	20,399	94%
<b>Total</b>	<b>Subscriber (000)</b>	<b>32,466</b>	<b>44,457</b>	<b>37%</b>
<b>MOU (excluding free &amp; incoming mins)</b>	<b>Billion Minutes</b>	<b>12.7</b>	<b>17.6</b>	<b>39%</b>
<b>ARPU</b>				
<b>Total (9 months average)</b>				
<i>kartuHALO</i>	Rp. '000 per mo.	277	265	-4%
<i>simPATI</i>	Rp. '000 per mo.	83	81	-2%
Kartu As	Rp. '000 per mo.	52	57	10%
Blended	Rp. '000 per mo.	85	79	-7%
<b>Non-voice/Data (9 months average)</b>				
<i>kartuHALO</i>	Rp. '000 per mo.	48	48	0%
<i>simPATI</i>	Rp. '000 per mo.	24	23	-4%
Kartu As	Rp. '000 per mo.	17	22	29%
Blended	Rp. '000 per mo.	23	24	4%
<b>NETWORK DATA</b>				
<b>Network Capacity</b>				
Base stations installed (GSM/DCS/3G)	Unit	14,249	19,767	39%
Overall capacity all network elements	Subs. mln.	34.7	47.9	38%
<b>Quality of Service</b>				
Call success rate	%	95.97%	96.02%	0.05%
Call completion rate	%	99.41%	99.52%	0.11%
<b>EMPLOYEE DATA</b>				
Total employees	Person	3,751	4,037	8%
Efficiency ratio	Subs/employee	8,655	11,012	27%

**ACTIVITY HIGHLIGHTS**

- Telkomsel continued rolling out 3G network. Telkomsel's 3G network has reached 49 cities in Java, Sumatra, Kalimantan and Sulawesi.
- Telkomsel launched in February 2007 the new *simPATI* starter pack edition called "*simPATI* Ekstra".
- In March 2007, Telkomsel introduced HALOhybrid. This latest innovation allows postpaid users to have both postpaid and prepaid services.
- Telkomsel launched TELKOMSELFlash in April 2007. This product offers a high-speed internet access experience up to 3.2 Mbps to all Telkomsel customers.
- We launched "*simPATI* Free Talk & Free SMS" program in May 2007. For every three minute talk or six SMS per day (between 07.00-21.59 hours), *simPATI* customers will get the same minutes or SMS for free which can be used for call to any Telkomsel customers between 22.00-10.00 hours.
- In June, Telkomsel launched a new Kartu As promotion: use 100 SMS per month will get another 100 SMS (on-net) for free.

- In September, Telkomsel launched *simPATI* Talkmania program. With IDR 25,000 a day (activation required), a customer can make calls to any Telkomsel numbers on the same day for the whole day from 07.00 – 22.00.
- In September and October, Telkomsel held "Telkomsel Siaga Program", a program to support and serve customers who go back to their hometown during the "Idul Fitri" holidays (Muslim festive seasons). We received awards from MURI (Indonesian Guinness Records) for: (1) the 11th consecutive years of services, (2) the largest service points (580 service points) and (3) the largest free transportation service provided for those who went home.
- Other new product features, program and promotion launched during the 9M07 were:
  - Reduced SMS tariff for *simPATI* Rp.49/SMS (on-net)
  - *simPATI* Credit Transfer: by sending an SMS, a *simPATI* customer could transfer credit to other *simPATI* customer
  - *simPATI* Kangen: prepaid card for Indonesian workers working overseas (Taiwan and Singapore), a joint promotion with Taiwan Mobile and SingTel.
  - Others: push email, over the air back-up data and video call conference

## LOAN/DEBT

Until end of September 2007, Telkomsel has signed Rp.3.2 trillion new loans with local banks. Telkomsel's loan facilities as at end of September 2007 were as follows:

	Outstanding	Interest	Repayment
ECA 1	Euro 14.7 mln	appr. 4.994% *)	2007 - 2008
ECA 2	US\$ 17.4 mln	4.02%	2007 - 2008
Local Banks	IDR 4.5 trln	9.33-9.58% *)	2007 - 2010
	Amount	In use	Deferred repayment
L/C Facility	US\$ 20 mln	IDR 20 bln equivalent to US\$ 2.2 mln	-

\*) floating rate

Telkomsel has to observe certain agreed financial covenants related to its loans/debts. As of end of September 2007, these covenants were as follows:

