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Financial Statements Audited



QUARTER IV, 2001



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PT TELEKOMUNIKASI SELULAR (TELKOMSEL)

FOURTH QUARTER 2001 RESULTS

Financial Statements

PT Telekomunikasi Selular ("Telkomsel") reported its audited financial statements and operational results for the year ended December 31, 2001. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk. ("TELKOM"; JSX: TLKM; NYSE: TLK; LSE: TKID). All figures in Telkomsel's financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia (Indonesian GAAP).

Accounting Policies

Revenue and Expense Recognition

Revenues from service connections are recognized as income at the time the connections take place and those from airtime and monthly subscription charges are recognized when earned. Sales of prepaid card are recognized upon delivery of starter packs. Prepaid vouchers are initially recorded as unearned income and then proportionately recognized as usage revenue based on successful calls made by subscribers or whenever the unused stored value of the voucher has expired. Operating revenues are presented net of interconnection and international roaming charges. Expenses are recognized when incurred.

Allowance for Doubtful Accounts

Allowance is provided based upon the evaluation of the collectibility of the accounts (for 2001 and 2000 an allowance for doubtful accounts is provided at 2.7% and 3% of subscribers monthly billing, respectively).

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 (e.g.: infrastructures 5-10 years; supporting facilities and measurement equipment 3-5 years). Property, Plant and Equipment are insured to cover any possible losses caused by destruction or damage by riots, strike and malicious act.

Foreign Currency Transaction & Balances

Transactions involving foreign currencies are recorded at the prevailing rate at the time the transactions are made. At the balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange at such date as published by the Central Bank. The resulting gains or losses are credited or charged to current operations, except any net foreign exchange loss on obligations arising from the acquisition of property, plant and equipment, which are capitalized to the related asset.

Conversion Rate

For the purpose of convenient translations, the Statements of Income use an average middle conversion rate of Rp.10,266 to the US Dollar from January 2001 through December 2001 and the rates applied to the Balance Sheets are the Bank Indonesia middle rate of Rp.10,400 to US \$1.00 quoted from Bank Indonesia December 31, 2001.

Significant Differences Between Indonesian Gaap and U.S. Gaap

The financial statements have been prepared in accordance with Indonesian GAAP, which differ in certain aspects from U.S. GAAP.

Foreign Exchange Loss on Construction in Progress
Under Indonesian GAAP, starting 1997, foreign exchange loss on borrowings used to finance the construction of assets should be capitalized. Under U.S. GAAP, foreign exchange differential would be included in current operations.

Interest Capitalizable to Construction in Progress
Under Indonesian GAAP, one of the criteria for capitalizing interest cost to a qualifying asset (i.e. construction in progress) is that the interest should be attributable to the qualifying asset. The company did not capitalize the interest incurred on short-term loans in 2001 because the loans were obtained and utilized for general working capital purposes.

Landrights

In Indonesia, the title of land rests with the State under Basic Agrarian Law No. 5 of 1960. Landuse is accomplished through landrights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. The landrights generally are freely tradable and maybe pledged as security under borrowing agreements. Under Indonesian GAAP, land ownership based on various kinds of rights is not depreciated unless it can be foreseen that there is a remote possibility for the holder to obtain extension or renewal of rights.

Equipment to be Installed

Under Indonesian GAAP, temporarily idle equipment or equipment that is awaiting installation is not depreciated.

Pension Plan

The company adopted PSAK No.24, an accounting method for pension benefits cost that is substantially consistent with the requirements of U.S. GAAP. Under U.S. GAAP, starting from January 1, 1991, the accounting for these benefits is governed by SFAS No.87, "Employees' Accounting for Pensions".

Bonus to Employees

In 2000, the Company distributed a portion amounting to Rp 26,713,541,555 of its 1999 net income as bonus to its employees (see Note 20). The bonus to employees is treated by the Company as a reduction from retained earnings.

Revenue Recognition

Under Indonesian GAAP, in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition", revenue from service connection should be deferred and recognized over the expected term of customer relationship.

