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Financial Statements (unaudited)



QUARTER III, 2008

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# PT TELEKOMUNIKASI SELULAR (TELKOMSEL) JANUARY – SEPTEMBER 2008 RESULTS

Telkomsel reports its unaudited financial and operational results for the period ended September 30, 2008. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk.

## SUMMARY

In 3Q08, Telkomsel refined its tariff structure to improve customer base growth and strengthened network capacity and quality to anticipate the traffic surge during the Idul Fitri festive season.

Telkomsel recorded strong customer base growth in 9M08 by adding 12.61 million new customers. Chargeable MOU (minutes of use) has grown as a result of the decline in effective tariff, which grew 234% from 9M07 to 58.8 billion minutes in 9M08. Chargeable SMS also experienced a positive growth from 34.6 to 54.0 billion records YoY. The customer base growth was contributed by the strong growth on the prepaid *simPATI* product. Operating revenue for the 9M08 grew 3% year-on-year (YoY) to Rp 27.39 trillion.

The re-launch of *simPATI* PeDe promo with a very competitive price structure in 4 different time-bands in July 2008 has brought back Telkomsel's very strong position in the market. Those strong operational figures together with strong balance sheet and positive free cash-flow, built a very solid fundamental for Telkomsel long-term business growth.

The followings are the highlights of Telkomsel financial and operational results for 9M08:

Operating revenues	Rp 27.39 trillion
EBITDA	Rp 17.70 trillion
Net income	Rp 9.03 trillion
Net Add	12.6 million customers
Total customer	60.5 million customers
EBITDA margin (net revenue)	65%
Debt to equity ratio	0.39

## FINANCIAL RESULTS (UNAUDITED)

### Earnings & EBITDA

For the nine months 2008, Telkomsel's **operating revenues** grew by 3% YoY to Rp 27.39 trillion. This growth was attributable to the 36% YoY customer base growth and 234% minutes of use (MoU) growth combined with 24% ARPU decline.

The new tariff structure which was introduced in April 2008 and new promo re-launched in July 2008 impacted both voice and non-voice revenue growth in 3Q08. Operating revenues in 3Q08 declined 3% compared to 2Q08, however there was a positive trend by 3Q08. Non-voice revenue increased in the weeks approaching Idul Fitri festive whereby customers send text greetings. However this had negatively impact the voice revenue.

Operating revenue, which mostly resulted from prepaid products especially *simPATI*, increased 9% YoY to Rp 23.33 trillion on the back of 38% prepaid customer base growth combined with ARPU decline. Prepaid revenues accounted for 85% of operating revenues.

- *Postpaid revenue* decreased 15% to Rp 3.20 trillion.
- *International roaming revenue* increased 15% to Rp 0.48 trillion, which was mainly contributed by the increase of tap-out revenue (revenue from foreign roamers).
- *Interconnection revenue* decreased 4% to Rp 2.32 trillion YoY due to tariff decline in April 2008, while *interconnection expense* increased 24% YoY to Rp 1.93 trillion. The increase is a result of promo on off-net calls which further stimulated off-net traffic which explained the 45% decrease in net interconnection YoY from Rp 845 billion to Rp 384 billion.

**Operating expenses** (including depreciation) increased 20% to Rp 14.67 trillion, which was mainly due to the increase in operation & maintenance costs and depreciation expense.

- *Personnel expenses* increased 1% YoY to Rp 0.97 trillion.
- *Operation & maintenance expenses* grew 30% to Rp 5.90 trillion, which was mainly resulting from the network infrastructure growth (BTS grew 27% and overall network capacity increased by 30%), which mainly affected frequency fees and repair & maintenance costs for the network equipment.
- *General & administrative expenses* increased 4% YoY to Rp 0.58 trillion, mainly due to higher insurance cost.
- *Marketing expenses* grew 34% YoY to Rp 0.88 trillion, which was mainly attributable to higher advertising costs due to increasing competition.
- *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 8% to Rp 1.37 trillion in 9M08, mainly due to cost of cards and higher concession & USO fees.
- *Depreciation expenses* increased 18% to Rp 4.98 trillion due to the network infrastructure growth (BTS grew by 27%, while overall network capacity expanded by 30%).

