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Financial Statements (audited)

TELKOMSEL

HIGHLIGHT

QUARTER IV, 2008

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PT TELEKOMUNIKASI SELULAR *(TELKOMSEL)* JANUARY - DECEMBER 2008 RESULTS

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

SUMMARY

Since the beginning of 4Q08, price war has slowed down and it remained stable until the year ended. In 4Q08, Telkomsel refined its tariff structure and ran the *simPATI* TalkMania program nationwide which resulted in strong growth both in customer base and traffic. The market also responded very positive to other Telkomsel's offers such as BlackBerry® and *kartuHALO* Flash Unlimited. This quarter was also filled with Moslem festive season and year-end celebration. All these factors brought 12% revenue growth quarter on quarter.

Telkomsel recorded strong customer base growth in FY08 by adding 17.41 million new customers. The growth mainly came from the strong growth on the prepaid *simPATI* product. Chargeable MOU (minutes of use) has increased significantly as a result of the decline in effective tariff. It grew 257% from 25.2 billion minutes in FY07 to 90.2 billion minutes in FY08. Chargeable SMS also showed a positive growth of 58% from 49.5 to 78.0 billion records YoY. Operating revenue for the FY08 grew 1.4% year-on-year (YoY) to Rp 37.20 trillion.

Telkomsel has maintained its leading position, driven by *simPATI* that showed consistent positive results together with strong balance sheet and positive free cash-flow, built a good foundation for Telkomsel long-term business growth.

The followings are the highlights of Telkomsel financial and operational results for FY08:

Operating revenues	Rp 37.20 trillion
EBITDA	Rp 24.06 trillion
Net income	Rp 11.42 trillion
Net Add	17.4 million customers
Total customers	65.3 million customers
EBITDA margin (net revenue)	65%
Debt to equity ratio	0.35

FINANCIAL RESULTS (AUDITED)

Earnings & EBITDA

For the full year of 2008, Telkomsel's **operating revenues** grew by 1.4% YoY to Rp 37.20 trillion. This growth was attributable to the 36% YoY customer base growth and 257% minutes of use (MoU) growth combined with 70% effective tariff decline.

- *Operating revenue from prepaid* products which dominated by *simPATI*, increased 7% YoY to Rp 31.89 trillion on the back of 38% prepaid customer base growth combined with tariff decline. Prepaid revenues accounted for 86% of operating revenues.
- *Postpaid revenue* decreased 17% to Rp 4.24 trillion as a result of tariff reductions.
- *International roaming revenue* increased 13% to Rp 0.65 trillion, mainly contributed by the increase of tap-out revenue (revenue from inbound roamers).
- *Interconnection revenue* decreased 8% to Rp 3.01 trillion YoY due to tariff decline in April 2008, while *interconnection expense* increased 24% YoY to Rp 2.64 trillion. The increase is a result of promo on off-net calls which further stimulated off-net traffic which explained the 68% decrease in net interconnection YoY from Rp 1.15 trillion in 2007 to Rp 0.37 trilion in 2008.
- *Other (Network lease)* increased 105% from Rp 21 billion in 2007 to Rp 44 billion in 2008. It refers to usage of Telkomsel's telecommunication facilities. Previously, it was recorded under Interconnection Revenue.

Operating expenses (including depreciation) increased 22% to Rp 20.40 trillion, which was mainly due to the increase in operation & maintenance costs and depreciation expense.

- *Personnel expenses* decreased 4% YoY to Rp 1.34 trillion due to lower employee incentive in 2008.
- *Operation & maintenance expenses* rose 27% to Rp 7.94 trillion, mainly due to network infrastructure growth (the number of BTS increased by 29% and overall network capacity increased by 33%), which affected frequency fees, repair & maintenance costs and power supply for the network equipment.
- *General & administration expenses* decreased 3% YoY to Rp 0.74 trillion, which was mainly from lower rental expenses.

- *Marketing expenses* grew 31% YoY to Rp 1.21 trillion, due to higher advertising and sales support costs following tight competition in the course of 2008.
- *Other operating expenses* consist of the cost of cards, concession fees & USO charges, accounts receivable collection costs and provision for bad debt, all of which increase in line with sales/customer base growth. In 2008, these expenses increased 9% to Rp 1.90 trillion, which was largely the result of higher concession and USO fees (in line with revenue growth) and the higher cost of cards.
- *Depreciation expenses* increased 27% to Rp 7.26 trillion mainly due to network infrastructure growth (BTS grew by 29%, while overall network capacity expanded by 33%).