	Covenants t/b maintained	Required	Actual
ECA Facilities	Debt to equity ratio	≤ 2	0.21
	Debt service coverage ratio	> 1.25	3.67
	Permitted indebtedness	≤ Rp 48.22 trln	Rp 4.85 trln
Bank loans	EBITDA to debt service	≥ 1.25	8.16
	Debt to tangible net worth	≤ 2.00	0.21

## RATINGS

Telkomsel's latest credit ratings issued by several institutions are as follows:

	Local currency	Foreign currency	Outlook
Moody's	Baa2	-	stable
S&P	BB+	BB+	stable
Fitch	BBB-	BB	stable
Fitch Indonesia	AAA	-	stable

## DIVIDENDS

In June 2007, Telkomsel declared dividends for an amount of Rp.9.50 trillion (85% of 2006 net income), which part of this totaled Rp. 5.39 trillion was paid in July 2007 and the remaining will be paid in October 2007.

## OUTLOOK 2007

In 2007, we estimate that the mobile cellular market will grow more than 20 million customers, which we aim to capture around 50% of the growth. Revenue will grow higher than 24%. EBITDA margin (in comparable old reporting format) may potentially decline approximately 2%. Our cash out for capex is expected to be approximately USD 1.5 billion.

## SUBSEQUENT INFORMATION

- Based on shareholders' resolution, Telkomsel announced replacement on two of the Board of Director members. Mr. David Ng has been appointed as Director of Operations and Mr. Syarif Syarial Ahmad has been appointed as Director of Planning & Development starting October 1, 2007.
- In October 2007, Telkomsel signed new loan facilities from several local banks amounted to Rp.4 trillion. Rp.3 trillion has been withdrawn.
- Currently, a tax audit on the 2006 book is being conducted by tax authorities.
- The remaining dividend balance of Rp.4.12 trillion was paid in October 2007.

## 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. In 2006, revenues from interconnection with other operators under revenue-sharing agreements are recognized net of interconnection charges from the operators. In 2007, pursuant to the implementation of cost-based interconnection scheme, the revenues earned from domestic operators are recognized on a gross basis.

#### 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 rights of usage is recognized as expense when incurred.

**Interest Capitalized on Property under Construction** Under Indonesian GAAP, one of the criteria for capitalizing interest cost into a qualifying asset is that the interest should be attributable (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, i.e. minimum 12 months). Under U.S. GAAP, there is no limit on the length of construction period in which the interest expenses could be capitalized and interest cost need not arise from borrowings specifically made to acquire the qualifying assets.

**Employee Benefits** Under U.S. GAAP (FAS 158, effective December 2006), unrecognized gain or losses, past service cost and the transaction of asset or obligation, net of tax, are recognized as other comprehensive income (part of equities). Indonesian GAAP does not include such provision.

## RECONCILIATION TO U.S. GAAP FOR THE PERIODS ENDED SEPTEMBER 30, 2007 AND 2006

(In billions of Rupiah)	2007	2006
<b>Net Income as reported under Indonesian GAAP</b>	<b>9,712</b>	<b>8,369</b>
<b>U.S. GAAP adjustments - Incr./decr. due to:</b>		
Capitalization of forex differences	16	16
Capitalization of interest expense	51	42
Amortization of deferred connection fees	1	2
Asset retirement obligations	(8)	(3)
Recognition of finance leases	(7)	(4)
Amortization of landrights	(9)	(7)
Deferred income tax effect on U.S. GAAP adjustments	(16)	(16)
Net adjustments	28	30
<b>Net Income in accordance with U.S. GAAP</b>	<b>9,740</b>	<b>8,399</b>
<b>S/H Equities as reported under Indonesian GAAP</b>	<b>23,280</b>	<b>20,260</b>
<b>U.S. GAAP adjustments - Incr./decr. due to:</b>		
Capitalization of forex differences	(27)	(49)
Capitalization of interest expense	269	186
Deferral of connection fees	-	(2)
Asset retirement obligations	(23)	(8)
Employee benefits	(123)	7
Recognition of finance leases	(7)	(1)
Amortization of landrights	(41)	(30)
Deferred tax liabilities on U.S. GAAP adjustments	(67)	(41)
Net adjustments	(19)	62
<b>S/H Equities in accordance with U.S. GAAP</b>	<b>23,261</b>	<b>20,322</b>

Note : 2006 figures have been reclassified to conform with 2007 presentation.

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 53%.