**EBITDA** for 9M08 reached Rp 17.70 trillion, a 4% decrease compared to Rp 18.52 trillion in 9M07. The decrease in EBITDA growth was a result of the 3% operating revenue growth combined with a relatively higher operating expenses growth (excluding depreciation 21%). EBITDA margin decreased from 70% in 9M07 to 65% in 9M08.

**Other income/(expenses)** decreased 8% from a net expense of Rp 375 billion in 9M07 to a net expense of Rp 344 billion in 9M08. There was forex gain recorded in 2008 due to stronger rupiah currency during 9M08 compared to 2007. The increase on net interest expenses in 9M08 was due to higher outstanding loans balance and higher interest rate in 9M08 as compared to 9M07.

**Income tax expenses** decreased 20% due to lower income before tax and also because of recognition of one-time adjustment of tax benefit due to applying new income tax law, which will reduce the corporate income tax rate to 28% (in 2009) and further to 25% (in 2010) from the current tax rate progressively ranging from 10% - 30%. The adjustment amounted to Rp 414 billion.

**Net income** decreased 7% to Rp 9.03 trillion in 9M08 from Rp 9.71 trillion in 9M07.

**Non-voice/data revenue** (net) in 9M08 of Rp 7.55 trillion decreased 12% YoY mainly due to the tariff adjustment in April 2008. Non-voice revenue during 9M08 contributed 28% of net operating revenue.

## STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2008 (In Billions of Rupiah and Millions of U.S. Dollar)

	2007 Rp.	2008		Growth
		Rp.	US\$ <sup>(*)</sup>	
<b>OPERATING REVENUES</b>				
Post-paid	3,762	3,199	347	-15%
Prepaid	21,471	23,326	2,530	9%
International roaming	419	482	53	15%
Interconnection: - Revenues	2,404	2,317	251	-4%
- Expenses	(1,559)	(1,933)	(210)	24%
<b>Net Operating Revenues</b>	<b>26,497</b>	<b>27,391</b>	<b>2,971</b>	<b>3%</b>
<b>OPERATING EXPENSES</b>				
Personnel	959	972	106	1%
Operation & maintenance	4,535	5,898	640	30%
General & administrative	557	576	62	4%
Marketing	656	875	95	34%
Other operating expenses	1,269	1,369	148	8%
Depreciation	4,222	4,975	540	18%
<b>Total Operating Expenses</b>	<b>12,198</b>	<b>14,665</b>	<b>1,591</b>	<b>20%</b>
<b>EBIT (EARNINGS BEFORE INTEREST &amp; TAXES)</b>	<b>14,299</b>	<b>12,726</b>	<b>1,380</b>	<b>-11%</b>
<b>OTHER INCOME/(EXPENSES)</b>				
Interest income & financing charges	(197)	(370)	(39)	88%
Foreign exchange gain/(loss)	(24)	31	3	-229%
Others - net	(154)	(5)	(1)	-97%
<b>Other income/(expenses) - net</b>	<b>(375)</b>	<b>(344)</b>	<b>(37)</b>	<b>-8%</b>
<b>INCOME BEFORE TAX</b>	<b>13,924</b>	<b>12,382</b>	<b>1,343</b>	<b>-11%</b>
<b>INCOME TAX EXPENSE</b>	<b>4,212</b>	<b>3,356</b>	<b>364</b>	<b>-20%</b>
<b>NET INCOME</b>	<b>9,712</b>	<b>9,026</b>	<b>979</b>	<b>-7%</b>
<b>EBITDA</b>	<b>18,521</b>	<b>17,701</b>	<b>1,920</b>	<b>-4%</b>
<b>EBITDA Margin - over net oper. revenues</b>	<b>70%</b>	<b>65%</b>	<b>65%</b>	<b>-5%</b>
<b>ROA</b>	<b>33%</b>	<b>27%</b>	<b>27%</b>	<b>-6%</b>
<b>ROE</b>	<b>58%</b>	<b>54%</b>	<b>54%</b>	<b>-4%</b>

