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Financial Statements (audited)



QUARTER IV, 2007

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PT TELEKOMUNIKASI SELULAR (TELKOMSEL) JANUARY - DECEMBER 2007 RESULTS

Telkomsel reports its financial and operational results for the year ended December 31, 2007. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk.

SUMMARY

Telkomsel recorded a strong customer base growth in 4Q07 with 3.43 million new customers on the back of strong growth of prepaid *simPATI* product. After experiencing some pressures during earlier quarters, *simPATI* product showed an improving growth in 4Q07 with the launch of *simPATI* PeDe in December 2007, a new *simPATI* package with a cheaper per second tariff (Rp.0.5 per second). *simPATI* contributed 53% to the customer base growth in 4Q07.

Operating revenues also grew stronger in 4Q07. Net operating revenues grew 8% quarter-on-quarter (QoQ) in 4Q07, which was higher than 5% QoQ growth in earlier quarter. Operating expenses growth has been manageable.

The following is the highlight of Telkomsel financial and operational results for full-year 2007:

Net operating revenues	Rp.38.80 trillion
EBITDA	Rp.25.60 trillion
Net income	Rp.13.62 trillion
Net add	12.3 million customers
Total customer	47.9 million customers

FINANCIAL RESULTS

Earnings & EBITDA

Despite the effective tariff decline, Telkomsel's **operating revenues** grew strongly in 2007. Telkomsel's gross operating revenues increased 27% year-on-year (YoY) to Rp.44.38 trillion, while net operating revenues increased 33% YoY to Rp.38.80 trillion. It was attributable to strong customer base growth (35% growth YoY) combined with strong Minutes of Use (MoU) increase (38%) and manageable ARPU decline (5% decline YoY).

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

- *Gross postpaid revenue* grew 10% to Rp.5.38 trillion due to the 15% postpaid customer base growth.
- *Gross prepaid revenue* increased 36% to Rp.34.75 trillion on the back of 35% prepaid customer base growth.
- *Gross international roaming revenue* increased 16% to Rp.0.95 trillion, which was mainly contributed by increase in tap-in (Telkomsel's customers roaming abroad) revenue.
- *Gross interconnection revenue* declined 10% to Rp.3.30 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.1.17 trillion in 2007, which was slightly higher than Rp.1.16 trillion recorded in 2006.
- *Discounts* increased 94% to Rp.4.71 trillion, which was in line with the customer base growth and increasing promotional programs.
- *Interconnection/International roaming/Data provider charges* decreased 74% to Rp.0.87 trillion mainly because of the presentation of 2007 interconnection charges under operating expenses (in 2006 was presented as negative revenue).

Operating expenses (including depreciation) growth has been more manageable during 2007. It increased 47% to Rp.18.92 trillion, which was mainly because of the presentation of interconnection charges as part of operating expenses in 2007 and due to the increase in operation & maintenance costs and depreciation expense. On a comparable presentation (taking out the interconnection charges from 2007 operating expenses), it only grew 31% YoY.

- *Personnel expenses* increased 19% YoY to Rp.1.40 trillion, which was mainly due to the growth of number of employees (by 7%) and adjustments to remuneration structures.
- *Operation & maintenance expenses* grew 43% to Rp.6.24 trillion mainly resulting from the network infrastructure growth (BTS grew 30% and overall network capacity increased by 30%), which affected transmission costs, frequency fees, power supply and repair & maintenance costs for the network equipment.
- *General & administrative expenses* increased 7% YoY to Rp 0.76 trillion, which was mainly on rental expenses.
- *Marketing expenses* grew 31% YoY to Rp.0.92 trillion, which was mainly attributable to higher advertising and sales support costs in supporting larger customer base.
- *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 21% to Rp.1.75 trillion in 2007, which was mainly because of higher concession & USO fees (in line with revenue growth).

- *Depreciation expenses* increased 29% to Rp.5.73 trillion due to the network infrastructures growth (BTS grew by 30% and overall network capacity expanded by 30%).