EBITDA for FY08 reached Rp 24.06 trillion, a 6% decrease compared to Rp 25.60 trillion in FY07. The decrease in EBITDA growth was a result of the 1% operating revenue growth combined with a relatively higher operating expenses growth (excluding depreciation 19%). EBITDA margin decreased from 70% in FY07 to 65% in FY08.

Other income/(expenses) increased 104% from a net expense of Rp 479 billion in FY07 to a net expense of Rp 979 billion in FY08. Following the global economic downturn, rupiah experienced depreciation against the foreign currencies, hence impacted the company with a forex losses amounted to Rp 468 billion in 4Q08, which mostly was an accounting loss. The other contributor was an increase on net interest expenses in FY08 due to higher interest rate and outstanding loans balance in FY08 as compared to FY07.

Income tax expenses decreased 24% due to lower income before tax and the recognition of one-time tax benefit adjustment from the application of the new income tax law, which will reduce the corporate income tax rate to 28% (in 2009) and further to 25% (in 2010 - onwards) from the current tax rate progressively ranging from 10% - 30%. The adjustment amounted to Rp 414 billion.

Net income decreased 16% to Rp 11.42 trillion in FY08 from Rp 13.62 trillion in FY07.

Non-voice/data revenue (net) in FY08 of Rp 10.10 trillion decreased 14% YoY mainly due to the tariff adjustment in April 2008. Non-voice revenue during FY08 contributed 27% of net operating revenue.

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

	2007	2008		Growth
	Rp.	Rp.	US$(*)	
OPERATING REVENUES				
Postpaid	5,086	4,243	435	-17%
Prepaid	29,838	31,888	3,268	7%
International roaming	579	652	68	13%
Interconnection : - Revenue	3,276	3,008	308	-8%
- Expense	(2,129)	(2,636)	(270)	24%
Other (Network lease)	21	44	4	105%
Net Operating Revenues	**36,671**	**37,199**	**3,812**	**1%**
OPERATING EXPENSES				
Personnel	1,397	1,345	139	-4%
Operation & maintenance	6,236	7,944	814	27%
General & administrative	761	740	76	-3%
Marketing	923	1,208	124	31%
Other operating expenses	1,750	1,900	195	9%
Depreciation	5,725	7,264	745	27%
Total Operating Expenses	**16,792**	**20,401**	**2,093**	**22%**
EBIT (EARNINGS BEFORE INTEREST & TAXES)	**19,879**	**16,798**	**1,719**	**-16%**
OTHER INCOME/(EXPENSES)				
Interest income & financing charges	(330)	(650)	(66)	**97%**
Foreign exchange gain/(loss)	(57)	(468)	(48)	714%
Others - net	(92)	139	14	-252%
Other income/(expenses) - net	**(479)**	**(979)**	**(100)**	**104%**
INCOME BEFORE TAX	**19,400**	**15,819**	**1,619**	**-16%**
INCOME TAX EXPENSE	5,776	4,397	451	-24%
NET INCOME	**13,624**	**11,422**	**1,166**	**-16%**
EBITDA	**25,604**	**24,062**	**2,464**	**-6%**
EBITDA Margin - over net oper. revenues	**70%**	**65%**	**65%**	**-5%**
ROA	**33%**	**24%**	**24%**	**-9%**
ROE	**55%**	**43%**	**43%**	**-12%**

Notes:

- (*) US$ 1 = Rp.9,757 (average end of months Jan-Dec 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 51.93 trillion. Total liabilities increased 35% to Rp 24.90 trillion. Meanwhile, Total Equities increased 3% to Rp 27.03 trillion.

- Current assets decreased 16% to Rp 4.26 trillion, mainly from a lower cash & cash equivalent balance.
- Non-current assets increased 20% to Rp 47.67 trillion mainly due to the increase in Fixed Assets (FA). FA rose 21% to Rp 46.36 trillion as a result of a significant growth in network infrastructures (29% growth in BTS and 33% expansion in overall network capacity).
- Current liabilities grew 43% to Rp 17.76 trillion, largely due to the increase in accrued liabilities and current maturities of medium-term loans.
- Non-current liabilities increased 17% to Rp 7.14 trillion, mainly from medium-term loans.