Notes:

- (\*) US\$ 1 = Rp 9,221 (average end of months Jan-Sep 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 51.02 trillion. Total liabilities increased 27% to Rp 26.38 trillion. Meanwhile, Total Equities increased 6% to Rp 24.64 trillion.

- Current assets increased 7% to Rp 6.61 trillion, which was mainly due to higher cash balance.
- Non-current assets increased 17% to Rp 44.41 trillion mainly due to the increase in Property, Plant and Equipment (PPE). PPE rose 18% to Rp 43.95 trillion as a result of a significant growth in network infrastructures (27% growth in BTS and 30% expansion in overall network capacity).
- Current liabilities grew 16% to Rp 19.24 trillion, largely because of increase in accrued liabilities and current maturities of medium-term loans.
- Non-current liabilities increased 74% to Rp 7.14 trillion, which was mainly from medium-term loans.

As of September 30, 2008 Telkomsel's outstanding loans was Rp 9.48 trillion, which was Rp 4.56 trillion recorded as current liabilities and Rp 4.92 trillion was recorded as non-current liabilities. The Rp 9.48 trillion outstanding loans consist of ECA loan facilities totalled Rp 18.2 billion and loan facilities from local banks amounted to Rp 9.46 trillion.

**BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2007 AND 2008**  
(In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2007	2008		Growth
	Rp.	Rp.	US\$ <sup>(1)</sup>	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (2)	2,827	3,374	359	19%
Acct./Unbilled receivables	900	515	54	-43%
Prepayments	2,024	2,174	231	7%
Others	434	547	58	26%
<b>Total Current Assets</b>	<b>6,186</b>	<b>6,610</b>	<b>702</b>	<b>7%</b>
<b>NON-CURRENT ASSETS</b>				
Long-term investment	15	20	2	38%
Property, plant & equipment - net	37,181	43,954	4,687	18%
Advances for PPE	141	16	2	-89%
Equipment not used in operations - net	63	46	5	-27%
Intangible assets - net	389	343	37	-12%
Others	31	32	3	6%
<b>Total Non-Current Assets</b>	<b>37,819</b>	<b>44,410</b>	<b>4,736</b>	<b>17%</b>
<b>TOTAL ASSETS</b>	<b>44,004</b>	<b>51,021</b>	<b>5,438</b>	<b>16%</b>
<b>CURRENT LIABILITIES</b>				
Short-term loans	900	0	0	-100%
Accounts payable & Accr. liabilities	5,986	9,101	970	52%
Taxes payable	1,364	150	16	-89%
Unearned revenue	2,088	2,786	297	33%
Dividend payable	4,120	2,645	282	-36%
Curr. maturities of med/long-term loans	2,171	4,558	486	110%
Curr. maturities of oblig. under cap. lease	-	3	0	-
<b>Total Current Liabilities</b>	<b>16,629</b>	<b>19,244</b>	<b>2,051</b>	<b>16%</b>
<b>NON-CURRENT LIABILITIES</b>				
Med/Long-term loans - net of current maturities	1,778	4,920	525	177%
Deferred tax liabilities	2,183	2,037	217	-7%
Others	134	182	19	36%
<b>Total Non-current Liabilities</b>	<b>4,095</b>	<b>7,140</b>	<b>761</b>	<b>74%</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	19	0%
Additional paid-in capital	1,505	1,505	160	0%
Retained earnings	21,592	22,949	2,447	6%
<b>Total Equity</b>	<b>23,280</b>	<b>24,637</b>	<b>2,626</b>	<b>6%</b>
<b>TOTAL LIAB. &amp; STOCKHOLDERS' EQUITY</b>	<b>44,004</b>	<b>51,021</b>	<b>5,438</b>	<b>16%</b>