EBITDA for 2007 reached Rp.25.60 trillion, a 23% increase compared to 2006. Despite the decline on effective tariff, with a strong customer base growth and manageable operating expenses growth, EBITDA margin over gross revenues only slightly decreased from 59% in 2006 to 58% in 2007. Due to the recognition of interconnection charges as part of operating expenses in 2007, it resulted in higher net operating revenues and caused EBITDA margin over net revenues declined from 71% in 2006 to 66% in 2007.

Other income/(expenses) increased from a net expense of Rp.143 billion in 2006 to a net expense of Rp.479 billion in 2007, which was largely due to:

- higher interest expenses in 2007 as a result of higher outstanding loan balance
- foreign exchange loss recorded in 2007.

Net income increased 22% to Rp.13.62 trillion in 2007.

Non-voice/data revenue in 2007 was Rp.12.53 trillion (gross) or Rp.12.03 trillion (net), which increased 51% (gross) or 55% (net) from 2006. It contributed 28% to the gross operating revenues or 31% to net operating revenues.

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2007 (In Billions of Rupiah and Millions of U.S. Dollar)

	2006 Rp.	2007		Growth
		Rp.	US\$ ^(*)	
OPERATING REVENUES				
Post-paid	4,886	5,385	588	10%
Prepaid	25,548	34,749	3,792	36%
International roaming	820	951	104	16%
Interconnection	3,644	3,295	359	-10%
Gross Operating Revenues	34,898	44,380	4,843	27%
Less:				
- Discounts	2,432	4,708	514	94%
- Intercon. / intl. roam. / data provider charges	3,321	873	95	-74%
Net Operating Revenues	29,145	38,799	4,234	33%
OPERATING EXPENSES				
Personnel	1,174	1,396	152	19%
Operation & maintenance	4,367	6,236	681	43%
General & administrative	714	761	83	7%
Marketing	705	923	101	31%
Interconnection	-	2,129	232	-
Other operating expenses	1,448	1,750	191	21%
Depreciation	4,428	5,725	625	29%
Total Operating Expenses	12,836	18,920	2,065	47%
EBIT (EARNINGS BEFORE INTEREST & TAXES)	16,309	19,879	2,169	22%
OTHER INCOME/(EXPENSES)				
Interest income & financing charges	(85)	(330)	(36)	288%
Foreign exchange gain/(loss)	121	(57)	(6)	-147%
Others - net	(179)	(92)	(10)	-49%
Other income/(expenses) - net	(143)	(479)	(52)	235%
INCOME BEFORE TAX	16,166	19,400	2,117	20%
INCOME TAX EXPENSE	4,984	5,776	630	16%
NET INCOME	11,182	13,624	1,487	22%
EBITDA	20,737	25,604	2,794	23%
EBITDA Margin - over gross oper. revenues	59%	58%	58%	-1%
EBITDA Margin - over net oper. revenues	71%	66%	66%	-5%
ROA	35%	33%	33%	-2%
ROE	55%	55%	55%	0%

- Proforma Income Statements
- (*) US\$ 1 = Rp.9,164 (average end of months Jan-Dec 2007 mid-rate, quoted from Bank Indonesia)

The presentation of interconnection charges as part of operating expenses in 2007, while it was recorded as a deduction to operating revenues in 2006, contributed to the 33% YoY net operating revenue growth. For a convenient purpose, we provide herewith comparable presentation of net operating revenues for both 2006 and 2007 based on gross and net interconnection.

In Rp. billion	Gross Interconnection ^{*)}		
	2006	2007	Growth
Net Operating Revenues	31,627	38,799	23%
Operating Expenses (incl. depreciation)	15,318	18,920	24%
EBITDA	20,737	25,604	23%
EBITDA Margin - over net oper. revenues	66%	66%	-

- *) Presentation of Interconnection in operating revenues is gross. Interconnection charges recorded as operating expense.

In Rp. billion

Net Interconnection *)

	2006	2007	Growth
Net Operating Revenues	29,145	36,670	26%
Operating Expenses (incl. depreciation)	12,836	16,791	31%
EBITDA	20,737	25,604	23%
EBITDA Margin - over net oper. revenues	71%	70%	-1%

*) Presentation of Interconnection in operating revenues is net of interconnection charges.