As of December 31, 2008 Telkomsel's outstanding loans was Rp 9.38 trillion, of which Rp 4.74 trillion was presented as current liabilities and Rp 4.64 trillion as non-current liabilities.

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

ASSETS	2007	2008		Growth
	Rp.	Rp.	US$ (1)	
CURRENT ASSETS				
Cash and cash equivalents (2)	2,776	1,155	107	-58%
Acct./Unbilled receivables	856	550	50	-36%
Prepayments	938	1,341	122	43%
Others	489	1,211	111	147%
Total Current Assets	**5,059**	**4,257**	**389**	**-16%**
NON-CURRENT ASSETS				
Long-term investment	20	20	2	0%
Fixed assets - net	38,251	46,359	4,234	21%
Advances for fixed assets	98	1	0	-99%
Equipment not used in operations - net	56	37	3	-34%
Intangible assets - net	378	331	30	-12%
Others	815	926	85	14%
Total Non-Current Assets	**39,618**	**47,674**	**4,355**	**20%**
TOTAL ASSETS	**44,677**	**51,931**	**4,744**	**16%**
CURRENT LIABILITIES				
Short-term loans	533	-	-	-
Accounts payable & Accr. liabilities	5,356	10,239	935	91%
Taxes payable	1,878	236	22	-87%
Unearned revenue	2,004	2,416	221	21%
Curr. maturities of med/long-term loans	2,632	4,740	433	80%
Curr. maturities of oblig. under cap. lease	-	130	12	-
Total Current Liabilities	**12,403**	**17,761**	**1,623**	**43%**
NON-CURRENT LIABILITIES				
Med/Long-term loans - net of current maturities	3,880	4,640	424	20%
Deferred tax liabilities	2,042	2,245	205	10%
Others	160	252	23	58%
Total Non-Current Liabilities	**6,082**	**7,137**	**652**	**17%**
EQUITY				
Capital stock - Rp 1,000,000 par value				
Authorized - 650,000 shares				
Issued and fully paid - 182,570 shares	183	183	17	0%
Additional paid-in capital	1,505	1,505	137	0%
Retained earnings	24,504	25,345	2,315	3%
Total Equity	**26,192**	**27,033**	**2,469**	**3%**
TOTAL LIAB. & STOCKHOLDERS' EQUITY	**44,677**	**51,931**	**4,744**	**16%**

Notes:
- (1) US$ 1 = Rp.10,950 (middle rate at end of the reporting year)
- (2) Consisting of US$ 56.4 million, Euro 25.5 million and Rp 144.7 billion for 2008

Cash Flows and Capital Expenditures

Net cash generated from operations in FY08 was Rp 18.78 trillion, a 9% decrease compared to FY07 as a result of increase in payment to suppliers and tax. Net cash used in financing activities increased 19% to Rp 8.07 trillion, mainly due to repayment of medium-term loans in FY08.

In Billions of Rupiah	FY07	FY08	Growth
Cash Flow from Operating Activities *)	20,660	18,780	-9%
Cash Flow for Investing Activities	(13,180)	(12,333)	-6%
Cash Flow from Financing Activities	(6,788)	(8,068)	19%
Net Increase in Cash & Cash Equivalents	**692**	**(1,621)**	**-334%**
Addition to fixed-assets (inc. CIP)	12,367	15,373	24%
New contracts issued during the period	13,329	15,915	19%

*) Include effect of exchange rate changes

Cash flow for investing activities decreased 6% to Rp 12.33 trillion (approximately USD 1.26 billion), which was mostly to support network infrastructures and capacity growth. Telkomsel added Rp 15.37 trillion (USD 1.54 billion) to fixed-assets in FY08. There were 6,014 new BTS (including 1,278 3G-BTS) installed.

OPERATIONAL RESULTS

Customer Base

At the end of FY08, Telkomsel customers reached 65.3 million (36% YoY growth), consisting of 1.94 million postpaid and 63.36 million prepaid customers (representing 3% and 97% of total customers, respectively). Telkomsel added 17.41 million customers in FY08, which was 42% higher than the net-addition in FY07. This higher net-add in FY08 as compared to FY07 was a result of the strong growth of *simPATI* with more than 19 million new customers due to our continuously attractive pricing on *simPATI* PeDe.