Notes:

- (1) US\$ 1 = Rp 9,378 (middle rate of end of reporting period)  
(2) Consisting of US\$ 47.49 mln, Euro 39.66 mln and Rp 2.38 trln for 2008

### Cash Flows and Capital Expenditures

Net cash generated from operations in 9M08 was Rp 14.27 trillion, a 5% decrease compared to 9M07 as a result of increase in payment to suppliers and payment of frequency fees. Net cash used in financing activities increased 30% to Rp 5.23 trillion, mainly due to payment of 2007 dividend in 9M08.

In Rp. Billion	9M07	9M08	Growth
Cash Flow from Operating Activities *)	15,103	14,272	-5%
Cash Flow for Investing Activities	(10,335)	(8,445)	-18%
Cash Flow from Financing Activities	(4,026)	(5,229)	30%
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>742</b>	<b>598</b>	<b>-19%</b>
Addition to fixed-assets (incl.CIP)	9,560	10,685	12%
New contracts issued during the period	9,110	10,380	14%

\*) Include effect of exchange rate changes

Cash flow for investing activities decreased 18% to Rp 8.45 trillion (approximately USD 916 million), which was mostly to support network infrastructures and capacity growth. The lower spending on capex in 9M08 as compared to 9M07 was due to the network development activities in 9M08 were focused on capacity expansion to cover the significant traffic increase, while in 9M07 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 10.69 trillion (USD 1.16 million) to fixed-assets in 9M08. There were 4,231 new BTS (including 569 3G-BTS) installed.

### OPERATIONAL RESULTS

#### Customer Base

At the end of 9M08, Telkomsel customers reached 60.5 million (36% YoY growth), consisting of 1.95 million postpaid and 58.56 million prepaid customers (representing 3% and 97% of total customers, respectively). Telkomsel added 12.61 million customers in 9M08, which was 42% higher than the net-addition in 9M07. This higher net-add in 9M08 as compared to 9M07 was a result of the strong growth of *simPATI* with more than 14 million new customers due to our continuously attractive pricing on *simPATI* PeDe.

### MOU & Revenue Per Minute (RPM)

For the nine months of 2008, chargeable MOU reached 58.8 billion minutes, which was 234% higher than 9M07 MOU. It still keeps on increasing as a result of attractive pricing offers on *simPATI* PeDe. Voice RPM for 9M08 is around Rp 375, 63% lower than 9M07 Rp 1,020.

### SMS & Revenue Per SMS (RPS)

Chargeable SMS reached 54.0 billion records for 9M08, increased 56% compared to 34.6 billion records in 9M07. Revenue per SMS for 9M08 is around Rp 120, declined 37% than Rp 190 in 9M07.

### ARPU

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 18% YoY to Rp 217K, ARPU for *simPATI* decreased 19% YoY to Rp 65K and ARPU of Kartu As decreased 32% YoY to Rp 39K. As a result, blended ARPU declined 24% to Rp 60K.