Balance Sheet

Telkomsel's Total Assets increased 20% to Rp.44.68 trillion. Total liabilities increased 30% to Rp.18.49 trillion. Meanwhile, Total Equities increased 14% to Rp.26.19 trillion.

- Current assets increased 27% to Rp.5.06 trillion, which was due to higher cash balance (in line with customer base and revenue growth) and increase in prepayments.
- Non-current assets increased 19% to Rp.39.62 trillion mainly due to the increase in Property, Plant and Equipment (PPE). PPE rose 21% to Rp.38.25 trillion as a result of a significant growth in network infrastructures (30% growth in BTS and 30% expansion in overall network capacity).
- Current liabilities grew 17% to Rp.12.40 trillion, largely because of increase in current maturities of medium-term loans.
- Non-current liabilities increased 67% to Rp.6.08 trillion, which was mainly from the new loan facilities secured in 2007.

As of December 31, 2007 Telkomsel's outstanding loans was Rp.7.04 trillion, which was Rp.3.16 trillion recorded as current liabilities and Rp.3.88 trillion was recorded as non-current liabilities. The Rp.7.04 trillion outstanding loans consist of ECA loan facilities (in foreign currencies) totaled Rp.192 billion and loan facilities from local banks amounted to Rp.6.85 trillion.

BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2007 (In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2006 Rp.	2007		Growth
		Rp.	US\$ (1)	
CURRENT ASSETS				
Cash and cash equivalents (2)	2,084	2,776	295	33%
Acct./Unbilled receivables	794	856	91	8%
Prepayments	643	938	100	46%
Others	450	489	51	9%
Total Current Assets	3,971	5,059	537	27%
NON-CURRENT ASSETS				
Long-term investment	9	20	2	122%
Property, plant & equipment - net	31,706	38,251	4,061	21%
Advances for PPE	339	98	10	-71%
Equipment not used in operations - net	199	56	6	-72%
Intangible assets - net	425	378	40	-11%
Others	652	815	87	25%
Total Non-Current Assets	33,330	39,618	4,206	19%
TOTAL ASSETS	37,301	44,677	4,743	20%
CURRENT LIABILITIES				
Short-term loans	667	533	57	-20%
Accounts payable & Accr. liabilities	5,568	5,356	569	-4%
Taxes payable	1,266	1,878	199	48%
Unearned revenue	1,774	2,004	213	13%
Curr. maturities of med/long-term loans	1,313	2,632	279	100%
Total Current Liabilities	10,588	12,403	1,317	17%
NON-CURRENT LIABILITIES				
Med/Long-term loans - net of current maturities	1,674	3,880	412	132%
Deferred tax liabilities	1,841	2,042	216	11%
Others	125	160	17	28%
Total Non-current Liabilities	3,640	6,082	645	67%
EQUITY				
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	21,385	24,504	2,602	15%
Total Equity	23,073	26,192	2,781	14%
TOTAL LIAB. & STOCKHOLDERS' EQUITY	37,301	44,677	4,743	20%

Notes:

- 2006 figures have been reclassified to conform with 2007 presentations
- (1) US\$ 1 = Rp.9,419 (middle rate of end of the reporting period)
- (2) Consisting of US\$ 72 million, Euro 60.3 million and Rp.1.27 trillion for 2007

Cash Flows and Capital Expenditures

Capital Expenditures were mostly financed by cash flow from operations as Telkomsel generated a strong cash flow from operating activities. Net cash generated from operations in 2007 was Rp.20.65 trillion, a 26% increase compared to 2006.

In Billions of Rupiah	2006	2007	Growth
Cash Flow from Operating Activities *)	16,335	20,650	26%
Cash Flow for Investing Activities	(13,144)	(13,170)	0%
Cash Flow from Financing Activities	(2,967)	(6,788)	129%
Net Increase in Cash & Cash Equivalents	224	692	209%
Addition to fixed-assets (inc. ClIP)	14,378	12,367	-14%
New contracts issued during the period	16,496	13,329	-19%

*) Includes effect of exchange rate changes

Cash flow for investing activities increased slightly to Rp.13.17 trillion (approximately USD 1.4 billion), which was mostly for acquisition of network infrastructures. Telkomsel added Rp.12.37 trillion (USD 1.3 billion) to fixed-assets in 2007. There were 4,801 new BTS (including 998 3G-BTS) installed in 2007.