RECONCILIATION TO U.S. GAAP

(In millions of rupiah)	2001	2000
Net Income as reported under Indonesian GAAP	2,044,009	1,345,682
U.S. GAAP adjustments		
Capitalization of forex loss net of foreign exchange loss	(2,847)	(3,718)
Capitalization of interest expense	19,690	-
Depreciation expense	21,403	17,586
Amortization of landrights	(1,208)	(280)
Depreciation of equipment to be installed	-	(5,561)
Net periodic pension cost	-	535
Bonus to employees *)	283	(26,714)
Deferred income tax effect	(11,474)	2,492
Net adjustments	25,848	(20,643)
Net Income in accordance with U.S. GAAP	2,069,857	1,325,039
S/H Equities as reported under Indonesian GAAP	5,219,517	3,490,064
U.S. GAAP adjustments		
Capitalization of forex loss net of foreign exchange loss	(217,617)	(214,770)
Capitalization of interest expense	19,690	-
Depreciation expense	59,481	38,078
Amortization of landrights	2,067	(859)
Depreciation of equipment to be installed	9,707	(9,707)
Net periodic pension cost	825	541
Deferred tax liabilities	44,446	55,920
Net adjustments	(104,949)	(130,797)
S/H Equities in accordance with U.S. GAAP	5,114,569	3,359,268
Balance Sheet		
Current Assets	2,000,274	1,287,890
Total Assets	7,309,664	4,517,801
Current Liabilities	2,212,253	1,194,254
Total Liabilities	2,195,095	1,158,333
Statements of Income		
Income from operations	3,006,680	1,622,290

Earnings & Ebitda

For the year 2001 the Company reported a net income of Rp.2,044 billion, representing an increase of 51.89% compared to the comparable period of 2000. The growth of net income is mainly attributable to the increased number of the prepaid card (*simPATI*) subscribers.

Total operating revenues grew by 75.56%, from Rp.2,801 billion in the twelve months of 2000 to Rp.4,918 billion in the comparable period of 2001; while total operating expenses grew by 70.24% from Rp.834 billion in 2000 to Rp.1,419 billion 2001. These resulted in an 82.45% increase in operating income (EBIT) from Rp.1,637 billion in the year 2000 to Rp. 2,986 billion in 2001.

EBITDA for 2001 grew by 77.81% from Rp.1,968 billion in 2000 to Rp.3,499 billion in 2001. EBITDA margin was 71.15% for 2001, an increase compared to an EBITDA margin of 70.25% in the year 2000.

Balance Sheet

From December 2000 to December 2001, Telkomsel's Total Assets increased from Rp.4,704 billion to Rp.7,459 billion. Meanwhile, Current Liabilities increased from Rp.1,194 billion to Rp.2,212 billion, mostly due to the increases of the operating & investing activities and a short term loan disbursement in October 2001. Total Stockholders' Equity increased from Rp.3,490 billion to Rp.5,220 billion.

Capital Expenditure

By December 31, 2001, the Company had added approximately Rp.2.97 trillion investment for network infrastructures and other investments such as billing system and up-graded operation maintenance centers.

During the year of 2001, the Company installed 584 new BTS, 6,186 TRX, and added 1,185,000 subscribers in the capacity of HLR. These figures show an increase of 41.39%, 70.34% and 42.55% respectively (compared to the figures in 2000).

Customer Base

As of December 31, 2001, Telkomsel recorded 3,252,032 subscribers consisting of 865,211 postpaid subscribers representing 26.61% of total subscribers and 2,386,821 prepaid subscribers representing 73.39% of total subscribers.

In the year 2001, the total of additional subscribers was 1,564,693, which is 136.31% higher than the 662,118 subscribers of the same period of 2000. Of the net additional subscribers, 207,775 are postpaid (*kartuHALO*) and 1,356,918 are prepaid (*simPATI*) subscribers.

In the year 2001, a number of 177,514 postpaid subscribers and 120,403 prepaid subscribers churned their connections, while in the comparable period of 2000, a number of 112,840 postpaid subscribers and 113,763 prepaid subscribers churned their connection.

Arpu (Average Revenue Per User)

In the year 2001, the ARPU derived from postpaid card (*kartuHALO*) and prepaid card (*simPATI*) subscribers increased by 2.14% and 7.77%, respectively, compared to the same period in 2000.

ARPU from *kartuHALO* subscribers, which was Rp.287 thousand in 2001 and Rp.281 thousand in 2000, is higher than that of *simPATI* (Rp.111 thousand in 2001 and Rp.103 thousand in 2000). The blended ARPU decreased by 5.03% in the two comparable periods. This is due to the proportion of *kartuHALO* subscribers to the total subscribers decreasing from 38.96% to 26.61% in the same periods.

Human Resources

As of December 31, 2001, Telkomsel employed 2,319 persons throughout Indonesia. The number represents an efficiency ratio of 1,402 subscribers per employee or an increase of 46.04% compared to the figure in 2000 of 960 subscribers per employee.

During the year 2001, Telkomsel employees completed an average of 5.96 mandays training per employee.

Change In Ownership

Singtel has replaced KPN Mobile and Setdco Megacell Asia as Shareholder in Telkomsel by taking over the shares on October 31, 2001.