### OPERATIONAL INDICATORS AS OF SEPTEMBER 30, 2007 & 2008

	Unit	2007	2008	Growth
<b>CUSTOMER BASE</b>				
<b>Net Additions</b>				
<i>kartuHALO</i>	Subscriber (000)	229	34	-85%
<i>simPATI</i>	Subscriber (000)	789	14,091	1686%
Kartu As	Subscriber (000)	7,842	(1,511)	-119%
<b>Total</b>	<b>Subscriber (000)</b>	<b>8,860</b>	<b>12,613</b>	<b>42%</b>
<b>Customer Base</b>				
<i>kartuHALO</i>	Subscriber (000)	1,891	1,947	3%
<i>simPATI</i>	Subscriber (000)	22,167	38,076	72%
Kartu As	Subscriber (000)	20,399	20,480	0%
<b>Total</b>	<b>Subscriber (000)</b>	<b>44,457</b>	<b>60,503</b>	<b>36%</b>
<b>MOU (excluding free &amp; incoming mins)</b>	Billion minutes	17.6	58.8	234%
<b>ARPU</b>				
<b>Total (9 months average)</b>				
<i>kartuHALO</i>	Rp '000 per mo.	265	217	-18%
<i>simPATI</i>	Rp '000 per mo.	81	65	-19%
Kartu As	Rp '000 per mo.	57	39	-32%
Blended	Rp '000 per mo.	79	60	-24%
<b>Non-voice/Data (9 months average)</b>				
<i>kartuHALO</i>	Rp '000 per mo.	48	40	-16%
<i>simPATI</i>	Rp '000 per mo.	23	17	-26%
Kartu As	Rp '000 per mo.	22	19	-14%
Blended	Rp '000 per mo.	24	19	-22%
<b>NETWORK DATA</b>				
<b>Network Capacity</b>				
Base stations installed (GSM/DCS/3G)	Unit	19,767	25,089	27%
Overall capacity all network elements	Million subs.	47.9	62.4	30%
<b>Quality of Service</b>				
Call success rate	%	96.02%	93.97%	-2.05%
Call completion rate	%	99.52%	98.61%	-0.91%
<b>EMPLOYEE DATA</b>				
Total employees	Person	4,037	4,074	1%
Efficiency ratio	Subs/employee	11,012	14,851	35%

### ACTIVITY HIGHLIGHTS

#### New Products & Programs

As part of becoming the service leader, Telkomsel continuously introduces a variety of new value added services and features. The followings are several new product features we introduced in 3Q08:

- More attractive pricing on *simPATI* PeDe was introduced in July 2008. Offered Rp 15/second for early seconds and Rp 0.5/second afterwards (for Sumatera, Kalimantan, Sulawesi, Maluku and Papua, cyclical scheme applies). Between 00.00-05.59 hours, Rp 0.5/second applies starting from the 1<sup>st</sup> second for on-network calls.
- In July 2008, Telkomsel launched prepaid browser packages for *simPATI* and Kartu As users.
- *Telkomsel 3G Babycam* in August 2008. It allows users to have monitoring process through their mobile phones.
- In July 2008, Telkomsel launched *SMS Asik & Nelpon Sip* program for Kartu As users. The program offered Rp 6.5/second to all operators and PSTN starting from the first second between 05.00-17.00 hours. It also provides SMS package of Rp 1,000 for 50 SMS per day.
- In August 2008, *Kartu As Speak-Speak* were introduced in Papua, Maluku, Sulawesi and Kalimantan which also launched in September 2008 for Sumatera. With Rp 3,000 per day, customers can enjoy 3,600 seconds on-net calls between 02.00-17.00 hours.

- Due to the National Customer Day and Moslem fasting month, from 5-26 September 2008 Telkomsel offered Rp 0 SMS between 00.00-06.00 to all Telkomsel numbers.
- Now *simPATI* customers can enjoy cheaper calls with a new Talk Mania program introduced in September 2008 in Greater Jakarta, West Java, Central Java, East Java, Yogyakarta, Bali and Nusa Tenggara Barat. With Rp 2,000 per day, customers can talk for 5,400 seconds (1.5 hours) on-net between 00.00-18.00 hours.
- In order to give more choice to the customers, Telkomsel launched Kartu As Fress in September 2008. Equipped with mobile advertising platform, Kartu As customers can receive special information according to the category the customer chose.

### Telkomsel Siaga 2008

As its trademark program, Telkomsel Siaga 2008 was held in September and October 2008 to support and serve customers who go back to their hometown during the "Idul Fitri" holidays (Muslim festive seasons). We offered a variety of facilities in the program by providing video traffic monitoring, 730 service points, SMS Infaq 4000, free transportation service and other synergic services. During the week of Idul Fitri, we added 1.2 million new subscribers. Voice calls, SMS and MMS traffic doubled which showed the readiness of our people and the network in the field.