Net cash used in financing activities increased 129% to Rp.6.79 trillion, which was mainly due to higher dividend payment in 2007. In 2007, Telkomsel declared dividends amounted to Rp.9.50 trillion (85% of 2006's net income), of which Rp.5.39 trillion was paid in July 2007 and the remaining was paid in October 2007. In December 2007, Telkomsel paid an interim dividend amounted to Rp.1 trillion.

OPERATIONAL RESULTS

Customer Base

Despite the more competitive market and pressure on tariff, Telkomsel's customer base grew strongly in 2007. At the end of 2007, Telkomsel's customers reached 47.89 million (35% YoY growth), consisting of 1.91 million postpaid and 45.98 million prepaid customers (representing 4% and 96% of total customers, respectively). Telkomsel added 12.29 million customers in 2007, which was 9% higher than the net-addition in 2006. Kartu As was the main growth contributor in 2007 with 9.43 million customers (or 77% of total net-adds). Although it experienced some pressures during 2007, *simPATI* prepaid product still showed a healthy growth with 2.61 million new customers (or 21% of total net-adds). The *simPATI* product regained its healthy growth at the end of 2007 following the launch of *simPATI* PeDe, a new *simPATI* package with a cheaper per second tariff (Rp.0.5 per second). The *kartuHALO* postpaid product contributed 251K new customers, 31% higher than 2006 *kartuHALO* net-adds. The growth contribution from outside Java has been increasing, which contributed approximately 71% of total net-addition in 2007. As at end of 2007, 56% of Telkomsel's customers were in outside Java.

ARPU

ARPU is derived from monthly recurring customers' usage. Despite the penetration to lower market segments, Telkomsel has been able to manage ARPU decline on the back of various innovative services and programs. Blended ARPU declined 5% YoY to Rp.80K in 2007, however, the ARPU of *simPATI* and Kartu As were still growing in 2007. For *simPATI*, ARPU increased slightly by 1% to Rp.84K, while for Kartu As, ARPU grew 6% YoY to Rp.57K. The key factor of the growth in Kartu As ARPU was the growth of SMS traffic as a result of attractive pricing.

OPERATIONAL INDICATORS AS OF DECEMBER 31, 2006 AND 2007

	Unit	2006	2007	Growth
CUSTOMER BASE				
Net Additions				
<i>kartuHALO</i>	Subscriber (000)	191	251	31%
<i>simPATI</i>	Subscriber (000)	5,374	2,608	-51%
Kartu As	Subscriber (000)	5,763	9,434	64%
Total	Subscriber (000)	11,328	12,293	9%
Customer Base				
<i>kartuHALO</i>	Subscriber (000)	1,662	1,913	15%
<i>simPATI</i>	Subscriber (000)	21,378	23,986	12%
Kartu As	Subscriber (000)	12,557	21,991	75%
Total	Subscriber (000)	35,597	47,890	35%
MOU (excluding free & incoming mins)	Billion minutes	18.2	25.2	38%
ARPU				
Total (12 months average)				
<i>kartuHALO</i>	Rp. '000 per mo.	274	264	-4%
<i>simPATI</i>	Rp. '000 per mo.	83	84	1%
Kartu As	Rp. '000 per mo.	54	57	6%
Blended	Rp. '000 per mo.	84	80	-5%
Non-voice/Data (12 months average)				
<i>kartuHALO</i>	Rp. '000 per mo.	47	49	4%
<i>simPATI</i>	Rp. '000 per mo.	24	25	4%
Kartu As	Rp. '000 per mo.	18	23	28%
Blended	Rp. '000 per mo.	23	25	9%
NETWORK DATA				
Network Capacity				
Base stations installed (GSM/DCS/3G)	Unit	16,057	20,858	30%
Overall capacity all network elements	Subs. mln.	38.8	50.5	30%
Quality of Service				
Call success rate	%	94.43%	94.24%	-0.19%
Call completion rate	%	99.42%	99.20%	-0.22%
EMPLOYEE DATA				
Total employees	Person	3,797	4,080	7%
Efficiency ratio	Subs./employee	9,375	11,738	25%