Management Policies

Telkomsel performance is driven by the following management policies:

During 1997 to December 2001, concentration was emphasized on efforts responding to the financial crisis and ensuring steady cash inflows by: Implementing vendor financing and deferring payments of liabilities to vendors launching prepaid card services, bundling products and keeping on innovating Improving billing and collection processes.

By 2000, although concern for quality of service and network had been slightly set aside by the management, Telkomsel had settled all of its liabilities under vendor financing schemes. Capacity expansion had been wholly financed by EBITDA from 2000 results. This situation led to a significant decrease in cash balance.

To pay liabilities denominated in foreign currencies to vendors, Telkomsel buys the relevant foreign currencies periodically. Due to the unstable rate of exchange of Rupiah, Telkomsel has suffered accounting foreign exchange loss in its Statements of Income, resulting from the difference of its cash & current assets balances and liability balance in foreign currencies.

For the year 2001, Telkomsel's management policies were aimed creating more value with aggressive responses to the tightly competitive market for the next five years. Those policies are being deployed in the following strategic imperatives:

- Synergies with Shareholders.
- Investing ahead of growth.
- Marketing/innovation engine.
- Data service incubator.
- Enabling infrastructure.
- Service culture.
- High performance organization.

To deploy and implement the above programs, Telkomsel has reengineered its business processes through outsourcing and partnerships. These programs are supported by:

- Turnkey-based umbrella contracts with local and global vendors. This is intended to accelerate the fulfillment of all supply and construction projects, to significantly decrease administrative clerical work, to reduce cost and to replace the previous advanced payment scheme with a new scheme whereas payments will be made upon the full installments and integration of the equipment and infrastructures ("payment after on-air" scheme).

Early October 2001, Telkomsel has been provided with a bank overdraft facility of Rp.500 billion.

Telkomsel will continue aggressively expanding its network. Capex will be funded out of the operational cash flow in combination with various other sources of fund.

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is currently owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX: TLKM; NYSE: TLK; LSE: TKID) with 77.72% of shares and Singapore Telecom ("Singtel": SGX: TELE.SI) with 22.28% of shares. Telkomsel is the largest cellular telecommunications services company in Indonesia with approximately 50% of total cellular market.

PT TELEKOMUNIKASI SELULAR (TELKOMSEL)

BALANCE SHEETS

DECEMBER 31, 2000 AND 2001

(In Millions of Rupiah and Thousands of U.S. Dollar, except Share Data)

	2000	2001	
	Rp (000,000)	Rp (000,000)	U.S.\$* (000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	791,489	1,140,205	109,635
Accounts receivable trade			
Related party	48,998	121,880	11,719
Third parties - net of allow. for doubtful accounts	100,374	128,307	12,337
Accrued income - net of allowance for doubtful accounts of Rp. 7,168 in 2001 and Rp. 7,952 in 2000	196,786	280,829	27,003
Inventories - net of allowance for obsolescence of of Rp. 10.639 in 2001 and Rp. 8.404 in 2000	48,520	57,200	5,500
Claim for tax refund	2,994	-	-
Prepaid tax and expenses	57,009	82,427	7,926
Advances	41,179	49,526	4,762
Others	-	139,075	13,373
Total Current Assets	1,287,349	1,999,449	192,255
PROPERTY, PLANT AND EQUIPMENT			
Cost	4,013,206	6,775,549	651,495
Accumulated depreciation	(947,227)	(1,454,530)	(139,859)
PPE - net book value	3,065,979	5,321,019	511,636
OTHER ASSETS			
Escrow accounts	3	-	-
Due from stockholders	66,708	-	-
Security deposits	8,111	12,098	1,163
Equipment to be installed	276,167	126,492	12,163
Total Other Assets	350,989	138,590	13,326
TOTAL ASSETS	4,704,317	7,459,058	717,217

PT TELEKOMUNIKASI SELULAR (TELKOMSEL)

BALANCE SHEETS

DECEMBER 31, 2000 AND 2001

(In Millions of Rupiah and Thousands of U.S. Dollar, except Share Data)

	2000	2001	
	Rp (000,000)	Rp (000,000)	U.S.\$* (000)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable			
Trade	63,799	87,947	8,456
Others	10,907	43,954	4,226
Accrued liabilities	583,822	884,829	85,080
Taxes payable	393,262	541,903	52,106
Unearned revenue	136,431	152,895	14,701
Dividend payable	6,033	-	0
Current maturities of obligation under capital lease	-	725	70
Short-term loan	-	500,000	48,077
Total Current Liabilities	1,194,254	2,212,253	212,717
OTHER LIABILITIES			
Obligation under cap. lease - net of current maturities	-	1,026	99
Deferred tax liability	19,999	26,262	2,525
Total Other Liabilities	19,999	27,288	2,624
EQUITY			
Capital stock - Rp. 1,000,000 par value			
Authorized - 650,000 shares			
Issued and fully paid - 182,570 shares	182,570	182,570	17,555
Additional paid-in capital	1,281,137	1,504,854	144,698
Retained earnings	2,026,357	3,532,093	339,624
Total Equity	3,490,064	5,219,517	501,877
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	4,704,317	7,459,058	717,217