### Awards

During 3<sup>rd</sup> quarter 2008, Telkomsel received *Indonesia Best Brand Award (IBBA)* from SWA Sembada magazine and MARS (Marketing Research Institution) for *kartuHALO* and *simPATI* products as main preference for SIM Card in six consecutive years.

### LOAN/DEBT

Telkomsel signed a new loan facilities from several local banks amounted Rp 4 trillion in July 2008. The facilities have been fully drawdown in August 2008.

Telkomsel's outstanding loans balance as at end of September 2008 totalled Rp 9.48 trillion and mostly in IDR:

Original Currency	Equivalent in bln IDR	%
IDR 9.46 trln	9,460.00	99.8
USD 1.94 mln	18.20	0.2
<b>Total in IDR</b>	<b>9,478.20</b>	

Telkomsel has to observe certain agreed financial covenants related to its loans/debts. As of September 30, 2008 these covenants were as follows:

	Covenants t/b maintained	Required	Actual
ECA facilities	Debt to equity ratio	≤ 2	0.38
	Debt service coverage ratio	> 1.25	6.35
	Permitted indebtedness	≤ Rp 49.53 trln	Rp 9.48 trln
Bank loans	EBITDA to debt service	≥ 1.25	6.02
	Debt to tangible net worth	≤ 2.00	0.39

### DIVIDENDS

In June 2008, Telkomsel declared dividends for an amount of Rp 11.58 trillion (85% of 2007 net income), of which Rp 1 trillion was paid in December 2007 as interim dividends, Rp 7.935 trillion was paid in July 2008, and the remaining Rp 2.645 trillion was paid in October 2008.

### OUTLOOK 2008

Telkomsel remains focus on maintaining revenue market share. Operating revenue for 2008 is expected to grow at low single digit. With the new programs in place for 2H08, we expect to grow our customer base by 12-15 million in 2008. Margins may potentially decline around 5%. Our capex is expected to be around USD 1.5 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.

##### 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.

##### 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 SEPTEMBER 30, 2008 AND 2007

(in billions of Rupiah)	2008	2007
<b>Net income as reported under Indonesian GAAP</b>	<b>9,026</b>	<b>9,712</b>
U.S. GAAP Adjustments - Incr./(decr.) due to:		
Capitalization of forex differences	16	16
Capitalization of interest expense	15	51
Depreciation of contract contain derivative	(8)	-
Amortization of deferred connection fees	-	1
Asset retirement obligations	26	(8)
Employee benefits	0	0
Finance leases	3	(7)
Amortization of landrights	(17)	(9)
Deferred income tax effect on U.S. GAAP adjustments	(16)	(16)
<b>Net adjustments</b>	<b>19</b>	<b>28</b>
<b>Net income in accordance with U.S. GAAP</b>	<b>9,045</b>	<b>9,740</b>
<b>S/H equity as reported under Indonesian GAAP</b>	<b>24,637</b>	<b>23,280</b>
U.S. GAAP Adjustments - Incr./(decr.) due to:		
Capitalization of foreign exchange difference	(5)	(27)
Capitalization of interest expense	295	269
Forex gain (net of depreciation) on contracts containing derivative	41	-
Asset retirement obligations	-	(23)
Employee benefits	6	7
Recognition of finance leases	(14)	(7)
Amortization of landrights	(61)	(41)
Recognition of other comprehensive inc. related to empl. benefits	(89)	(130)
Deferred income tax effect on U.S. GAAP adjustments	(98)	(67)
<b>Net adjustments</b>	<b>75</b>	<b>(19)</b>
<b>S/H Equities in accordance with U.S. GAAP</b>	<b>24,712</b>	<b>23,261</b>

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 46%.