MOU & Revenue Per Minute (RPM)

For the full year of 2008, chargeable MoU reached 90.2 billion minutes, which was 257% higher than FY07 MoU. It still keeps on increasing as a result of attractive pricing offers on *simPATI* PeDe. Voice RPM for FY08 is around Rp 290, 70% lower than FY07 Rp 980.

SMS & Revenue Per SMS (RPS)

Chargeable SMS reached 78.0 billion records for FY08, increased 58% compared to 49.5 billion records in FY07. Revenue per SMS for FY08 is around Rp 110, declined 39% than Rp 180 in FY07.

ARPU

ARPU is derived from monthly recurring customers' usage. Following a big drop in tariff due to intense competition, 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 216K, ARPU for *simPATI* decreased 25% YoY to Rp 63K and ARPU of Kartu As decreased 35% YoY to Rp 37K. As a result, blended ARPU declined 27% to Rp 59K.

OPERATIONAL INDICATORS AS OF DECEMBER 31, 2007 AND 2008

	Unit	2007	2008	Growth
CUSTOMER BASE				
Net Additions				
kartuHALO	Subscriber (000)	1,913	1,940	1%
simPATI	Subscriber (000)	23,986	43,033	79%
Kartu As	Subscriber (000)	21,991	20,327	-8%
Total	**Subscriber (000)**	**47,890**	**65,300**	**36%**
Net Additions				
kartuHALO	Subscriber (000)	251	27	89%
simPATI	Subscriber (000)	2,608	19,047	630%
Kartu As	Subscriber (000)	9,434	(1,664)	118%
Total	**Subscriber (000)**	**12,293**	**17,410**	**42%**
MOU (excluding free & incoming mins)	Billion minutes	25,2	90.2	257%
ARPU				
Total (12 months average)				
kartuHALO	Rp. '000 per mo.	264	216	-18%
simPATI	Rp. '000 per mo.	84	63	-25%
Kartu As	Rp. '000 per mo.	57	37	-35%
Blended	Rp. '000 per mo.	80	59	-27%
Non-voice/Data (12 months average)				
kartuHALO	Rp. '000 per mo.	49	40	-19%
simPATI	Rp. '000 per mo.	25	16	-36%
Kartu As	Rp. '000 per mo.	23	18	-23%
Blended	Rp. '000 per mo.	25	17	-30%
NETWORK DATA				
Network Capacity				
Base stations installed (GSM/DCS/3G)	Unit	20,858	26,872	29%
Overall capacity all network elements	Subs. mln.	50.5	67.3	33%
Quality of Service				
Call success rate	%	94.24%	93.61%	-0.63%
Call completion rate	%	99.20%	98.73%	-0.47%
EMPLOYEE DATA				
Total employees	Person	4,080	4,129	1%
Efficiency ratio	Subs/employee	11,738	15,815	35%

ACTIVITY HIGHLIGHTS

New Products & Programs

In 4Q08, Telkomsel introduced the following programs:

- Launched *"Kartu As 1 get 1"* in October 2008. Kartu As users could enjoy one minute free after one minute on-network calls (voice and video calls).
- In November 2008, we launched *"Forever Kartu As"*. By making a call or SMS or other services with Rp 10 minimum usage, Kartu As and Kartu As Fress users earn 30 days active period.
- The Talk Mania program was modified and ran nationally (except Ambon, Papua and Nusa Tenggara Timur) in December 2008, offering *simPATI* customers to have cheaper calls. By registering Rp 2,000 per day (Jawa, Bali and Nusa Tenggara Barat) or Rp 3,000 per day (Sumatera, Kalimantan and Sulawesi), customers are entitled for a 1.5-hour calls (on-network) between 01.00-18.00 hours.
- In December 2008, we introduced a new pricing on *simPATI* PeDe. Offering Rp 15/second for early seconds in all time bands and Rp 0.5/second afterwards (for Sumatera, Kalimantan, Sulawesi, Maluku, Papua and Nusa Tenggara Timur, cyclical scheme applies).

Awards

During the 4th quarter of 2008, Telkomsel received *Indonesia Telecoms Awards 2008 as Mobile Data Service Provider of the Year* from Frost & Sullivan.