ACTIVITY HIGHLIGHTS

- For *kartuHALO* customers, Telkomsel launched in March 2007 "HALOhybrid", a new innovation that allows its postpaid customers to have both postpaid and prepaid services.
- For *simPATI* customers, during 2007 Telkomsel launched:
 - simPATI* starter pack edition called "*simPATI* Ekstra" (February 2007).
 - simPATI* Free Talk & Free SMS program (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/SMS to any Telkomsel customers between 22.00-10.00 hours.
 - simPATI* Talkmania program (September 2007). 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.
 - New *simPATI* starter pack edition called *simPATI* PeDe (December 2007) with a cheaper per second tariff (Rp.0.5 per second starting the 2nd minute onward).
- For Kartu As customers, Telkomsel launched in June 2007 a new promotional program "Use of 100 SMS per month will get another 100 SMS (on-net) for free".
- Telkomsel continued rolling out 3G network. Telkomsel's 3G network has reached more than 80 cities in Java, Sumatra, Kalimantan and Sulawesi. As at end of December 2007, there were 3.3 million customers registered in Telkomsel's 3G network.
- Telkomsel launched Telkomsel Flash in April 2007. This product offers a high-speed internet access experience up to 3.2 Mbps to all Telkomsel customers.
- In September and October 2007, 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 version of 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.
- In November 2007, Telkomsel launched the first mobile wallet service in Indonesia, called T-Cash (Telkomsel Cash). With this service, allows T-Cash customers to purchase goods or pay for services using the money in their wallet accounts, either through their mobile phones or via a T-Cash card.

LOAN/DEBT

In 2007, Telkomsel signed Rp.7.2 trillion new loans with local banks. The outstanding loans balance as at end of December 2007 totalled Rp.7.04 trillion and mostly in IDR:

Original Currency	Equivalent in bln IDR	%
IDR 6.85 trln	6,853.33	97.3
USD 9.68 mln	91.20	1.3
EUR 7.34 mln	100.95	1.4
Total in IDR	7,045.48	

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

	Covenants t/b maintained	Required	Actual
ECA Facilities	Debt to equity ratio	≤ 2	0.27
	Debt service coverage ratio	> 1.25	6.35
	Permitted indebtedness	≤ Rp 51.15 trln	Rp 7.05 trln
Bank Loans	EBITDA to debt service	≥ 1.25	7.68
	Debt to tangible net worth	≤ 2.00	0.27

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

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.

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 asset 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 DECEMBER 31, 2007 AND 2006

(In billions of Rupiah)	2007	2006
Net Income as reported under Indonesian GAAP	13,624	11,182
U.S. GAAP adjustments - Incr./(decr.) due to:		
Capitalization of interest expense	62	74
Forex gain (net of depreciation) on contracts contain derivative	48	-
Capitalization of foreign exchange differences	22	22
Revenue recognition	1	3
Capital leases	(17)	(3)
Asset retirement obligations	(12)	(9)
Amortization of landrights	(12)	(10)
Employee benefits	0	0
Deferred income tax effect on U.S. GAAP adjustments	(31)	(26)
Net adjustments	61	51
Net Income in accordance with U.S. GAAP	13,685	11,233
S/H Equity as reported under Indonesian GAAP	26,192	23,073
U.S. GAAP adjustments - Incr./(decr.) due to:		
Capitalization of interest expense	280	218
Forex gain (net of depreciation) on contracts contain derivative	48	-
Capitalization of foreign exchange differences	(22)	(44)
Revenue recognition	-	(1)
Capital leases	(17)	0
Asset retirement obligations	(26)	(14)
Amortization of landrights	(44)	(32)
Employee benefits	(78)	(127)
Deferred tax liabilities on U.S. GAAP adjustments	(82)	(51)
Net adjustments	59	(51)
S/H Equity in accordance with U.S. GAAP	26,251	23,022

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 51%.