PT TELEKOMUNIKASI SELULAR (TELKOMSEL)

STATEMENTS OF INCOME

AS OF DECEMBER 31, 2000 AND 2001

(In Millions of Rupiah and Thousands of U.S. Dollar)

	2000	2001		Growth (%)
	Rp (000,000)	Rp (000,000)	U.S.\$* (000)	
OPERATING REVENUES				
Post-paid (KartuHALO)	1,703,269	2,551,297	248,519	50%
Prepaid (SimPATI)	863,564	2,078,203	202,436	141%
International roaming	347,712	423,097	41,213	22%
Interconnection revenues (outpayment) - net	(113,058)	(134,373)	(13,089)	19%
Total Operating Revenues	2,801,487	4,918,224	479,079	76%
OPERATING EXPENSES				
Personnel	157,284	209,542	20,411	33%
Operation and maintenance	313,359	610,242	59,443	95%
General and administrative	197,560	286,909	27,947	45%
Marketing	56,817	84,159	8,198	48%
Other cost of services	108,499	228,106	22,220	110%
Total Operating Expenses	833,519	1,418,958	138,219	70%
EBITDA	1,967,968	3,499,266	340,860	78%
Depreciation and amortization	331,245	513,065	49,977	55%
EBIT	1,636,723	2,986,201	290,883	82%
OTHER INCOME (CHARGES)				
Interest income/Expenses	55,593	29,134	2,838	-48%
Loss on foreign exchange - net	120,107	(53,946)	(5,255)	-145%
Others - net	93,322	(35,513)	(3,459)	-138%
Other income (charges) - net	269,022	(60,325)	(5,876)	-122%
INCOME BEFORE TAX	1,905,745	2,925,876	285,006	54%
PROVISION FOR INCOME TAX	560,063	881,867	85,902	57%
NET INCOME	1,345,682	2,044,009	199,105	52%

PT TELEKOMUNIKASI SELULAR (TELKOMSEL)
OPERATIONAL INDICATORS AS OF DECEMBER 31, 2000 & 2001

	Unit	2000	2001	Growth (%)
CUSTOMER BASE				
Sales				
KartuHALO	Subscriber	333,079	385,289	15.67%
SimPATI	Subscriber	555,642	1,477,321	165.88%
Total	Subscriber	888,721	1,862,610	109.58%
Churn				
KartuHALO	Subscriber	112,840	177,514	57.31%
SimPATI	Subscriber	113,763	120,403	5.84%
Total	Subscriber	226,603	297,917	31.47%
Customer base				
KartuHALO	Subscriber	657,436	865,211	31.60%
SimPATI	Subscriber	1,029,903	2,386,821	131.75%
Total	Subscriber	1,687,339	3,252,032	92.73%
NETWORK DATA				
BTS/TRX				
BTS installed	Unit	1,411	1,995	41.39%
TRX on-air	Unit	8,795	14,981	70.34%
Element availability				
Overall availability MSC/HLR	%	99.98%	100.00%	0.02%
Overall availability BSS (TRX's)	%	98.83%	99.51%	0.69%
Availability IN	%	100.00%	100.00%	0.00%
Availability Voicemail	%	99.81%	99.59%	-0.22%
Capacity				
HLR Capacity	Subscriber	2,785,000	3,970,000	42.55%
VLR Capacity	Subscriber	2,605,000	4,705,000	80.61%
IN Capacity (BHCA)	BHCA	880,000	2,600,000	195.45%
IN Capacity Customers	Subscriber	1,145,000	3,377,000	194.93%
Quality of service				
Call success rate	%	88.22%	88.72%	0.50%
Call completion rate	%	97.28%	97.55%	0.27%
Employee				
Total employee	person	1,758	2,319	31.91%
Efficiency (subs per employee)	Subscr/persons	960	1,402	46.04%

Notes:

BTS : Base Transceiver Station
 TRX : Transmit - Receive Exchange
 ASR: Answer Seizure Ratio
 MSC: Mobile Switching Centre
 PSTN: Public Switch Telephone Network

BSS: Base Station Sub System
 HLR: Home Location Register
 VLR: Visitor Location Register
 IN: Intelligent Network
 BHCA: Busy-Hour Call Attempts