LOAN/DEBT

During the year 2008, Telkomsel signed Rp 5.3 trillion new loan facilities with several local banks. As at December 31, 2008 Rp 5 trillion were drawndown. The remaining amount was drawn down in January 2009.

Telkomsel's outstanding medium-term loan balance at December 31, 2008 totalled Rp 9.38 trillion.

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

	Covenants t/b maintained	Required	Actual
ECA Facilities	Debt to equity ratio	≤ 2	0.35
	Debt service coverage ratio	> 1.25	4.77
	Permitted indebtedness	≤ Rp 48.11 trln	Rp 9.38 trln
Bank Loans	EBITDA to debt service	≥ 1.25	5.27
	Debt to tangible net worth	≤ 2.00	0.35

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

1. **Agreement with Apple South Asia Pte.Ltd**
   On January 9, 2009, Telkomsel entered into an agreement with Apple South Asia Pte. Ltd. for purchasing of iPhone products and provision of cellular network services in Indonesia. In addition, under the iPhone Contract of Adherence and Agreement between Telkomsel and PT Trikomsel OKE ("Trikomsel") dated January 9, 2009, Telkomsel has appointed Trikomsel as the Authorized Purchaser (AP).
2. **USO Program**
   Telkomsel is selected as provider of USO program in package 1,2,3,6 and 7 with a total price of Rp 1.66 trillion.
3. **Telecommunication Traffic Clearing System ("SKTT")**
   In accordance with Agreement on Operation of Telecommunication Traffic Clearing among 12 operators (including Telkomsel) and PT Pratama Jaringan Nusantara (PJN) dated March 2, 2009, PJN is appointed to conduct voice interconnect clearing process.
4. **2G BSS and 3G UTRAN Roll Out Agreements**
   On March 3, 2009 and March 13, 2009, the Company and several vendors (Ericsson, Nokia Siemens Network and Huawei) entered into 2G BSS and 3G UTRAN Roll Out Agreements for the provision of 2G GSM Based Station Subsystem and 3G UMTS Radio Access Network. Based on the agreement, the vendors should provide equipment and related services.

OUTLOOK 2009

Telkomsel remains focus on maintaining revenue market share. Operating revenue for 2009 is expected to grow at mid single digit. We expect to grab 50% of the Big 3 total net add. Margins may potentially decline around 1-2%. Our capex is expected to be between USD 1.3 - 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.

Fixed Assets

Fixed assets 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).

Fixed assets 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 Assets Under Construction

Under Indonesian GAAP, foreign exchange losses from borrowings used to finance assets 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 Assets 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.

Embedded derivative on contracts denominated in foreign currencies

Under U.S. GAAP, unless it is routinely denominated in international commerce in a single currency, it should be separated from the host contract and accounted for under embedded foreign currency derivative instruments.

RECONCILIATION TO U.S. GAAP
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In billions of Rupiah)	2008	2007
Net Income as reported under Indonesian GAAP	**11,422**	**13,624**
U.S. GAAP adjustments - Incr./(decr.) due to:		
Capitalization of foreign differences	22	22
Capitalization of interest expense	13	62
Recognition of finance leases	17	(17)
Forex gain (loss) (net of depreciation) on contracts contain derivative	(490)	49
Asset retirement obligations	26	(12)
Amortization of landrights	(22)	(12)
Deferred income tax effect on U.S. GAAP adjustments	117	(31)
Net adjustments	**(317)**	**61**
Net Income in accordance with U.S. GAAP	**11,105**	**13,685**
S/H Equity as reported under Indonesian GAAP	**27,033**	**26,192**
U.S. GAAP adjustments - Incr./(decr.) due to:		
Capitalization of foreign exchange differences	-	(22)
Capitalization of interest expense	293	280
Forex gain (loss) (net of depreciation) on contracts contain derivative	(441)	49
Asset retirement obligations	-	(26)
Employee benefits	6	6
Recognition of finance leases	0	(17)
Amortization of landrights	(66)	(44)
Recognition of other comprehensive inc. related to empl. benefits	(49)	(85)
Deferred income tax effect on U.S. GAAP adjustments	55	(82)
Net adjustments	**(222)**	**59**
S/H Equity in accordance with U.S. GAAP	**26,811**	**26,251**

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is 65% owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX: TLKM; NYSE: TLK; LSE: TKIA) and 35% owned 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 a market share of subscribers of approximately 47%.